A Year of **Transformative Growth**

ANNUAL REPORT **2022**

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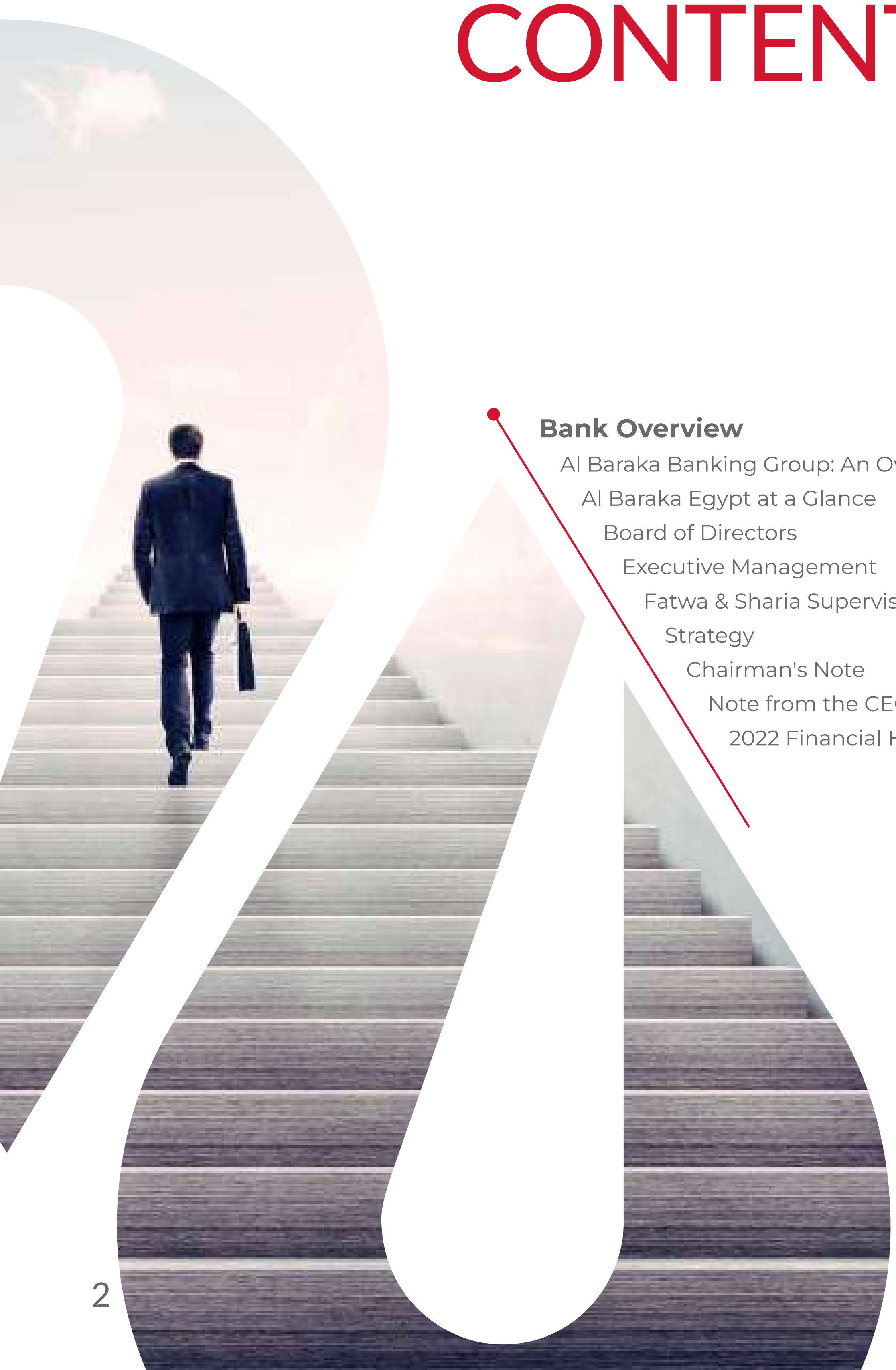


BANK
OVERVIEW

Al Baraka Banking Group
An Overview

Al Baraka Group B.S.C. (ABG, or the Group) is an Investment Business Firm – Category 1 (Islamic Principles) licensed by the Central Bank of Bahrain and listed on the Bahrain Bourse. The Group is a global pioneer in Islamic finance and provides Sharia-compliant retail, corporate, treasury, and investment banking services through its subsidiaries in 14 countries.

The Group has more than 20 years of experience as a leading Islamic financial institution.

Its geographic footprint includes more than 600 branches across Egypt, Jordan, Tunisia, Bahrain, Sudan, Turkey, South Africa, Algeria, Pakistan, Lebanon, Syria , Iraq, and Germany, as well as a representative office in Libya. The Group provides unique and innovative Islamic financial products and services to an ever-growing clientele across all segments of society.

Al Baraka Group has authorized capital of USD 2.5 billion.

Jordan - Egypt - Tunisia - Sudan - Bahrain - Turkey - South Africa

Algeria - Lebanon - Syria - Pakistan - Libya - Germany - Iraq

At a Glance

Al Baraka Bank Egypt (Al Baraka Bank, or the Bank) is a leading Islamic Bank that has been operating in Egypt for more than 30 years as a member of Al Baraka Bank Group (ABG). Al Baraka Bank offers a wide range of products and services meeting the needs of all customer segments through its Retail, Business, SME, Digital, Investment, and Treasury Departments, all of which operate in compliance with Islamic banking principles under the supervision of the Bank's Sharia Board.

Al Baraka Bank supports development across the entire economy. The Bank's Retail arm offers an array of Sharia-compliant products and services for the public, as well as those specialized for high-net-worth individuals and those targeting financial inclusion for underbanked segments in accordance with the CBE initiative. On the Business Banking side, Al Baraka Bank's unique offerings serve customers ranging from SMEs to multinational corporations across a wide scope of sectors, with specialization in energy, infrastructure, manufacturing, and agriculture. The Bank provides both direct financing and participates in syndicated loans for large-scale projects that prove economically feasible and provide significant local employment opportunities.

Al Baraka Bank is headquartered in the 5th Settlement, New Cairo, and operates a network of 35 branches. The Bank employs more than 1,200 individuals who are highly trained in the principles of Islamic banking and experienced in the Bank's products, services, and mission to serve its 150,000 customers across the country.

Al Baraka Bank is amid a transformational restructuring plan as it embarks on a three-year strategy spanning 2023–2025 that aims to expand the Bank's geographic and digital footprint, develop infrastructure and technology, strengthen its products and services portfolio, gain market share, and continue to provide sustainable value for its stakeholders.

35

Branches
across Cairo, Alexandria, and the Delta

with plans for geographic expansion across most governorates by 2025

1,200

Employees
qualified and experienced in Islamic banking

continuously building knowledge capacity and applying best practices

150K

Revenues
served across Egypt

with robust product offering, digital services, and new target segments driving growth

Board of Directors

ENG. ABDEL AZIZ MOHAMED ABDO YAMANI
Board Chairman, Non-Executive

Eng. Yamani assumed the role of Chairman of Al Baraka Bank in 2020. He has been serving as CEO of Dallah Al Baraka Holding Company since 2020, and he held the position of Deputy CEO of the Real Estate Sector for Dallah Al Baraka Holding Company in 2017. Prior to that, he served as Assistant CEO of Dallah Al Baraka Holding Company. His experience extends to serving as CEO for the Arab Media Company and General Manager for Dallah Holding Company, Dallah for Industrial Investment, Dallah Agricultural Company, and Al Samaha Commercial Company – Jeddah.

Eng. Yamani serves as Chairman of the Board of Directors for Itqan Capital, Halawani Brothers, Maad International Company, Al Thuraya Holdings Al Manakha Urban Development Co., the International Biscuits Company in Riyadh, the Honor Club Company, Al Tawfiq Development and Investment Company "ADECO" in Beirut, and Godiva Investment in London.

Eng. Yamani also serves as Chairman for multiple companies including Egyptian Dallah Al Baraka for Investment and Development Company, Ismailia Poultry Company, Arab Moltaqa Investments Company, New Ismailia Company for Urban Development, Al Baraka Company for Financial Investments, Halwani Brothers Egypt, Dallah Real Estate Investments Company, Samla & Alam Al-Roum Company, and Almaza Real Estate Development Company. He is Vice Chairman of Al Tawfik Mutual Fund – Cayman Islands.

Eng. Yamani holds a degree from the Faculty of Engineering's Industrial Engineering Section at King Abdul Aziz University in Jeddah

MR. HAZEM HEGAZY
CEO & Vice Chairman

Mr. Hazem Hegazy is Al Baraka Bank's CEO and has been Vice Chairman of the Board of Directors since 2021. He joined Al Baraka Bank with more than 30 years of experience in the financial industry in Egypt and the GCC region, specializing in retail banking, SMEs, and risk management.

Prior to joining Al Baraka Bank, Mr. Hegazy served as Executive Vice Chairman at Banque du Caire. Prior to that, he held numerous leadership roles, including CEO of Retail and SMEs at NBE; CEO of the Egyptian division of Network International (NI), a leading UAE-based payment solution provider; and Head of Consumer Banking Group at Barclays Bank Egypt, where he managed the bank's retail and branch network. Before that, he served as the Group Head of the Retail and Branches at NBE, where he restructured the retail business, Mr. Hegazy previously held the position of Head of Retail Banking at the Arab Bank, and he was the Head of Branches at Al Ahli United Bank in Qatar. He also served as AVP Operations Risk Manager for Union National Bank in UAE. Mr. Hegazy started his banking career at Mashreq Bank in the UAE.

Mr. Hegazy serves as a member of the Board of Directors of Tally for Payment Solutions, Egyptian Takaful Insurance Company, and Al Nasr Housing and Development Company.

Mr. Hegazy holds a bachelor's degree in accounting from the Faculty of Commerce, Cairo University.

MR. HOUSSEM BEN EL-HABIB BEN HAJ AMOR

Member, Non-Executive

Mr. Houssem Ben Haj Amor has served as Group CEO at Al Baraka Group since July 2022, having previously held the position of Deputy CEO, Business Developments, and Investments for the Group throughout 2020.

Prior to joining Al Baraka Group's leadership, Mr. Ben Haj Amor served as CEO at Amlak Finance, where he oversaw the management of an AED 3 billion real estate portfolio and a multibillion Dirham debt restructuring. He held the positions of General Manager and CFO/COO during his decade-long tenure with SHUAA Capital and was Head of Accounting at Societe Generale earlier in his career.

Mr. Ben Haj Amor holds a CPA and bachelor's degree in accounting and finance from the Institut Superieur de Comptabilite in Tunisia.

MR. ISMAIL SALEH ABD EL-FATTAH

Member, Non-Executive

Mr. Ismail Saleh Abd El-Fattah joined Al Baraka Bank's Board of Directors in 2018. He served as the General Manager for the National Bank of Egypt UK (NBEUK) from 1986 to 2018 as part of a nearly 60-year tenure with the National Bank of Egypt (NBE) and its sister company, the European Arab Bank, of which Mr. Abd El-Fattah spent 40 years based in London and 20 years based in Cairo. During his career with NBE, Mr. Abd El-Fattah served both as a member of the Board of Directors and, later its Chair, he was Chairman of the executive management, credit, ALCO, and Risk committees.

Mr. Abd El-Fattah holds an SMF18 management certification approved by the FCA, PRA, and Bank of England and a higher diploma from the Institute of Commerce. He also received extensive training from institutions that include Lloyds London and the International Chamber of Commerce.

MR. HATEM ABD EL-MONEM MOHAMED MONTASSER

Member, Non-Executive

Mr. Hatem Abd El-Monem Mohamed Montasser joined Al Baraka Bank's Board of Directors in 2022. He has more than three decades of experience in auditing, taxation, and consulting. Mr. Montasser joined KMPG Hazem Hassan in 1999 as a member of the senior management team and assumed the role of Executive Partner from 2014 until 2021. He also serves on the Board of Directors for KMPG Global for the Middle East and South Asia.

Mr. Montasser holds a bachelor's degree from the Faculty of Commerce, Alexandria University, and holds a fellowship of the Egyptian Association of Accountants and Auditors.

MR. AHMED MUSTAFA ABD EL-HAMID

Member, Non-Executive

Representing Misr Insurance Company

Mr. Ahmed Mustafa Abd El-Hamid has been a member of Al Baraka Bank's Board of Directors since 2018, representing Misr Insurance Company where he gained over thirty years of experience in the insurance industry. He has held the position of Head of Risk and Actuarial Affairs Since 2017. Mr. Abd El-Hamid has served as a member of the Audit and Risk Committee at Misr Insurance Company since 2019. He is also Chairman of the Corporate Risk Management and Compliance Committee of the Egyptian Insurance Federation.

Mr. Abd El-Hamid is a lecturer in Enterprise Risk Management at Cairo University's Actuarial Department. He is also a fellow of the Chartered Insurance Institute in London, where he obtained CIP and ACII certifications. He holds a bachelor's degree of mass communication and a postgraduate diploma in public relations from Cairo University.

MR. MOHAMED ABD EL-SALAM ELBASHEER AL-SHOKARY
Member, Non-Executive
Other Shareholders

Mr. Mohamed Al-Shokary has been a member of Al Baraka Bank's Board of Directors since 2020, boasting over 40 years of extensive banking and financial experience. Throughout his career, he has held various high-ranking management roles, including Advisor to the Board of Directors of the Libyan Foreign Bank, Deputy Governor of the Central Bank of Libya, and Chairman of the Board of Directors of Jumhouria Bank, the largest Libyan bank.

Mr. Al-Shokary also served as Vice Chairman of the Board of Directors of the Arab British Commercial Bank in London and was a member of the Board of Directors of the Arab Banking Corporation in Bahrain. He chaired the Board of Directors of the Arab Corporation Bank in Algeria and served as Chairman of the Board of Directors of the Arab Financial Leasing Company.

He held the role of General Manager of the Tunisian-Libyan Bank in Tunisia and was a member of the Board of Directors of the Arab International Trade Company in Egypt. Additionally, he was a member of the Board of Directors of the Suez Canal Bank, the Sharm Group Tourism Company, and the International Financial Leasing Company - Incolease.

Furthermore, Mr. Al-Shokary was a member of the boards of directors of the Spanish Arab Bank in Madrid and the Equatorian Bank in Uganda, and vice president of the bank's African company in Togo. He served as Chairman of the Board of Directors of the Libyan Association of Banks and Chairman of the Board of Directors of the Banking Training Institute. He is a member of the Libyan Society of Accountants and Auditors.

Mr. Al-Shokary holds a bachelor's degree in accounting from the University of Benghazi and a master's degree in accounting from Oklahoma City University.

DR. RAMY AHMED HASAN AL-BORAI
Member, Non-Executive
Independent

Dr. Ramy Al-Borai has been a member of the Board of Directors of Al Baraka Bank since 2022. He is internationally renowned for his legal expertise, built upon a distinguished career with some of the most prominent Egyptian and global institutions. He is the managing partner of the "Al-Borai & Partners" office for legal consultation, law and arbitration. He is a certified lawyer in the Arab Republic of Egypt and the State of New York in the United States of America.

Dr. Al-Borai provides legal consultations in the fields of commercial law, corporate law, banking transactions and financing, and has contributed to completing a group of diverse and complex deals in several fields and with diverse structures, such as project financing, asset financing, financial leasing, derivatives operations, syndicated loans, risk distribution, hedging agreements, and financing that can be converted into "mezzanine" capital.

He joined the "Sarey El-Din & Partners" office as a partner from 2009 to 2011 where he served as Head of the Private Investment Funds, Mergers, Acquisitions, and Investment Banking Department. He also held the position of Deputy Chief Legal Counsel at The National Investor between 2006 and 2008 where he was responsible for investment banking, negotiating, reviewing agreements, and supervising cases. Additionally, he served as Chief Counsel at the National Bank of Abu Dhabi at Abu Dhabi from 2004 to 2006.

Dr. Al-Borai holds a doctorate from the University of London in the United Kingdom, specializing in the insolvency of multinational companies (2006), a master's degree in comparative law from Southern Methodist University in Texas (2004), and a master's degree in economic law from the University of Warwick (2001). He holds a bachelor 's degree in law degree from Cairo University (2000) and a bachelor's degree in law from the Sorbonne University (1999).

MR. KARIM MOHAMED FOUAD EL FATEH
Member, Non-Executive
Independent

Mr. Karim Mohamed Fouad El Fateh joined Al Baraka Bank Egypt's Board of Directors in 2022. He serves as the Commercial Director at WAVZ for Digital Transformation, a role he assumed in January 2023.

During his 32 years of professional experience in the information technology industry, Mr. El Fateh held several managerial roles including Chief Executive Officer at Digitech - a Microsoft LSP partner, Regional Business Director at iXDev — a SaaS joint stock company that he cofounded. He was appointed as the General Manager for Egypt and North Africa at Intel Corporation - a multinational semiconductor company.

Mr. El Fateh holds a PhD in vocational education from Pebble Hills University, an MBA specialized in globalization from Maastricht School of Management, and a bachelor's degree in electronic and communication engineering from Cairo University.

Executive Management

MR. HAZEM HEGAZY
CEO & Vice Chairman

Mr. Hazem Hegazy is Al Baraka Bank's CEO and has been Vice Chairman of the Board of Directors since 2021. He joined Al Baraka Bank with more than 30 years of experience in the financial industry in Egypt and the GCC region, specializing in retail banking, SMEs, and risk management.

Prior to joining Al Baraka Bank, Mr. Hegazy served as Executive Vice Chairman at Banque du Caire. Prior to that, he held numerous leadership roles, including CEO of Retail and SMEs at NBE; CEO of the Egyptian division of Network International (NI), a leading UAE-based payment solution provider; and Head of Consumer Banking Group at Barclays Bank Egypt, where he managed the bank's retail and branch network. Before that, he served as the Group Head of the Retail and Branches at NBE, where he restructured the retail business, Mr. Hegazy previously held the position of Head of Retail Banking at the Arab Bank, and he was the Head of Branches at Al Ahli United Bank in Qatar. He also served as AVP Operations Risk Manager for Union National Bank in UAE. Mr. Hegazy started his banking career at Mashreq Bank in the UAE.

Mr. Hegazy serves as a member of the Board of Directors of Tally for Payment Solutions, Egyptian Takaful Insurance Company, and Al Nasr Housing and Development Company.

Mr. Hegazy holds a bachelor's degree in accounting from the Faculty of Commerce, Cairo University.

MR. MOUSTAFA AL AROUSSY
Deputy Chief Executive Officer

Mr. Moustafa Al Aroussy joined Al Baraka Bank in February 2022 and serves as the Bank's Deputy CEO. Mr. Al Aroussy has more than 24 years of banking experience in several functions, including corporate banking, coverage and client's relationship, investment, debt restructuring, and financial engineering. Mr. Al Aroussy is a member in several senior committees in the Bank, including the Executive and the Assets and Liability Management committees. He is currently overseeing a transformation project for the corporate, syndications, and investments functions across the Bank.

Before his current position, Mr. Al Aroussy was the Head of Domestic Groups Coverage and Debt Restructuring for the Corporate and Investment Banking Division of QNB Al Ahli – Egypt. He held the position of Deputy Head of the Corporate Relationship Unit in the Corporate and Investment Banking Division of National Société Générale Bank prior to its acquisition by QNB. He was also the Senior Corporate Banking Relationship Manager in the Corporate Credit and General Trading Division at Commercial Bank of Kuwait. Mr. Al Aroussy started his banking career as a Senior Relationship Manager in Corporate Banking at the Arab African International Bank.

Mr. Al Aroussy obtained a bachelor's degree in accounting from the Faculty of Commerce and Business Administration, Helwan University, in 1998. He also holds an MBA in finance and banking from the Maastricht School of Management.

MR. HESHAM GHONEIM
Chief Financial Officer

Mr. Hesham Ghoneim has been Al Baraka Bank's Chief Financial Officer (CFO) since February 2022, a role through which he started to restructure the function to embed robust controls, support business growth, and enhance productivity.

Prior to this, Mr. Ghoneim was CFO of Al Ahli Bank of Kuwait in Egypt. He previously held several key positions in local, regional, and international banks, such as Citibank, Barclays, ADIB, and BDC – Uganda. Mr. Ghoneim started his banking career in Commercial International Bank (CIB) in 1997 and moved to Citibank, where he held several positions in the Finance Department in Cairo and Istanbul, and completed several international assignments in the UK, Czech Republic, Greece and Turkey.

Mr. Ghoneim has been an active member of the Association of Financial Professionals (AFP) since 2014. He holds a bachelor's degree in accounting from the Faculty of Commerce, English Language section, Ain Shams University.

MR. KARIM NAMEK
Chief of Financial Markets

Mr. Karim Namek joined Al Baraka Bank as Chief of Financial Markets, heading the Treasury and Financial Institutions Sector in January 2022. Mr. Namek has an established career of thirty years in the financial sector in Egypt and Kuwait, specializing in treasury and liquidity management.

Mr. Namek served as General Manager and Head of Treasury for Kuwait International Bank from 2016 to 2020 and held the same position for National Bank of Kuwait. From 2009 to 2014, Mr. Namek assumed the role of General Manager and Chief of Financial and Capital Markets for Alexbank, following a five-year tenure with CIB as Director and Head of Treasury Investments. Earlier in his career, Mr. Namek held several positions at Credit Suisse Egypt.

Mr. Namek holds a bachelor's degree in commerce from Cairo University.

MR. KHALED AL AMMARY
Chief Risk Officer

Mr. Khaled Al Ammary assumed the role of Chief Risk Officer at Al Baraka Bank in 2018 after more than three decades of experience in the Egyptian banking sector, where he specialized in risk management and corporate banking.

Prior to joining Al Baraka Bank Egypt, Mr. Al Ammary held a number of managerial positions at the Export Development Bank of Egypt, including Consolidated Risk Management Group Head (CRO), Credit Risk Director, and Director of the SMEs Banking Division. During his tenure at Export Development Bank of Egypt, Mr. Al Ammary served on several committees, such as Head of Nonperforming Loans and Deputy Head of the Executive Committee, Asset and Liability Committee, and the Provisioning and Portfolio Review Committee. Mr. Al Ammary's experience includes roles at Arab Bank PLC, Egypt; Arab African Bank (currently ABC Bank); and Chase National Bank Egypt (currently CIB).

Mr. Al Ammary holds a bachelor's degree in science from Cairo University, obtained in 1978.

MR. ALAA EL DEEN TAHA ZAKI
Head of Large Corporate, Syndication, and Investment

Mr. Alaa El Deen Taha Zaki is the Head of Large Corporate, Syndication, and Investment at Al Baraka Bank Egypt, overseeing the Marketing, Finance, and Investment sectors, and the General Department of Investment and Securities.

Mr. Zaki has nearly 40 years of experience in the financial industry and has been with Al Baraka Bank since 2009, holding several strategic and managerial positions. He has been responsible for supervising the Bank's credit studies and establishing credit policies for its Syrian, Lebanese, and Bahraini operations. Mr. Zaki is Chairman of Al Baraka Bank Egypt's Head Office Credit Committee and a member of the Asset and Liability Management Committee.

Mr. Zaki obtained a bachelor's degree in commerce and a diploma in advanced technical methods for credit granting from Cairo University.

Sharia Supervisory Board

Sheikh Dr. Abdul Latif Mahmoud Al Mahmoud
Chairman of Al Baraka Bank Egypt's Sharia Supervisory Board

Sheikh Dr. Abdul Latif Mahmoud Al Mahmoud has served as Chairman of Al Baraka Bank Egypt's Sharia Supervisory Board since 2020. He is a member of several Islamic financial institutions' Sharia Supervisory Boards, including Bahrain Islamic Bank, Takaful Company, and the Arab Islamic Banking Association in Bahrain and London. He holds a PhD in Islamic Jurisprudence and Sharia from Al Zaytouna University and a master's degree in comparative jurisprudence from Al Azhar University.

Sheikh Dr. Ayashi Faddad
Vice Chairman of Al Baraka Bank Egypt's Sharia Supervisory Board

Sheikh Dr. Ayashi Faddad assumed the role of Vice Chairman of Al Baraka Bank Egypt's Sharia Supervisory Board in 2020. He also serves as a member of the Sharia Board of the Accounting and Audition Organization for Islamic Financial Institutions in Bahrain and the Sharia Board of the International Islamic Rating Agency. He holds a master's degree and PhD in Islamic economics from Um Al Qura University in Makkah.

Dr. Mohamed Naguib Awadin
Member of Al Baraka Bank Egypt's Sharia Supervisory Board

Dr. Mohamed Naguib Awadin is a professor of Sharia at the Faculty of Law at Cairo University and has served as a member of Al Baraka Bank Egypt's Sharia Supervisory Board since 2016. He is a published researcher in Islamic transactions, Sharia, and comparative jurisprudence. Dr. Awadin serves as a board member at several Islamic financial institutions in Egypt. He holds a PhD in comparative jurisprudence with a focus on jurisprudence of transactions, from Al Azhar University.

Dr. Hassanein Abdel Moneim Hassanein
Member of Al Baraka Bank Egypt's Sharia Supervisory Board

Dr. Hassanein Abdel Moneim Hassanein has served as a member of the Sharia Supervisory Board at Al Baraka Bank Egypt since 2015. He sits on the board of several Sharia Supervisory Boards at Islamic financial institutions in Egypt. Dr. Hassanein holds a PhD in Sharia with a specialization in jurisprudence of transactions and a PhD in language with a specialization in grammar and morphology, both from the Faculty of Dar Al Uloom at Cairo University.

Strategy

Al Baraka Bank has developed a comprehensive and sustainable three-year strategy to be implemented through 2025 with the aim of becoming a top 10 net profit bank in Egypt and expanding its market share. 2022 was a year of transformation for the Bank, as it undertook prerequisite steps to implementing this strategy. Under the direction of the Bank's newly appointed CEO, Mr. Hazem Hegazy, critical aspects of the Bank's business have been identified, assessed, and restructured in support of the Bank's medium- and long-term goals. These measures encompass a holistic approach to growth while supporting the principles by which the Bank has previously and will continue to abide.

Inclusive and Sustainable Profitability

The Bank has adopted an inclusive and sustainable approach to maximizing profitability across its primary lines of business: retail, corporate and investment, and SME banking. This approach considers the specific needs and opportunities within each line of business, while maintaining a holistic vision for the Bank's overarching strategic goal of achieving the ranking of a top 10 net profit bank in Egypt by 2025 while increasing market share.

1 Retail Banking

The Bank targets ambitious expansion of its Retail Banking unit, aiming to grow deposits and facilities by a double-digit CAGR through 2025 to transform our retail banking market positioning. The Bank has identified key activities to strengthen its retail banking business in the coming years, and it began undergoing a series of transformations in 2022 to facilitate achieving its targets. Streamlining multiple processes and strengthening the Bank's network infrastructure were among the Bank's priorities in the last year, to improve efficiency, accuracy, and customer experience for the Bank's existing clientele and in anticipation of accelerating customer acquisition. Similarly, the Bank has undergone a restructuring and centralization process for its branches in the lead-up to its branch expansion, which will broaden the Bank's geographic reach and service capacity in Cairo, Alexandria, the Delta, and other governorates. In the coming three years the Bank aims to open 50 new branches and has already established and begun construction on its Delta HQ. Several new products were launched in the last year, including those that align with the CBE mandate for financial inclusion. The Bank sees these financial inclusion products as an opportunity to acquire new life-long customers among previously unbanked individuals. As the Bank strives to continually diversify and innovate its offering in the coming years, additional products and services will be developed and rolled out.

2 Corporate and Investment Banking

Al Baraka Bank's Corporate and Investment Banking business is underpinned by decades of experience in providing distinct products and services that serve the varying needs of its clients and a strong track record of investments in projects that support economic growth and provide local employment opportunities. The Bank aims to grow its Corporate Banking business over the coming years, further emphasizing our corporate banking presence in the market, growing our corporate and investment banking portfolio by unprecedented growth rates until 2025.

The Bank reviewed and optimized its risk strategy over the course of 2022 and maintains an adaptive approach to risk management as it implements its growth strategy. The Bank continues to enhance its services as it seeks to expand and diversify its portfolio, especially for high potential sectors.

Global Transaction Banking (GTB) is set to be a key driver in the growth of corporate business in the future. The Bank has begun to develop additional capacity toward its GTB services, including its cash and liquidity management, trade finance, and corporate online banking, with the aim of improving its corporate customers' ease of conducting international business. With these enhancements, the Bank is confident in its ability to attain regional portfolio expansion.

Al Baraka Bank remains committed to its role as an enabler to economic growth through investment in key projects in critical sectors, such as energy and construction. It continues to support industry and has taken steps toward prioritizing the financing of green economy projects in line with Egypt's Vision 2030 and the Bank's objectives for sustainable profitability.

3 SMEs

The Bank will draw on its extensive Corporate Banking capabilities to develop its SME Banking sector, which it plans to aggressively expand in the three years ahead, targeting to build the deposits and facilities portfolio by market-leading growth rates. In 2022, the Bank established an SME Department with a strong framework for achieving this growth. The Bank's strategy for its SME business adheres to the CBE's mandate for supporting SMEs and capitalizes on the vast and growing opportunities that exist within the segment.

Three new SME products were launched in 2022, including one designed for farmers and another for healthcare entities. The Bank will continue to assess and expand its product offering while developing its infrastructure of SME business centers. Given the incredible demand for banking services among SMEs in Egypt, Al Baraka Bank will act to prioritize geographic expansion into industrial zones and business areas, as well as develop attractive products based on market needs and opportunities.

Customer Centricity

Customer centricity was the focus of many of Al Baraka Bank's transformative activities in 2022 and will remain a core pillar of the Bank's strategy in the coming years. Sales functions were strengthened, and new growth models were developed to facilitate robust customer acquisition across its Corporate, SME, and Retail Departments. Post-sales service teams are in place across these departments to ensure the continuity of customer service and promote relationship longevity. The Bank's ongoing product innovations and service enhancements will continue to include segment-specific offerings, as the Bank aims to provide unique and competitive Sharia-compliant banking services to all customer segments. In 2022, several financial inclusion products were launched, targeting various underbanked customer segments. In the coming years, the Bank is particularly targeting expansion of its high-net-worth individual (HNWI) wealth management portfolio.

The Bank has applied holistic measures to improve customer satisfaction and enhance the accessibility of its services. Much of the Bank's digitalization efforts over the last year centered on expanding access to online banking and other digital services. The Bank's branch renovations and ATM network establishment are among the physical enhancements that the Bank underwent in the lead up to its three-year strategy. The branches and ATM network are set to expand through the coming three years through the implementation phase of the Bank's strategic vision. The Bank is additionally focused on training its customer-facing staff in areas such as product knowledge and sales, addressing customer concerns, and enhancing service procedures for customers with disabilities. The Bank will continue to pursue these customer enhancing measures as it strengthens its already solid reputation in the market.

Innovative Culture

Al Baraka Bank equates the strength of its employees with its potential for success and thus consistently strives to provide an innovative, inclusive, and empowering workplace for its teams. The Bank considers a healthy, skilled, and agile workforce a key factor in generating long-term, sustainable growth and has developed plans to launch a learning academy for its employees to upskill, retain, and attract top talent in the market.

In the last year, the Bank revisited numerous HR policies and expanded its incentive framework to increase its competitiveness as an employer. The Bank will implement a robust capacity-building program over the coming three years, which will remain adaptive to new trends, market needs, and the Bank's objectives.

Solid Enterprise Control Framework

The Bank is committed to sound management principles that support its objectives to grow quickly and sustainably. The Bank has built a strong foundation having operated under a solid framework of best banking practices, Sharia compliance, and regulatory adherence since its inception. As the Bank enters a new expansionary phase, it will remain steadfast in continually strengthening its control framework. As such, in 2022, the Bank reviewed its risk policy and placed renewed priority on liquidity and balance sheet management strategies. The revised framework is expected to reinforce relationships with the Bank's corporate and retail customers, enable effective planning and decision-making around investments, and ensure long-term value generation for the Bank's many stakeholders.

Digitalization to Maximize Operational Efficiency

Al Baraka Bank recognizes the urgency to digitalize its business for improved operational efficiency and increased competitiveness in the market. The Bank's digitalization process was prioritized in 2022 and is well underway, with additional and wide-reaching efforts planned over the coming period as the Bank endeavors to remain responsive to global business trends and consumer expectation.

Al Baraka Bank was among the first financial institutions in Egypt to provide instant payment capabilities with its InstaPay integration. In 2022, the Bank began the process of rolling out internet and mobile banking to its customers, and a wide range of accounts and services can now be accessed digitally. Prescriptive security measures have been put in place to reinforce consumer confidence, and the Bank's internal systems are undergoing streamlining and digitalization processes across the board, further strengthening its capabilities. Digitalization of customer communications, either through the Bank's revamped website or its relaunched social media channels, has served to alleviate pressure on branches and call centers as the Bank's customer base grows. The Bank looks to continue expanding its internal digitalization efforts, while staying on top of latest trends in online banking, security management, and communications over the coming years.

Chairman's **Note**

Our performance in 2022 is consistent with our firm commitment to creating long-term sustainable value for our stakeholders and is the result of its Board of Directors' strategic direction to be among the top market outperformers.

Dear Shareholders,

I am pleased to share with you Al Baraka Bank Egypt's 2022 Annual Report. This has been an incredible year for our Bank. We set out on a journey of comprehensive transformation in preparation for the execution of a three-year growth strategy to commence in 2023, and I can proudly say that the milestones we reached and the successes we achieved in 2022 exceeded expectations and set the stage for the future of Al Baraka Bank Egypt.

The global economy faced challenging circumstances in 2022. Supply chain disruptions, initially caused by the Covid-19 pandemic, persisted, causing ripple effects across various industries. Geopolitical tensions in Europe drove increases in commodity and energy prices. These external factors exerted immense pressure on the Egyptian economy, which witnessed rising inflation and several rounds of devaluation of the Egyptian Pound against the US Dollar.

The Egyptian banking sector was successful in weathering these storms and maintaining its robust fundamentals throughout the year. With rising interest rates and increased credit growth, the sector maintained high levels of capitalization and systemic liquidity.

Al Baraka Bank has capitalized on these robust fundamentals to set the stage for its new, ambitious strategy, which will implement a sustainable transformational business model and lead to a remarkable shift in the Bank's strategic position and market share. This year, we made significant strides in paving the way to execute our strategy, preparing the Bank for the future while maintaining a strong financial performance.

The Bank established a new sector responsible for Strategic Planning early in 2022. Accordingly, we have drafted a comprehensive and agile strategy that aims for ambitious growth and expansion plans for three years from 2023 to 2025. The detailed strategy, which was approved by the Board of Directors in December 2022, can be summarized as a comprehensive sustainable transformational business model that will lead to an exceptional change in our financial performance, strategic position, and market share. In positioning ourselves to achieve our ambitions, we underwent a Bank-wide assessment and restructure, which served to optimize our operations, streamline our processes, and expand our products and services offered through existing and newly established divisions of the Bank. While transitioning from an approach of targeted annual profit growth into a comprehensive strategic framework, the Bank exceeded the net income budgeted targets for 2022 by a margin of 25% and a growth rate of 55% from the previous year because of the restructuring process and quick fixes that were implemented throughout the year.

We are particularly proud of our accomplishments in our retail and business banking divisions in 2022. Gains in our business banking portfolio supported the expansion of our market share; Al Baraka Bank Egypt's business division is now ranked 9th in the domestic share of business lending. Our newly established SME Division will be instrumental in our mission to develop Egypt's economy sustainably and with purpose. We developed the division's strategy in line with the CBE mandate for SMEs and are incredibly pleased with the progress we have achieved in meeting their guidelines in a remarkably short period of time.

Meanwhile, our retail financing portfolio grew 74% y-o-y, while the division's average profit rate expanded from 11.64% to 17.30% over the course of the year. Multiple new products were launched in 2022, including several that targeted increasing financial inclusion across Egypt's population as per the CBE's guidance. As we execute our strategy in the coming years, we will focus on acquiring customers with these financial inclusion products, as well as ramping up our business with HNWI through new products and services that have already proved to increase our attractiveness in the market.

In 2022, we achieved numerous remarkable milestones across our business. This report highlights the transformative efforts that benefited every aspect of our operations. It showcases the collaborative nature of our successes, exemplified by our marketing, communications, digitalization, and customer-facing teams.

Our performance in 2022 is consistent with our firm commitment to creating long-term sustainable value for our stakeholders and is the result of the Board of Directors' strategic direction to be among the top market outperformers. Furthermore, as Egypt continues to implement bold reforms, we all share the responsibility of working together to realize the nation's full potential and shape a more prosperous future for our people. Al Baraka Bank recognizes this and has pledged to be a core partner in shaping our country's prosperous future.

As Al Baraka Bank expands to a growing customer base, our commitment to sustainable development remains paramount. We had the privilege of participating in COP27 in Sharm El Sheikh in November 2022, where we hosted a panel discussion on the role of Islamic Finance in supporting green economy. Our support for these goals is extensive and includes aligning our strategy with Egypt Vision 2030 and the UN SDGs, investing in sustainable sectors, implementing CSR initiatives, and assessing our carbon footprint based on benchmarking and reporting.

On behalf of the Board, I'd like to take this opportunity to thank our loyal customers, partners, and shareholders for their trust, as well as our Board, management, and staff for their unwavering commitment to Al Baraka's continuous success.

Sincerely,

Eng. Abdel Aziz Mohamed Abdo Yamani

CEO's **Note**

Al Baraka Bank has maintained a clear mission to generate value for the growth of its business and for the betterment of society. We are guided by principles that promote society's sound and sustainable development by offering innovative Islamic banking solutions.

Mr. Hazem Hegazy
CEO & Vice Chairman

Al Baraka Bank had an incredible year throughout 2022. We set forth a comprehensive transformation plan to ready the Bank for its three-year growth strategy spanning 2023–2025. Amid a year of bank-wide restructuring, enhancing, and digitizing, the Bank exceeded performance targets and recorded outstanding growth across all lines of business. We achieved 25% y-o-y growth in net revenue from funds, reaching EGP 3,435 million, while net profits expanded by 55%, reaching EGP 1,755 million with a net profit margin of 4.5% in 2022. The Bank's remarkable performance is the result of our employees' strength and agility. I applaud the team's capacity to thrive in the face of change. As we enter the implementation phase of our strategy, I am confident that we have the framework, expertise, and vigor required to deliver on our goals.

Since its inception more than 30 years ago,Al Baraka Bank has maintained a clear mission to generate value for the growth of its business and for the betterment of society. We are guided by principles that promote society's sound and sustainable development by offering innovative Islamic banking solutions. We have a strong record of facilitating projects that provide substantial employment opportunities and develop key sectors. Our participation in COP27 through the hosting of a panel on sustainable Islamic finance highlights our commitment to contributing to the growth of green economy. We are proud of our legacy here in Egypt and are committed to building upon our solid foundation as we grow our business through the coming phase and into the future.

Throughout the planning phase of the Bank's three-year growth strategy, and as we carried out the precursory steps to its implementation, we remained diligent in our adherence to local laws and regulations as well as Sharia laws for financial institutions. We carefully integrated the CBE's guidelines for financial inclusion and SME amplification and aligned our goals with Egypt Vision 2030 and the UN SDGs for sustainable finance and the development of the green economy. The outcome is a strategy that is holistic in its consideration of the Bank's position, priorities, and opportunities and provides a clear pathway to significant and sustained value generation for our stakeholders.

Restructuring for Growth

In 2022, each of Al Baraka Bank's departments underwent various degrees of restructuring and transformation. We took steps to strengthen our governance framework, revised our portfolio and risk management strategies, streamlined internal and customer-facing processes, defined existing and newly established functions, and set ambitious targets across the board. We centralized operations across our branch network and strengthened our customer service and sales teams. These wide-reaching measures have already proved beneficial in reducing costs, increasing efficiencies, attracting new customers, and driving growth in profits.

I am particularly excited about the establishment of our distinct SMEs Department, which is detailed on Page 56 of this report. Facilitating the growth of small businesses and supporting entrepreneurial spirit are core to the origins of Islamic finance, and our Corporate Banking portfolio has historically included SMEs. In 2022, on the back of the CBE's mandate for minimum lending quotas to SMEs in tandem with a growing appetite for Islamic finance in the market, we recognized a critical opportunity at a key moment to formalize our SMEs activity and provide our growing clientele with specialized products and services that meet their unique needs. We are leveraging decades of success in corporate finance, which has enabled the Department to establish a strong framework and hit the ground running. Several SME products were launched in the last year, including a fast-track facilities program and a product for the medical services sector. We are pleased to be the first Islamic bank to join forces with the NilePreneurs initiative and look forward to the myriad additional opportunities to playing a role in developing Egypt's SMEs sector.

Embracing Digitalization

As we focus on the future, we acknowledge the imperative to adapt our business to the latest advancements in technology. We recognize the need for a swift and encompassing digital transformation to optimize efficiencies and extend the accessibility of services to our customers. As such, we took significant steps toward this digital transformation in 2022. These efforts touched every department of the Bank and are part of an ongoing process to digitally integrate and streamline our activities.

Our Digital Banking Department led several noteworthy achievements for the Bank in 2022. In addition to enhancing online banking services and implementing automated clearing house (ACH) integration for online transfers, the Bank initiated a partnership with mobile payment service provider InstaPay. As a result, we recorded a 49% increase in active digital customers in 2022 and a 202% increase in digital transactions, totaling EGP 1.2 billion. With digital customers currently accounting for around 17% of our customer base, we set our sights on integrating existing customers with our digital services and attracting new customers through our online banking offering.

2022 also saw the launch of Al Baraka Bank's ATM network. The Bank ended the year with a network of 120 ATMs, which is set to expand in the coming period. The number of ATM transactions grew by 96% during the year, with cash in expanding 1430% and cash out increasing by 50%. Our incident management was brought in house, and further cost-reducing and service enhancement decisions were implemented.

Expanding and Innovating

While considerable attention was dedicated to our plans for the Bank's future expansion, we nonetheless achieved incredible growth in 2022 through relentless diligence. In addition to record revenue and profit, we report a 26% expansion in equity, 6% growth in total assets, and 3% increase in customer deposits. The Bank's business facilities now account for 1.28% of all loans in Egypt's banking sector and our Business Banking Department is ranked 9th in domestic market share. Our performance is garnering well-warranted recognition; Al Baraka Bank was awarded Fastest Growing Islamic Bank in 2022 by Business Outlook Magazine.

We continued to launch innovative financial solutions, including several products that align with the CBE's mandate for financial inclusion. We are deeply enthusiastic about technological advancements in the market and within our operations, as well as the supportive policies that enable greater financial participation in Egypt, and we are committed to facilitating economic empowerment within our society. We are leveraging a range of digital solutions to expand the accessibility of our services and continue to innovate unique products and services for all our customers.

The expansion of our branch network is critical to achieving our goals in the coming years. Our current network of 35 branches across Cairo, Alexandria, and the Delta is set to expand into most of Egypt's governorates by 2025. Existing branches are undergoing physical renovations to enhance digital features, improve customer experience, and streamline operations. New Delta headquarters have been established, and construction is underway. Our call centers have also been revamped to accommodate the influx of service calls as we expand our customer base.

We strongly believe in the power of engaging with our community and we continually strive to communicate with our customers and the public in new, creative, and effective ways. Accordingly, our Marketing and Communications Department conducted a series of activities, including the revamp of our website and the relaunch of our social media channels. The team led numerous successful marketing campaigns and CSR activations throughout the year and secured more than 1,000 instances of press coverage.

One of the most important innovations we underwent in 2022 was that of our team. We assessed our work culture and identified areas where we can improve talent acquisition, retention, and development. With the support of HR, we revised our organization chart and developed organization charts for departments throughout the Bank. We addressed talent retention and succession planning to ensure continuity of talent as we continue to grow. Many HR processes were streamlined over the course of the year, particularly those related to employee accounts and facilities, and we continue to review compensation and benefit packages and incentive schemes to maintain our competitiveness as an employer.

I am particularly pleased with the work of our HR team in the launch of the Bank's training academies. Rigorous training plans were developed for managerial, supervisory, credit, SMEs, and branch employees. These trainings are designed to keep our teams equipped with the Bank's policies, local regulations and Sharia guidelines, and industry best practices through a variety of knowledge sharing methods. We are eager to roll continual trainings within these academies and expand the scope of our capacity building in the next phase as we pursue excellence within our work culture.

Closing Thoughts

As you read through this report, it is my hope that you are inspired by the Bank's incredible accomplishments during our year of transformation and that you share my enthusiasm about where we are headed in the years ahead. Our financial performance in 2022 is a solid indication of our future trajectory as we move into the implementation phase of our strategy from 2023-2025. Now that we have completed precursory actions, we are eager to set this strategy in motion and realize the benefits of our persistent efforts. We will continue to iterate on our strategy, remaining adaptive to market conditions, digital developments, and our own priorities as they may evolve. Our team has my complicit trust in carrying out our plans.

I would like to extend my gratitude once again to all the Bank's employees, who skillfully navigated our transition phase over the last year. I wish to thank our customers for placing their trust in Al Baraka Bank and to our partnered entities for the impactful relationships we have forged together based on shared vision and values. Finally, I would like to express my appreciation to all our stakeholders who enrich our success story.

We closed 2022 with a moment of reflection on our hard work and gratitude toward our results. We enter 2023 ready to implement our strategy and build upon the incredible foundation we have laid. This path we are on is correct and filled with potential. We are keen to seize these opportunities and achieve our goals. We remain committed to our vision of improving the Bank's position in the market, providing long-term value generation for our shareholders, and driving positive sustainable development in our community.

2022 Financial Highlights

Overview

Al Baraka Bank's ambitious growth strategy has enabled it to achieve strong results for the year ended 31 December 2022. The Bank's performance was driven by a solid expansion in its customer base across its business segments over the course of the year as the Bank capitalized on the nationwide push for financial inclusion to continue delivering on its growth strategy.

The Bank's net revenue from funds booked an increase of 25% y-o-y to EGP 3.4 billion on the back a growing customer base across Al Baraka Bank's business segments, which saw the Bank record a strong 46% y-o-y increase in gross customer financing to EGP 35.4 billion in 2022. On the profitability front, this positive performance trickled down to the Bank's bottom-line, which recorded a net profit after tax of 1,755 million, reflecting a solid increase of 55% y-o-y, and yielded a net margin expansion of 0.8 percentage points to 4.5% in 2022. The Bank's profitability for the period was further supported by a 65% y-o-y increase in net trading income to EGP 104 million in 2022.

In 2022, Al Baraka Bank's total assets booked an increase of 6% y-o-y to EGP 87.2 billion, driven primarily by the Bank's successful efforts at growing its loan portfolio across its various customer segments. A key pillar of the Bank's growth strategy is increasingly diversifying its product and solution offering to ensure that it is able to consistently meet the ever-growing and changing needs of its existing customers and target customer base. On this front, the Bank has reaped the rewards of its successful diversification strategy and has seen its gross customer financing grow by 46% y-o-y to EGP 35.4 billion, and parallel to this, has witnessed a 3% y-o-y increase in customer deposits to EGP 74.4 billion in 2022. Additionally, Al Baraka Bank has maintained a healthy customer financing to customer deposits ratio of 48% as of 31 December 2022, reflecting an increase from the 33% booked in the previous year.

At its retail division, the Bank's retail financing portfolio grew by 74% y-o-y to EGP 4.3 billion, additionally, the Bank's corporate portfolio expanded by 43% y-o-y to EGP 31.1 billion at year-end 2022. Parallel to its efforts to grow its retail and corporate offerings, the Bank has made successful strides in supporting Egypt's financial inclusion agenda and has successfully recorded a 51% y-o-y increase in its SMEs portfolio to EGP 4.6 billion as of 31 December 2022 compared to the previous year.

Moreover, in line with the Bank's growth strategy, Al Baraka Bank successfully completed its capital increase plan in 2022. This saw the Bank's capital grow to EGP 5.09 billion in December 2022, up from EGP 1.55 billion in the previous year. Consequently, the Bank's equity expanded by 26% y-o-y and stood at EGP 7.6 billion as of 31 December 2022.

25%
y-o-y Increase in Net Revenue from Funds

55%
y-o-y Increase in Net Profit

26%
y-o-y Increase in ROAE

43%
y-o-y Increase in ROAA

22%
y-o-y Increase in Net Interest Margin (NIM)

6%
y-o-y Increase in Total Assets

3%
y-o-y Increase in Customer Deposits

26%
y-o-y Increase in Equity

Income Statement

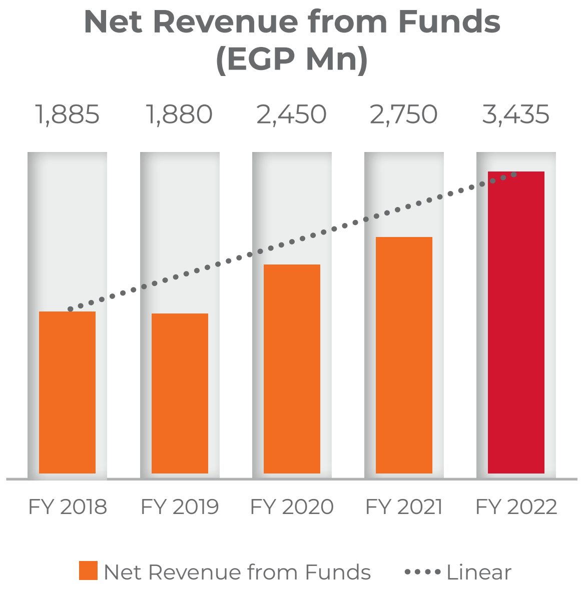
Income Statement Highlights (EGP mn)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Returns Received	6,960	8,112	7,576	7,206	8,350
Deposits Expense	(5,075)	(6,232)	(5,126)	(4,456)	(4,915)
Net Revenue from Funds	**1,885**	**1,880**	**2,450**	**2,750**	**3,435**
Fee and Commission Income	288	288	239	291	292
Fee and Commission Expense	(17)	(16)	(43)	(19)	(27)
Net Fee and Commission Income	**271**	**272**	**196**	**272**	**265**
Dividend Income	6	8	3	17	32
Net Trading Income	73	95	74	64	104
Profits (Losses) on Financial Investment	13	-	-	-	-
Impairment (Charges) for Credit Losses	(337)	(247)	(371)	(555)	(344)
Administrative Expenses	(485)	(570)	(655)	(782)	(860)
Zakat	(11)	(11)	(10)	(10)	(26)
Other Operating Income (Expenses)	(1)	77	309	(9)	49
Profit Before Income Tax	**1,414**	**1,504**	**1,996**	**1,747**	**2,655**
Tax	(411)	(450)	(749)	(615)	(900)
Net Profit	**1,003**	**1,054**	**1,247**	**1,132**	**1,755**

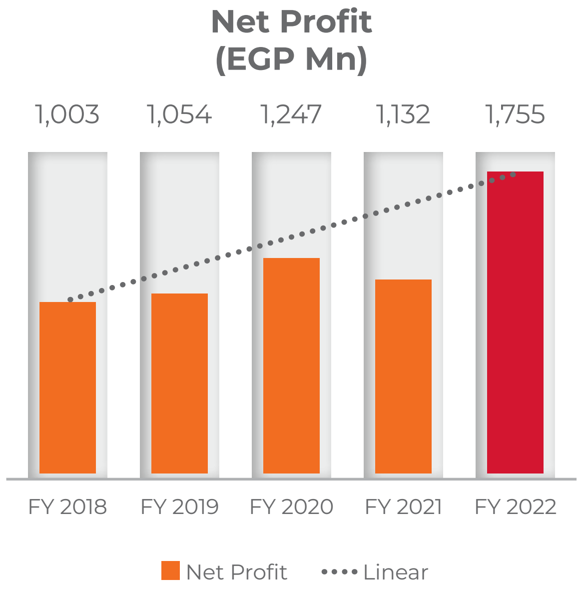
Balance Sheet

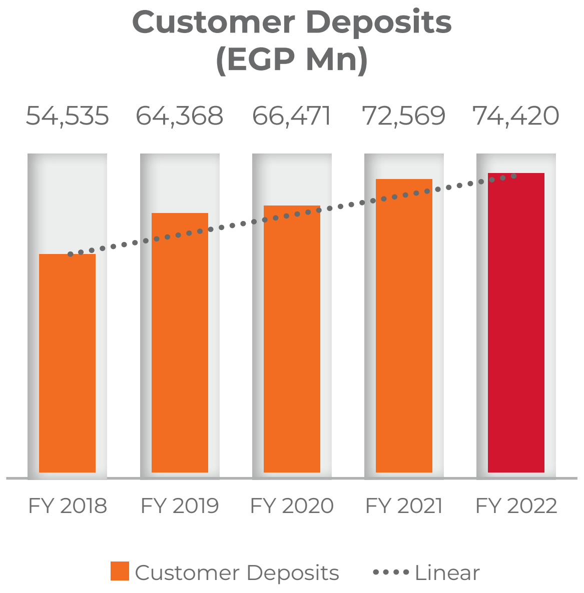
Balance Sheet Highlights (EGP mn)	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Total Assets	62,521	72,699	75,533	82,368	87,224
Gross Customer Financing	18,174	19,502	22,742	24,208	35,380
Customer Deposits	54,535	64,368	66,471	72,569	74,420
Paid in Capital	1,267	1,546	1,546	1,546	5,089
Owners' Equity	3,432	4,072	5,028	6,004	7,585

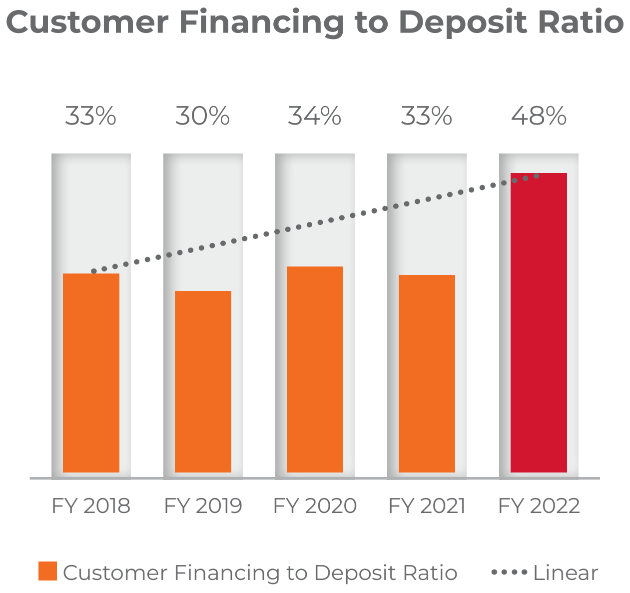
Key Profitability Metrics

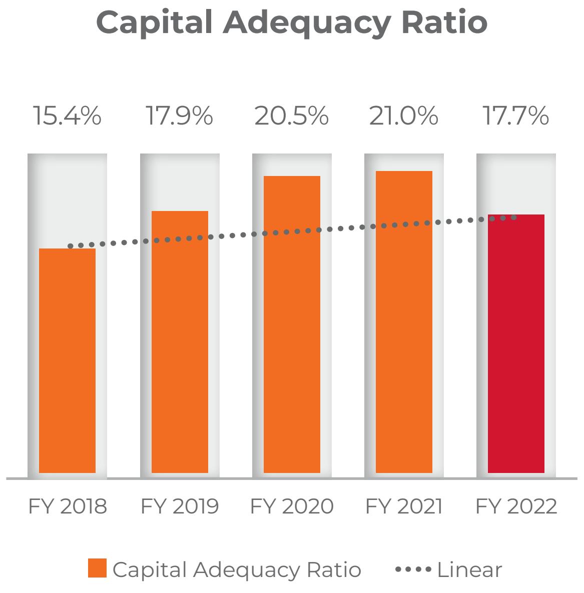
Key Profitability Metrics	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Net Profit Margin	3.7%	3.1%	3.6%	3.7%	4.5%
Cost to Income	23%	25%	24%	26%	25%
ROAE	33%	28%	27%	21%	26%
ROAA	1.8%	1.6%	1.7%	1.4%	2%











BUSINESS REVIEW

Retail Banking

Dedicated efforts to transform and expand Al Baraka Bank's Retail Department succeeded in making it the fastest percentage growth in retail asset portfolio in Egypt during 2022.

Al Baraka Bank's Retail Banking Department constitutes a core pillar of its current business and future growth strategy. The Retail Banking Department is fast-growing and competitive in the Egyptian market. Al Baraka is determined to build on these traits as it continues to expand its products and services offerings and capitalize on the increasing local demand for Islamic banking. The success of the Bank's efforts to enhance its products and services is evident in the Bank's increased profitability. The Bank continues to pursue its geographic expansion throughout Egypt and strengthen its reputation in the market and is focused on building strong relationships with current and prospective clients, digitalizing and streamlining its services and systems, and continually assessing new opportunities for growth.

2022 Highlights

Al Baraka Bank's Personal Banking Department led a transformational year, recording myriad successes that supported the Bank's operational and financial results in 2022. The year marked structural changes, and operational and service enhancements across divisions.

Products

Financing

The Bank's retail financing portfolio grew 74% y-o-y, closing the year at EGP 4.3 billion after recording EGP 2.3 billion new bookings in 2022. Average finance tenor increased from 32 months (as of January 2022) to 62 months at year end 2022. The Department achieved an average profit rate increase from 11.64% to 17.20% during the same period.

Al Baraka Bank's retail financing portfolio grew due to policy Savings and Deposits implemented by the Department to make its offerings more attractive, delivering a top-class banking experience to it clients. The Bank launched a successful new financing product, Tawarok, and revised financing terms and procedures to reduce customer barriers, streamline processes, improve services, and enhance risk management. It also extended unsecured financing repayment tenors to 10 years for salary transfer and seven years for non-salary transfer.

Cards

The Bank's cards segment recorded a strong year on several fronts. Interchange income increased by 300% in December 2022 compared to January 2022, reaching EGP 8 million as the card holder customer base and merchant network continued to expand throughout the year. The Bank's credit card portfolio closed the year at EGP 27 million, representing a 30% increase from January to December. Credit card spending grew by 12% in 2022, reaching 217 million by year end, while debit card spending grew by 125%, reaching EGP 2 billion over the same period, on the back of onboarding new customers and enhancing the Bank's digital services.

The successes of the cards segment are attributable to several operational and service enhancements that the Bank achieved throughout the year, such as successfully resolving card acceptance issues to better enable e-commerce transactions. The Department also initiated cash in/out services through Fawry POS, allowing customers to withdraw and deposit money at any Fawry Outlet across the country. Al Baraka Bank is one of the first 10 banks in Egypt to offer this service.

Savings and Deposits

Al Baraka's Retail Accounts Division launched multiple new products in 2022 serving various customer segments. New liability products range from certificates of deposit (CDs) and time deposits (TDs) to accounts targeting unbanked and underbanked customers throughout Egypt in line with the CBE's initiative for financial inclusion. Several of the Department's diverse offerings include products with tiered profit terms to increase the Bank's attractiveness among HNWIs. The Bank revised its tariffs to bolster its profitability while maintaining a competitive edge in the market.

Branches

Al Baraka Bank's Branches Division achieved three notable milestones in 2022, which will enable the Bank to achieve its strategic goals in the coming period through providing a broader scope of specialized services, centralizing and streamlining services, and improving operational efficiencies. The restructuring of the branch network included stripping out corporate lending, SME lending, and internal control functions from the branches and establishing separate divisions to carry out their respective activities. The centralization of branch services in coordination with central operations was a key priority for the Bank. The below services have now been centralized:

- Checks and bills
- CDs and TDs purchasing and liquidation
- External money transfers
- Import and export documentary collection (IDC)
- Retail asset booking
- LCs
- Clearing

The Bank's branch operations have similarly been streamlined when it comes to the speed and accuracy of implementation, as well as regulatory decisions, ameliorating previously occurring silos based on each function being carried out in various sections of the Bank's branches. Branches now operate with two main sections, namely customer service and branch operations, solving critical customer pain points.

The first aspect revolves around ensuring accessibility for our customers, regardless of their location. To accomplish this, a comprehensive study of the Bank's branch distribution was conducted, which helped identify gaps in coverage. As a result, an ambitious plan was formulated to expand the Bank's network, aiming to reach of 2023 and 50 branches by the end of by end of 2025 through the addition of 19 new branches to the 31 branches currently in existence as of the end of 2021.

The second aspect concentrates on enhancing the quality of every step in the customer's journey. Various actions have been implemented to achieve this goal. First, the branches' identity has been standardized, providing a consistent look and feel across all locations. Additionally, some branches have been relocated to better areas, ensuring increased visibility and easier customer access. A renovation plan has also been implemented to enhance the conditions of selected branches. Furthermore, all processes and procedures have been reviewed to facilitate and standardize the services provided to customers. To ensure service quality, the performance of branches is closely monitored on all levels, including human resources (HR), appearance, physical condition, and more.

Call Center and Customer Support

The Department paid considerable focus to enhancing the quality of service provided by the call center team in 2022. The Bank expanded its call center to include 42 new stations for the 6th of October location and completed the necessary team expansion to serve the volume of inbound and outbound calls. The Bank established a complaints team to handle requests and complaints and provide analysis to inform future action. Outbound calls activities were launched to support collection, card activation, and internet banking activation, with the team completing more than 46,000 calls. A digital squad team was also launched, which is responsible for internet banking technical support, InstaPay customer support, digital complaints, social media inquiries, and website leads. Social media lead handling is managed in-house, with all requests handled within 24 hours.

The Call Center teams were provided with extensive knowledge, system, and soft skills training. Daily emails are sent to call center agents, ensuring continual information sharing and enhancement of skills.

The tireless efforts of management and Call Center teams led to the division hitting several key targets in the last four months of 2022:

- Service Level
- Abandoned rate
- AHT

Forward-Looking Strategy

As the Bank enters the implementation phase of its three-year strategy, it will continue building on the incredible momentum Retail Banking achieved in 2022. The Bank is targeting reaching 40 branches by the end of 2023 and 50 new branches by the end of 2025, including in governorates where the Bank is currently lacking physical presence. New KRIs and RCSA for the Call Center will be applied starting January 2023. The Bank will continue its efforts to streamline and automate its processes and services. Employee motivational tools, training, and capacity building will remain a priority as we strive to keep our Call Center and branch staff updated with the Bank's policies, practices, and products through a unified knowledge base, as well as provide incentives designed to support reaching the Bank's targets in areas such as liabilities growth, credit card sales, and acquisition of Tharaa customers through a specialized service team that will be established in 2023.

Business Banking

Al Baraka Bank is a top-ten corporate lender in the Egyptian financial market, offering a range of Sharia-compliant facilities that address the unique and varied needs of our business customers.

Al Baraka Bank's business banking activities support Egypt's growing private sector through the provision of curated products and advisory services. The Bank's Business Banking Department operates in compliance with the principles of Islamic finance, under the guidance of the Sharia Board, and is also aligned with the CBE's policies and guidelines for financial inclusion. The Division offers a wide selection of Islamic financing solutions that seamlessly meet the unique and diverse needs of its growing clientele of businesses of varying sizes across multiple sectors and geographies. Given the market's growing appetite for Sharia-compliant financial solutions, coupled with Egypt's burgeoning entrepreneurial and resilient business landscape, Al Baraka Bank is determined to continue expanding its business banking activities and capture the significant value that exists through pursing these opportunities.

Al Baraka Bank's Business Banking Department comprises two divisions: Bank Finance and SME Finance. Bank Finance is further divided into two categories, the VIP Clients Sector and the Syndicated Financing Sector. The VIP Sector, which services clients whose minimum sales are EGP 200 million, represents the majority of the Department's portfolio. The Department's Syndicated Financing Sector covers all large-scale transactions related to the implementation of strategic projects in which Al Baraka Bank participates alongside other banks, whether as a main participant or otherwise. The Department's SME Finance arm provides products and services for smaller players in the domestic private sector, categorized as three tiers according to the entity's capital and sales volumes. As part of the Bank's restructuring efforts in 2022, a separate Department was established for its SMEs activities.

Financing Solutions Offered

The Bank offers a wide selection of financing solutions to customers spanning various loan tenors, Islamic financing formulas, cross-selling services, and internet banking. The financing services provided can be grouped and divided into several categories according to tenor, funding formulas, collateral, and currency.

- **Loan Tenor**: Loans can be split into short-term, medium-term, and long-term loans.
- **Funding Formulas**: The Bank offers clients a selection of lending facilities with various funding formulas, which include Murabaha, Musharaka, Mudarabah, Ijarah, and Wakala by Investment.
- **Collateral**: The Bank requires different forms of collateral based on several factors, such as the type of loan, the size and risk profile of the customer, and the size of the facility. The various forms of collateral requested by the Bank include deposits, insurance policies against non-payment risks, mortgages, commercial mortgages, guarantees, commercial papers, goods, etc.
- **Currency**: The Bank provides facilities in Egyptian Pounds (EGP) and foreign currencies.

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2022 Highlights

The Business Banking Department reported a successful year in 2022, recording solid growth in facilities under management on the back of strong expansion across its customer base, which was driven by enhancements across its product and service offerings. Moreover, the Department continued identifying key pathways for its growth by tailoring products and services that are aimed at serving critical sectors supporting Egypt's economy, which has supported the Department's standing in market share terms. On this front, Al Baraka Bank's Business Banking Department is now ranked ninth in terms of market share in the domestic market, accounting for 1.28% of all loans provided by the Egyptian banking sector.

In preparation for Al Baraka Bank's three-year strategy spanning 2023–2025, the Bank pursued a series of structural and operational enhancements throughout 2022. These included assessing and revising the strategic goals of the Business Banking Department and reviewing the Department's credit policy in line with the Bank's credit policy as determined by senior management and in accordance with the CBE. In addition to establishing a dedicated Department for the Bank's SME portfolio, the Department focused on expanding its customer base and enhancing its product and service offering, while optimizing its risk management strategy. The Department targets new customers with a high level of creditworthiness and low credit default risk. The Department also works diligently to build and maintain relationships with clients by advising on products to meet specific needs, efficiently responding to inquiries and requests, and identifying potential challenges and solutions to maintain optimal client management. Moreover, the Department's portfolio is continuously monitored to maximize returns on facilities and safely exit from high-risk relationships.

Financial Highlights

The gross value of Al Baraka Bank's corporate loan book recorded EGP 40.5 billion as at the end of 2022. Growth in the Bank's loan book was driven primarily by increased business with existing clients and the extension of facilities to clients in the food and beverage, electrical supplies and equipment, and communication cables and fiber wires sectors. Activity during the year was dominated by medium- and long-term financing allocated for capital expenditures.

The year saw Al Baraka Bank extend combined credit facilities of EGP 40.5 billion to its corporate clients. Approximately EGP 35 billion of this increase was composed of growth in funded assets, while non-funded assets represented EGP 5.3 billion. Facility utilization reached 25.3 billion by the end of 2022, reflecting the Bank's efforts to support Sharia-compliant economic growth and industrial production.

Al Baraka Bank added 17 new clients to its portfolio of large corporate customers who represent around 7% of our clients' combined facility limits 2022. The Department added four new mid-cap clients in 2022 and reclassified 28 existing clients as SME.

Global Transaction Banking

Al Baraka Bank's Global Transaction Banking Division (GTB) is armed with a team of highly skilled banking professionals focusing on expanding the Bank's reach across an umbrella of transactions services and to maximize Al Baraka Bank's share of wallet. GTB has three main lines of business: 1) Cash and Liquidity Management, 2) Trade Finance, and 3) Corporate Online Banking. The GTB Division continued to provide solutions to the entire institutional business client base and was very keen to develop deeper relationships with customers.

By implementing a customer-centric strategy, the Cash and Liquidity Management team has focused on meeting the unique needs of clients by introducing innovative products and solutions that enhance clients' cash flow and optimize their liquidity cycle. The team manages various transactions, including payables, which involve the transfer of funds domestically and internationally in local and foreign currencies through methods such as ACH and Swift. Payables also include corporate check payments made through a clearing house as well as governmental payments, such as taxes, customs, and insurance. Receivables and treasury optimization are also managed by the team through various current account structures that cater to the diverse needs of clients. As a result, the Bank saw a 1% y-o-y increase in liabilities to reach EGP 74.3 billion.

Trade Finance plays a crucial role in our GTB Division, offering a diverse range of conventional and structured trade products and financing solutions to our business banking clients. Our Trade Finance services include letters of credit (LCs), letter of guarantees (LGs), and documentary credits, as well as transferable credits and revolving credits, to meet our clients' financing needs. We also provide local LGs and counter-guarantees to support our clients' business operations. Additionally, we offer a wide range of solutions to enhance our corporate clients' working capital positions, providing avenues for organic growth, debt reduction, and business expansion.

In 2022, Al Baraka Bank's trade finance fee income rose 8% to reach EGP 138 million.

The GTB Division has been committed to providing clients with a seamless banking experience, and the **Corporate Online Banking** platform is a testament to this. It provides unique digital solutions that continue to simplify financial transactions and provide clients with a frictionless banking experience. The Al Baraka Bank online platform provides one-click access to global transaction capabilities, enabling users to manage accounts, payments, receivables, liquidity, trade, and reporting. The digitally innovative and customer-centric platform is combined with an ever-expanding array of financial services, including payments, information reporting, collections, liquidity management, and an online trade finance module. By leveraging our digital capabilities, we strive to offer our clients comprehensive and integrated solutions that cater to their financial needs, while enhancing their banking experience.

Structured Finance and Syndication

The Structured Finance and Syndication Division is part and parcel of the Department's growth strategy as it expands its suite of services and transitions into a fully fledged provider of financial services targeting corporate clients. This continuously expanding range of competencies has materially boosted the Bank's competitive edge in Egypt's financial services industry, while making a significant contribution to Al Baraka Bank's asset growth.

The Division continued to expand its range of services during 2022, as Al Baraka Bank took part in 10 new syndicated financing transactions, with the Bank contributing a total amount of EGP 3,783.5 million to the transactions. As of the end of 2022, Al Baraka Bank was involved in a total of 21 syndicated financing transactions, with the Bank's contribution standing at around EGP 7.8 billion (EGP 5.4 billion and USD 81 million).

The Bank participates in Sharia-compliant syndicated financing transactions on a selective basis according to the framework set out by the Bank, which specifies certain sectors and industries that are witnessing significant, large-scale developments. Al Baraka Bank aims to play a role in large and vital developmental projects that generate positive returns for the Bank, as well as the national economy.

Corporate Services Desk

Our Corporate Services Desk offers integrated after-sales customer service that is dedicated to providing corporate customers with easy access and accurate responses in the shortest possible time. The team of dedicated and highly qualified Service Officers act as a single point of contact for all clients' day-to-day inquiries. The Division leverages technology, adopts standardized processes, and enforces quick turnaround times to streamline operational processes and deliver maximum customer satisfaction.

Forward-Looking Strategy

.phase of its three-year strategy, it aims to continue building upon the solid foundation of its business banking activities. The Department will continue to focus on growing the Bank's market share of corporate financial services in the domestic market, while strengthening its regional presence. To this end, the Department continually works to enhance its offerings, maintain and build upon relationships with existing and potential clients and financial institutions, and refine the risk strategy of the Bank's increasingly diversified portfolio.

Global Transaction Banking

As we head into 2023, the GTB Division is committed to carrying forward its successful customer-centric strategy with a renewed focus on introducing digital solutions. The Division recognizes the growing market demand for technologically-enabled solutions that ensure business continuity and enable clients to meet their ever-evolving needs. The GTB offerings will enable the Bank to establish a sense of partnership that goes beyond traditional client-bank relations.

In addition to digital solutions, the Division will focus on cash management products, with a particular emphasis on cashless solutions. Our goal is to commercialize Al Baraka Bank's innovative products and solutions as it provides clients with integrated solutions that not only meet their financial needs but also help them optimize their value chain cycle.

Structured Finance and Syndication

The Structured Finance and Syndication Division of Al Baraka Bank is focused on building on its prior successes and establishing itself as a leading player in the market. The Division aims to diversify the Bank's investment and lending portfolios, enhance profitability by identifying high-quality assets, and strengthen its position as a provider of Sharia-compliant financial services. To achieve these goals, Al Baraka Bank plans to expand its syndication services and bolster its team with the objective of becoming a market leader and preferred partner in syndication loan transactions. Furthermore, the Division will offer a broader range of consulting services to deepen client relationships and explore potential lending opportunities.

Digital Banking

Al Baraka Bank's digital transformation expands ease and accessibility of financial services for its customers throughout Egypt.

Al Baraka Bank is committed to prioritizing the expansion and efficiency of its digital financial services to enhance internal systems and customer experience. The Bank's specialized and customer-oriented digitalization team continuously explores global and local digital trends and opportunities to support the digitalization of the Bank's existing products and services and develop new offerings to be brought online in accordance with Al Baraka Bank's transformation strategy.

The Digital Banking Department has developed a five-year transformation plan for ramping up the digitalization of its products, services, and processes. This plan complements and is critical to the Bank's three-year strategy covering 2021–2023. The steps that the Bank has undertaken until now, as well as those that support its forward-looking strategy, serve its mission of positioning Al Baraka Bank as a market leader in Egypt's digital financial ecosystem through the provision of automated systems and best-in-class, personalized, and fully digitalized products and services.

2022 Highlights

The Department's 2022 restructuring involved the establishment of four subdivisions, namely Digital Banking, ATMs, Digital Payments and Business Acquisition, and Digital Branches. Each subdivision is tasked with improving the efficiencies of our internal processes and enhancing customer experience through the improvement and expansion of digital capabilities related to its specified function. The Department and its subdivisions benefit from the expertise and agility of its team members.

The team's achievements over the last year are a commendable first step in our transformation and set the stage for the Bank to achieve its medium-term digitalization goals. The Department's accomplishments have also resulted in significant increases to our digital transactions and network reach as we focus on connectivity, automation, and innovation throughout our business.

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Digital Banking

The Digital Banking Division is responsible for the management of digital products and services that are currently offered by the Bank, as well as those that are in development or are planned for future inclusion among the Bank's offerings.

The Digital Banking team led a successful year for the department, achieving several important milestones for the Bank. The team launched online banking service enhancements and automation of processes. For example, the bank's online transfers are now fully ACH-integrated, contributing to greater efficiencies in the Bank's capacity to process requests and enhancing customer accessibility and experience.

During 2022, the Bank launched its integration with InstaPay services, an Egyptian mobile application payment service provider (PSP) that enables automated transfer service for account-to-account, account-to-card, and account-to-wallet transactions, allowing customers to easily transfer and receive funds through integration of mobile numbers to bank accounts. The Bank's partnership with InstaPay contributed to significant growth of its 2022 digital transactions, through of onboarding 4,242 customers, who conducted 42,460 InstaPay transactions exceeding EGP 1.62 million in value.

Efforts to expand digital banking services and integrate customers with their usage drove the expansion of the Bank's digital customer base by nearly 8,000 customers, a 4.4% increase from 2021. Digital customers now represent 16.9% of the Bank's total customer base. Meanwhile, active digital customers increased by 49% y-o-y, reaching 12,930 customers. The Bank's digital customers performed 30,000 transactions in 2022, an increase of 202% y-o-y, amounting to EGP 1.2 billion in transactions.

ATM Network

Al Baraka Bank commenced its aggressive expansion plan for its ATM network in 2022. Having previously enabled customers to access ATM services through local partners, the Bank has since established its own network of ATMs. The Bank now has a network of 120 ATMs, strategically located in Egypt's major cities and across areas outside of Cairo and Alexandria. In 2022, the Bank finalized an RFP for purchase of 36 additional ATMs to expand this network. An additional contract has been signed with eFinance for another 60 ATMs to be distributed across the country. In line with the CBE initiative for financial inclusion, the Bank rolled out visually impaired solutions for all its ATMs.

The Bank replaced the ATM communications vendor to enhance network connectivity and reduce outages, which resulted in network uptime increasing to 95% in 2022. Several cost-cutting measures were implemented as well, including bringing incident management in house to handle issues related to machine and software malfunction, contributing to an estimated savings of EGP 20 million per year, and partnering with CIT Company EGY Cash to further reduce costs and enhance the Bank's SLA.

The expansion and optimization of our ATM network and services drove impressive results; the Bank recorded a 96% growth in the number of ATM transactions in 2022. Total deposits reached EGP 74 million, up 1,430% from 2021, while cash out increased by 50%.

Branch Transformation and Call Center Renovation

Providing thorough and efficient customer support is critical to the Bank's strategy, and our efforts to improve customer experience are consistent and ongoing. In 2022, the Bank conducted a review to improve its customer services. As a result of this assessment, the Bank underwent a complete renovation of its customer service systems, which included the purchase of an in-house contact center with state-of-the-art IVR and social media interaction technology. This new call center system commenced implementation in 2022.

The Bank has taken a series of steps to improve customer experience at its branches, which have recently been centralized as discussed in more detail in the Retail Banking section of this report. The 2022 purchase and ongoing implementation of our customer visit management solution provides branch visitors with a host of services to improve customer experience, including self-check-in kiosks, simple ticket, and display solutions, along with customer data-enabled online booking, customer feedback systems, and centralized reporting and monitoring systems.

Forward-Looking Strategy

Al Baraka Bank plans to build on the momentum of its 2022 digitalization activities over the coming period, as it continues to implement the department's five-year plan in line with the Bank's strategic objectives. The Bank continues to pursue the development of automated products and services, expansion of its ATM network, and improvements to its digital infrastructure, while establishing agreements with key partners in the local and global digital financial ecosystem to work on achieving these goals and strengthen the Bank's position as a market leader in the digital finance ecosystem.

SMEs

Al Baraka Bank restructured and expanded its SMEs Sector in line with its three-year strategy to capture opportunities to create value and foster sustainable economic development across Egypt.

Small and medium enterprises and entrepreneurial endeavors constitute an essential element of a healthy private sector, providing employment opportunities for the communities in which they operate, fueling innovation, and developing impactful solutions to local challenges and opportunities. Facilitating the sustainable growth of SMEs is at the heart and history of Islamic banking principles, and Al Baraka Bank deems this as core to its mission of enabling economic and social development for the shared benefit of its business and community stakeholders.

Egypt's SMEs sector has grown considerably in the last decade, as entrepreneurial activity accelerates and smaller players emerge across key sectors of the economy. Despite the economic challenges that have developed in the last three years due to global health and geopolitical conditions, the spirit of Egypt's SMEs sector remains vibrant. Yet, while new and established Egyptian SMEs frequently prove resilient, the ecosystem and funding mechanisms that exist to support the sector remain underdeveloped compared to rising demand for financial products and services. As such, the CBE has implemented a framework to encourage the sustained growth of the SMEs sector through a funding mandate, whereby all Egyptian banks are required to allocate a minimum of 25% of their lending portfolio to local SMEs.

Historically, Al Baraka Bank's SMEs business has operated within the fold of the Bank's Corporate Banking Department, utilizing the same credit policies and lending solutions to business customers regardless of size. In light of the opportunities presented by Egypt's evolving market and regulatory conditions, the Bank has prioritized the development of a distinct SMEs sector as a pillar of its three-year strategy. Accordingly, Al Baraka Bank formally established its SMEs Sector in 2022 and determined its structure and business model.

The newly launched SMEs Sector provides lending solutions and other financial products and services that specifically cater to the unique needs of SMEs. These products and services facilitate the growth of the country's SMEs sector, while capitalizing on sound and attractive opportunities. The Bank's SMEs Sector is Sharia-compliant and targets high impact-potential sectors, including manufacturing and renewable energy, as well as the medical sector, for which the Bank has already launched a unique lending product. The Bank offers short-, medium-, and long-term financing in line with the CBE's initiative at a return rate of 11% and 8% for small and medium enterprises, as well as at competitive rates for non-qualifying enterprises.

The Bank categorizes SME financing into the two following categories:

- Small Segment: Businesses with sales volumes of less than EGP 50 million, or a capital of more than EGP 50,000 and less than EGP 5 million for industrial clients and between EGP 50,000 and EGP 3 million for non-industrial clients.
- Medium Segment: Businesses with sales volumes ranging between EGP 50 million and EGP 200 million or a capital between EGP 5 million and EGP 15 million for industrial clients and EGP 3 million to EGP 5 million for non-industrial clients, or an employee count of less than 100 individuals.

SMEs Financing Terms

Small Enterprises

Recently Established Enterprises
Paid up capital for industrial enterprises: minimum EGP 50K, maximum EGP 5 mn
Paid up capital for non-industrial enterprises: minimum EGP 50,000, maximum EGP 3 mn

Existing Enterprises
Enterprise[1] sales: minimum EGP 1 mn, maximum EGP 50 mn.

Medium Enterprises

Recently Established Enterprises
Paid up capital for industrial enterprises: minimum EGP 5 mn, maximum EGP 15 mn

Existing Enterprises
Enterprise[1] sales: minimum EGP 50 mn, maximum EGP 200 mn.

[1] *The Bank finances small- and medium-sized companies of all types, whether individual, personal, or finance companies, in all industrial, commercial, and service activities.*

2022 Highlights

Setting Our Sights

In 2022, the Bank underwent an assessment of its SMEs credit policy and lending procedures and determined the structure, scope, and targets of the newly established division. Under the Executive Management's direction, the Bank succeeded in laying the groundwork for robust expansion of its SMEs activities.

In the first year of its operation as a distinct division, Al Baraka Bank grew its SMEs portfolio by 51% in 2022, recording EGP 4.6 billion versus 3 billion in 2021. The year-end portfolio exceeded the CBE initiative's minimum threshold for SMEs funding, reaching 23.5% versus 16% in 2021.

SMEs Portfolio Growth

	2021	2022
EGP bn in portfolio	3	4.6
% SME total portfolio	16.40%	23.50%

A Model to Facilitate Growth

The Bank built the SMEs Sector from the ground up, developing a unique structure and business model that enables strong and diversified portfolio expansion, delivers necessary financial and non-financial support to customers, and value creation for the Bank's stakeholders. The Sector's newly developed Sharia-compliant credit lending policies, products, and services are tailored to meet the distinct needs of SMEs operating in Egypt.

As determined by the Sector's business model, our SMEs Sector comprises three main functions. The **Network Team** is responsible for expanding the Bank's customer base by establishing relationships and leading existing and potential SME clients through the process of determining which of the Bank's products will cater to their specific needs.

The **MIS and Business Support Team** is responsible for aggregating and analyzing the Bank's data as it pertains to tracking portfolio performance. The Team's reports are shared with the Business Development Team to interpret results and determine subsequent action.

The **Products and Business Development Team** carries out tasks related to identifying new target segments, addressing client concerns, and developing new products and their terms and pricing methodologies based on reports generated by the MIS Team, market research, and the Bank's overall strategy.

The Bank's growing SMEs portfolio is managed by a team of dedicated specialists who perform daily tracking of the portfolio's progress. The team conducts analysis of the portfolio's performance and periodically reports on its quality and growth, enabling the Bank and its expanding network of SME clients to address challenges and seize new opportunities. The portfolio management team has also developed a performance scorecard for the network team to encourage the immediate and sustained growth of the Sector.

Developing Impactful Products

The Bank has created Sharia-compliant products and services that cater to the specific needs of its SMEs customers to facilitate their sustainable growth and market competitiveness, while generating value for the Bank's shareholders. The Department has now launched several SME products and continues to develop additional solutions for SME customers, with plans to implement the new practices as the Sector continues to grow.

The Bank launched its first sector-specific SMEs financing program for Egypt's burgeoning **medical services sector**. The program targets doctors and healthcare providers at hospitals, medical centers, radiology centers, laboratories, and clinics who are seeking funding to procure or upgrade medical equipment or to develop their business. The Bank offers facilities to medical sector customers of up to EGP 25 million, or up to 100% of the price of medical equipment depending on the client's needs. The program offers fast processing time, competitive rates (5% for those who qualify under the CBE's initiative), and a repayment tenor of up to five years.

Al Baraka Bank recognizes the vast untapped opportunities that exist in the Egyptian SMEs segment, and in line with the CBE's directives to provide support for its expansion, the Bank has designed and approved a fast-track lending program under the name **"Ezdehar"** that provides a wide range of lending solutions for small and medium enterprises across all industries and sectors in the Egyptian market, offering up to EGP 10 million within a 10-working day time frame. The program is set to launch in Q1 2023.

The Bank is pleased to join the **NilePreneurs** initiative as the first Islamic bank in Egypt to take part in the program. NilePreneurs is a nationwide initiative developed by the CBE in 2019 and supported by a growing number of Egyptian banks. The initiative was piloted by Nile University and is now implemented by four additional Egyptian universities. NilePreneurs — an incubator for MSMEs from all industries — supports entrepreneurs through capacity building training, access to mentors and advisors, and networking and collaboration opportunities, among other services. It enables digital transformation and provides non-financial services support to the market's SMEs, particularly those involved in manufacturing, agriculture, and tech. These efforts align with the Bank's mission in supporting entrepreneurship. Al Baraka plans to launch a satellite hub in its Zagazig branch in Q3 2023 as part of its participation in the initiative.

Establishing Presence and Gaining Ground

In line with the Bank's geographic expansion goals — to grow business and increase access to financial services throughout the country — 10 SME Business Centers were opened in areas with the highest growth potential, three of which are located outside of Cairo and Alexandria. The Bank's SMEs Business Centers offer relationship management through a dedicated team of SME experts who conduct assessments, manage acquisitions, and maintain relationships with the Bank's SME clients. Three additional SME Business Centers are planned to be opened in Q1 2023 in Zagazig, Damietta, and El Minya.

Forward-Looking Strategy

As the Bank implements its strategy over the coming years, it plans for an aggressive expansion of its SMEs business, targeting to increase market share and achieve measurable growth in deposits and facilities by 2025. The Bank seeks to attract new customers via a robust sales coverage model and the expansion of business centers throughout the country. The SMEs Sector will continue to benefit from the expertise of the Bank's Corporate Banking Department and its long-standing record of risk excellence, while strengthening its unique segment value proposition through the development of specialized products and services. The Sector will remain agile as it grows, capitalizing on opportunities to create value in emerging high-impact sectors of Egypt's dynamic SMEs economy.

Treasury and Financial Institutions

Treasury

At a Glance

The Treasury Department plays a crucial role in shaping the Bank's investment strategy. The Department invests in diverse asset classes to optimize the Bank's income streams and provides innovative and customized Treasury solutions to clients, helping them hedge their balance sheets against price fluctuations and manage their facilities to minimize exposure to market volatility. With a wide range of banking relationships with local and international banks and financial institutions, the Treasury Department offers expert advice on market directions, profit rate trends, and interest rate forecasts.

The Treasury Department also operates its own Treasury FX Team, which provides customers with FX trading services in over 15 currencies worldwide. The team provides specialized advice tailored to customers' specific needs for all their FX-related transactions, enabling them to make informed decisions. Additionally, the Department offers research and analysis services, such as a daily "Treasury Newsletter" briefing that covers the latest FX, LIBOR, and deposit rates; major commodity prices; top stock exchange indices; and other pertinent market developments. These efforts support the Treasury Department's mandate to provide exceptional services to its clients and remain at the forefront of the industry.

2022 Highlights

In 2022, despite the challenges posed by elevated interest rates and currency devaluation, the Treasury Department of Al Baraka Bank achieved significant success. The Department accomplished this by diversifying its FX resources and pursuing a wider client and counterparty base. As a result, the Department increased returns on investments while lowering the cost of funds below the average market rate.

The Treasury Department achieved greater efficiency in liquidity management by providing competitive rates to depositors. Additionally, it played a crucial role in safeguarding the Bank's assets against multiple rounds of devaluation of the EGP. By leveraging its extensive knowledge of FX markets, the Department effectively managed the Bank's FX exposure and mitigated the negative impact of currency devaluations.

Moreover, the Treasury Department established a specialized fixed-income trading desk for large-volume trades in the domestic market. Thanks to its extensive knowledge of Egyptian market dynamics, the Department offers customers access to the primary and secondary trading markets, as well as advice and trades at competitive prices, this strategic move enhances the Department's value proposition and reinforces its commitment to delivering exceptional services to its clients.

Forward-Looking Strategy

As Al Baraka Bank enters the implementation phase of its three-year strategy, it seeks to build on the success of its Treasury Department by expanding and enhancing its service offerings. The Bank plans to continue optimizing and enhancing its approach to portfolio management in its efforts to further maximize the returns on the Treasury Department's investments. Additionally, the Department will focus on attracting new sources of funds and managing the cost of funding to further maximize returns.

The Treasury Department aims to deepen its relationships with clients by providing unique insights into changes in the Egyptian and international markets. These efforts will contribute to the Department's continued success and reinforce its position as a leading provider of innovative and customized Treasury solutions. Moreover, in order to further grow its market share within the fixed-income trading market, the Treasury Department aims to penetrate new global markets and diversify the financial instruments it offers to clients. Furthermore, the Department will continue to advise customers on investment opportunities that best suit their needs and continue to grow the Bank's team of exceptional professionals to support Al Baraka's growth ambitions in 2023.

Financial Institutions

At a Glance

Al Baraka Bank's Financial Institutions Department is dedicated to providing superior trade finance and payment solutions services to its customers. With a vast international network of correspondents, the Department is able to cater to the needs of both corporate and retail clients, working closely with partners from local, regional, and international financial institutions.

As part of the wider Al Baraka Group, which boasts a rich history spanning over 40 years and a presence in over 600 branches across 17 countries and three continents, Al Baraka Bank Egypt is able to offer Sharia-compliant banking solutions for payments and trade finance. The Financial Institutions Department draws upon the Group's strong legacy and global presence to maintain consistent and effective communication with its network of correspondents, stay up-to-date with major market developments, evaluate opportunities accurately, and establish strategic partnerships that support the Bank in increasing its market share.

2022 Highlights

The Financial Institutions Department (FI) took great strides in 2022 to grow its operational footprint, with the Correspondent Banks Department establishing effective bilateral banking relationships with 13 new tier-1 banks.

The Department also made significant progress in diversifying its customer portfolio by attracting new types of customers, such as non-banking financial institutions. The Department is in continual negotiations with international financial institutions and organizations to conclude bilateral agreements for the purpose of supporting retail products and business operations.

Forward-Looking Strategy

In line with the Bank's strategic objectives, the Financial Institutions Department is looking to continue developing and enhancing its offerings and building solid business relationships with major financial institutions in the local and international markets. The Department is working toward developing a unique, world-class offering of Sharia-compliant banking services and solutions to its diverse group of customers, spanning retail, corporate, and SME segments, as it aspires to ultimately remain their bank of choice in the Egyptian market.

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Marketing, Corporate Communications, and CSR

Al Baraka Bank's newly established Marketing and Corporate Communications Division surpassed targets and achieved incredible brand impact in the span of a single year.

Al Baraka Bank's Marketing and Corporate Communications Division is responsible for crafting the Bank's image and messaging and oversees its wide-ranging internal and external communications activities. The Division develops and executes public-facing communications and community-oriented initiatives on behalf of the Bank to enhance its brand positioning in the market. Marketing and Corporate Communications work closely with Executive Management to determine the Division's strategy, targets, campaign budgets, and priority messaging in line with the Bank's overall strategy. The team coordinates with the leadership of relevant departments for campaign objectives and ideation. The Bank's internal and external communications activities convey its products, services, and significant developments to raise awareness and drive growth.

2022 Highlights

The Division was newly established in 2022 as part of Al Baraka Bank's year of transformation in the lead up to its three-year growth strategy, ending in 2025. A team of credentialed marketing and communications professionals were onboarded to create and implement a robust strategy designed to support the Bank's growth and elevate its position. While the team's 2022 activities focused on the myriad transformational developments achieved in every corner of the Bank's business over the course of the year, the establishment of the Marketing and Corporate Communications team was in and of itself an indicator of the scope of Al Baraka's transformation. Notably, the nascent team produced incredible results in executing key branding projects, numerous marketing campaigns, a robust agenda of CSR initiatives, and

developing plans for the coming period in support of the Bank's strategy. The team quickly became an essential arm of the Bank's image enhancement and growth.

Branding and Branches

Following a comprehensive assessment of the Division's goals and opportunities, the Marketing and Communications team conducted a market research study to inform the team's priorities according to the strengths and weaknesses of the Bank's brand perception in the market. The study resulted in identifying areas of improvement, particularly the opportunity to enhance awareness through a branding update. The team oversaw the modification of the Bank's logo, conducting a research study of over 300 people that tested several iterations of the new branding to determine the version that best communicates the Bank's identity, values, and vision with optimal impact toward brand awareness.

The branding is to be applied to the signage of all branches and ATMs by the end of 2023. The Marketing and Communications team is instrumental in supporting the aesthetic modernization of the in-branch signage and displays. The team is working closely with the Bank's customer-facing departments to align product and service communications with the Bank's image, support its strategic goals, and improve customer experience and knowledge.

Capitalizing on all opportunities to enhance brand awareness, the Marketing and Communications team is in the process of applying the branding and strategic messaging to the Bank's network of branches and ATMs, increasing the Bank's visibility.

Website Revamp

The team led the Bank's comprehensive website revamp in 2022. The project was a significant undertaking that required the team to work in tandem with internal departments and external partners. The team operated with incredible efficiency throughout the process, which entailed briefing developing agencies, obtaining necessary approvals, collecting data, and extensively testing the website prior to its launch. The team advised on branding and design elements for the site, oversaw the creation of the website's video content, and developed its launch plan. The revamped website serves as an important tool for existing and prospective customers and investors as it communicates the Bank's product and service information, regulatory framework, performance results, and press updates in an engaging and easily navigable manner. This prompted clients to seek out the Bank and apply through our lead generation form. Ever since its launch, the new website has been attracting interested, high-potential new clients on a daily basis. The website is updated regularly with pertinent developments and information to serve as a primary mode of communication between the Bank and the public moving forward.

Digital Communications

From the start of 2022, the Marketing and Communications team worked diligently and quickly to take down all the unofficial social media pages that were operating under the Bank's name. Simultaneously, the team was working on transforming the Bank's digital presence and content. Since these platforms serve as the official and direct communication channels with clients, the team believed it was essential to provide high-quality material that would keep clients engaged and maintain a consistent look and feel online. This approach aimed to build a unified persona to the customers, which, in turn, will foster a trusting relationship with them.

In May 2022, Al Baraka Bank relaunched its social media platforms after a year of inactivity on its official communication channels. This reopening initiated a new communication cycle with the Bank's customers, with a primary focus on Facebook, Instagram, and LinkedIn as the main channels for social media marketing and customer engagement. As the Bank was obtaining a verified status for its Facebook page, the team proceeded to roll out its transformed identity on its accounts, with the updated branding and design, through a series of marketing campaigns. They then started monitoring activity and content performance and conducted extensive social listening.

The team worked diligently and together with relevant departments to craft messaging in support of strategic objectives and key developments, including the announcement of Al Baraka's partnership with InstaPay, its involvement with COP27, and the achievements of the Bank's SME Division. The team produced an impactful internet banking video tutorial, successfully driving the adoption of internet banking services and positioning the Bank as a modern, digitally integrated business. New product launches, including the Bank's multiple CDs, were creatively communicated across social media platforms to great success, achieving notable gains in customer acquisition and inquiry. The team applied strategic targeting of these communications, which proved particularly beneficial for campaigns geared toward a high-net-worth clientele and small business owners. The team managed to overachieve KPIs while remaining under budget for its digital campaigns over the course of the year. Moreover, engagement and traffic to the Bank's social media channels increased drastically following their reactivation and the implementation of digital messaging.

The team is working closely with the Bank's customer-facing departments to align product and service communications with the Bank's image, support its strategic goals, and improve customer experience and knowledge.

Media and Sponsorships

Media and sponsorships were effective in expanding the visibility of the Bank's success stories through leveraging relationships with local media. The team targeted top-tier and industry-relevant publications for spreading stories related to new products and services, campaigns and initiatives, and performance results. During 2022, 19 PRLs were dispatched and reached 1,030 hits.

Throughout the course of the year, the Bank's advertisements appeared on five leading news and sports-related websites, including Youm7, YallaKora, and Filgoal. The campaigns were successful in achieving planned KPIs and targeting relevant customers. The Bank's new logo also appeared on the Middle East broadcast of the FA Community Shield final Liverpool vs Manchester City match, achieving incredible reach and enhancing brand awareness given the high local audience viewership of the match.

The Bank sponsored the World Cup Fan Arenas at the Mall of Arabia and City Center Almaza in November and December 2022. The fan arena included sports-themed games and activations for World Cup viewers throughout the duration of the tournament and served as an effective brand awareness and lead-collecting activity.

These efforts in 2022 resulted in positive recognition and accolades. The Global Business Outlook Magazine listed Al Baraka Bank as the fastest-growing Islamic Bank in 2022, the Bank was ranked #21 in the Top 50 listed companies in Egypt by Forbes, and throughout the year, the Bank was referenced in several industry and business publications as a top profit-generating institution. These acknowledgments helped Al Baraka Bank enhance top-of-mind awareness among the public and strengthen its reputational position in the market.

Financial Inclusion and CSR Activations

The Bank's CSR initiatives are planned and executed in line with the Bank's core value of sustainably developing society for the betterment of all its members, as well as with the CBE's financial inclusion agenda, Egypt's Vision 2030, and the UN SDGs. Throughout the year, the team led the Bank's sponsorship of and participation in multiple CSR initiatives that supported these goals and served to enhance the brand's image. The team was instrumental in encouraging employee engagement in the CSR initiatives over the course of the year.

The Bank commemorated International Women's Day throughout the month of March with several activations and initiatives under its **Al Baraka Fiki initiative,** targeting various segments. For unbanked or underbanked women in rural areas, the Bank collaborated with the Roots Foundation and the Sultan Foundation for Development, supporting female crafts producers and encouraging financial education and inclusion. The Bank also sponsored bazaars at shopping malls, such as the Kouny event held at Arkan Plaza, showcasing female Egyptian designers targeting HNW clientele. The Bank additionally held an internal-facing Women's Day bazaar in collaboration with Gozour Foundation at the Bank's head office. The Foundation provides skills training and employment to underprivileged craftswomen to produce handmade home and fashion accessories under the Salil brand, proceeds of which contribute to economic and educational opportunities for participating women and their families.

During the first two weeks of August, the Bank partook in several **International Youth Day activities.** In addition to launching their Youth Account, the Bank partnered with Helwan University to engage with its student body through an educational seminar and competition at the Faculty of Commerce and Business Administration and established an on-ground unit for three days during which students were offered incentives to open new accounts.

In September, the Bank launched a **Farmers' Financial Inclusion** activation in the Agriculture Directorate in Mansoura. An educational seminar highlighted the benefits of financial inclusion for society and explored pathways for leveraging relationships between the financial sector and those engaged in Egypt's agriculture sector. The seminar included a display of the Bank's financial inclusion products and account opening services.

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The Bank ran a two-day activation at Al Zohour Club in Nasr City, targeting the club's members and employees. Educational materials on the importance of financial inclusion, with a particular focus on **Saving Accounts,** were provided, and account opening services were offered.

In December, Noor Al-Basira Foundation provided an educational seminar at the Bank's headquarters to train its customer service staff on how to better serve customers with **visual and hearing impairments.** The Bank made several contributions to the Foundation, including the purchase of an Everest Braille printer and donation of specialized educational tools for visually impaired students.

The Bank supports several hospitals and health-focused foundations as part of its CSR activities. In 2022, Al Baraka Bank allocated funding of EGP 1.7 million to **Misr El Kheir** Foundation's Dialysis Medical Center for the provision of seven dialysis machines and chairs. The Bank provided an additional donation amounting to EGP 5 million to the Foundation during Ramadan to facilitate the release of debtors.

The Bank supported **Baheya Foundation** in its mission to provide early detection and treatment for breast cancer to women throughout Egypt at no charge. The Bank provided a donation amounting to more than EGP 500k for an operating room machine at the Foundation's new Sheikh Zayed hospital. Al Baraka Bank's longstanding support of the **57357 Hospital** continued in 2022. The Bank contributed EGP 1 million to the children's cancer hospital for the purchase of a robotic radiotherapy cyberknife. The Bank made a contribution and also partnered with **Al Nas Hospital** for a visitation day, on which employees visited and distributed gifts to the hospital's youth cardiac patients. Employees also took part in a clothing and toy drive benefiting **Ma3an Leh Hayat Afdal Foundation**.

Internal Communications

The team launched an internal communications channel for all employees with a unified internal announcement template, ensuring that staff across all departments have first access to the Bank's updates and news, including new products and services, branch

openings, awards, events, and other pertinent activities. The communications channel will be instrumental in facilitating knowledge sharing across departments and will also be a tool for acknowledging the accomplishments of the Bank's high performing employees.

The team has also devised activities to encourage employee engagement, such as contests, and team building activities to foster a sense of community across departments. The team also ensured that the Bank's employees became an integral part of its CSR initiatives, encouraging them to participate in the various activities throughout the course of the year.

Forward-Looking Strategy

As Al Baraka Bank looks to further enhance its products and services and expand its customer base, the Marketing and Communications Division will remain a critical force in communicating with the public toward achieving these goals in line with the Bank's growth strategy. The team looks to build on the successes of its digital campaigns and will strive to achieve and exceed planned KPIs in reaching the Bank's audience in impactful ways that generate additional value through cost savings and customer acquisitions. The team will continue to leverage existing media relationships while looking to forge new ones with additional players in the local media landscape whose audience aligns with the Bank's target clientele. In addition to capitalizing on the ever-evolving digital marketing trends, the Department continually seeks creative and strategic opportunities to communicate its products and services through various offline activities, including the continual updates to branch branding and communication points, as well as through targeted CSR initiatives, event participation, and sponsorships. The Department will continue to elevate the Bank's positioning as a thought leader in the areas of sustainable development and green finance. Additionally, it will remain an active player in developing and participating in public health, women empowerment, and educational initiatives to support community development in line with the Bank's mission to generate value and positive impact for all stakeholders.

Sustainability and Financial Inclusion

Al Baraka Bank strives for sound, sustainable growth within its own operations and actively supports the advancement of financial inclusion and the development of green economy in Egypt.

The principles of sustainable finance are embedded in Al Baraka Bank's mission as the Bank has a proven track record of lending and investment practices that support impactful development for individuals, entities, and communities and enable continued value generation for the Bank's stakeholders. In 2022, the Bank established its Sustainable Finance Department to formalize its environmental, social, and governance (ESG) framework and determine a holistic strategy for sustainable finance and responsible Islamic Banking. The objectives of the Bank's sustainability strategy are aligned with Egypt's Vision 2030 and the UN SDGs and adhere to the CBE's Guidelines of Sustainable Finance and the Financial Regulatory Authority's (FRA) policies, as well as the principles of Sharia. The Bank's business model aims to achieve operational efficiency and sustainable and inclusive profitability with a customer- and human capital-centric approach. Al Baraka Bank strives to have a positive impact in the areas of economic resilience, climate change, community development, internal governance, and the interest of all stakeholders.

The Sustainable Finance Department is responsible for carrying out the following activities in line with the Bank's strategy:

- Developing the Bank's sustainability strategy for short-, medium-, and long-term internal operations, lending, and investment goals
- Strengthening the structure and building management capacity of the Bank's ESG framework
- Launching an environmental and social management system (ESMS)
- Developing the Bank's sustainable lending framework and products
- Reporting on the Bank's sustainability performance
- Managing stakeholders' relationships and ensuring regulators' compliance

2022 Highlights

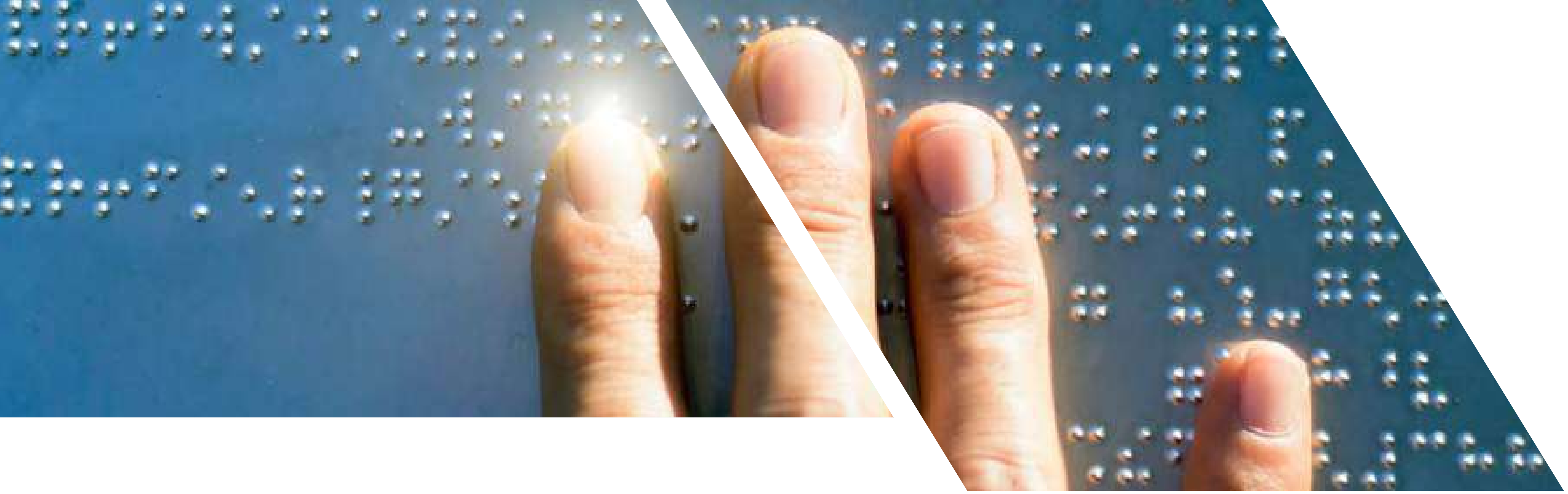
The establishment of the Sustainable Finance Department was a notable achievement for the Bank in 2022 as it aims to become a local leader in sustainable finance and ESG practices. An ambitious sustainability strategy was designed to support the Bank's three-year growth strategy, which aligns with CBE policies and the UN SDGs. The Department's functions and targets were formalized to facilitate the implementation of this strategy, and an assessment is underway of international sustainability frameworks for the Bank's consideration. The Bank has established its sustainability governance structure covering its internal, credit, and investment policies; initiated new products and services; and issued its first carbon footprint report. Over the course of the year, Al Baraka Bank made impressive strides in achieving its targets and demonstrated the potential for creating long-term value through sustainable finance.

Carbon Footprint Reporting

In 2022, Al Baraka Bank published its 2021 Carbon Footprint Report. The report was the first for the Bank, encouraged by the CBE's guideline for Egyptian financial institutions to report on their emissions and pursue pathways toward reducing their climate change impact and by the Bank's own interest in strengthening its ESG framework. The report served to benchmark the emissions of the Bank's headquarters and inform strategies for sustainable operations. The Bank continues to monitor progress on its emission reduction targets and plans to continue issuing annual Carbon Footprint reports.

COP27 Panel Session

In November 2022, Al Baraka Bank took part in COP27, held in Sharm El Sheikh, Egypt. The Bank is proud to have participated in the UNFCCC conference as a local partner and industry thought leader, having hosted a panel discussion entitled "What is the Role of Islamic Finance toward a Comprehensive Approach to Sustainable Financing in Emerging Markets – Challenges and Opportunities for Small and Medium Enterprises?" The session was attended by Al Baraka Bank's Strategic Planning and Project Management teams, representatives from the German Foundation for International Cooperation, commercial banks, multilateral development banks, private sector and SME leaders, economists, and sustainable finance experts. The robust discussion centered on the role of the banking sector in promoting green economy and pathways for mitigating climate change while securing returns. The session also touched on the importance of including various stakeholders, such as local governments and international institutions. Success stories from Al Baraka Bank – Turkey were highlighted, and the Bank addressed potential impacts for industry-wide implementation from the perspectives of financing, investment, and strategic decisions. The COP27 session enabled Al Baraka Bank to engage with stakeholders and solidify its reputation as a leader in the development of Egypt's sustainable finance and green economy.



Financial Inclusion

New Financial Inclusion Products

In 2022, Al Baraka Bank launched three financial inclusion products, which adhere to the CBE's conditions and regulations for financial inclusion and serve the Bank's strategic growth objectives.

The Bank's new **Youth Account** targets customers between the ages of 16–21 and enables activation without guardian approval. Opening a savings account and profiting from it require a minimum of EGP 1,000, while the account's maximum balance limit is set to EGP 10,000. The account's profit is calculated based on the minimum balance during the month and is credited on a semi-annual basis. Youth Accounts can be linked to debit cards and internet banking services.

Al Baraka Bank's new **Sanaa Saving Account** is an innovative product for the local market, targeting small and micro enterprises and craft and trade owners who lack enterprise documents. The minimum required amount to open the account is EGP 1,000, and profits are calculated pending a minimum balance of EGP 20,000. The accounts' maximum threshold is set at EGP 300,000. Sanaa Saving Accounts accrue profit monthly, calculated according to the minimum balance during the month. The account can be opened via internet banking and can be linked to its services and to debit cards.

The Bank launched the **Kol El Nas** Simplified Account for individuals who are unable to provide proof of income. The account requires a minimum of EGP 500 to open and at least EGP 10,000 to accrue profit, which is credited monthly and according to the minimum balance available during the month. The maximum balance for these accounts is limited to EGP 200,000. Kol El Nas accounts can be linked and accessed through internet banking and linked to debit cards.

Implementing CBE Policy for Disabled Persons

In 2022, the Bank made significant progress in its implementation of the CBE's new policies toward financial inclusion for people with disabilities. The Bank conducted training sessions and updated systems as part of its widespread efforts toward eliminating barriers and improving customer experience. Thirty-two employees across the Bank's branches received enhanced training to provide specialized customer service, and a plan was developed for training seminars at the branches to educate all staff about financial inclusion and customer service considerations for people with disabilities. Customer service procedures include ensuring that two employees, a customer service manager and a customer service officer, are available to provide additional support during the form-filling and application process. Some forms have been made available in Braille, and systems have been established to provide follow-up services and additional customer service support, especially for visually impaired customers.

The Bank made significant efforts to ensure that all customers, including those with disabilities, can access its products and services with ease. Renovations have been carried out in our branches and ATMs to make them more accessible. In particular, we have enabled all our ATMs with Braille keypads, while video monitors in 15% of our branches now communicate our products and services in sign language. To further improve accessibility, clear and visible signage has been installed in all locations where these measures have been implemented. Additionally, the Bank has upgraded its internal database to support the identification and categorization of customers with disabilities. This will enable us to provide tailored services to each customer and better meet their individual needs.

Financial Inclusion Initiatives

Throughout the year, Al Baraka Bank participated in five noteworthy financial inclusion initiatives. The Communications Team led these initiatives as part of the Bank's CSR strategy to serve various stakeholder groups in the community and strengthen the Bank's standing as an impact leader. These initiatives targeted high-priority financial inclusion customer segments and provided education about personal financial management, the Bank's products and services, and offered opportunities and incentives to open accounts. The Bank sponsored a crafts bazaar for International Women's Day, partnered with Helwan University for International Youth Day, collaborated with the Agriculture Directorate in Mansoura to engage with farmers, and held an activation at Al Zohour Club in Nasr City to enable club employees and members to open a range of the Bank's financial inclusion Savings Accounts. More information about these initiatives can be found in the Marketing, Corporate Communications, and CSR section of this report.

In December, the Noor Al-Basira Foundation provided an educational seminar at the Bank's headquarters to train its customer service staff on how to better serve customers with **visual and hearing impairments.** The Sustainable Finance Department arranged several contributions to educational services for disabled persons, including the purchase of an Everest Brailled printer to promote school enrollment for visually impaired students and the donation of specialized educational tools for disabled students from kindergarten through university.

Forward-Looking Strategy

The emergence of Al Baraka Bank as an industry leader in sustainability and financial inclusion will continue to be a priority in the coming years. The Bank will remain focused on building its capacity and governance structure according to its sustainability strategy and in line with Egypt's Vision 2030, the UN SDGs, and the CBE's financial inclusion directives. The Bank will continue to develop and expand its sustainability targets and financial product offering while pursuing sustainable investment opportunities through impact investment funds and direct ESG investing. Inherent to these activities, the Bank will remain steadfast in assessing the environmental and social risks in both its investing and lending practices. The Bank will remain diligent in its application of the CBE's financial inclusion mandate and alignment with local and international sustainable development goals. Continuation of assessments, reporting, and framework development will enable persistent progress toward the Bank's internal ESG targets and its external sustainability goals, which will further strengthen its relationships with local and external sustainability stakeholders, placing it as one of the ESG leaders in the Egyptian market.

SUPPORT FUNCTIONS

Human Resources

Al Baraka Bank's HR Department leads the transformation of policies, procedures, and motivational frameworks that support the Bank's employees, the cornerstone of its success.

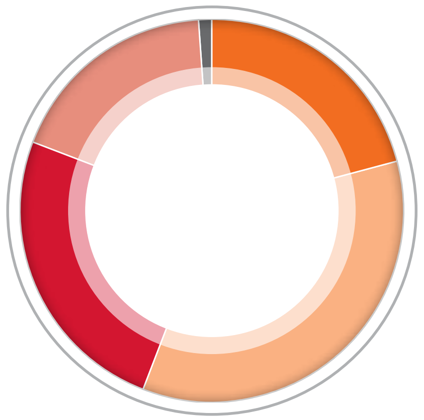
Al Baraka Bank's HR Department is responsible for developing and implementing the policies and practices related to the Bank's employees. The Department's role includes organizational development with regard to recruiting new talent, regulating succession planning, and establishing career path frameworks. The Department facilitates skill development and training across all departments to continuously enhance employees' expertise. The HR Department is also responsible for the management and implementation of payroll, medical benefits, and personnel procedures. Additionally, the Department oversees a dedicated unit responsible for HR activities that involve branch employees, and it continually optimizes its activities and performance through its human resources information system (HRIS).

Al Baraka Bank strives to promote inclusion and excellence in the workplace within its hiring process and career advancement practices, which include increasing the diversity of its team. Accordingly, the HR Department tracks the gender and age breakdown of the Bank's employees. In 2022, the Bank expanded its workforce by 18%, reaching a total of 1,121 employees across its headquarters and branches.

Gender Breakdown of Employees

Female	**29%**
Male	**71%**

Age Breakdown of Employees



20–29	**21%**
30–39	**35%**
40–49	**25%**
50–60	**18%**
Above 60	**1%**

2022 Highlights

Throughout 2022 and in the lead-up to Al Baraka Bank's implementation of its three-year growth strategy, the HR Department prioritized multiple projects to facilitate achieving the Bank's organization-wide transformational goals. Various functions within the Department worked in parallel to conduct the planning, development, and implementation of these projects, enabling the Department to achieve a wide scope of objectives that serve to codify and streamline departmental functions and increase the attractiveness of the Bank as an employer, all while promoting an environment of honesty, integrity, and trust.

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Codifying Roles and Procedures

The HR Department prioritized preparing the Bank to meet its growth targets, which will entail not only the expansion of its employee base but also the addition of new roles as the Bank broadens its scope of services to the market. The HR Department codified the Bank's new organization chart and developed organization charts for each department and unit to reflect the structure of newly established divisions and functions. The Department additionally assessed and modified all job descriptions and their competencies for each of the Bank's departments and branches according to the creation of new roles and the revision of duties of previously existing roles.

In the past year, the Bank's HR Department underwent a comprehensive review and upgrade of policies and procedures to meet the Bank's evolving needs during a period of growth. As part of this process, the Bank upgraded the compensation and benefits schemes, revised policies around employee facilities, and established an HR help desk to provide function-related support for all employees. To ensure that all employees are aware of these changes, the Department published an updated employee handbook that outlines new and existing policies.

In addition to these general improvements, the HR Department has implemented several specific changes to support the Bank's employees. These include salary adjustments across all levels, a new medical coverage system, and a new profit share system. The benefit of the employees' fund has also been increased, as has the cost-of-living allowance by 9%. The HR Department has increased training by 242%, including the creation of training academies for the Corporate, Retail, and SMEs departments. To support the growth and development of our organization, the Department designed a new job description system and a succession planning framework. It also designed an organizational structure for all departments and implemented a new performance appraisal system based on objectives. Finally, the Department updated the HITS HR software system to ensure that all the Bank's HR processes are as efficient and effective as possible.

Providing Skills and Pathways

Al Baraka Bank is intent on providing its employees with the necessary skills for continuous capacity building, as well as clear pathways for career development and succession planning. Accordingly, the HR Department enhanced its training procedures through the launch of several academies, including the Branches Academy, SMEs Academy, Credit Academy, Supervisory Academy, and Managerial Academy. These training and development units are set to facilitate knowledge sharing and skills enhancement in new and existing departments, as well as ensure the Bank's talents are continually aware of and operating according to the Bank's policies, local regulations, and financial industry best practices. A yearly plan was established for training across all departments based on an analysis of their specific needs.

The Department established career path support for all the Bank's levels, which is being implemented to enable greater retention and capacity growth among employees who wish to advance in their careers and be considered for in-house promotion opportunities that arise as the Bank expands and establishes new and specialized roles. The HR Department also began implementing its newly developed succession plan strategy for business unit heads to reduce disruptions caused by employee turnover of senior roles. The Bank's succession plan was developed with the support of the Egyptian Banking Institute (EBI), the CBE's official arm for the development of human capital.

Enhancing Culture and Systems

The HR Department successfully established and began implementing the Bank's culture change model in 2022 with the support of Brisk Business.

Various aspects of the Bank's culture were targeted, including the areas of creativity and motivation. Frameworks were established to encourage creative thinking and decision-making across all departments to achieve continuous improvement through innovative approaches. Motivational programs were established across several of the Bank's departments to incentivize and reward employee performance.

Bank-wide digitalization activities extended to the HR Department in 2022 with the automation of its HRIS for optimized employee data collection and workflow management, as well as the implementation of the home station instrumentation training (HITS) system to support live group training.

Forward-Looking Strategy

As the Bank is implementing its growth strategy, The HR Department will continue working toward establishing and improving activities that enhance the Bank's workforce and promote high-skilled productive teams.

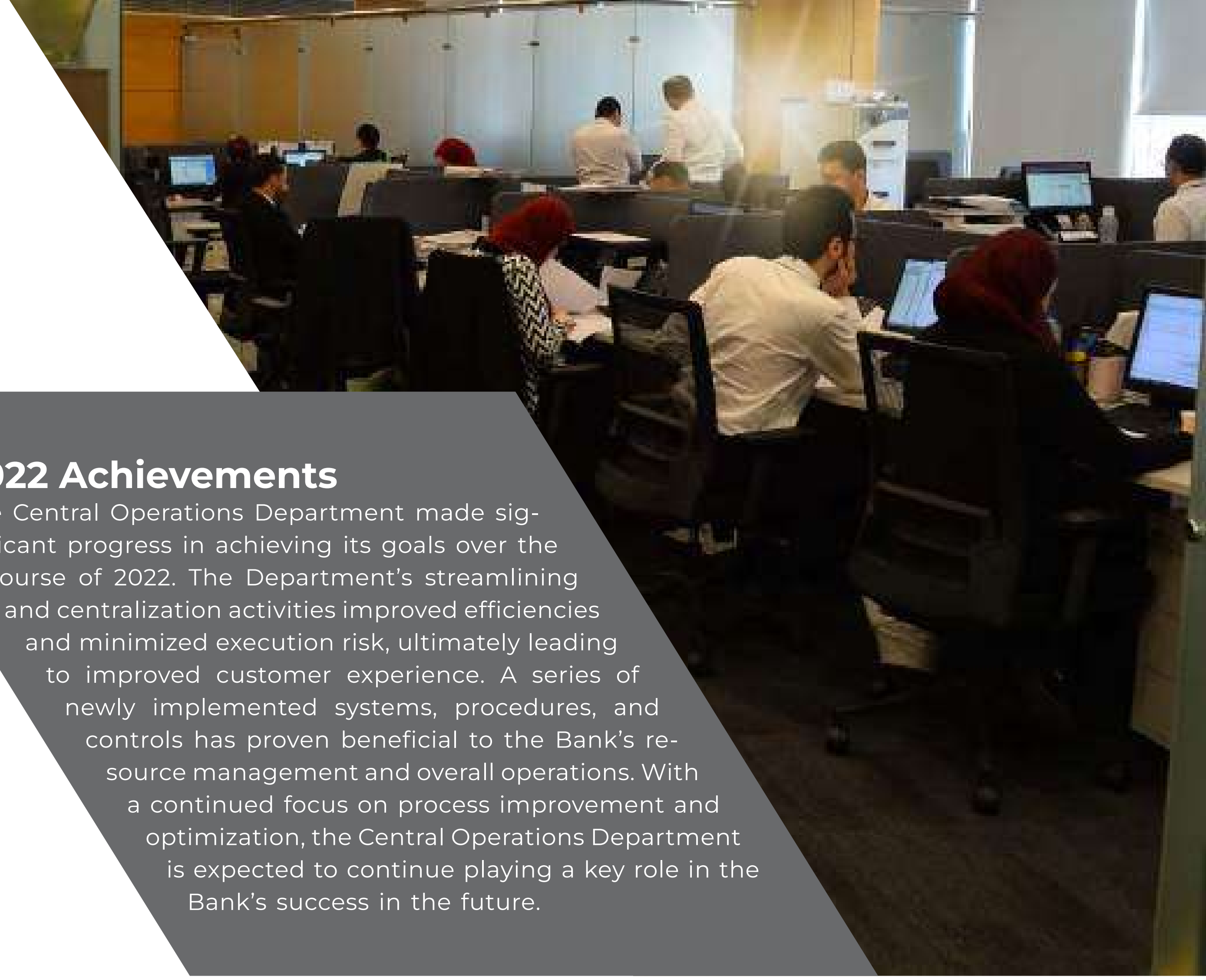
In 2023, the Bank looks to accelerate the activities of its newly established in-house training academies and provide its employees with skill-enhancing educational sessions throughout the year, while reviewing additional measures to increase and expand development within its organization. The Bank intends to continually examine market standards as it reviews its own compensation and benefits procedures to remain competitive and attractive to its existing and potential talent. Additionally the HR Department is planning to implement its new motivational culture to increase morale and loyalty among employees while improving overall Bank performance.

Central Operations

At a Glance

Al Baraka Bank's Central Operations Department aims to streamline and centralize branch activities that were formerly managed by employees within each branch. The centralization of paperwork and processes enhances the Bank's control, accuracy, and customer service capacity while reducing execution time and errors. The Department implements its activities through standardized policies and a clear service level agreement with an escalation matrix and methodology. Several units handle different transaction types according to the units' roles and responsibilities. In 2022, the Department managed the following activities:

- Cards Back Office Restructuring
- Remittances
- Retail Financing Back Office
- IDCs
- Time Deposits and Certificates of Deposit
- Clearings
- Checks and Bills
- LCs



2022 Achievements

The Central Operations Department made significant progress in achieving its goals over the course of 2022. The Department's streamlining and centralization activities improved efficiencies and minimized execution risk, ultimately leading to improved customer experience. A series of newly implemented systems, procedures, and controls has proven beneficial to the Bank's resource management and overall operations. With a continued focus on process improvement and optimization, the Central Operations Department is expected to continue playing a key role in the Bank's success in the future.

Cards Center Unit

The Cards Center Unit successfully restructured and streamlined its internal processes, particularly in the area of ATM and cards reconciliation, and the exercise to clean up GLs has been successfully completed without incurring any operational losses.

The Unit has also finalized the signing of an exit contract with NBE and initiated the BIN closure exercise with Mastercard to avoid non-compliance fees. Additionally, the Cards Center has seamlessly transitioned 18 ATMs to a new CIT company and automated the commission collection process. Moreover, we have successfully launched the VISA acquirer service, in addition to updating and unifying the Bank's dispute forms.

To enhance control, the Cards Center has implemented various measures, including a robust reconciliation process between Core Banking System (CBS) and the Cards Management System (CMS), the establishment of the Risk and Control Self-Assessment (RCSA), and the implementation of the Key Risk Indicator (KRI).

Our efforts in addressing undelivered credit card statements have yielded positive results, with a reduction from 47% to 25% through multiple address cleanup exercises. Lastly, the Unit has successfully initiated the QMR process with Mastercard, effectively avoiding any operational losses.

Trade Unit

The Trade Unit updated its documentary collection and advanced payment processes. The Unit created new reports to meet the requirements of the CBE and internal controls. It also assumed responsibility for performing FX trade transactions and successfully reconciled the Bank's LCs, IDCs, and GLs backlog.

Remittance Unit

The Remittance Unit centralized inbound and outbound transfers and launched its Transfers STP project, IPN system, and ACH-Foreign Currency system. The Unit implemented new methods for detecting duplicate requests and finalized the remittance section of Siron. The Unit remains fully compliant with the universal confirmations basic tracker.

Treasury Back Office (TBO) Unit

The TBO Unit achieved a total trading gain of EGP 5.2 million in Q4 2022 and a value date return of EGP 1.5 million for treasury bills throughout the year. The Unit handled all aspects of trading with brokers for the sale and purchase of weekly platinum Tawarok, a Sharia-compliant cash finance product, and completed all testing related to dealing with USD denominated Tawarok.

Financing Back Office Unit

The Financing Back Office Unit centralized secured and unsecured financing, secured collateral release, and automated the collection of administrative fees. The Unit also implemented the Bank's Tawarok product and took custody of the Retail Financing Checks portfolio.

Certificates of Deposit and Treasury Deposits (CDs and TDs) Unit

The CDs and TDs Unit revised and centralized processes for issuing and redeeming CDs and TDs, including defining roles, responsibilities, and procedures for all relevant departments. The Unit implemented controls to unify the process, ensure timely execution, and collect related commissions.

Clearing Unit

The Clearing Unit centralized the clearing process, reduced the number of voided checks, and implemented system codes to speed up the collection of outward checks. The Unit also automated transaction processing to reduce errors on the banking system.

Checks and Bills Unit

In 2022, the Checks and Bills Unit unified the Checks and Bills Portfolio under the Head Office in coordination with the IT Division. The Unit also implemented new controls and minimized execution time for the check collection process.

Forward-Looking Strategy

The Bank aims to further expand the scope of activities executed by the Central Operations Department as a path to achieving greater efficiency and control over the Bank's operations. The Department is working toward incorporating the opening and modification of bank accounts, LGs, loan support, and corporate operations into its activities as part of its process optimization and risk mitigation strategy. The Department will continue to develop plans and execute pathways for the seamless integration of new activities into the Bank's existing operational framework, as well as provide specialized training on new procedures and controls to maintain high standards of customer service and operational efficiency as the Bank continues to grow.

Information Technology

At a Glance

Al Baraka Bank's IT Sector serves as its technological backbone. The Sector is entrusted to deploy innovative, efficient, and groundbreaking solutions as a strategic enabler for the Bank's digital transformation journey.

The IT Sector consists of several divisions according to their areas of expertise and specialization, which include Infrastructure, Networking and Collaboration, Security, Operations, Enterprise Application Support, Development, Integration and Automation, Project Management, IT Governance, Data Management, Help Desk and Maintenance. The role of each function is to develop, analyze, deploy, manage, and support the digital aspects of each solution or service provided by the Bank to any of its various stakeholders.

The IT Sector is focused on transforming the Bank's digital experience by providing faster, more consistent, and reliable access to digital service offerings using a next-generation, agile software defined network. The Department is simultaneously strengthening the Bank's infrastructure and cybersecurity framework and has streamlined several internal software and hardware components.

Focus Areas and Initiatives

The IT Sector supports the Bank's strategy and digitalization initiatives. By providing state-of-the-art technological infrastructure and solutions, the Sector can support the Bank in accelerating the time-to-market of its products and services, while simultaneously streamlining support, maximizing efficiency, and reducing costs.

Al Baraka Bank's digitalization initiatives have focused on the unification of available technology services across the Bank, growing Al Baraka's team and empowering employees through enhanced digital solutions, tools, and training, as well as laying the groundwork for streamlining and strengthening the provided services.

2022 Highlights

The IT Sector implemented several enhancements to the Bank's internal IT infrastructure in 2022. Al Baraka Bank set in place a state-of-the-art technology network for eliminating single points of failure throughout their systems to improve performance and minimize service disruptions. Al Baraka also established a set of bank-wide monitoring solutions that allow for more accurate monitoring of IT resources and the minimizing of average recovery times of system failures. The IT Department played a key role in the digitization of the Bank's workflow processes, thus improving provisioning speed, enhancing availability, maximizing efficiency, and reducing costs.

Al Baraka Bank has developed several data protection solutions to enhance the security and resilience of the Bank's critical systems. The Bank also applies SWIFT Customer Security Program (CSP) controls to ensure that its anti-cyberattack defense systems are effective and up-to-date.

The Bank underwent several digital changes aimed at improving the quality of financial services provided to customers. In 2022, Al Baraka Bank became one of the first Egyptian banks to join the IPN network, including the offering of payment-to-card (P2C) services. The Bank has successfully launched the Automated Clearing House System (ACH) through the use of straight-through processing (STP). This process automation has enabled the Bank to achieve faster transaction processing times, thus creating an enhanced customer experience and improving availability and reliability.

Enhancing Al Baraka Bank's IT infrastructure also involved the improvement of both internal and external communication lines. The Bank set up various contemporary communication methods, such as IP telephony, audio/video conferencing, and telepresence, at the Bank's Head Office, and it created remote offices across its branches. Al Baraka Bank upgraded and enhanced its communication lines across all branches to improve customers' user experience, maximize the variety of services offered across all locations, and minimize service disruptions.

Forward-Looking Strategy

Al Baraka Bank aims to continue developing the IT Sector as an agile, centralized, and strategically aligned IT organization to facilitate the development of contemporary solutions to meet the demands of all stakeholders. Moving forward, in addition to working on enhancing the agility of the Bank's processes and technologies, the Sector will increasingly focus on enabling and empowering its people through additional resources, training, and knowledge capacity-building activities.

Legal

Al Baraka Bank's Legal Sector provides legal support to all departments and safeguards the Bank's legal rights. The Sector offers legal advice to the Bank's internal committees, conducts internal hearings, and registers property deeds and bank assets. It also prepares forms and contracts that regulate the Bank's relationship with customers and takes legal actions to safeguard the Bank's rights with respect to non-performing customers. The Sector keeps abreast of new legislations and regulations, ensures compliance with the Bank's policies, and issues circulars to keep employees updated. Externally, the Sector represents the Bank in front of various parties including courts and commercial registry offices.

The Sector is fully independent, ensuring that it achieves the best possible results, and plays an important role in reducing the Bank's legal risks. The Legal Sector is staffed by highly qualified banking lawyers with strong knowledge of Islamic Sharia, credit, and banking law. The Sector is divided into the following five departments:

Litigation Department

The Litigation Department handles all lawsuits filed by the Bank to recover its rights, as well as those filed against the Bank. The Department creates reports based on relevant data and prepares legal provisions report, drafts statement of claim and defense and supporting documents, and appeals unfavorable court rulings. It also handles cases against the court of cassation and submits reports to relevant authorities. Additionally, it deals with tax and fee claims, including appeals and pleadings before the income tax and appeals committees. Finally, the Department handles labor cases and dealings with labor offices and courts, deals with insurance policies related to non-payment risks, and more.

Contracts Department

The Contracts Department formulates financing contracts according to credit approvals and ensures the highest levels of protection for the Bank's rights. It examines contracts for the Bank's branches and prepares contracts with external parties. It also prepares settlement and rescheduling contracts for non-performing customers, drafts all types of mortgage contracts, and registers the Bank's assets. The Department examines ownership and validity documents for real estate registration and responds to legal inquiries from other sectors and departments. It issues legal opinions related to customers and handles legal documents, such as account opening applications, checks, insurance documents, etc.

Execution Department

The Execution Department enforces court rulings on behalf of the Bank by communicating them to opposing parties and initiates judicial seizure procedures against debtors' assets. It also reports criminal rulings to the Public Security Department and defends the Bank against implementation obstacles. The Department exhausts all possible legal procedures in the event of court judgments against the Bank.

The Reservations and Internal Investigations Department

The Reservations and Internal Investigations Department handles administrative and judicial reservations, including those signed off to the Bank. It receives communication from various authorities related to seizing and rescinding access to accounts, and it searches for concerned individuals within the Bank's customer database. If found, the relevant branch is notified.

The Department also examines internal complaints referred by the Bank's CEO, hears from and questions individuals involved, and prepares a document with the outcome of the investigation for the relevant authority figure. The HR Department is informed of the result and takes necessary actions, including notifying the person involved of any penalties issued against them.

Administration Department

The responsibilities of the Administration Department include recording, storing, and directing documents received from branches; maintaining lawsuit records and session rolls; and receiving official documents from courts and bailiffs. They also regularly prepare data for presentation to relevant authorities and maintain the electronic archive for incoming data from other departments and branches.

2022 Highlights

Throughout the year, the Sector provided invaluable support to the Bank, successfully handling various legal tasks and addressing significant issues.

In addition to their day-to-day tasks, the Legal Sector played a vital role in enhancing the Bank's profitability by issuing its first legal opinion on the adjustment of interest rates of credit contracts. The Legal Sector also assisted in the implementation of a financing contract related to the purchase and investment of units from Talaat Moustafa Group with an amount of EGP 700 million. The transaction was the first-of-its-kind for the Bank, and the Sector successfully navigated the unique legal procedures that the contract required.

The Legal Sector completed the development of a unified grant contract form, which received approval from the Sharia Supervisory Board. The form guarantees the Bank's right to adjust interest rates at any time, a feature that was not present in previous forms. The standardized format for credit approvals is intended to streamline the completion of contractual proceedings. The form's clauses are fully secured and non-modifiable except through the Legal Sector's approval. The new form marks the beginning of a variety of updates that will be implemented going forward.

The Bank's lawyers successfully litigated several cases in 2022. The Sector was victorious in a lawsuit related to the valuation of the figure for the real estate tax due on the Bank's main office, obtaining a verdict that saw its value drop by EGP 12.1 million. Additionally, the Sector won a number of labor and claims lawsuits, leading to a reduction and cancellation in their total value by EGP 2 million.

Furthermore, the Legal Sector was able to reach settlement agreements with non-performing customers worth a total of EGP 41.6 million and collected a total amount of EGP 436 thousand related to the execution of court rulings issued in favor of the Bank. The Sector was also successful in taking the necessary procedures to return an amount of EGP 150 thousand that was withdrawn by mistake from a minor's account by the minor's guardian without providing the required court approval. This was an important contribution as the bank would have had to return the amount from its own funds if it weren't for the success of the procedures taken by the Sector.

The Legal Sector's efforts saved the Bank a total value of EGP 33.7 million in claims against the Bank, and they were successful in reclaiming a total amount of EGP 42.2 million throughout the course of 2022.

Forward-Looking Strategy

The Bank's Legal Sector aims to transform its role from a mere controls and services sector to an active participant in the implementation of the Bank's overall strategy. To achieve this, the Legal Sector continues to align with the Bank's strategy and adapt to the Bank's investment objectives. The Sector will continue working toward finding alternative legal solutions to obstacles that may hinder the Bank from reaching its investment goals. It will also remain diligent in developing forms, contracts, and documents that enable the Bank's employees to perform standard procedures with minimal legal risks.

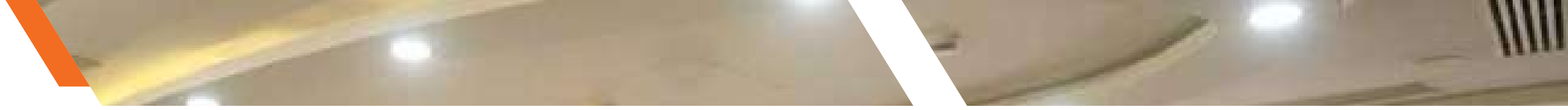
Furthermore, the Sector will participate in the issuance of new products to eliminate legal risks and assist in setting Bank policies and manuals. It will remain involved in all unusual investment operations to provide legal security and will continue to work on recovering the Bank's funds from non-performing customers through court rulings, settlement contracts, or other relevant contracts. It will also continue providing Senior Management and other departments with reports on any legislative changes that may impact the Bank's investment strategy or operations. Lastly, the Legal Sector will increase coordination with the Training Department to raise employees' legal awareness and reduce the Bank's legal risks.

The Legal Sector is also focused on further developing the skills and capabilities of its employees through continuous training; creating administrative levels for future leadership; promoting self-development, teamwork, and cooperation; assigning specific tasks; providing legal education and workshops; and informing employees of Executive Committee decisions. The goal is to involve all employees in achieving the Bank's objectives and promote the Legal Sector's role as an essential element of the Bank's investment process.

CORPORATE GOVERNANCE

Corporate Governance

The Bank's robust governance framework drives long-term value creation for customers, employees, shareholders, and other stakeholders.



The Bank's governance structure comprises a strong Board of Directors with a wide range of expertise, Board Committees, a management team, transparent processes, and reporting through its internal control departments (Risk, Compliance, and Internal Audit), as well as objective and unbiased assurance performed by its external auditors. The Board and the Bank's Executive Management Team firmly believe that a strong corporate governance structure is essential in enhancing shareholder confidence and increasing the transparency of ownership and control.

Al Baraka Bank's governance framework defines the clear segregation of duties and responsibilities between the Board of Directors and Senior Management, the reporting mechanism of internal control departments, the independence of external and internal auditing, cooperation with supervisory and regulatory authorities, and the assurance of the disclosure and transparency of information. The framework ensures the implementation of sound environmental management systems and elevates the Bank's corporate social and environmental responsibility. The equal treatment of all shareholders with sound protection for their voting rights is guaranteed.

The Bank's governance policies are designed to promote a corporate culture that emphasizes maintaining trust with key stakeholders and providing effective internal controls within the Bank. Through this approach, Al Baraka Bank aims to ensure that timely, transparent, and accurate disclosures are made available with respect to material information regarding the Bank, its ownership, operations, and financial performance.

Al Baraka Bank's comprehensive set of policies, including its disclosure policy, bylaws and Board Committee charters, ensures the presence of a solid governance structure. The Bank's Executive Management Team plays a critical role in executing the governance strategy throughout the organization by effectively implementing policies and procedures, executing the strategy set by the Board of Directors, and ensuring the clarity of the goals and objectives of each of the Bank's functions while directing their activities in alignment with the Bank's policies and regulations.

Board of Directors

The Bank's Board of Directors comprises 11 members (1 executive member and 10 non-executive members, including 3 independent members). The Board of Directors is responsible for determining strategic objectives supervising the operations of the Bank's Senior Executive Management and ensuring the effectiveness of the Bank's internal controls and risk management systems.

The Bank's Board of Directors is responsible for the general oversight of the Bank's operations and is tasked with supporting the Bank's governance environment and ensuring its effectiveness. The Board approves the Bank's current and future strategic goals and sets the responsibilities, exceptions, and related risk limits.

The Board of Directors approves the Bank's organizational structure, authority matrix, and responsibilities while determining the communication channels for each role to ensure the separation of duties and application of the principle of dual control in each of the Bank's activities.

The Board of Directors carries the crucial responsibility of being fully aware of the regulatory and legal framework that encompasses the Bank. Complying with laws, regulations, and regulatory controls is paramount, and fostering an ongoing dialogue between the Board members and the regulator is essential to achieve a shared understanding of perspectives. This collaborative approach ensures the financial stability of the Bank while consistently striving to uphold the best interests of shareholders, employees, depositors, and all other stakeholders. Moreover, the Board is committed to avoiding conflicts of interest and refraining from participating in any decision if there is even a hint of suspicion of a potential conflict. In the pursuit of these goals, the Board diligently exercises due care and diligence.

Changes to the Board of Directors During 2022

The Board of Directors' term runs from March 2020 through March 2023. On 1 February 2022, the Bank received a letter from Misr Life Insurance requesting the removal of Mrs. Omnia Ibrahim Aly al Nousiery, a Board Member representing Misr Life Insurance, from Al Baraka Bank's Board. On 25 July 2022, a letter was received from Al Baraka Group approving the appointment of Mr. Hatem Abd El-Monem Mohamed Montasser as a representative for the Group in the place of Mr. Mazin Khairy Shaker Manaa, with the CBE's approval coming on 4 October 2022.

Mr. Ramy Ahmed El- Borai was added to the Board of Directors as an independent, non-executive Board Member effective from the approval of the CBE dated 1 March 2022.

Mr. Karim Mohamed Fouad Elfateh was added to the Board of Directors as an independent, non-executive Board Member effective from the approval of the CBE dated 25 July 2022.

Over the course of 2022, The Board of Directors convened a total of 6 times.

Board Committees

Al Baraka Bank's Board of Directors is supported by specialized committees that operate under a set of policies and regulations, clearly defining their responsibilities, composition requirements, and term length. The committees report to the Board of Directors on a regular basis, and their briefings enable the Board to carry out their duties effectively. In addition to the standing committees, the Board of Directors may establish separate committees to consider specific issues as and when needed. They could also merge several committees together provided that their responsibilities align. This approach ensures that Al Baraka's governance structure is robust and capable of addressing emerging challenges effectively. The Board of Directors, with the support of these committees, is well-equipped to fulfill its responsibilities and make informed decisions that align with the Bank's strategic objectives.

Audit Committee

The Audit Committee consists of three non-executive Board Members. The committee is responsible for ensuring that the Bank's financial reporting is accurate, that risks are identified and addressed, and that the Bank is in compliance with relevant laws and regulations. The Committee also proposes the appointment of the company's external auditor, determines their fees, and considers matters related to their resignation or dismissal. The Audit Committee members are as follows:

1. Mr. Mohamed Ibrahim Gaafar

2. Mr. Ahmed Mustafa Abd El-Hamid

3. Mr. Houssem Ben Haj Amor

Remuneration, Governance, and Nominations Committee

The committee consists of three non-executive, independent Board Members. It is responsible for determining the remunerations of the Bank's Senior Executives and presenting its recommendations

regarding the remunerations of Executive Board Members. This responsibility covers all financial transactions, including salaries, compensations, benefits, shares, and any other financial factors.

The Committee is also responsible for ensuring that the Bank operates with a sound governance system by regularly reviewing the Bank's practices and recommending changes to the governance policies approved by the Board of Directors. The committee prepares a Governance Report on a periodic basis, which includes an assessment of the Bank's governance practices and identifies any gaps or areas for improvement. Over the course of 2022, the committee convened a total of 2 times. The committee members are as follows:

1. Mr. Houssem Ben Haj Amor

2. Mrs. Nevine Essam El Din Gamea

3. Dr. Ramy Ahmed Hassan El-Borai

Risk Committee

The Risk Committee comprises three non-executive Board Members. It has the right to invite other Board Members, Executive Managers, or external consultants to attend committee meetings or execute specific tasks if necessary.

The committee convenes on a quarterly basis, or with greater frequency as deemed necessary. The committee's decisions are taken on an absolute majority basis. The Chief Risk Officer attends the committee meetings. Over the course of 2022, the committee convened a total of 4 times.

The committee regularly reviews the Bank's overall risk framework by evaluating the business's actual performance in the context of the risks it has accepted, identifying risk trends and concentrations, and monitoring the formation of risk-related provisions. The committee assesses the appropriateness of the size of the provisions formed to meet expected losses and monitors other key risk indicators to identify potential issues and opportunities for improvement.

Ultimately, the committee provides the Board of Directors with reports that include sufficient information on all risks to which the Bank may be exposed, for decision-making purposes. The committee members are as follows:

1. Mr. Ismail Saleh Abd El-Fattah

2. Mr. Houssem Ben Haj Amor

3. Mr. Mohamed Abd El-Salam Elbasheer Elshokary

Shareholders' Rights

Al Baraka Bank's Annual General Meeting of Shareholders is held in March of each year, no later than three months after the end of the Bank's financial year. Additional extraordinary general shareholder meetings may be convened at any time by the Board. The General Assembly provides a platform for shareholders to engage with the BOD, ask questions, and exercise their voting rights. Shareholders' consent is required for key decisions, such as:

- The adoption of financial statements
- Voting on proposed dividends by the BOD
- The appointment of the External Auditor
- The appointment, suspension, or dismissal of the members of the BOD
- Amendments to the Articles of Association

Compliance Sector

Al Baraka Bank's strict compliance structures are built to ensure the efficiency of its operations and adherence to both local and global standards of best practice.

Al Baraka Bank's Compliance Sector operates under structured and comprehensive policies. Its framework, policies, and procedures govern the Bank's ability to identify, evaluate, recommend, and report various compliance-related risks, including operational and financial losses, system failures, or damage to the Bank's reputation due to non-compliance with applicable laws and regulations.

Al Baraka Bank continually updates and adds new policies to the Sector framework in accordance with international best practices. Anti-Money Laundering and Terrorism Financing (AML) is a mandate for the Compliance Sector, which has established a rigorous framework enabling employees to identify and report AML violations. The Sector ensures compliance with the Foreign Account Tax and Compliance Act (FATCA) to ensure all accounts meet regulations set by the US Internal Revenue Service (IRS).

Al Baraka Bank's compliance framework is a pivotal tool that outlines the Bank's policies and procedures and ensures they are implemented and monitored regularly across functions. The Sector prepares quarterly, annual, and biennial reports to ensure that the organization operates within the appropriate compliance space and is aware of any risks that may arise.

The Compliance Sector serves as one of the Bank's three lines of defense, adhering to the principles of governance, and operates independently to ensure effective control, oversight, and monitoring of all Bank transactions. The compliance officer is authorized to directly communicate with the Board of Directors and the Audit Committee, through the CEO, to address any issues requiring corrective action related to the Bank's operations. Working in collaboration with both the risk and internal audit sectors, the compliance team ensures strict adherence to the controls, procedures, and regulations mandated by the Central Bank of Egypt's (CBE). All policies introduced by the Compliance Sector undergo approval by the Board of Directors following a thorough presentation and endorsement by the Compliance Sector of Al Baraka Group.

2022 Highlights

In 2022, the Bank introduced several new products and services. The Compliance Department was at the forefront of these developments, ensuring that all guidelines and best practices were applied and assisting the Bank's push toward the digitalization of its banking system. The Department efficiently navigated the risks and compliance issues posed by the new processes and transactions, guided by management's stalwart commitment to ensuring business continuity.

Forward-Looking Strategy

The Sector is planning on implementing several systems to remain up-to-date with international best practices in the compliance field. The KYC, EMBARGO, and ACH Siron Sanctions screening system are slated for Q1 2023,, while the AML, GOAML, and FATCA will be implemented throughout 2023.

As Al Baraka Bank embarks on its transformation strategy and continues to introduce new products and services to the market, the Compliance Sector will remain steadfast in implementing the highest standards of compliance policy and regulatory frameworks and will routinely assess its internal structures to ensure alignment with the Bank's overarching strategy and risk appetite. The Sector will also invest in educating the Bank's staff to cultivate an environment that boasts a firm corporate governance and compliance framework to shelter and protect the Bank against potential risks and liabilities. The Sector will continue to update the frameworks guiding the Bank in line with regulatory requirements, particularly those stemming from the national push toward digitalization and financial inclusion.

Al Baraka Bank Egypt
Sharia Board Report

31 December 2022

To the Shareholders of Al Baraka Bank Egypt
In accordance with article number 29 of the Bank's Articles of Association, the Sharia Board presents the following report to the shareholders of Al Baraka Bank Egypt.

Regarding the principles in use and the contracts related to the transactions and applications offered by the Bank throughout and up until the end of 2022, we have conducted our audit in order to confirm the Bank's compliance with the rules and principles of the Islamic Sharia, as well as the religious rulings, decisions, and specific recommendations that have been issued by our side.

Our audit involved the documentation principles and regulations followed by the Bank with regards to the selection of each type of operation.

The responsibility of ensuring that the Bank operates in accordance with the rules and principles of the Islamic Sharia falls upon the Bank's management; its role is to provide an independent opinion based on its observance of the Bank's operations, as well as the preparation of a report for the shareholders.

We have planned and conducted our audit in order to obtain all information and interpretations necessary for us to provide a reasonable confirmation that the Bank has not violated any of the Islamic Sharia's laws or principles.

In our opinion:

a. The contracts and transactions conducted by the Bank throughout the financial year ended 31 December 2022 were undertaken in compliance with the laws and principles of the Islamic Sharia.
b. All profits made by the Bank through means that violate the Islamic Sharia have been set aside and disposed of by the Bank.
c. Dividend distribution is done in accordance with the approved process, and dividends are distributed to shareholders and owners of investment accounts as per the approved contractual agreements.
d. Since the Bank's Articles of Association mandate the Bank to pay out Zakat on behalf of shareholders, the value of the Zakat payments has been calculated and will be paid out as part of the Bank's Sharia expenses.

Dr. Hassanein Abdul Monem Hassanein	Dr. Mohamed Naguib Awadin Elmaghraby	Dr. El Ayashy Fedad	Sheikh Dr. Abdel Latif Mahmoud Al Mahmoud
Board Member	Board Member	Vice Chairman	Chairman

Al Baraka Bank Egypt | Annual Report 2022

Board of Directors Report

For the Year Ended 31 December 2022

(Prepared in Accordance with Article 40 of the Stock Exchange Listing Rules)

Bank Name: Al Baraka Bank Egypt, Egyptian Joint Stock Company

1. Company Information

Company Purpose	Partaking in all activities related to banking, financial, and commercial services authorized for commercial banks in accordance with the amended law number 43 for the year 1974, the amended law number 163 for the year 1957, and law number 120 for the year 1975, in addition to other Egyptian laws that regulate the operations of banks in both Egyptian Pounds (EGP) and foreign currencies, whether for the bank's own benefit, for the benefit of other parties, or jointly alongside other parties, as well as partaking in commercial activities authorized for commercial banks and carrying out all the requirements for developmental works and projects. More generally, the Company undertakes all banking, commercial, financial, and investing activities authorized for commercial banks. In all cases, it is required that the Company's operations be undertaken on a non-usurious basis and in compliance with the laws of the Islamic Sharia.		
Company Term	25 Years Ending on 28/04/2030	**Date of Listing on the EGX**	25/12/1984
Authorized Capital	EGP 10 billion	**Paid-up Capital**	EGP 5,089,974 thousand
Paid-in Capital	EGP 5,089,974 thousand	**Commercial Registration Date and Number**	18/02/2019 131593

2. Investor Relations

Contact Person Name	Hisham Zaky El Sayed Mahmoud Ghoneim		
Address of Company Headquarters	Road 90, City Center, First Sector, Fifth Settlement, New Cairo, Egypt		
Phone number	28103500 28103600	**Fax Number**	28103501
Website	www.albaraka-bank.com.eg		
E-mail Address	Investor.relations@albaraka-bank.com.eg		

3. External Auditors

Auditor Name	Mr. Mohamed Mortada Abdel Hamid – BDO Office Khaled and Partners		
Hiring Date	3 March 2018		
FRA Registration Number	157	**FRA Registration Date**	7 December 2006

Auditor Name	Mr. Wael Sakr – PWC Office – Ezz El-din & Diab & Partners		
Hiring Date	14 April 2022		
FRA Registration Number	381	**FRA Registration Date**	13 September 2017

4. Shareholder Structure and Board Member Ownership:

Holders of 5% Share or More	Number of Shares Held as of Date of Financial Statements	Ownership (%)
Al Baraka Group	535,767,667	73.6816 %
Misr Life Insurance	52,870,683	7.2711 %
Total	**588,638,350**	**80.9527 %**

BOD Members with Ownership Stakes	Number of Shares Held as of Date of Financial Statements	Ownership (%)
Al Baraka Group	535,767,667	73.6816 %
Misr Life Insurance	52,870,683	7.2711 %
Misr Insurance	32,754,339	4.5045 %
Mr. Mohamed Abd El-Salam Elbasheer Elshokary	783,680	0.1079 %
Eng. Abdel Aziz Mohamed Abdo Al Yamani	44,011	0.0061 %
Mr. Ismail Saleh Abd El-Fattah	40,220	0.0055 %
Total	588,638,350	80.9527 %

Treasury Shares	Number of Shares Held as of Date of Financial Statements	Ownership (%)
	N/A	**N/A**

5. Board of Directors

No.	Name	Position	Representing	Role
1	**Eng. Abdel Aziz Mohamed Abdo Yamani**	Chairman	Al Baraka Group	Non-executive
2	**Mr. Hazem Hussein Rashad Hegazy**	CEO & Vice Chairman	Al Baraka Group	Executive
3	**Mrs. Nevine Essam El Din Gamea**	Member	Al Baraka Group	Non-executive
4	**Mr. Ismail Saleh Abd El-Fattah**	Member	Al Baraka Group	Non-executive
5	**Mr. Hossam Bin El-Habib Bin Haj Amor**	Member	Al Baraka Group	Non-executive
6	**Mr. Hatem Abd El-Monem Mohamed Montasser**	Member	Al Baraka Group	Non-executive
7	**Mr. Ahmed Mustafa Abd El-Hamid Representing Misr Insurance**	Member	Other Shareholders	Non-executive
8	**Mr. Mohamed Abd El-Salam Elbasheer Elshokary**	Member	Other Shareholders	Non-executive
9	**Mr. Mohamed Ibrahim Gaafar**	Member	Experienced Board Member / Independent	Non-executive
10	**Dr. Ramy Ahmed Hasan El-Borai**	Member	Experienced Board Member / Independent	Non-executive
11	**Mr. Karim Mohamed Fouad Elfateh**	Member	Independent	Non-executive
12	**Misr Life Insurance**	Member	Other Shareholders	Non-executive

a. Changes that Occurred to the Board of Directors Composition Throughout the Year:

- On 2 February 2022, the Central Bank of Egypt (CBE) approved the request to amend the Bank's information by removing Mrs. Omnia Ibrahim Aly al Nousiery — Board Member representing Misr Life Insurance — at the request of the Company, and the name of the Company's new representative on the Board of Directors will be provided to the CBE as soon as it is received from the Company.
- Dr. Ramy Ahmed Hassan El-Borai was hired to the Board of Directors as an independent, experienced Board Member, effective from the approval of the CBE dated 1 March 2022.
- On 25 July 2022, Mr. Hatem Abd El-Moneim Mohamed Montasser was added to the Board of Directors as a representative of Al Baraka Group, replacing Mr. Mazin Khairy Shaker Manna. The CBE approved the removal of Mr. Manna on 3 August 2022 and approved the hiring of Mr. Montasser on 4 October 2022.
- Mr. Karim Fouad Elfateh was added to the Board of Directors as an independent, non-executive Board Member, effective from the approval of the CBE dated 25 July 2022.

b. Board of Directors Meetings:

The Board of Directors convened six times throughout the year.

- Audit Committee:

a. Audit Committee Composition:

Mr. Mohamed Ibrahim Gaafar	Independent Board Member	Committee Chair
Mr. Ahmed Mustafa Abd El-hamid	Non-executive Board Member	Committee Member
Mr. Hossam Bin El-Habib Bin Haj Amor	Non-executive Board Member	Committee Member

c. Audit Committee Roles and Responsibilities:

<u>i. Committee Purpose:</u>
Assisting the Board of Directors in undertaking its supervisory role, as well as supervising and monitoring the internal audit process and reviewing the Company's financial information that is to be presented to shareholders and investors.

<u>ii. Committee Roles and Responsibilities:</u>

- Direct Supervision of the Internal Audit Department; monitoring and reviewing its performance, including approving audit plans, annual plans, and periodical reporting system and reporting levels, and identifying the key risks faced by the Bank and the degree of the Bank's compliance with international internal audit standards.
- Proposing the appointment of the Company's external auditor, determining their fees, and considering matters related to their resignation or dismissal, in a manner that does not violate the provisions of the law and the regulations of the Financial Regulatory Authority (FRA).
- Consulting on the assignment of the external auditor to perform services for the benefit of the Company, in addition to reviewing the financial statements, and on their fees, without prejudice to the requirements of the auditors' independence.
- Discussing matters the committee deems necessary with the person in charge of the internal audit, the external auditor, and the relevant officials, as well as whatever they deem necessary to discuss with the committee.
- Examining the quarterly and annual financial statements before being presented to the Board for approval.

- Reviewing the annual financial statements before they are published and ensuring their alignment with the approved financial figures.
- Coordinating between internal and external audit tasks and ensuring that there are no restrictions that impede the direct communication lines between the Head of Internal Audit, the Company's external auditors, the Board of Directors, and the Audit Committee.
- Reviewing and approving the annual internal audit plan.
- Reviewing internal audit reports, including reports related to the adequacy of the Company's internal control systems and the extent of compliance with the policies and laws in force, and ensuring that the Bank's management takes the necessary corrective measures in a timely manner toward any issues identified.
- Reviewing the reports prepared by the Bank's Compliance Official, particularly all that relates to the violation of the applicable legislations, internal policies, and CBE instructions.
- Examining any obstacles that could affect the internal or external audit process and suggesting solutions to overcome them.
- Reviewing the report of the Head of Internal Audit regarding the availability of qualified employees within the Department, as well as the qualification level of the Bank's Compliance Officer and their level of training and preparedness.
- Reviewing the measures taken by the Bank to comply with the CBE's regulatory standards and controls and ensuring that management undertakes the necessary corrective actions in case of violations.
- Ensuring that the Bank has set in place an internal controls system and has taken executive actions to combat money laundry.
- Reviewing the CBE's remarks stated in its inspection reports and its remarks on the Company's financial statements, and providing them to the Board of Directors along with the Committee's recommendations.
- Examining the external auditor's remarks on the financial statements, as well as other reports sent to the Company's management throughout the year, and providing them to the Board of Directors along with the committee's recommendations.
- Reviewing the accounting principles being used and the changes that would occur should new accounting principles be used.

d. Committee Meetings:

- The Audit Committee convenes once every quarter. Meetings are attended by the Bank's external auditors, and the Committee is allowed to call upon whomever it deems necessary. The Committee presents its recommendations to the Bank's Board of Directors. External auditors have the right to call for a committee meeting whenever they deem it necessary.
- Committee meetings are attended by the Head of Internal Audit, Head of Compliance, and senior executives invited by the Committee without having the right to vote.
- The role of the Committee Secretary is performed by the Head of Internal Audit, and the Committee is required to provide an annual report on its operations and recommendations to be sent to the Board of Directors.

e. Committee Work Throughout the Year

Number of Audit Committee Meetings	4 meetings throughout 2022
Were the Committee Reports Presented to the Board of Directors?	Yes
Did the Committee Reports Contain any Material Remarks that Required Handling?	There are no material remarks that present a significant risk on the Bank's assets. Remarks and recommendations related to executive and regulatory issues are presented by the Committee. Actions taken to correct these issues are presented to the Committee for follow up.
Were the Remarks Handled by the Board of Directors?	The are no material remarks that present a significant risk on the Bank's assets, this is also reflected in the reports of external regulatory bodies.

6. Employee Information:

Average Number of Employees During the Year	1,051 employees
Average Employee Basic Salary During the Year	27,728 EGP monthly per employee

a. Rewards and Motivation Policy for Employees and Managers:

Total Shares Available to Employees and Managers as Part of the Rewards and Motivation Policy	N/A
Total Shares Distributed to Employees and Managers during the Year	N/A
Number of Beneficiaries of the Rewards and Motivation Policy	N/A
Total Shares Distributed to Employees and Managers since the Introduction of the Policy	N/A
Name and Position of Any Individual who was Given 5% or more of Total Available Shares (or 1% of the Bank's Capital)	N/A

7. Violations and Procedures Relating to the Capital Markets Law and Stock Exchange Listing Rules:

A fine of EGP 10,000 was handed to the Bank for exceeding the assigned deadline for registering the capital increase due to reasons beyond the Bank's control.

8. The Bank's Contribution toward Improving Society and Protecting the Environment During the Year:

As part of its efforts in improving society and responsibility toward it, the Bank sets aside an annual budget from the Zakat and Charity account for supporting civil society.

In 2022, the Bank began focusing on the pillars of female empowerment and health.

a. Female Empowerment:

- Collaborated with charity organizations, such as Gozour, Sultan, and Sonaa ElKheir, to support handcraft businesses and provide a sustainable income stream to women by setting up bazaars at the Bank's headquarters to promote and sell their products to bank employees, as well as providing bank employees with the opportunity to support these charities. The Bank also promoted the charities internally and on the Bank's official social media platforms.
- Partnered with Misr El Kheir in order to relieve the anguish of over 200 debtors.

b. Health:

- Supported Baheya Hospital.
- Provided donations to cover the cost of heart surgery for a number of children at Al Nas Hospital.
- Donated seven dialysis machines to Misr El Kheir Dialysis Center in Mohandeseen.
- Contributed to the cost of a CyberKnife machine at 57357 Hospital.

9. Transactions with Related Parties:

- Al Baraka Group (Bahrain), the Bank's primary shareholder, holds 73% of the Bank's normal shares. The Remaining 27% are held by other shareholders.
- Transactions with Related Parties are as Follows:

Balance of Transactions with Related Parties	31-Dec-22 Principal Shareholders EGP Thousand	Senior Executives EGP Thousand	Subsidiaries EGP Thousand	31-Dec-21 Principal Shareholders EGP Thousand	Senior Executives EGP Thousand	Subsidiaries EGP Thousand
Murabaha, Mudaraba, and Musharaka Balances for Customers	-	1,000	693,397	-	-	-
Financial Investments at Fair Value Through Other Comprehensive Income	25,600	-	-	-	-	-
Balance of Financial Support from Principal Shareholders	-	-	-	314,334	-	-
Balance of Financial Support from Other Shareholders	1,113,453	-	-	707,252	-	-
Balance of Deposits and Certificates	597,803	18,674	102,641	269,594	17,632	102,959
Balances Due to Banks	623,819	-	-	-	-	-
Balance of Investment Operations with Banks	681,404	-	-	138,307	-	-

Transactions with Related Parties	31-Dec-22 Principal Shareholders EGP Thousand	Senior Executives EGP Thousand	Subsidiaries EGP Thousand	31-Dec-21 Principal Shareholders EGP Thousand	Senior Executives EGP Thousand	Subsidiaries EGP Thousand
Return on Financing and Facilities Collected from Customers	-	41	10,543	-	-	-
Return on Deposits and Current Accounts with Banks	8,209	-	-	-	-	-
Returns on Cost of Subsidized Financing	-49,917	-	-	-41,030	-	-
Cost of Deposits and Current Accounts Paid to Customers	-18,850	-659	-6,413	-18,482	-988	-9,934
Cost of Deposits and Current Accounts Paid to Banks	-98,446	-	-	-79	-	-
Cost of Salaries and Benefits of the 20 Largest Employees*	-	-56,579	-	-	-64,732	-

- The balance of investment operations with banks as of 31 December 2022 includes an amount of EGP 458,713 thousand, which consists of investment operations alongside banks owned by Al Baraka Group – the Bank's primary shareholder (vs an amount of EGP 301,379 as of 31 December 2021).
- Balance due to banks as of 31 December 2022 contains an amount of EGP 361,192 thousand, which consists of balances with banks that are subsidiaries of Al Baraka Group, the Bank's primary shareholder.
- Financial investments at fair value through other comprehensive income as of 31 December 2022 includes an amount of EGP 25,600 thousand, which consists of investments in Jordan Islamic Bank, a subsidiary of Al Baraka Group – The Bank's primary shareholder (vs an amount of EGP 14,650 thousand as of 31 December 2021).
- Total bonuses and attendance compensations for Board Members during the financial year ending 31 December 2022 stood at EGP 8,800 thousand.

10. Major Financial Results for FY 2022 Compared to the Previous Year as Stated in the Bank's Standalone Financial Statements:

Main Line Items (EGP mn)	FY 2022	FY 2021	Growth (%)
Total Assets	87,225	82,368	6%
Murabaha, Mudaraba, and Musharaka of Customers	31,395	21,031	49%
Investment Operations with Banks and Financial Investments	45,056	52,388	-14%
Fixed and Intangible Assets	621	661	-6%
Customer Deposits	74,420	72,569	3%
Equity	7,585	6,004	26%
Net Profit for the Year	1,755	1,132	55%

11. Development of Capital and Dividends to be Paid to Shareholders:

- On 15 April 2021, the Bank's Ordinary General Meeting (OGM) approved increasing the Bank's authorized and paid-in capital by EGP 1,113,442 thousand financed by shareholder profits for the year 2020.
- On 14 April 2022, the OGM approved the capital increase of EGP 2,120,795 thousand through the distribution of free shares to shareholders, financed as:
  - EGP 742,295 thousand from shareholder profits for the year 2021.
  - EGP 1,387,501 thousand from the Bank's legal and general reserves rather than profits for the year 2020.
- On 7 December 2022, the free shares were distributed in accordance with the Extraordinary General Meeting (EGM) held on 29 September 2022. This saw the Bank's authorized and paid-in capital rise to EGP 5,089,974 thousand on 31 December 2022.
- According to the dividend distribution policy for 2022, it is recommended that an amount of EGP 750 million will be distributed to shareholders, pending the approval of the Bank's General Assembly of Shareholders and the CBE and taking into consideration that the dividends shall be distributed in the form of cash dividends.

12. Plans for Financial Year 2023:

- Continue to achieve growth in customer financing, especially in the field of retail banking and financing small and medium enterprises.
- Developing customer deposits, especially from retail customers, by offering new products that meet their needs at competitive returns.
- Accelerate the achievement of further digital transformation and the development of information and computer systems infrastructure.
- Diversifying the Bank's profitability sources through the enhancement of commissions collected from banking services.
- Controlling operating expenses to counter the negative effects of the current levels of inflation.
- Completing the organizational structure of the Bank by attracting competent employees with varied banking experiences and focusing on training employees.
- Expanding the Bank's geographic footprint to new locations by opening branches in Upper Egypt, the Delta Region, and the Suez Canal Region, increasing the total number of branches to 39 in 2023.
- Continued development and modernization of existing branches in line with the Bank's competitive standing in the banking sector and the identity of Al Baraka Group.

13. The annual report on environmental, social, and governance (ESG) disclosures related to sustainability and The annual report on financial disclosures related to climate change (TCFD)

The Annual Report on Environmental, Social and Governance (ESG) Disclosures Related to Sustainability

The annual report on ESG disclosures related to sustainability has been successfully registered, and your registration code number is 26935. You are kindly requested to print the report and attach it to the annual report of the Board of Directors attached to the annual financial statements for the year 2022.

Annual report form for disclosure of environmental, societal and governance practices related to sustainability ESG in implementation of the authority's decisions No. (107) and (108) for the year 2021

Annual report for the year 2022 regarding environmental, social and governance disclosures related to sustainability ESG for companies whose fiscal year ends at the end of December, January and March

A) Report Brief

The report discloses information pertaining to the company's ESG practices, as well as the company's ability to implement the principles of sustainable development and integrate sustainable practices into its overall activities and operations. This generates confidence among investors, enabling them to take informed investment decisions through the identification of risks and opportunities that may not be reflected in traditional financial reports, especially in light of the increasing demand by investors for mechanisms and applications for integrating sustainability practices into business operations. This allows the company to face sustainability-related risks, enhancing its financial position.

And based on the authority's responsibility toward companies operating in the non-banking financial sector and companies whose securities are listed on the Egyptian Stock Exchange (EGX) and within the framework of helping those companies to submit annual reports to disclose ESG sustainability standards in accordance with the authority's decisions No. 107 and 108 of 2021, and to facilitate them, the authority has prepared this electronic form unified standard for companies to meet the performance indicators for the disclosure of ESG sustainability standards.

Therefore, kindly be careful, accurate, and transparent when filling out this form. Please also attach the report form within the annual report prepared by the Board of Directors and attached to the annual financial statements for the year 2022. In case of any inquiries related to this matter, you can communicate via e-mail sustainable.development@fra.gov.eg

B) Basic Data on the Status of Companies and the Nature of Their Activities:

Please select the following main data

- The company's sector: Financial sector
- Choose the name of the company: Al Baraka Bank Egypt
- Company status: Listed
- Please specify the company's sector on the Egyptian Stock Exchange: Banking sector

C) Main data of the person responsible for completing the report

General instructions: Please write all the following information in Arabic, making sure that it is correct.

- Name: Eman Negm
- Title: Head of the Sustainability and Sustainable Finance Department
- Email: eman.negm@albaraka-bank.com.eg

D) Environmental Disclosure Performance Indicators

1. Performance Indicators Regarding Environmental Operations and Controls (B1)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank have in place an official environmental / social / sustainability policy? Yes.**

The bank's credit and investment policy includes sustainable financing policies, and a dedicated and independent sustainability department was established in January 2023. Currently, the bank is working on developing a sustainability policy strategy, in addition to a capability-building strategy to that end, as well as a plan to reduce carbon emissions as part of the bank's project of measuring the carbon footprint from its branches and offices.

- **Is this an internal policy or based on national or international policies? Yes.**
  The bank's sustainability policy is drawn up in accordance with the group's sustainability policy, the UN SDGs, the UN Global Compact, the Paris Climate Agreement, Egypt's Vision 2030, the CBE's guidance principles, and the FRA's instructions, in addition to global best practices for banks and international institutions.

- **Does the bank identify and evaluate the environmental and social risks resulting from its activities? Yes.**
  The bank makes sure to use sustainability best practices when conducting its operations, which take into consideration environmental and social risks. The bank is currently setting a framework for its environmental and social risks policy.

- **Does the bank adopt any specific waste / water / energy recycling policies? Yes.**
  The bank has an agreement with a waste disposal company that recycles waste. Also used paper is shredded and sold for recycling purposes on a quarterly basis. Furthermore, some of the bank's branches operate using solar energy, and energy-saving lighting methods are used. Additionally, several water-saving techniques are also used.

- **Does the bank have any targets regarding the reduction of greenhouse gas emissions? Yes.**
  A phased plan has been implemented to reduce greenhouse gas emissions, and its cost and ease of implementation has been analyzed. The plan includes: enhancing the efficiency of lighting across all the bank's offices and branches, regular maintenance of the bank's vehicles, implementing a waste disposal and recycling system in accordance with ISO 14001, and collecting old credit cards when delivering new cards to customers.

- **Does the bank have any system / certification relating to environmental activities (ISO 14001)? No.**
  The bank, through the Engineering Sector is currently studying this.

2. Performance Indicators Regarding Carbon Emissions (B2)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank calculate its annual emission levels? Yes.**
  The bank began measuring carbon emission in 2021 for its head office. Carbon emissions for all offices and branches will be measured at a later date.

3. Performance Indicators Regarding Use and Diversification of Energy Sources (B3)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank directly calculate total energy expenditure on an annual basis? Yes.**
  Through monitoring electricity bills as well as solar energy consumption.

- **Does the bank track energy consumption levels annually according to energy type? Yes.**
  The bank differentiates between solar energy and conventional energy.

- **Does the bank calculate energy saved annually, if applicable? Yes.**
  Energy saved using the bank's solar panels is calculated annually.

4. Performance Indicators for Water Usage (B4)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank calculate its annual water consumption? Yes.**
  Through monitoring water bills.

- **Does the bank calculate total water reused / recycled annually, if applicable? No.**
  No need to implement this in financial institutions.

5. Performance Indicators Regarding Waste Management (B5)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank calculate total production waste / recycled waste / treated waste annually according to type and weight? Yes.**
  Paper waste is calculated on a quarterly basis, as used paper is shredded and sold for recycling. However, solid waste is yet to be calculated.

E) Social Disclosure Performance Indicators

1. Performance Indicators Regarding Gender Equality and Wage Levels (C1)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank disclose the number of employees base on employment type (temporary / permanent)? Yes.**
  Information is disclosed to CAPMAS

- **Does the bank disclose the percentage of male and female employees from its total workforce? Yes.**
  Information is disclosed to CAPMAS

- **Does the bank disclose the percentage of positions held by males and females (entry-level / mid-level positions) Yes.**
  Information is disclosed to CAPMAS and the CBE

- **Does the bank disclose the percentage of positions held by males and females (senior and executive positions) Yes.**
  Information is disclosed to CAPMAS and the CBE

- **Does the bank disclose the average salary for male employees compared to female employees? Yes.**
  Information is disclosed to CAPMAS

2. Performance Indicators Regarding Employee Turnover Rate (C2)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank disclose the turnover rate of its permanent employees annually? Yes.**
  Information is disclosed to the CBE and Al Baraka Group

- **Does the bank disclose the turnover rate of its temporary employees annually? Yes.**
  Information is disclosed to the CBE and Al Baraka Group

- **Does the bank disclose the turnover rate of employees working on contract basis / advisory basis annually? Yes.**
  Information is disclosed to the CBE and Al Baraka Group

3. Performance Indicators Regarding Non-Discrimination (C3)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank implement a sexual harassment policy and / or an anti-discrimination policy on the basis of race, religion, or gender? Yes.**
  Through internal guidelines, code of ethics and professional behavior, and disciplinary procedures.

4. Performance Indicators Regarding Health and Safety (C4)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank follow an occupational health policy / a policy based on international health and safety standards (such as international health and safety practices of the International Labor Organization)? Yes.**
  The bank follows the instructions of the Ministry of Manpower and the Egyptian Labor Law in this regard.
- **What is the number of accident victims (if applicable)? No.**
  No accidents have occurred.

- **What is the number of training hours for environmental, social, and occupational health and safety issues? Yes.**
  548 training hours during 2022.

5. Performance Indicators Regarding Child and Forced Labor (C5)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank implement a policy criminalizing child / forced labor? Yes.**
  The bank follows the instructions of the Ministry of Manpower and the Egyptian Labor Law in this regard.

- **Does this policy apply to the bank's suppliers, customers, and stakeholders? No.**
  This is currently being studied to be included in the environmental and social risks policy.

6. Performance Indicators regarding Employee Rights (C6)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **In addition to the Egyptian Labor Law, does the bank follow the International Labor Organization's or any other international standards for employee rights? No.**
  The bank follows the instructions of the Ministry of Manpower and the Egyptian Labor Law in this regard.

- **Does this policy apply to the bank's suppliers, customers, and stakeholders? No**
  The bank follows the instructions of the Ministry of Manpower and the Egyptian Labor Law in this regard.

F) Governance Disclosure Performance Indicators

1. Performance Indicators Regarding Board of Directors Diversity (D1)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank disclose the number and percentage of Board positions held by males and females? Yes.**
  The names and number of Board Members are disclosed in the Annual Governance Report.

- **Does the bank disclose the number and percentage of Board Committee positions held by males and females? Yes.**
  The names and number of Board Committee Members are disclosed in the Annual Governance Report.

2. Performance Indicators Regarding Bribery / Anti-Corruption (D2)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank issue any decisions relating to tracking combating bribery / corruption? Yes.**
  The following policies relating to combating bribery/corruption have been set in place:
  - Code of ethics and professional behavior approved by the bank's Board of Directors was issued in April 2021, and combating bribery/corruption forms a primary role.
  - Whistleblowing policy and protecting whistleblowers was approved by the Board of Directors in April 2022.
  - A separate policy for combating bribery/corruption was prepared and is currently being reviewed by Al Baraka Group's Compliance Department in preparation for presentation to the Board.

3. Performance Indicators Regarding Code of Conduct and Ethics (D3)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank issue a code of conduct / ethics and follow up on their implementation? Yes.**
  A code of ethics and professional conduct was issued and approved by the Board of Directors on April 2021.

4. Performance Indicators Regarding Reporting on and Disclosing Sustainability Activities (D4)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **In addition to the requirements of the Personal Data Protection Law and the Egyptian Consumer Protection Law, does the bank follow any other international frameworks, rules or recommendations regarding data privacy? Yes.**
  All measures related to maintaining confidentiality of accounts/information are taken in accordance with the laws regulating this matter, as well as the policies and procedures approved by the bank in accordance with the following:
- CBE law number 194 for the year 2020
- Customer Rights Protection Instruction Manual
- Disclosure and Publication Policy
- FATCA

5. Performance Indicators Regarding Reporting on and Disclosing Sustainability Activities (D5)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank publish the following reports: GRI – CDP – SASB – IIRC – UNGC or any other sustainability reports? No.**
  The bank is planning on issuing a GRI report by the end of the year.

- **Does the bank seek to achieve any SDGs? Yes.**
  The bank's general and sustainability strategies are formulated according to the SDGs, and specifically: Education, Health, Gender Equality, Clean Water, Renewable Energy, Economic Growth, and Climate Action.

- **Are these goals specified by the bank and does the bank communicate any progress made toward achieving the UN SDGs? No.**
  This will be performed after issuing the bank's inaugural sustainability report in 2023.

- **Has the bank clearly stated its commitment toward complying with CSR standards? Yes.**
  Al Baraka Bank sets aside a dedicated budget from its Zakat account for supporting civil society. In 2022, the bank began focusing on female empowerment and healthcare. With regards to female empowerment, the bank cooperates with Gozour Foundation and Sonaa El Kheir Foundation to support handcraft projects and to provide women with sustainable income streams, in addition to working with Misr ElKheir Foundation to relieve over 200 indebted families. Regarding healthcare, the bank supports Baheya Hospital and Al Nas Hospital, and has also donated a dialysis machine to Mansoura Hospital in cooperation with Misr ElKheir.

- **Does the bank adopt a clear policy regarding social sustainability? Yes.**
  The bank operates in line with the government's recommendations in supporting education, healthcare, social development, and female empowerment. The bank is currently working on setting a CSR policy that is in line with the bank's overall strategy.

- **Does the bank partake in private sector and public sector community development initiatives?** Yes.
  The bank signed a financing agreement worth EGP 90 million with Tadamon Microfinance, a prominent supporter of supporting female small business owners. The agreement is to support small business owners across the country.

6. Performance Indicators Regarding External Guarantees (D6)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Are the bank's ESG disclosure reviewed by an independent third party? No.**
  An environmental advisor will be hired this year in order to publish a sustainability report that complies with GRI reporting standards. Accordingly, this report will be reviewed by an independent third party.

The Annual Report on Financial Disclosures Related to Climate Change (TCFD)

The annual report on financial disclosures related to climate change TCFD has been successfully registered, and your registration code number is 26936. You are kindly requested to print the report and attach it to the annual report of the Board of Directors attached to the annual financial statements for the year 2022.

Annual Report Form for Disclosure of Financial Practices Related to Climate Change TCFD in Implementation of Authority Resolutions No. (107) and (108) for the year 2021

Annual report for the year 2022 on financial disclosures related to climate change TCFD for companies whose fiscal year ends at the end of December, January and March

A) Report Brief

This report, based on the recommendations of the Task Force on Climate Finance Disclosure (TCFD) reflects the company's ability to manage risks and opportunities linked to climate change. This generates confidence among investors, enabling them to take informed investment decisions through the identification of financial risks and opportunities associated with climate change. The report also identifies the mechanisms set in place by the company to handle transitive and tangible risks linked to climate change and can affect the company's financial performance, thus providing greater transparency regarding climate-related risks and opportunities for investors.

And based on the authority's responsibility toward companies operating in the non-banking financial sector and companies whose securities are listed on the Egyptian Stock Exchange and within the framework of helping those companies to submit annual reports to disclose ESG sustainability standards in accordance with the authority's decisions No. 107 and 108 of 2021, and to facilitate them, the authority has prepared this electronic form Unified standard for companies to meet the performance indicators for the disclosure of ESG sustainability standards.

Therefore, kindly be careful and be accurate and transparent when filling out this form. Please also attach the report form within the annual report prepared by the Board of Directors and attached to the annual financial statements for the year 2022. In case of any inquiries related to this matter, you can communicate via e-mail sustainable.development@fra.gov.eg

B) Basic data on the status of companies and the nature of their activities:

Please select the following main data

- The company's sector: Financial sector
- Choose the name of the company: Al Baraka Bank Egypt
- Company status: listed
- Please specify the company's sector on the Egyptian Stock Exchange: Banking sector

C) Main data of the person responsible for completing the report

General instructions: Please write all the following information in Arabic, making sure that it is correct.

- **Name**: Eman Negm
- **Title**: Head of the Sustainability and Sustainable Finance Department
- **Email**: eman.negm@albaraka-bank.com.eg

D) Performance Indicators for Climate Change Financial Disclosures TCFD

1. Governance Performance Indicators (Climate Change Governance)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the Board of Directors monitor climate risks and opportunities? Yes.**
  The bank's credit and investment policy includes sustainable financing policies, which take into consideration climate-related risks and opportunities. The bank is currently working on setting a sustainability strategy to be included in the bank's overall strategy and to be monitored by the Board.
- **Does the bank play a role in assessing and managing climate risks and opportunities? Yes.**
  The bank's credit and investment policy includes sustainable financing policies, which take into consideration climate-related risks and opportunities. These risks and opportunities are evaluated by the Board of Directors.

2. Strategy Category Performance Indicators (Environmental Operations, Monitoring, and Risk Reduction)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank identify any short/medium/long – term climate risks or opportunities? Yes**
  The bank is currently formulating a sustainability strategy and setting the framework an environmental and social risks policy. Sustainable financing policies have also been included in the bank's credit and investment policy in order to identify short/medium/long – term risks and opportunities.
- **Does the bank include climate risks and opportunities in its financial planning and strategy? Yes.**
  The bank is currently formulating a sustainability strategy and setting the framework an environmental and social risks policy. Sustainable financing policies have also been included in the bank's credit and investment policy.

- **Does the bank invest annually in infrastructure to combat climate change, enhance its adaptability, and develop its products? Yes.**
  The bank invests in solar energy and provides financing for clean and renewable energy projects.

3. Risk Management Performance Indicators (Climate Change Risks)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Has the bank set in place a specific framework to identify and evaluate climate risks? Yes**
  Sustainable financing policies have been included in the bank's credit and investment policy. The bank also makes sure to use sustainability best practices that consider climate change risks when conducting its operations.

- **Does the bank follow a clear approach in managing climate risks? Yes.**
  The bank is keen on putting in place measures to rationalize energy and water consumption, as well as manage waste.

- **Does the bank include climate risks in its overall risk management strategy? Yes.**
  Sustainable financing policies have also been included in the bank's credit and investment policy and climate risks have been identified. The bank is working on setting a sustainability strategy to be included in the bank's overall strategy. The bank is also working on formulating an environmental and social risks policy.

4. Standards and Targets Performance Indicators (Carbon/Greenhouse Emissions)

With regard to the measures taken by the company related to that index, has the company applied the following measures?

- **Does the bank use any metrics to assess climate risks and opportunities as part of its strategy and risk management process? Yes.**
  Through the annual report on the bank's carbon and greenhouse gas footprint, its strategy for reducing emissions and putting in place measures to rationalize energy and water consumption, as well as manage waste.

- **Does the bank disclose its total category 1 carbon dioxide emissions (if applicable)? Yes.**
  Through its annual carbon footprint report.

FINANCIAL STATEMENTS

Auditors' report

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Al Baraka Bank Egypt S.A.E. "the Bank", which comprise the consolidated financial position as at December 31, 2022 and the consolidated statements of income, comprehensive income, changes in shareholder's equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank as of December 31, 2022 and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with the rules, pertaining to the preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt Board of Directors on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Auditors

Wael Sakr	**Mohamed Mortda Abdelhameed**
R.A.A. (26144)	**F.R.A. (157)**
F.R.A. (381)	**R.A.A. (5911)**
PricewaterhouseCoopers Ezzeldeen, Diab & Co. Public Accountants	**BDO Khaled & Co.**
Plot No 211, Second Sector, City Center	**Public Accountants & Advisers**
New Cairo 11835, Egypt	**1 Wadi El Nile, El Mohandseen, Giza**

Cairo: 16 February 2023

Consolidated statement of financial position

As of 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Assets			
Cash and due from Central Bank of Egypt	16	7,251,399	6,526,250
Due from banks, net	17	10,269,262	29,711,266
Investment with banks, net	18	3,521,211	2,585,910
Financing and credit facilities to customers, net	19	30,694,238	21,030,772
Financial investments			
- Measured at FVPL	20/1	81,551	59,703
- Measured at FVOCI	20/2	2,239,520	721,436
- Measured at Amortized cost	20/3	29,346,960	19,693,874
Intangible assets, net	21	31,999	27,648
Other assets, net	22	3,108,795	1,292,348
Property , plant and equipment, net	23	588,597	633,689
Total assets		87,133,532	82,282,896
Liabilities and Equity			
Liabilities			
Due to banks	25	1,902,905	896,770
Customers' deposits	26	74,317,312	72,465,580
Subordinated and other financing	27	1,125,168	1,035,129
Other liabilities	28	1,429,151	1,344,245
Current income tax liabilities	24/2	544,287	269,226
Other provisions	29	150,738	115,182
Defined benefits obligation	30	63,925	130,206
Deferred tax liabilities	24/1	5,117	6,025
Total liabilities		79,538,603	76,262,363
Equity			
Issued and paid-up capital	31	5,089,974	1,546,447
Paid under capital increase	31	-	1,422,732
Reserves	32	605,586	1,771,563
Retained earnings *	33	1,897,010	1,277,503
Total equity attributable to equity holders of the bank		7,592,570	6,018,245
Non-controlling interests		2,359	2,288
Total equity		7,594,929	6,020,533
Total liabilities and equity		87,133,532	82,282,896

The accompanying notes are an integral part of these financial statements.

(Auditors' report attached)

*Including net profit for the current year

Hazem Hegazy
Vice Chairman & CEO

Abdulaziz Yamani
Chairman

Cairo:16 February 2023

Consolidated statement of income

For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Income from Murabaha, Musharaka, Mudarabah and similar income	7	8,339,405	7,205,565
Cost of deposits and similar costs	7	(4,908,379)	(4,444,070)
Net income from funds		**3,431,026**	**2,761,495**
Fees and commission income	8	292,148	290,521
Fees and commission expenses	8	(27,247)	(18,973)
Net fees and commission income		**264,901**	**271,548**
Dividends income	10	20,992	6,259
Net trading income	11	104,953	63,975
Administrative expenses	9	(890,675)	(797,152)
Impairment charge of expected credit losses	13	(341,012)	(554,790)
Gains on financial investments		-	678
Other operating income (expenses)	12	59,478	(8,684)
Net profit for the year before tax		**2,649,663**	**1,743,329**
Income tax expense	14	(900,577)	(617,428)
Net profit for the year		1,749,086	1,125,901
Attributable to:			
Equity holders of the Bank		1,749,053	1,125,786
Non-controlling interests		33	115
Net profit for the year		**1,749,086**	**1,125,901**
Basic earning per share	15	**2.12**	**1.37**

The accompanying notes are an integral part of these financial statements.

Hazem Hegazy
Vice Chairman & CEO

Abdulaziz Yamani
Chairman

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year	**1,749,086**	**1,125,901**
Comprehensive income items that will not be reclassified to the profit or loss:		
Net change in fair value of equity instruments measured at FVOCI	10,555	13,463
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	(11,447)	-
Comprehensive income items that is or may be reclassified to the profit or loss:		
Net change in fair value of debt instruments measured at FVOCI	(34,198)	7,254
Expected credit loss for fair value of debt instruments measured at FVOCI	2,421	(400)
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	5,873	-
Net other comprehensive income for the year , After tax	**(26,796)**	**20,317**
Total comprehensive income for the year , After tax	**1,722,290**	**1,146,218**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2022

(EGP Thousands)

	Issued and paid up capital	Paid under capital increase	Reserves	Retained earnings	Total shareholders Equity	Non-controlling interests	Total
31 December 2021							
Balance at 1 January 2021	1,546,447	309,290	1,750,830	1,442,825	5,049,392	4,433	5,053,825
Impact of subsidiary adjustments (Note 38)	-	-	-	287	287	6	293
Net other comprehensive income for the year , After tax	-	-	20,317	-	20,317	-	20,317
Net profit for the year	-	-	-	1,125,786	1,125,786	115	1,125,901
	1,546,447	309,290	1,771,147	2,568,898	6,195,782	4,554	6,200,336
Transferred to legal reserve	-	-	416	(416)	-	-	-
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	-	-	-	(165,060)	(165,060)	(266)	(165,326)
Reduction of the bank subsidiary's capital	-	-	-	-	-	(2,000)	(2,000)
Shareholders' dividends used to increase capital	-	1,113,442	-	(1,113,442)	-	-	-
Banking system development fund	-	-	-	(12,477)	(12,477)	-	(12,477)
Balance at 31 December 2021	1,546,447	1,422,732	1,771,563	1,277,503	6,018,245	2,288	6,020,533
31 December 2022							
Balance at 1 January 2022	1,546,447	1,422,732	1,771,563	1,277,503	6,018,245	2,288	6,020,533
Impact of subsidiary adjustments	-	-	-	(24)	(24)	50	26
Net other comprehensive income for the year , After tax	-	-	(26,796)	-	(26,796)	-	(26,796)
Net profit for the year	-	-	-	1,749,053	1,749,053	33	1,749,086
	1,546,447	1,422,732	1,744,767	3,026,532	7,740,478	2,371	7,742,849
Transferred to legal reserve	-	-	238,193	(238,193)	-	-	-
Transferred to capital reserve	-	-	1,126	(1,126)	-	-	-
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	-	-	-	(136,595)	(136,595)	(12)	(136,607)
Shareholders' dividends used to capital increase	-	742,295	-	(742,295)	-	-	-
Dividends for year 2019 used to capital increase	309,290	(309,290)	-	-	-	-	-
Reserves used to capital increase	3,234,237	(1,855,737)	(1,378,500)	-	-	-	-
Banking system support and development fund	-	-	-	(11,313)	(11,313)	-	(11,313)
Balance at 31 December 2022	5,089,974	-	605,586	1,897,010	7,592,570	2,359	7,594,929

The accompanying notes are an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash flows from operating activities			
Profit before tax		2,649,663	1,743,329
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization	9	110,046	94,095
Impairment credit losses	13	341,012	554,790
Impairment charge (Released) of other provisions	12	61,517	(2,403)
Impairment charge (Released) of assets reverted to the bank	12	(1,483)	-
Provisions no longer required other than financing provision	29	(138,538)	-
Provisions used other than financing provision	29	(34,117)	(100)
Amortization of premium / discount for bonds	20	(100,260)	8,574
Exchange translation differences of financing provisions		259,318	(775)
Exchange translation differences of financial investment measured at FVOCI	20	(46,015)	7,642
Exchange translation differences of financial investment measured at Amortized cost	20	(2,036,887)	31,135
Exchange translation differences of subordinated financing	27	406,201	(1,001)
FV revaluation differences of financial investment measured at FVPL	20	(11,848)	(5,470)
Loss (Gain) on sale of financial investment measured at FVOCI		-	(678)
Loss (Gain) on sale of property and equipment	12	(1,611)	(1,126)
Loss (Gain) on sale of assets reverted to the bank	12	(19,474)	-
Dividend income	10	(20,992)	(17,267)
Operating profits before changes in operating assets and liabilities		**1,416,532**	**2,410,745**
Net decrease (increase) in assets and liabilities			
Balances with central banks within the required reserve ratio	16	(698,636)	15,182
Treasury bills with maturity more than 90 days	20/3	(2,812,205)	10,615,733
Investments with banks	18	(1,012,253)	(608,937)
Financing and facilities to customers	19	(10,119,703)	(2,027,732)
Financial investments measured at FVPL	20/1	(10,000)	3,166
Other assets	22	(1,805,873)	23,154
Due to banks	25	1,006,135	(156,561)
Customers' deposits	26	1,851,732	6,195,186
Other liabilities	28	84,905	(88,513)
Employees' Benefits obligations		(66,281)	-
Current income tax obligations paid	24/2	(486,745)	(665,628)
Net cash flows (used in) generated from operating activities		**(12,652,392)**	**15,715,795**

The accompanying notes are an integral part of these financial statements.

Consolidated statement of Cash Flows

For the year ended 31 December 2022 – Cont.

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash flows from investing activities			
Acquisition of Property and Equipment	23	(35,518)	(49,163)
Proceeds from sale of Property and Equipment		8,547	1,126
Acquisition of Intangible assets	21	(40,722)	(28,870)
Acquisition of investment measured at FVOCI	20	(1,506,962)	(220,384)
Proceeds from sale of investment measured at FVOCI		8,549	1,773
Acquisition of investment measured at Amortized cost	20	(9,286,949)	(2,253,387)
Proceeds from sale of investment measured at Amortized cost		4,654,092	3,359,686
Dividends received		20,992	17,267
Net cash flows (used in) generated from investing activities		**(6,177,971)**	**828,048**
Cash flows from financing activities			
Subordinated Financing	27	(316,162)	10,755
Dividends paid		(147,920)	(177,537)
Reduction of the bank subsidiary's capital Net changes of non-controlling interest		-	(2,267)
Net cash flows (used in) financing activities		**(464,082)**	**(169,049)**
Net (decrease) increase in cash and cash equivalent during the year		(19,294,445)	16,374,794
Beginning balance of cash and cash equivalent		30,148,808	13,774,014
Cash and cash equivalent at the end of the year		**10,854,363**	**30,148,808**
Cash and cash equivalent comprise:			
Cash and balances at the central bank	16	7,251,399	6,526,250
Due from banks - Current accounts		484,070	468,431
Due from banks - Deposits		9,789,206	29,244,553
Treasury bills at amortized cost	20/3	5,975,088	3,109,849
Obligatory reserve balance with CBE		(6,789,062)	(6,090,426)
Treasury bills with maturity more than three months		(5,856,338)	(3,109,849)
Cash and cash equivalent at the end of the year		**10,854,363**	**30,148,808**

The accompanying notes are an integral part of these financial statements.

Statement of proposed profit distribution

for the year ended 31 December 2022

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year (from income statement)	1,755,017	1,132,367
(Deduct)/Add :		
Profits of sale fixed assets transferred to capital reserve	(1,611)	(1,126)
Net profit for the year, available for distribution	1,753,406	1,131,241
Add: Beginning balance of retained earnings	135,860	7,349
Total	**1,889,266**	**1,138,590**
Distributed as follows:		
Statutory reserve 10%	175,341	113,124
Banking system support and development fund	17,534	11,312
Employees' profit share	175,500	114,000
Shareholders' dividends (T1)*	254,500	77,322
Remuneration for board members	35,000	22,000
Shareholders' dividends (T2)*	495,500	664,972
Retained earnings carried forward	735,891	135,860
Total	**1,889,266**	**1,138,590**

**The proposed cash dividends to shareholders for the financial year ended December 31, 2022, of EGP 750,000 (Cash dividends - a first share of 5% of the capital paid up in the amount of EGP 254,500 thousand, as well as cash dividends - a second share of EGP 495,500 thousand) while the shareholders' dividends for the financial year ended December 31, 2021, of EGP 742,294 thousand.*

Notes to the Consolidated financial statements

for the year ended 31 December 2022

1. General Information

Al-Ahram Bank (an Egyptian joint stock company) was established as a commercial bank on March 19, 1980, in accordance with the provisions of the Investment Law no 43 of 1974 and its executive regulations and the amendments thereon. In accordance with the extraordinary general assembly resolution of 21 September 1988, the name of the bank was amended to become "Saudi Egyptian Finance Bank", and according to the resolution of the Extraordinary General Meeting held on 30 April 2009, the Bank's name was changed to become "alBaraka Bank-Egypt".

The Bank provides corporate and retail banking and investments services, which complies with the provisions of Islamic Sharia in all products provided to its clients, through its 33 branches served by 1127 staff at the date of the financial statements . The Head Office is located in the southern 90th Street, City Centre, the first sector in the Fifth Settlement, New Cairo, Egypt. The Bank is listed on the Egyptian Stock Exchange.

The Bank does not deal in financial derivatives, futures, or loans in accordance with its Islamic business system and this applies to any of these terms where they are provided with supplementary explanations of the financial statements.

These consolidated financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 16 February 2023. The Bank's General Assembly has the right to amend the consolidated financial statements after their issuance.

2. Basis of preparation of the Consolidated financial statements

The consolidated financial statements have been prepared in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008, as amended by the regulations issued on February 26, 2019, and in light of the prevailing Egyptian laws and regulations, Reference is made to the Egyptian Accounting Standards for policies not specifically mentioned in the instructions of the Central Bank of Egypt. These consolidated financial statements have been prepared in accordance with the provisions of the relevant local laws.

Basis of consolidation:

The basis of the consolidation is as follows:

- Eliminating all balances and transactions between the Bank and group companies.
- The cost of acquisition of subsidiary companies is based on the company's share in the fair value of assets acquired and obligations outstanding on the acquisition date.
- Minority shareholders represent the rights of others in subsidiary companies.

3. Summary of significant accounting policies

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

A) Investment in subsidiaries and associates

A/1 Subsidiaries

Subsidiaries are entities which the bank exercises direct or indirect control over its financial and operating policies in order to get benefits from its activities and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its subsidiaries.

A/2 Associates

Associates are entities over which the Bank has significant influence (directly or indirectly), but without control, and the bank usually has an ownership stake of 20% to 50% of the voting rights. Subsidiaries and associates' companies accounted for using the cost method in the bank consolidate financial statements. According to this method, the investments in subsidiaries and associates are initially recognized at purchase cost, including any goodwill, less any impairment losses. Dividends are recognized in the income statement when the distribution of these profits is approved, and the bank has the right to collect it.

The purchase method is used to account for bank acquisition of companies, the cost of acquisition is measured at the fair value or consideration provided by the Bank of assets for purchase and/or equity instruments issued and/or obligations incurred by the Bank and/or obligations accepted by it on behalf of the acquiring company. And that is on the date of exchange plus any costs directly attributable to the acquisition process, and the net assets, including identifiable acquired contingent liabilities, are measured at their fair value on the date of acquisition. Regardless of the existence of any minority rights, the increase in the acquisition cost over the fair value of the Bank's share in that net is considered goodwill. If the acquisition cost is less than the fair value of the net referred to, the difference is recorded directly in the income statement under the item "other operating income / (expenses) ".

B) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The Bank is divided into two main business lines, which are corporate banking and retail banking. In addition, a corporate center acts as a central funding department for the bank's core businesses. The dealing room, proprietary activity and other non-core businesses are reported under the corporate banking business line.

For the purpose of preparing segment reporting according to geographical region, segment profit or loss and assets and liabilities are presented based on the location of the branches.

C) Foreign currency translation

C/1 Functional and presentation currency

The financial statements of the bank are presented using the currency of the economic environment in which the Bank operates (the functional currency) ,The financial statements of the bank are presented in the Egyptian pound which is the bank's functional and presentation currency.

C/2 Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period/year are translated into the Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of reporting period/year at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held-for-trading assets and liabilities.
- Items of other comprehensive income with equity in relation to investments in equity instruments at fair value through comprehensive income.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of financial instruments of a monetary nature in foreign currencies that are classified as financial investments at fair value through comprehensive income are analyzed between valuation differences that resulted from changes in the cost consumed for the instrument and differences that resulted from changing the exchange rates in effect and differences caused by changing the fair value For the instrument, the evaluation differences related to changes in the cost consumed are recognized in the income of loans and similar revenues and in the differences related to changing the exchange rates in other operating income (expenses) item, and are recognized in the items of comprehensive income right The ownership of the difference in the change in the fair value (fair value reserve / financial investments at fair value through comprehensive income).

Valuation differences arising from the measurement of items of a non-monetary nature at fair value through profit and losses resulting from fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss, whereas valuation differences arising on the measurement of equity instruments classified as financial investments at FVOCI are recognized directly in other comprehensive income.

D) Financial assets and financial liabilities

D/1 Financial assets -Initial recognition

The initial recognition of financial assets and liabilities on the date on which the bank becomes a party to the contractual conditions of financial instrument. The financial asset or liability is initially measured at fair value. With regard to asset or liability that is not subsequently measured at fair value through profit and loss, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flow models are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows:

- level one: are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level two measurements: are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- level three measurements: are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid. Transaction costs do not include debt premiums or discounts. Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest rate.

D/2 Financial assets – classification and subsequent measurement – measurement categories.

Upon initial recognition, the Bank classifies the financial assets into financial assets at amortized cost, financial assets at fair value through statement of other comprehensive income or at fair value through profit and loss.

- The financial asset is measured at amortized cost upon fulfilment of the following two conditions and when it has not been allocated by Bank's management upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to hold financial asset to collect contractual cash flows.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is represented only in the principal amount of the financial instrument and the interest.
- The debt instrument is measured at fair value through other comprehensive income upon fulfilment of the following two conditions and when it has not been allocated upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to collect contractual cash flows and sell the financial asset.
  - The contractual conditions of financial asset result on specific dates, in contractual cash flows for the asset and is represented only in the principal debt and the interest.
- Upon initial recognition of an equity instrument not held for trading, Bank can take irrevocable option to present subsequent changes in fair value through statement of other comprehensive income. Such option is adopted for each investment individually.
- Other outstanding financial assets are classified as financial investments at fair value through profit and loss.

Furthermore, Bank may, upon initial recognition, irrevocably allocate a financial asset as measured at fair value through profit or loss despite of fulfilling the conditions of classifying as financial asset at amortized cost or fair value through statement of other comprehensive income, if so materially prevents or reduces the conflict that may arise in accounting measurement.

The following table summarizes the classification along with the relevant business model and key characteristics.

Financial Instrument	Methods of Measurement according to Business Models		
	Amortized Cost	Fair Value	
		Through Other Comprehensive Income	Through Profit or Loss
Equity Instruments	Not Applicable	An irrevocable election at Initial Recognition	Normal treatment of equity instruments
Debt Instruments / Financing & Facilities	Business Model of Assets held for Collecting Contractual Cash Flows	Business Model of Assets held for Collecting Contractual Cash Flows & Selling	Business Model of Assets held for Trading

D/3 Financial assets – classification and subsequent measurement – Business Model.

The business model reflects how the bank manages the assets in order to generate its cash flows – whether the bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the bank in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Bank prepares documents, and approves the Business Model(s) in compliance with IFRS 9 requirements to reflect the bank strategy made for managing financial assets and its cash flows as follows.

Financial asset	Business model	Principal characteristics
• Financial assets at amortized cost	Business model of financial assets held to collect contractual cash flows.	• The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. • Sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. • Lowest sales in terms of periodic and value. • A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard are conducted by the bank.
• Financial assets at FVTOCI	Business model of financial assets held to collect contractual cash flows and sale	• Both the collection of contractual cash flows and sale are complementary to the objective of the model. • High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
• Financial assets at FVTPL	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	• The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. • Collecting contractual cash flows is an incidental event for the model objective. • Management of financial assets by the management at fair value through profit and loss to avoid accounting inconsistencies

The Bank evaluates the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information, which is taken into consideration when evaluating the business model, includes the following:

- Documented approved policies and portfolio's objectives and application of such policies in the real world. Whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that fund such assets or generates cash flows from sale of assets.
- Way of evaluating and reporting on portfolio's performance to senior management.
- Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
- Way of evaluating the performance of business managers (fair value and/or interest on portfolio).
- Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve the bank's objective from managing the financial assets and how to generate cash flows.

The financial assets held for trading or managed, and its performance valued on basis of fair value are measured at fair value through profit and loss since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

D/4 Financial assets – classification and subsequent measurement – cash flow characteristics

Assess whether an asset's contractual cash flows represent payments limited only to the principal amount of the instrument and the return.

The Bank defines the principal amount of the financial instrument as the fair value of the financial asset upon initial recognition. The return is defined as the time value of money, the credit risk associated with the principal amount within a specified period of time, other underlying financing risks and costs (e.g., liquidity risk and administrative costs), as well as the profit margin.

To assess whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and profit, the Bank takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. To carry out such valuation, Bank takes into consideration the following matters:

- Potential events that may change the amount or date of cash flows.
- Characteristics of financial leverage (Profit rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit the bank's ability to claim cash flows from certain assets.
- Characteristics that may be adjusted against the time value of money (periodically redefining the return price).

D/5 Financial assets - Reclassification

The financial assets are reclassified upon initial recognition only if the bank changes business model of managing such assets.

In all cases, reclassification between financial liabilities at fair value through profit and loss and financial liabilities at amortized cost are not conducted.

D/6 Financial assets impairment – credit loss allowance for ECL

The bank assesses, on a forward-looking basis for the financial instruments that are not measured at fair value are recognized through profit and loss, which are 1) Debt instruments and 2) Outstanding debts and 3) Financial guarantee contracts and 4) Financing and debts commitments.

Impairment losses are not recognized for the equity instruments.

D/6/1 Debt instruments related to Retail, Small & Micro finance.

- The bank consolidates debt instruments related to retail banking products and small and micro enterprises based on groups with similar credit risks based on the type of banking product.
- The Bank classifies debt instruments within the Retail Banking or Microenterprise Product Group into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of the maturity of contractual instalments.	If the borrower encounters one or more of the following events at least: The borrower requests to restructure the payment terms from short-term to long-term due to negative effects related to the borrower's cash flows. Cancel one of the Bank's direct facilities due to the high credit risk of the borrower. Extend the repayment's grace period upon the borrower's request. Past dues are frequent during the past 12 months. Negative future economic/ legislative/technological changes affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	N/A

D/6/2 Debt instruments related to Corporates and SMEs:

- The Bank categorize of all debt instruments relating to Corporates and SMEs based on the similar credit risk groups depending on borrowing CBE classification (ORR).
- The Bank classifies all customers within each group into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of maturity of the contractual instalments.	If the borrower is on the watch list and/ or the financial instrument encounters at least one or more of the following events:: • Significant increase in the interest rate on the financial asset as a result of increased credit risk • Fundamental negative changes in the activity and financial or economic conditions in which the borrower operates. • Request of rescheduling. • Fundamental negative changes in actual or expected operating results or cash flows. • Negative future economic changes affecting the borrower's future cash flows. • Early signs of cash flow/liquidity problems such as delays in servicing creditors/ trade funds.		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty: • The death or disability of the borrower. • The borrower defaults financially. • Initiate scheduling as a result of the deterioration of the borrower's creditworthiness. • Failure to comply with financial commitments. • The disappearance of the active market of the financial asset or one of the financial instruments of the borrower due to financial difficulties. • Granting financiers privileges related to the borrower's financial difficulty, which would not have been granted under normal circumstances. • The borrower will enter into bankruptcy or restructuring as a result of financial difficulties. • If the borrower's financial assets are acquired at a significant discount that reflects the credit losses incurred.

D/6/3 Measurement of expected credit losses

- The Bank evaluates the debt instruments portfolio level on a quarterly basis for all financial assets of retail, corporates, SMEs and micro-enterprises, and on a regular basis with respect to the financial assets of institutions classified ranked in the watch list in order to monitor the risk of credit related thereto and such assessment shall be made at the counterparty level on a periodic basis; The criteria used to determine the substantial increase in credit risk are periodically reviewed and monitored by Credit Risk Management.
- At the date of the financial statements, the bank estimates the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at a value equal to the expected credit losses over 12 months:
- A debt instrument that has been identified as having low credit risk at the financial statements date [debt instruments in the stage (1)].
- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition [debt instruments in the stage (1)].
- The Bank considers the expected credit losses to be a probability-weighted estimate of the expected credit losses, which are measured as follows:

a. The expected credit losses on financial assets are measured at the stage (1) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios, which are adjusted according to the average forecasts of the scenarios of macroeconomic indicators for the future 12 months multiplied by the value at default, considering the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. Since the credit losses consider the amount and timing of payments take into account the amount and timing of payments, credit losses arise even if the enterprise expects to be paid in full but later after the debt becomes due under contractual terms. And the expected credit losses over 12 months are part of the expected credit losses over the life of the asset resulting from delinquency events of a financial and potential instrument within 12 months after the date of the financial statements.
b. The expected credit losses on financial assets are measured at the stage (2) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the life of the financial asset multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk.
c. Impaired financial assets at the financial statements date are measured as the difference between the total book value of the asset and the present value of the expected future cash flows.

- The unutilized commitments on facilities and similar debt instruments are included in the calculation of value upon default. They are calculated on the balances outstanding on the date of the financial statements after they have been converted into value if these commitments are used in the future.
- Upon calculating loss rates, the Bank calculates the expected recovery rates from the present value of the expected cash flows either from cash and in-kind collateral; or historical or expected future payment rates as follows:

A. For debt instruments classified in stage (1), it is considered the value of cash collateral and equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk. And B) For the debt instruments classified in the stages (2) and (3), only the types of guarantees will be considered in accordance with the instructions issued by the (CBE) dated 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees will be calculated according to the instructions of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated 16 December 2008. And C) For debt instruments held by banks operating outside Egypt, the probability rates of default are determined based on the credit rating of the headquarters of the Bank operating outside of Egypt in no more than the credit rating of the country of the headquarters, taking into consideration the instructions issued by the Central Bank of Egypt on the risks of countries. The loss rate is calculated at 45%. And D) As for the instruments held by the banks operating inside Egypt, the probability of default is calculated based on bank's classification by the external international rating institutions. The branches of the Egyptian banks abroad will be treated as the headquarters. The branches of the foreign banks operating in Egypt will be treated as their headquarters, and the loss rate is calculated at 45%. And E) For debt instruments issued by entities other than the banks, the probability of default is calculated based on the rating of the issuing entity for the financial instrument by the external international rating institutions in no more than the credit rating of the issuing country in the case of external entities and the loss rate is calculated at 45%.

- The impairment provision for financial assets recognised in the financial position is deducted from the carrying amount of the financial assets at the time of the of financial position, while the provision for impairment relating to funds commitments, financial guarantee contracts and contingent liabilities is recognised within other provisions for the liabilities in the financial position.
- For financial guarantee contracts, The bank estimates the expected credit loss on the basis of the difference between the payments expected to be made to the guarantee holder less any other amounts that, the Bank expects to recover.

D/6/4 Transition from Stage 2 to Stage 1

The financial asset must not be transferred from Stage 2 to Stage 1 until all the quantitative and qualitative elements of the Stage 1 have been met and the full arrears of the principal and profits of 3 consecutive months pass when the requirements are fulfilled.

D/6/5 Transition from Stage 3 to Stage 2

Financial assets must not be transferred from Stage 3 to Stage 2 - including schedules - unless all the following conditions are met:

1. Fulfilling all quantitative and qualitative elements of the Stage 2
2. Payment of 25% of outstanding financial asset balances including profits in suspense/marginalized profits - depending on the circumstances.
3. Regular repayment of the principal and its accrued profits for at least 12 months continuous.

According to the requirements of applying the standard, the principal in the payment of a debtor's obligations is the cash flow resulting from the client's activity. Therefore, credit studies must accurately indicate the expected cash flows and are based on audited financial statements that reflect the debtor's ability to provide such cash flows.

D/6/6 Restructured financial assets.

If the terms of a financial asset are renegotiated, amended or a new financial asset is replaced by a current financial asset because of the financial difficulties of the borrower, an assessment is made as to whether the financial asset should be excluded from the books and the expected credit losses measured as follows:

- If the restructuring will not lead to the exclusion of the current asset, the expected cash flows from the adjusted financial asset will be used upon calculating the cash deficit in the current asset. The expected credit losses are calculated over the life of the instrument.
- If the restructuring would exclude the current asset, the expected fair value of the new asset will be deemed as final cash flows from the current financial asset upon exclusion. This value will be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the financial statements date using the original effective interest rate of the current financial asset.

D/6/7 Presentation of the expected credit losses provisions in the statement of financial position

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

1. Financial assets measured at amortized cost as a deduction from the total book value of the assets.
2. Financial commitments and financial guarantee contracts as a provision in general.
3. When the financial instrument includes both the utilized and unutilized authorized limit of the instrument, The bank cannot determine the expected credit losses of the unused portion separately, bank presents a provision for the loss of the used and unused portion, and the aggregate amount will be presented as a deduction from the total book value for the used portion, and any increase in the loss provision is presented on the total amount of the used portion as a provision of the unused portion.
4. A provision for impairment of debt instruments at fair value through other comprehensive income is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve in statement of OCI.

D/7 Financial assets – Write-off

Debts are written off (either partially or fully) when there is no realistic possibility of recovering such debt. Generally, when the Bank determines that the borrower does not have assets, resources or sources of funds that may generate sufficient cash flows to repay the debts that will be written off; however, the impaired financial assets may continue to be subject to follow-up considering the Bank's procedures to recover the due amounts. The deduction is charged to the impairment provision account for debts written off, whether they have provision, and any collections for previously written off funds will be added to the provision of impairment.

D/8 Financial assets - disposal

The financial asset is disposed, when the contractual right to obtain cash flows from the financial asset expires or when the bank transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated with ownership are materially transferred to another party.

When a financial asset is disposed, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profit and loss has been previously recognized in the fair value reserve of financial investments at fair value through statement of other comprehensive income.

As of 1 January 2019, any accumulated profit or loss recognized in statement of other comprehensive income related to investing in equity instruments classified as investments at FVTOCI are not recognized in profit and loss upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) is recognized as separate asset or liability.

When the Bank makes transactions whereby it transfers assets that have been previously recognized in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not excluded.

For transactions where the Bank does not substantially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, Bank continues to recognize the asset within the limitation of its continuous commitment to financial asset. The continuous commitment of bank to the financial asset is determined based on bank's exposure to the changes in the value of transferred asset.

In some transactions, the bank retains the obligation to service the transferred asset against a commission. Thereupon, the transferred asset is excluded if it meets the exclusion conditions. An asset or liability to provide service is recognized if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

D/9 Financial liabilities – measurement categories

At the initial recognition, the bank classifies financial liabilities into financial liabilities at amortized cost and financial liabilities at fair value through profit and loss based on the Bank's business model objective.

All financial liabilities at fair value are initially recognized on the date on which the bank becomes a party to the financial instrument's contractual terms.

Classified financial liabilities are subsequently measured at amortized cost based on amortized cost by using effective interest rate.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value and change in fair value related to change in credit rating degree of the bank is recognized in statement of other comprehensive income whilst the outstanding amount from change in fair value is presented in profit and loss.

D/10 Financial liabilities – derecognition

The bank derecognized the financial liabilities when is disposed of or cancelled or its term set forth in the contract expires.

D/11 Adjustments to financial assets and financial liabilities

1) Financial assets

If the terms of a financial asset are amended, bank evaluates whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the original financial asset are considered expired and hence the original financial asset is excluded and the new financial asset is recognized at fair value and the value resulting from adjusting aggregate book value is recognized as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits must be deferred and presented with aggregate impairment losses whilst losses must be recognized in the statement of profit and loss.

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

2) Financial liabilities

The Bank may adjust a financial liability when its terms are amended, and the cash flows of adjusted liability will materially differ. In such case, a new financial liability is recognized according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability is recognized in accordance with amended terms in the profit and loss.

D/12 Offsetting financial instruments

Financial assets and liabilities are offset if there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis or to receive the asset and settle the liability at the same time.

E) Interest income and expense

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in ‘interest income’ and ‘interest expense’ in the profit and loss statement using the effective interest method.

The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that represents an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once the loans or debts are classified as nonperforming or impaired (stage 3), the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personnel mortgages, and micro-finance loans.
- When calculated interest for corporate are capitalized according to the rescheduling agreement conditions until paying 25% from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

F) Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fee arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the profit and loss statement.

Other management advisory and service fees are recognized based on the applicable service contracts, usually on accrual basis. Financial planning fees related to investment funds are recognized steadily over the period in which the service is provided. The same principle is applied for wealth management; financial planning and custody services that are provided on the long term are recognized on the accrual basis also.

G) Dividends income

Dividends from investments in equity instruments and similar assets are recognized in the profit and loss statement when the right to collect it is declared.

H) Sale and repurchase agreements (repos and reverse repos)

Securities may be sold according to a commitment to repurchase (Repos) are reclassified in the financial statements and deducted from treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

I) Investment property

The investment property represents lands and buildings owned by the Bank in order to obtain rental returns or capital gains and therefore do not include real estate assets which the Bank is carrying out its operations through or those that have owned by the Bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

J) Intangible Assets

J/1 Goodwill

Goodwill is capitalized and represents the excess of acquisition cost over the fair value of the Bank's share in the acquired entity's net identifiable assets on the date of acquisition. Goodwill is included in the cost of investments in associates and subsidiaries in the Bank's Consolidated financial statements. Goodwill is tested for impairment on an annual basis or shorter when trigger event took place, impairment loss is charged to the income statement. Goodwill is allocated to the cash generating units for the purpose of impairment testing. The cash generating units represented in the Bank main segments.

J/2 Computer programs

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits within more than one year that exceed its cost. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads. Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computer's software beyond its original specification.

Cost of computer software recognized as an asset shall be amortized over the period of expected benefits over 3 years.

J/3 Other intangible assets

The intangible assets other than goodwill and computer. Other intangible assets that are acquired by the Bank are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized and tested for impairment. However, the impairment in their value is considered annually and the impairment value – if any – is charged to the profit and loss Statement.

K) Property , plant and equipment

Lands and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

Type of assets	Lifetime/consumption rate
Buildings	20 years
Decorations and improvements	As per the asset type – (from 4 to 20 years)
Furniture and safes	5 years
Vehicles	5 years
Computers and core systems	2 years
Fixtures and fittings	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date. Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to other operating income (expenses) in the profit and loss statement.

L) Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized -except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Assets are tested for impairment with reference to the lowest level of cash generating unit(s). A previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

M) Leases

The finance lease is accounted for pursuant to Law number 95/1995 regulating finance lease, if the contract authorizes the lessee to purchase the asset on a fixed date and against a fixed value and if the contract duration represents at least 75% of the useful life expected for the asset, or if the current value of the total lease payments represents at least 90% of the asset value. Other lease contracts are considered "Operating Lease Contracts".

M/1 lessee
Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the Bank decides to exercise the right to purchase the leased asset the leased assets are capitalized and included in 'property, plant and equipment' and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in 'general and administrative expenses.

M/2 lessor
For finance lease, assets are recorded in the property and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized based on rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients' accounts is transferred to the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect the financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property and equipment and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

N) Cash & Cash Equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances placed with the Central Bank of Egypt (other than those required under the mandatory reserve), current accounts with banks and other governmental notes.

O) Other Provisions
Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

The current value of the payments estimated to be made for the settlement of the obligations, having a one-year value date as of the date of reporting, is measured using a rate appropriate to the obligation settlement term – without being influenced by the prevailing tax rate – which reflects the time value of money. If this value date is less than a year, the obligation estimated value shall be calculated at the current value, unless having substantial influence.

P) Commitments and financial guarantee contracts
Financial guarantees represent contracts in which the Bank is the guarantor or the guarantor of financing or overdrafts (mudaraba) towards other entities. This requires the Bank to make certain payments to compensate the beneficiary for loss incurred due to default of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees are given to banks, financial institutions, and other entities on behalf of Bank's customers.

Commitments on financing which the Bank is obliged to grant credit under pre-defined conditions/terms and thus include the unused portions of the credit limits granted within the amounts expected to use in the future. And when a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee. The recognized fair value is initially consumed over the lifetime of the guarantee / commitment.

In subsequent measurement, the Bank's obligation under the guarantee / commitment is measured at the higher of:

The bank has not made any commitments during the period / year on finances measured at fair value through profit and loss.

Obligations arising from financial guarantees contracts are recognized within provisions. And any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) in the income statement. And the calculated provision for commitments for financing is recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of financing. Any increase in the provision for commitment over finance is recognized within provisions in the statement of financial position.

Q) Employee benefits
Q/1 Defined contribution plan – "Employees' End of service fund."
The bank established a private insurance fund "The Fund" in accordance with law no. 54 of 1975 for private insurance funds and its Executive Regulation issued by the Minister of Economy and Economic Cooperation decision No.78 of 1977.

The fund was registered the fund under No. 643 pursuant to the Egyptian Insurance Supervision Authority's decision of 16 December 1997.

The payment of compensation will be as the following cases: age of retirement, disability, death, or termination for any other reason, in accordance with the fund's article of association. The Bank is obliged to pay the due contributions monthly to the fund which calculated in accordance with the fund's regulations and amendments, thereto the fund shall be financed through a monthly contribution in accordance with the fund's article of association – Article no. 5, the bank shall be under no additional obligations other than the contribution payment. The fund's contributions were calculated at 14% of the gross monthly salaries which paid as follows:

1. Total staff's share is 6%
2. Total bank share 8% of the staff's wages.

Q/2 post-employment benefits (defined benefit plans)

The Bank applies the medical care scheme for its employees during the period of service and their families, and post-retirement only until the age of 65 without their families. The bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post- retirement schemes" to cover the total value of such obligations. Which comprises the present value of the defined benefit obligations at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealized actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.

The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high-quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.

The forecasted costs of these benefits are accrued throughout the recruitment period using an accounting method similar to that used in defined benefit systems.

- The discount rate used to determine benefit obligations is 16.10%.
- The inflation rate used to determine benefit obligations is 13.00%.
- The compensation increase rate used to determine benefit obligations is 16.24%.
- Life and mortality schedule used: Based on the British A67-70ULT table to calculate the rates of both life and total disability.
- Termination benefits table (Projected unit credit method)

R) Borrowings

Borrowings obtained by the bank are initially recognized at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate.

S) Income tax

Income tax expense on the profit and loss for the period and deferred tax are rsecognized in the income statement except for income tax relating to items of other comprehensive income that are recognized directly through OCI.

Income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the financial position.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

T) Capital

T/1 Capital issuance cost

The issuance expenses directly related to the issuance of new shares or shares against an entity acquisition or else options issuance are displayed, being discounted of the shareholders' equity, at the net collections after taxation.

T/2 Dividends distribution

Dividends on common shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and the corporate law.

T/3 Treasury shares

If the Bank purchases capital shares, the purchase amount shall be discounted of the total shareholders' equity, as this represents treasury shares cost until they are abrogated. In case of selling these shares or reissuing them at a subsequent period, all collected amounts shall be credited to the shareholders' equity.

U) Fiduciary activities

The Bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized in the bank's Consolidated financial statements, as they are not assets or income of the bank.

D) Comparative figures

Comparative figures have been adjusted to conform with changes in the presentation of the current period where necessary. (Note No. 38).

4. Significant accounting estimates and assumptions

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

A) Estimates:
Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

Classification of financial assets: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of profit and instalments on the outstanding balances of those assets.

B) Uncertainty Related with Assumptions and Estimates:
Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 31 December 2022 shall be appeared in the following notes:

- **Impairment of financial instruments:** An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, considering the impact of future information upon measuring the expected credit losses. (Note. 3/W - Note. 18)
- **Fair value of financial investments through the other comprehensive income list.** (Note. 3/W - Note. 19)
- **Determination of the fair value of financial instruments:** using unobservable inputs upon measuring. (Note. 3/W – Note. 19)
- **Measurement of defined benefit liabilities:** Key actuarial assumptions. (Note. 3/Q - Note. 29)
- **Income taxes** (Note. 3/g - Note. 14)

5. Financial Risk Management
The Bank as a result of conducting its activities is exposed to various financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also, market risk includes exchange rate risk, rate of return risk and other prices risks.

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

Risk management is carried out by risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates, and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

Risk Categories:
The following are part of the risks associated with Al Baraka's banking activities:

5.1 Credit Risk
The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in financing and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team and reported to the Board of Directors and head of each business unit regularly. The bank is also exposed to credit risk from investment activities in debt instruments and positions outstanding from trading activities.

Credit risk is the most important risk to the bank's activity and therefore it manages the credit risk exposures carefully. Management and control of the Bank's credit risk shall focus on the retail banking credit risk management group and the institutions at the Risk Department, which reports to the Risk Committee, Senior Management, Heads of Operation Department and BOD on interim basis.

5.1.1 Credit risk measurement
Financing and facilities to banks and customers (including commitments and financial guarantees) The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio, therefore, requires further estimates of the probability of default and related loss rates. the Bank measures the credit risk losses using the rates of probability of failure (failure to fulfil contractual obligations) (Probability of default) on the basis of the book balance of the financial instrument at the date of failure (Exposure at default), and the rate of loss upon failure (Loss given default).

Bank's rating	Classification rating
1	Good Debts
2	Regular follow-up
3	Special Follow-up
4	Non-performing Debts

Credit Risks Classification

The bank assesses the probability of default of each customer/ group/ product, using methods to classify the customers in different categories, considering the minimum rating as per CBE's instructions on determining the creditworthiness of customers and provisions issued during 2005. Hence, the bank uses a group of models and methods that are internally designed for the counterparty categories and customers and the nature of the various financings upon the available information at the date of model application (e.g., income level, spendable income level, guarantees for individuals, revenue, industry, and other financial and non-financial indicators for corporates). The Bank supplements these indicators with a range of external data such as CBE and credit query reports on recipients of finance and reports of other domestic and external credit rating agencies. In addition, the models used by the Bank shall allow the systematic assessment of experts by credit risk officers' experts in the final internal credit rating. Thus, this allows to consider other matters and indicators that may not have been taken as part of other data inputs into evaluation forms and methods designed internally or through external sources.

Credit scores are calibrated so that the risk of default increases incrementally with each higher risk. which means that the difference in grade A and A- grade default rates is lower than the difference in B and B-.

Additional considerations for each type of credit portfolio held by the Bank are as follows:

1. Individuals, Retail Banking Products and Small & Micro Enterprises

After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to calculate a measure of the payment pattern. Any other known information about the borrower identified by the Bank may affect the creditworthiness of credit such as unemployment rates and non-payment precedents as they are included to measure the payment pattern.

2. Corporates and SMEs Enterprises

The rating is determined at the level of the borrower / groups with similar credit risk, and any updated or new credit information or assessments are included in the credit system continuously and periodically. In addition, information on the creditworthiness of the borrower / groups with similar credit risk are periodically updated from other sources such as financial statements and other published financial and non-financial data. This will determine the degree of internal credit rating updated and defaulting rates.

3. Debt Instruments issued by the Egyptian Government and CBE

The Bank uses external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings are regularly monitored and updated periodically. The default rates associated with each rating are determined on the basis of rates achieved over the previous 12 months as published by the aforementioned rating agencies. The loss rate for government debt instruments and the central bank in local currency equals zero.

The Bank's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. it complies with the internal rating categories alongside with the rating categories set by CBE according to the instructions of determining creditworthiness and the formation of provisions and reviewing that compliance on a regular basis. The rating methods are periodically re-calibrated and validated to reflect the most recent projections in light of all assumptions observed in reality.

5.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

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

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

Guarantees

The Bank sets a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for financing and facilities are:

- Cash and cash equivalents
- Mortgages over residential properties.
- Mortgage business assets
- Mortgage financial instruments such as debt securities and equities.

Long-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual financing and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

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

5.1.3 Impairment and provisioning policies

The internal rating system mainly focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred on the balance sheet date when there is objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees.

The following table illustrates the proportional distribution of financing and advances reported in the balance sheet for the year ended 31 December 2022 for each of the internal credit risk ratings of the Bank and their relevant impairment losses:

	31 December 2022		31 December 2021	
Bank's rating	Financing to customers(%)	Impairment provision(%)	Financing to customers(%)	Impairment provision(%)
Good debts	72.6%	4.0%	64.1%	1.8%
Regular watch list	21.1%	23.5%	30.7%	44.2%
Special watch list	1.4%	8.8%	0.8%	6.4%
Non-Performing debts	4.9%	63.7%	4.4%	47.6%
	100%	100%	100%	100%

The internal rating tools assists management to determine whether objective evidence of impairment exists according to Egyptian accounting standard No. 26 , based on the following criteria set by the Bank:

- Cash flow difficulties experienced by the borrower or debtor.
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower.
- Deterioration of the collateral value
- Deterioration of the creditworthiness situation.

The Bank's policy requires to review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance- sheet date and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment, and statistical techniques.

5.1.4 Model of measuring the general banking risk

In addition to the four categories of the Bank's internal credit ratings previously stated, management classifies financing and advances based on more detailed subgroups in accordance with the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position, and his repayment track record.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit based on rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE rating	CBE Categorization	Provision %	Internal rating	Internal rating categorization
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular watch up
7	Risk needs special attention	5%	3	Special watch up
8	Substandard	20%	4	Non-performing debts
9	Doubtful	50%	4	Non-performing debts
10	Bad debts	100%	4	Non-performing debts

5.1.5 Maximum limit for credit risk before collaterals.

Financial position items exposed to credit risks	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash and due from Central Bank of Egypt	7,251,399	6,526,250
Due from banks	10,269,262	29,711,266
Investment with banks	3,521,211	2,585,910
Financing and credit facilities to customers, net		
Retail		
- Credit cards	29,299	24,812
- Personal financing	2,771,981	1,437,588
- Mortgages	447,065	454,852
Corporate		
- Direct financing	22,743,732	16,397,314
- Syndicated financing	4,702,161	2,708,470
- Other financing	-	7,736
Financial investments		
Debt instruments measured at FVOCI	2,133,492	644,479
Debt instruments measured at Amortized cost	29,346,960	19,693,874
Total	**83,216,562**	**80,192,551**
Off balance sheet items exposed to credit risk		
Letter of Credit (import and export)	334,254	387,282
Letter of Guarantee	2,902,881	2,526,179
Customers Acceptances	108,933	437,530
Total	**3,346,068**	**3,350,991**

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2022, before considering any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 37% of the total maximum exposure is derived from financing and advances to banks and customers against 26% on December 31, 2021, while investments in debt instruments represent 38% against 25% on December 31, 2021.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both the bank's loans and advances portfolio and debt instruments based on the following:

- 95% of the financing portfolio is rated at the two highest degrees of internal rating, against 96% at December 31, 2021.
- The financing portfolio having been individually assessed amount to EGP 1,707,936 thousand against EGP 1,063,978 thousand on December 31, 2021.
- 94% of the debt instruments represents debt instruments of the Egyptian Government against 97% on December 31, 2021.

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

(EGP Thousands)

Due from banks	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	10,273,277	-	-	10,273,277	29,712,983	-	-	29,712,983
Total	10,273,277	-	-	10,273,277	29,712,983	-	-	29,712,983
Deduct: Expected credit losses	(4,015)	-	-	(4,015)	(1,717)	-	-	(1,717)
Ending Balance	10,269,262	-	-	10,269,262	29,711,266	-	-	29,711,266

(EGP Thousands)

Investments with banks	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	850,000	2,682,694	-	3,532,694	1,159,611	1,434,435	-	2,594,046
Non-Performing debts	-	-	229,864	229,864	-	-	151,297	151,297
Total	850,000	2,682,694	229,864	3,762,558	1,159,611	1,434,435	151,297	2,745,343
Deduct: Expected credit losses	-	(2)	(229,864)	(229,866)	(10)	(1,606)	(151,297)	(152,913)
Deduct: Profit in suspense	-	-	(11,481)	(11,481)	-	-	(6,520)	(6,520)
Ending Balance	850,000	2,682,692	(11,481)	3,521,211	1,159,601	1,432,829	(6,520)	2,585,910

(EGP Thousands)

Retail	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good financing	1,628,238	104,238	-	1,732,476	636,322	46,982	-	683,304
Regular watch list	1,433,764	122,502	-	1,556,266	1,215,419	30,070	-	1,245,489
Non-performing financing	-	-	55,098	55,098	-	-	55,161	55,161
Total	3,062,002	226,740	55,098	3,343,840	1,851,741	77,052	55,161	1,983,954
Deduct: Expected credit losses	(37,659)	(4,127)	(53,709)	(95,495)	(24,022)	(1,847)	(40,833)	(66,702)
Ending Balance	3,024,343	222,613	1,389	3,248,345	1,827,719	75,205	14,328	1,917,252

(EGP Thousands)

Corporate	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good financing	19,181,263	3,549,983	-	22,731,246	12,634,936	2,015,621	-	14,650,557
Regular watch list	710,825	4,277,645	-	4,988,470	739,250	4,465,651	-	5,204,901
Special watch list	-	380,355	-	380,355	-	127,050	-	127,050
Non-performing financing	-	-	1,541,979	1,541,979	-	-	986,795	986,795
Total	19,892,088	8,207,983	1,541,979	29,642,050	13,374,186	6,608,322	986,795	20,969,303
Deduct: Expected credit losses	(65,801)	(752,221)	(1,378,135)	(2,196,157)	(39,445)	(942,277)	(874,061)	(1,855,783)
Ending Balance	19,826,287	7,455,762	163,844	27,445,893	13,334,741	5,666,045	112,734	19,113,520

(EGP Thousands)

Debt instruments measured at FVOCI	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	2,133,492	-	-	2,133,492	644,479	-	-	644,479
Total	2,133,492	-	-	2,133,492	644,479	-	-	644,479
Ending Balance	2,133,492	-	-	2,133,492	644,479	-	-	644,479

(EGP Thousands)

Debt instruments measured at Amortized cost	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	29,460,713	-	-	29,460,713	19,757,052	-	-	19,757,052
Total	29,460,713	-	-	29,460,713	19,757,052	-	-	19,757,052
Deduct: Expected credit losses	(113,753)	-	-	(113,753)	(63,178)	-	-	(63,178)
Ending Balance	29,346,960	-	-	29,346,960	19,693,874	-	-	19,693,874

The following table shows changes in customer financing balances during the period between the three stages:

(EGP Thousands)

31 December 2022	Retail Stage 1 12-Months	Retail Stage 2 Life time	Retail Stage 3 Life time	Retail Total	Corporate Stage 1 12-Months	Corporate Stage 2 Life time	Corporate Stage 3 Life time	Corporate Total
Balance at 1 January 2022	1,851,741	77,052	55,160	1,983,953	13,374,186	6,608,322	986,796	20,969,304
Transferred to (from) stage 1	-	-	-	-	371,405	(371,405)	-	-
Transferred to (from) stage 2	-	-	-	-	(1,176,685)	1,176,685	-	-
Transferred to (from) stage 3	-	-	-	-	-	(627,955)	627,955	-
New financial assets purchased or issued	1,210,261	149,688	-	1,359,949	9,375,773	2,450,846	167,126	11,993,745
Matured or disposed financial assets	-	-	(62)	(62)	(2,052,591)	(1,028,510)	(239,898)	(3,320,999)
Balance at 31 December 2022	3,062,002	226,740	55,098	3,343,840	19,892,088	8,207,983	1,541,979	29,642,050

The following table shows changes in ECL balances during the financial period between the three stages:

(EGP Thousands)

31 December 2022	Retail Stage 1 12-Months	Retail Stage 2 Life time	Retail Stage 3 Life time	Retail Total	Corporate Stage 1 12-Months	Corporate Stage 2 Life time	Corporate Stage 3 Life time	Corporate Total
Balance at 1 January 2022	24,022	1,847	40,833	66,702	39,445	942,277	874,061	1,855,783
Transferred to (from) stage 1	-	-	-	-	9,409	(9,409)	-	-
Transferred to (from) stage 2	-	-	-	-	(2,973)	2,973	-	-
Transferred to (from) stage 3	-	-	-	-	-	(466,910)	466,910	-
Released (charged) during the year	13,637	2,280	15,390	31,307	19,920	177,418	64,516	261,854
Written off during the year	-	-	(2,514)	(2,514)	-	-	(133,062)	(133,062)
Recoveries during the year	-	-	-	-	-	-	38,536	38,536
Foreign exchange translation differences	-	-	-	-	-	105,872	67,174	173,046
Balance at 31 December 2022	37,659	4,127	53,709	95,495	65,801	752,221	1,378,135	2,196,157

(EGP Thousands)

31 December 2021	Retail Stage 1 12-Months	Retail Stage 2 Life time	Retail Stage 3 Life time	Retail Total	Corporate Stage 1 12-Months	Corporate Stage 2 Life time	Corporate Stage 3 Life time	Corporate Total
Balance at 1 January 2021	28,937	12,151	27,386	68,474	169,464	420,786	1,051,175	1,641,425
Transferred to (from) stage 2	-	-	-	-	(130,019)	130,019	-	-
Transferred to (from) stage 3	-	-	-	-	-	(102,264)	102,264	-
Released (charged) during the year	(4,915)	(10,304)	14,944	(275)	-	493,736	50,276	544,012
Written off during the year	-	-	(1,497)	(1,497)	-	-	(328,472)	(328,472)
Recoveries during the year	-	-	-	-	-	-	163	163
Foreign exchange translation differences	-	-	-	-	-	-	(1,345)	(1,345)
Balance at 31 December 2021	24,022	1,847	40,833	66,702	39,445	942,277	874,061	1,855,783

Financing and credit facilities which are individually impaired.

the carrying amount of financing and credit facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounts to EGP 1,745,113 thousand against EGP 1,096,193 thousand on December 31, 2021.

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

(EGP Thousands)

Retail	31 December 2022 Credit cards	31 December 2022 "Personal financing"	31 December 2022 Mortgages	31 December 2022 Total	31 December 2021 Credit cards	31 December 2021 "Personal financing"	31 December 2021 Mortgages	31 December 2021 Total
Individually impaired	2,222	49,288	13,870	65,380	457	51,613	12,418	64,488
Total	2,222	49,288	13,870	65,380	457	51,613	12,418	64,488
Fair value of collaterals	-	-	-	-	-	-	-	-

(EGP Thousands)

	31 December 2022 "Direct financing"	31 December 2022 "Syndicated financing"	31 December 2022 "Other financing"	31 December 2022 Total	31 December 2021 "Direct financing"	31 December 2021 "Syndicated financing"	31 December 2021 "Other financing"	31 December 2021 Total
Individually impaired	1,162,794	479,762	-	1,642,556	667,794	324,565	7,131	999,490
Total	1,162,794	479,762	-	1,642,556	667,794	324,565	7,131	999,490
Fair value of collaterals	519,466	-	-	519,466	790,948	-	-	790,948

5.1.6 Debt instruments & other governmental notes

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

(EGP Thousands)

Debt instruments, treasury bills, and other governmental notes	31 December 2022 Rating	31 December 2022 Carrying value	31 December 2021 Rating	31 December 2021 Carrying value
Fair value through other comprehensive income				
- Egyptian Treasury Bonds	B	333,943	B	86,154
- Islamic Sukuk	Unrated	1,506,878	Unrated	558,325
- Securitization Bonds	Unrated	292,671	Unrated	-
Amortized cost				
- Egyptian Treasury Bills	B	5,975,089	B	3,044,133
- Egyptian Treasury Bonds	B	23,215,899	B	16,539,672
- Islamic Sukuk	Unrated	269,724	Unrated	173,247
Total		31,594,204		20,401,531

5.1.7 Concentration of the risks of financial assets exposed to the credit risk.

5.1.7.1 Geographical Segments:

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year, The gross amount of all financial assets including financing and credit facilities is segmented into the geographical regions of the bank's clients:

(EGP Thousands)

	Arab Republic of Egypt						
	Great Cairo	Alex and Delta	Upper Egypt	Total	Gulf	"Other Countries"	Total
Cash and due from Central Bank of Egypt	7,251,399	-	-	7,251,399	-	-	7,251,399
Due from banks	9,839,034	-	-	9,839,034	15,449	418,794	10,273,277
Investment with banks	1,491,754	-	-	1,491,754	1,807,075	463,729	3,762,558
Gross financing and credit facilities to customers							
Retail							
- Credit cards	22,627	7,079	-	29,706	-	-	29,706
- Personal financing	3,270,515	471,158	-	3,741,673	-	-	3,741,673
- Mortgages	483,744	70,731	-	554,475	-	-	554,475
Corporate							
- Direct financing	21,184,119	4,048,453	-	25,232,572	-	-	25,232,572
- Syndicated financing	5,117,299	-	-	5,117,299	-	-	5,117,299
Financial investments							
- Debt instruments measured at FVOCI	2,133,492	-	-	2,133,492	-	-	2,133,492
- Debt instruments measured at Amortized cost	29,378,633	-	-	29,378,633	269,724	-	29,648,357
Balance at 31 December 2022	80,172,616	4,597,421	-	84,770,037	2,092,248	882,523	87,744,808
Balance at 31 December 2021	71,677,630	3,932,243		75,609,873	1,112,440	456,757	77,179,070

5.1.7.2 Activity Segments

The following table analyses the Group's main credit exposure at their book value categorized by the Bank's customers activities.:

	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Governmental	"Other activities"	Individuals	Total
Cash and due from Central Bank of Egypt	7,251,399	-	-	-	-	-	-	7,251,399
Due from banks	10,273,277	-	-	-	-	-	-	10,273,277
Investment with banks	3,762,558	-	-	-	-	-	-	3,762,558
Gross financing and credit facilities to customers								
Retail								
- Credit cards	-	-	-	-	-	-	29,706	29,706
- Personal financing	-	-	-	-	-	-	3,741,673	3,741,673
- Mortgages	-	-	554,475	-	-	-	-	554,475
Corporate								
- Direct financing	5,811,813	10,474,002	23,223	4,718,121	56,555	4,148,858	-	25,232,572
- Syndicated financing	-	1,828,354	-	500,282	1,578,176	1,210,487	-	5,117,299
Financial investments								
- Debt instruments measured at FVPL								-
- Debt instruments measured at FVOCI	292,671	-	1,506,878	-	333,943	-	-	2,133,492
- Debt instruments measured at Amortized cost	-	-	-	-	29,648,357	-	-	29,648,357
Balance at 31 December 2022	27,391,718	12,302,356	2,084,576	5,218,403	31,617,031	5,359,345	3,771,379	87,744,808
Balance at 31 December 2021	32,866,080	6,788,497	694,934	5,516,314	22,183,224	6,648,369	2,481,652	77,179,070

5.2 Market Risk

Market Risks represent the potential losses resulting from unfavorable movements in market prices that may negatively affect the values of the bank's investment positions. Market risk results from open positions of the rate of return, currencies, and equity products, as each of them is exposed to general and specific risks in the market and changes in the level of sensitivity to market rates or to prices such as interest rates, exchange rates and prices of equity instruments. The bank distinguishes between the trading book portfolio and the non-trading book portfolio in measuring market risks.

The management of market risk arising from trading or non-trading activities is concentrated in the Bank's risk management and is monitored by two separate teams. Periodic reports on market risks are submitted to the Board of Directors and the members of the Assets and Liabilities Committee (ALCO).

The portfolios of financial investments at fair value through profit or loss include those positions resulting from the Bank's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the interest rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

5.2.1 Market risk measurement techniques

5.2.1.1 Value at Risk

- The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions. The Board sets a limit for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and are monitored daily by the Bank's market risk management.
- VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements, it expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed 10 Days. It is also assumed that the market movement during the holding period will follow the same pattern of movement that occurred during the previous 10 Days. The Bank assesses the historical movements in the market prices based on volatilities and correlations for the previous 5 Years. the Bank applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
- The use of that technique does not prevent the loss to exceed those limits in the case of a larger movement in the market.
- As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set VaR Limits, for the trading book and non- trading transactions, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.
- The quality of VAR model is monitored on an ongoing basis by reinforced tests to the results of the VAR of trading portfolio, and the results of tests are reported to the senior management and Board of Directors.

5.2.1.2Stress Testing

Stress tests give an indication of the magnitude of the expected loss that may arise from extreme market conditions. Stress testing are tailored to activity using standard analysis for specific scenarios. The stress testing carried out by the risk management include risk factor stress testing where a range of acute movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to abnormal movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress tests are reviewed by the top management and the board on a regular basis.

5.2.1.3Summary of the (Value at Risk)

Total value at risk as per the risk type

(EGP Thousands)

	Last 12 months ended 31 December 2022			Last 12 months ended 31 December 2021		
	Medium	High	Low	Medium	High	Low
Total VaR according to risk type						
- Foreign exchange risk	178,633	433,509	7,479	28,519	113,974	6,198
- Profit rate risk	615,570	696,345	359,961	341,200	429,299	210,662
Total VaR	794,203	1,129,854	367,440	369,719	543,273	216,860
VaR of a non-trading portfolio according to risk type						
- Foreign exchange risk	178,633	433,509	7,479	28,519	113,974	6,198
- Profit rate risk	615,570	696,345	359,961	341,200	429,299	210,662
Total VaR	794,203	1,129,854	367,440	369,719	543,273	216,860

- The bank isn't exposed to the profit rate risk as it distributes variable return on its customers as per the quarterly achieved revenues and returns.
- The increase in the value at risk, particularly the return rate, is linked to the increase of the return rate sensitivity at the world financial markets.
- The three previous outcomes of the VAR were calculated independently from the positions involved and historical market movements. The aggregate value at risk for trading and non-trading is not the Bank's risk value because of the correlation between types of risks.

5.2.2 Risk of Fluctuation of Foreign Currencies Exchange Rates

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

(Equivalent EGP Thousands)

31 December 2022	EGP	USD	GBP	EUR	Other	Total
Financial assets						
Cash and due from Central Bank of Egypt	7,050,740	154,220	4,724	37,132	4,583	7,251,399
Due from banks	8,945,397	4,574,092	45,609	393,669	77,068	14,035,835
Gross financing and credit facilities to customers	30,807,829	3,815,956	-	51,940	-	34,675,725
Financial Investments measured at FVPL	81,551	-	-	-	-	81,551
Financial Investments measured at FVOCI	2,105,101	-	-	108,819	25,600	2,239,520
Financial Investments measured at Amortized cost	19,517,589	9,163,303	-	967,465	-	29,648,357
Other financial assets	1,498,208	134,542	96	21,092	349	1,654,287
Total financial assets	70,006,415	17,842,113	50,429	1,580,117	107,600	89,586,674
Financial liabilities						
Due to banks	-	1,327,617	36	569,921	5,331	1,902,905
Customers' deposits	58,501,648	14,665,400	51,623	1,017,148	81,493	74,317,312
Subordinated and other Islamic financing	11,715	1,113,453	-	-	-	1,125,168
Other financial liabilities	115,345	509,554	-	16,554	335	641,789
Total financial liabilities	58,628,708	17,616,024	51,659	1,603,623	87,159	77,987,174
Net financial position	11,377,707	226,089	(1,230)	(23,506)	20,441	11,599,500
31 December 2021						
Total financial assets	71,718,636	11,002,550	41,395	1,003,784	82,134	83,848,499
Total financial liabilities	63,025,076	10,323,317	42,162	944,610	62,313	74,397,478
Net financial position	8,693,560	679,233	(767)	59,174	19,821	9,451,021

5.2.3 Profit Rate Risk

The Bank is exposed to the effects of volatility in the prevailing market interest rate levels on both of fair value and cash flow risks, profit margin may increase as a result of those changes, but profits may decrease due to unexpected changes in the market. The Board sets limits on the gaps of profit rate repricing that may be undertaken, which is monitored by the bank's Risk Management Department.

The table below summarizes the Bank's exposure to profit rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

(EGP Thousands)

31 December 2022	Up to one month	More than one month up to 3 months	More than 3 months up to one year	"More than one year up to 3 years"	More than 3 years	Non-Profit Bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	-	-	-	-	-	7,251,399	7,251,399
Due from banks and investment with banks	13,520,972	30,793	-	-	-	484,070	14,035,835
Gross financing and credit facilities to customers	2,314,070	4,056,969	11,933,595	4,315,641	12,055,450	-	34,675,725
Financial Investments measured at FVPL	-	-	-	-	-	81,551	81,551
Financial Investments measured at FVOCI	1,430,046	-	-	703,446	-	106,028	2,239,520
Financial Investments measured at Amortized cost	1,217,476	2,563,491	6,423,749	11,437,174	8,006,467	-	29,648,357
Total financial assets	**18,482,564**	**6,651,253**	**18,357,344**	**16,456,261**	**20,061,917**	**7,923,048**	**87,932,387**
Financial liabilities							
Due to banks	1,834,830	-	-	-	-	68,075	1,902,905
Customers' deposits	4,702,013	18,145,632	7,683,220	36,097,340	1,275,134	6,413,973	74,317,312
Subordinated and other Islamic financing	-	-	-	1,113,453	11,715	-	1,125,168
Total financial liabilities	**6,536,843**	**18,145,632**	**7,683,220**	**37,210,793**	**1,286,849**	**6,482,048**	**77,345,385**
Total profit re-pricing gap	**11,945,721**	**(11,494,379)**	**10,674,124**	**(20,754,532)**	**18,775,068**	**1,441,000**	**10,587,002**
31 December 2021							
Total financial assets	20,035,138	13,119,713	19,501,357	19,728,960	4,331,991	7,131,340	83,848,499
Total financial liabilities	18,461,926	6,543,155	7,239,755	33,765,200	2,753,994	5,633,457	74,397,487
Total profit re-pricing gap	**1,573,212**	**6,576,558**	**12,261,602**	**(14,036,240)**	**1,577,997**	**1,497,883**	**9,451,012**

5.3 Liquidity Risk

Liquidity risk is defined as the risk of the Bank's inability to meet cash flows or collateral requirements associated with its financial obligations. This could result in a failure to meet obligations to pay depositors and meet funding commitments.

Organization of Liquidity Risk Management and Measurement Tools:

Liquidity Risk is governed by Asset and Liability Committee (ALCO) and Board Risk Committee (BRC) subject to provisions of Treasury Policy Guide (TPG).

Board Risk Committee: Provides oversight of risk management functions and assesses compliance to the set risk strategies and policies approved by the board through periodic reports submitted by the Risk Group, The committee makes recommendations to the board with regards to risk management strategies and policies (including those related to capital adequacy, liquidity management, various types of risks: credit, market and operation, compliance, reputation, and any other risks the Bank may be exposed to).

Asset and Liability Committee: Optimizes the allocation of the Bank's assets and liabilities, taking into consideration expectations of the potential impact of future profit rate fluctuations, liquidity constraints, and foreign exchange exposures. ALCO monitors the Bank's liquidity and market risks, economic developments, market fluctuations, and risk profile to ensure ongoing activities are compatible with the risk/ reward guidelines approved by the board.

Treasury Policy Guide: the purpose of TPG is to document and communicate the policies that govern the activities performed by the Treasury Group and monitored by Risk Group, the main measures and monitoring tools used to assess the Bank's liquidity risk include regulatory and internal ratios, gaps, Basel III liquidity ratios, asset and liability gapping mismatch, stress testing, and funding base concentration. More conservative internal targets and Risk Appetite indicators (RAI) against regulatory requirements are set for various measures of Liquidity and Funding.

5.3.1 Liquidity risk management

The Bank's liquidity managed by ALCO and monitored independently by the Risk Management as follows:

- Day-to-day funding is managed by monitoring the future cash flows to ensure that all requirements can be met when due. This includes replacing funds when they are due or when financing them to customers. The Bank exists in the global financial markets to ensure that this goal is achieved.
- Maintaining a portfolio of high-marketing assets that can easily be liquidated to meet any unexpected disruptions in cash flows.
- Monitoring the liquidity ratios according to the bank's internal and CBE requirements
- Managing concentration and financing maturity.

For control and reporting purposes, cash flows are measured and projected for the following day, week, and month, as these are main periods of liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the dates of expected collections of the financial assets. It also monitors the incompatibility between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

5.3.2 Funding approach

Liquidity sources are reviewed by a separate liquidity risk management team in order to provide a wide diversification of currencies, geographical areas, sources, products, and terms.

5.3.3 Non-derivative cash flows

All balances shown in the table below represent the undiscounted cash flows of the bank's financial liabilities based on the remaining contractual maturities and based on the behavioral study of non-contractual products, at the date of balance sheet.

(EGP Thousands)

31 December 2022	Up to one month	More than one month up to 3 months	More than 3 months up to one year	"More than one year up to 3 years"	More than 3 years	Total
Financial liabilities						
Due to banks	1,902,905	-	-	-	-	1,902,905
Customers' deposits	11,117,282	18,145,632	7,683,220	36,097,340	1,273,838	74,317,312
Subordinated and other Islamic financing	-	-	-	1,113,453	11,715	1,125,168
Total financial liabilities (contractual and non contractual maturity dates)	13,020,187	18,145,632	7,683,220	37,210,793	1,285,553	77,345,385
Total financial assets (contractual and non contractual maturity dates)	19,907,772	6,651,253	18,357,344	22,872,550	20,143,468	87,932,387
31 December 2021						
Total financial liabilities (contractual and non contractual maturity dates)	24,095,424	6,543,155	7,239,755	36,519,153	-	74,397,487
Total financial assets (contractual and non contractual maturity dates)	20,939,392	13,119,713	19,501,357	25,896,343	4,391,694	83,848,499

All financial assets are available to meet all liabilities and to cover the outstanding financing commitments include Cash and due from CBE, Due from banks, T-bills and other government notes, financing and advances to customers in the normal course of business, a proportion of customer financing contractually matured within one year, will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. Also, The Bank would be able to meet the unexpected net cash outflows by selling securities and accessing additional funding sources

5.3.4 Cash flow for Off-Balance Sheet Items

(EGP Thousands)

31 December 2022	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Operating lease commitments	7,422	38,592	23,801	69,815
Capital commitments resulting from acquisition of property and equipment	83,227	-	-	83,227
Commitments for credit facilities	1,862,076	9,754,239	39,851	11,656,166
Contingent liabilities	2,126,066	3,064,054	566,117	5,756,237

31 December 2021	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Capital commitments resulting from acquisition of property and equipment	35,299	-	-	35,299
Contingent liabilities	4,192,691	388,151	5,152	4,585,994

5.4 Fair Value of Financial Assets & Liabilities

5.4.1 Financial instruments measured at the fair value using valuation techniques.

During the financial period ended December 31, 2022, the Bank does not re-evaluate its financial assets and liabilities items using any valuation techniques.

5.4.2 Financial instruments not measured at the fair value.

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

(EGP Thousands)

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Due from banks	10,269,262	10,269,262	29,711,266	29,898,839
Investments with banks	3,521,211	3,680,118	2,585,910	2,597,468
Financing and credit facilities to customers				
- Retail	3,248,345	3,248,345	1,917,251	1,917,251
- Corporate	27,445,893	27,445,893	19,113,521	19,113,521
Debt instruments measured at Amortized cost	29,346,960	28,355,352	16,674,041	17,115,523
Financial liabilities				
Due to banks	1,902,905	1,926,991	896,770	896,879
Customers' deposits	74,317,312	74,943,038	72,569,388	73,235,298
Subordinated and other Islamic financing	1,125,168	1,137,426	1,035,129	1,055,649
Total	151,177,065	151,006,425	144,503,276	145,830,428

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

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

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

Investments in securities at amortized cost: Represents the value of financial assets measured at amortized cost, The estimated fair value is based on the current market prices, or which obtained from brokers. If these data are not available, the estimated fair value will be determined through the financial market prices of traded securities with similar credit risk, rates, and similar maturity date.

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

5.4.3 Fair value measurement

- The Bank determines the fair value on the basis that it is the price to be obtained for the sale of an asset or to be paid for the transfer of an obligation in an organized transaction between market participants on the date of measurement, taking into account when measuring the fair value the asset's characteristics or obligation if market participants take those characteristics into account when pricing the asset and/or obligation on the date of measurement.
- The Bank uses the market approach to determine the fair value of financial assets and liabilities as it uses prices and other relevant information arising from market transactions involving assets, liabilities or a range of assets and liabilities, which are identical or comparable. The Bank may therefore use valuation methods consistent with the market approach such as market multipliers derived from comparable groups. The selection of an appropriate multiplier from within the scope requires the use of a personal judgement considering the quantitative and qualitative factors of measurement.
- When the market input cannot be relied upon to determine the fair value of a financial asset or liability, the Bank uses the income method to determine the fair value under which future amounts such as cash flows or income and expenses are converted into a current amount (discounted) so that the fair value measure reflects current market expectations about future amounts.
- When the Bank cannot rely on the market approach or income method to determine the fair value of its' financial asset or financial liability, the bank uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

The following table provides the fair value measurement hierarchy of the assets and liabilities according to EAS.

(EGP Thousands)

	31 December 2022			
Financial Assets	Level 1	Level 2	Level 3	Total
Debt instruments	-	2,133,492	-	2,133,492
Mutual funds	-	-	81,551	81,551
Equity Instruments	83,698	-	22,330	106,028

	31 December 2021			
Financial Assets	Level 1	Level 2	Level 3	Total
Debt instruments	-	644,479	-	644,479
Mutual funds	-	-	59,703	59,703
Equity Instruments	58,408	-	18,549	76,957

5.5 Capital Management

For capital management purposes, the bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:

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

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt.

The required data is submitted to the Central Bank of Egypt on a monthly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 5 billion as a minimum requirement for the issued and paid-in capital, noting that at the reporting date the issued and paid-up capital has reached EGP 5,090 million.
- Maintaining a ratio between the capital base and the total credit and market and operating risks and the excess value of the top 50 customers over the regulatory limits and the excess value of the regulatory limits for the recruitment of countries equal to or greater than 10%.

The numerator in capital adequacy comprises the following two tiers:

Tier One: Comprises of paid-in capital, retained earnings and reserves resulting from the distribution of profits except the general banking risk reserve, interim profits and deducting previously recognized goodwill and any retained losses.

Tier Two: Represents the gone concern capital which is composed of general risk provision according to stage one ECL to the maximum of 1.25% risk weighted assets and contingent liabilities, subordinated financing with more than five years to maturity (amortizing 20% of it carrying amount in each year of the remaining five years to maturity).

When calculating the numerator of capital adequacy ratio, the rules set limits of total Tier 2 to no more than Tier 1 capital and also limits the subordinated to no more than 50% of Tier 1.

The bank has complied with all local capital requirements during the past two years.

5.5.1 Capital Adequacy Ratio (CAR%)

The tables below summarize the compositions of tier 1, tier 2 , the capital adequacy ratio and leverage ratio .

According to Basel II	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Tier 1 capital		
Basic going concern capital		
Issued and paid-up capital	5,089,974	1,546,447
Other reserves	249,619	1,387,740
General risk reserve	214,926	214,926
Retained earnings	1,894,350	2,680,756
Other comprehensive income	24,776	49,272
Total basic going concern capital after disposal	**7,473,645**	**5,879,141**
Additional basic capital		
Non-Controlling interest	2,315	2,281
Total deductions from capital invested	(22,963)	(17,756)
Total qualifying tier 1 capital	**7,452,997**	**5,863,666**
Tier 2 capital		
Subordinated financing	540,676	738,685
Impairment provision for Financing, debt instruments and contingent liabilities in stage one*	274,157	126,646
Total qualifying tier 2 capital	**814,833**	**865,331**
Total capital base after disposal	**8,267,830**	**6,728,997**
Risk weighted assets and contingent liabilities excluding top 50		
Total credit risk	42,732,647	27,826,602
Cross border over limit	104,908	-
Total market risk	388,448	529,344
Total operational risk	3,478,802	4,054,765
Total risk weighted assets and contingent liabilities	**46,704,804**	**32,410,711**
***Capital adequacy ratio (%)**	**17.70%**	**20.76%**

The "capital adequacy ratio" has been added pursuant to the instructions dispatched to the Central Bank of Egypt.

** Based on consolidated financial statement figures and in accordance with Central Bank of Egypt regulation issued on 24 December 2012.*

5.5.2 Leverage Ratio%

Within the framework of its endeavour to apply the best international practices in the field of banking supervisory regulations, the Central Bank of Egypt issued its instructions for the measurement of the adequacy of "Tier 1" of the capital base, in comparison to the total risk-weighted assets (the financial leverage), committing banks to the minimum ratio of 3% on quarterly basis, as follows:

The tables below summarizes the leverage financial ratio:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Total qualifying tier 1 capital	7,452,997	5,863,666
Total on-balance sheet exposures	87,514,040	82,319,248
Total off-balance sheet exposures	4,903,068	3,594,201
Total exposures on-balance sheet and off-balance sheet	92,417,108	85,913,449
Leverage financial ratio % (1/2)	8.06%	6.83%

** Based on the Bank's Consolidated financial statements and in accordance with the instructions issued by the Central Bank of Egypt on 14 July 2015.*

- In December 2022 NSFR% recorded 207.54% and LCR% recorded 854.11%
- In December 2021, NSFR% recorded 274.4% and LCR% recorded 513.4%

6. Segments Reporting

6.1 Segmental analysis by activity

Segment activity includes operational processes, assets used in offering banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

- The Bank's Head Office
- Cairo Governorate Branches
- Giza Governorate Branches
- Alexandria Governorate Branches
- Other Governorates Branches

(EGP Thousands)

31 December 2022	Head office	Cairo branches	Giza branches	Alex branches	Other branches	Total
Total revenues and expenses according to segmental activities						
Total revenues	1,460,447	4,698,597	1,176,152	724,807	697,495	8,757,498
Total expenses	(1,845,693)	(2,516,212)	(751,827)	(536,114)	(457,989)	(6,107,835)
Net profit for the year before tax	(385,246)	2,182,385	424,325	188,693	239,506	2,649,663
Income tax expense	(900,577)	-	-	-	-	(900,577)
Net profit for the year	(1,285,823)	2,182,385	424,325	188,693	239,506	1,749,086
Total assets and liabilities according to segmental activities						
Total assets	5,183,365	51,246,173	13,865,926	8,930,468	7,907,600	87,133,532
Total liabilities	5,173,516	43,661,093	13,865,926	8,930,468	7,907,600	79,538,603

31 December 2021	Head office	Cairo branches	Giza branches	Alex branches	Other branches	Total
Total revenues and expenses according to segmental activities						
Total revenues	1,120,142	4,157,102	1,031,124	638,352	620,278	7,566,998
Total expenses	(1,660,017)	(2,468,202)	(733,993)	(499,411)	(462,046)	(5,823,669)
Net profit for the year before tax	(539,875)	1,688,900	297,131	138,941	158,232	1,743,329
Income tax expense	(617,120)	-	-	-	-	(617,120)
Net profit for the year	(1,156,995)	1,688,900	297,131	138,941	158,232	1,126,209
Total assets and liabilities according to segmental activities						
Total assets	5,041,777	49,146,926	12,201,211	7,719,749	8,173,233	82,282,896
Total liabilities	5,041,775	43,126,395	12,201,211	7,719,749	8,173,233	76,262,363

6.2 Segmental analysis by geographic area

(EGP Thousands)

	Arab Republic of Egypt			
31 December 2022	Great Cairo	Alex and Delta	Upper Egypt	Total
Total revenues and expenses according to geographical segment				
Total revenues	7,719,121	1,038,377	-	8,757,498
Total expenses	(5,350,684)	(757,151)	-	(6,107,835)
Net profit for the year before tax	2,368,437	281,226	-	2,649,663
Income tax expense	(900,577)	-	-	(900,577)
Net profit for the year	1,467,860	281,226	-	1,749,086
Total assets and liabilities according to geographical segment				
Total assets	74,788,984	12,344,548	-	87,133,532
Total liabilities	67,194,055	12,344,548	-	79,538,603

(EGP Thousands)

	Arab Republic of Egypt			
31 December 2021	Great Cairo	Alex and Delta	Upper Egypt	Total
Total revenues and expenses according to geographical segment				
Total revenues	6,623,493	943,505	-	7,566,998
Total expenses	(5,094,685)	(728,984)	-	(5,823,669)
Net profit for the year before tax	1,528,808	214,521	-	1,743,329
Income tax expense	(617,120)	-	-	(617,120)
Net profit for the year	911,688	214,521	-	1,126,209
Total assets and liabilities according to geographical segment				
Total assets	71,168,592	11,114,304	-	82,282,896
Total liabilities	65,148,059	11,114,304	-	76,262,363

7. Net income from funds

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Income from Murabaha, Musharaka, Mudaraba and other similar income:		
Financing and credit facilities		
- Customers	3,008,087	2,152,176
Total	3,008,087	2,152,176
Debt instruments at fair value through OCI and AC	3,698,315	2,617,301
Deposits and current accounts	1,633,003	2,436,088
Total	8,339,405	7,205,565
Cost of deposits and similar expenses:		
Deposits and current accounts		
- Banks	(32,995)	(8,669)
- Customers	(4,824,929)	(4,380,246)
Total	(4,857,924)	(4,388,915)
Other financings	(50,455)	(55,155)
Total	(4,908,379)	(4,444,070)
Net income from funds	3,431,026	2,761,495

8. Net fees and commission income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Fees and commission income:		
Fees and commissions related to credit	176,598	147,483
Investment commission	1,600	22
Custody fees	1,125	679
Other fees	112,825	142,337
Total	292,148	290,521
Fees and commission expenses:		
Other fees paid	(27,247)	(18,973)
Total	(27,247)	(18,973)
Net fees and commission income	264,901	271,548

9. Administrative expenses

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Staff cost:		
Salaries and wages	(397,126)	(343,454)
Social insurance	(15,983)	(12,009)
Pension cost:		
Defined contribution scheme	(14,030)	(8,511)
Defined benefit scheme	86,407	-
Zakah and charity fund	(25,500)	(10,448)
Depreciation and amortization	(110,046)	(94,095)
Other administrative expenses	(414,397)	(328,635)
Total	(890,675)	(797,152)

10. Dividends income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Equity instruments measured at FVOCI	20,856	6,145
Mutual funds measured at FVPL	136	114
Total	20,992	6,259

11. Net trading income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Profit from foreign exchange transactions	93,105	58,505
Mutual funds measured at FVPL	11,848	5,470
Total	104,953	63,975

12. Other operating income (expenses)

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Gain (Loss) from Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at FVPL at initial recognition	(55,882)	(65)
Gain (loss) on sale of assets reverted to the bank	19,474	-
Gain on sale of property and equipment	1,611	1,126
Operating lease rental expense	(9,322)	(10,367)
Impairment release (charges) of assets reverted to the bank	1,483	(4,281)
Other provisions (net of reversed amounts)*	77,021	2,403
Others	25,093	2,500
Total	59,478	(8,684)

Other provisions (net of reversed amounts)*	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Tax provision	89,000	-
Contingent liabilities provision	(11,979)	2,403
Total	77,021	2,403

13. Impairment charge of expected credit losses

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Financing and credit facilities to customers	(293,161)	(543,736)
Investments with banks	7,875	(3,872)
Due from banks	(2,298)	(293)
Debt instruments at fair value through other comprehensive income	(2,421)	400
Debt instruments at amortized cost	(50,575)	(6,158)
Accrued revenues	(432)	(1,131)
Total	(341,012)	(554,790)

14. Income tax expense

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current tax	(907,056)	(614,867)
Deferred tax	6,479	(2,561)
Total	**(900,577)**	**(617,428)**

Adjustments to calculate the effective tax rate	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year before tax	2,649,663	1,743,329
Current tax rate (%)	22.5%	22.5%
Income tax calculated at applicable tax rate	596,174	392,249
Add / (Deduct)		
Tax exemptions	(629,700)	(376,289)
Non-deductible expenses	445,693	351,998
Other tax	488,410	249,470
Effective income tax expense	**900,577**	**617,428**
Effective tax rate (%)	**33.99%**	**35.42%**

15. Basic earnings per share

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year, available for distribution	**1,753,406**	**1,131,241**
Remuneration for the board members and staff profit share	(210,500)	(136,000)
Profit available to shareholders	**1,542,906**	**995,241**
Weighted average number of the shares outstanding during the year (Note 31/2)	**727,139**	**727,139**
Basic earning per share	**2.12**	**1.37**

** Based on the separate financial statement*

16. Cash and due from Central Bank of Egypt

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash	462,337	435,824
Mandatory reserve balances with CBE	6,789,062	6,090,426
Total	7,251,399	6,526,250
Non-profit bearing balances	7,251,399	6,526,250
Total	**7,251,399**	**6,526,250**

17. Due from banks, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current accounts	484,070	468,431
Deposits	9,789,207	29,244,552
	10,273,277	**29,712,983**
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Balances at CBE other than those under the mandatory reserve	9,806,805	29,260,322
Local banks	32,228	75,146
Foreign Banks	434,244	377,515
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Non-profit bearing balances	484,070	468,431
Fixed profit bearing balances	9,789,207	29,244,552
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Due from banks-ECL provision analysis*		
Beginning balance	1,717	1,425
Net impairment loss recognized during the year	2,298	292
Ending balance	**4,015**	**1,717**

18. Investment with banks, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Investment with banks	3,762,558	2,745,343
Deduct:		
Expected Credit Losses*	(229,866)	(152,913)
Profit in suspense	(11,481)	(6,520)
Total	**3,521,211**	**2,585,910**
Investment with banks-ECL provision analysis*		
Beginning balance	152,913	149,121
Net impairment loss recognized during the year	(7,875)	3,872
Foreign currencies translation differences	84,828	(80)
Ending balance	**229,866**	**152,913**

- Representing "commodity murabaha" with local and correspondent banks in foreign currencies.
- Investment with banks Includes of EGP 222,690 thousand representing investment operations with (Al Baraka Group) - the main shareholder of the Bank - (EGP 138,306 thousand at 31 December 2021).
- It also includes EGP 458,713 thousand representing investments with banks belonging to Al Baraka Group (EGP 301,379 thousand at 31 December 2021).
- An amount of EGP 6,520 thousand has been reclassified for profit in suspense from Al Baraka Bank Lebanon (modified to be in line with the nature of the operation)

19. Financing and credit facilities to customers, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Retail		
Credit cards	29,706	25,078
Personal financing	3,741,673	1,889,791
Mortgages	554,475	565,038
Total (1)	**4,325,854**	**2,479,907**
Corporate including (SMEs)		
Direct financing	25,232,572	18,642,786
Syndicated financing	5,117,299	3,070,707
Other financing	-	15,099
Total (2)	**30,349,871**	**21,728,592**
Gross financing and credit facilities (1+2)	**34,675,725**	**24,208,499**
Deduct:		
Expected Credit Losses*	(2,291,652)	(1,922,485)
Deferred profit	(1,689,835)	(1,255,242)
Net financing and credit facilities	**30,694,238**	**21,030,772**
Financing and credit facilities-ECL provision analysis*		
Beginning balance	1,922,485	1,709,899
Net impairment loss recognized during the year	293,161	543,737
Recoveries during the year	38,536	163
Written off during the year	(135,576)	(329,969)
Foreign currencies translation differences	173,046	(1,345)
Ending balance	**2,291,652**	**1,922,485**

Analysis of the expected credit losses on financing and advances to customers by type was as follows.

(EGP Thousands)

31 December 2022	Retail Credit cards	Personal financing	Mortgages	Total
Beginning balance	266	48,032	18,404	66,702
Net impairment loss recognized during the year	1,180	31,517	(1,390)	31,307
Written off during the year	-	(82)	(2,432)	(2,514)
Ending balance (1)	1,446	79,467	14,582	95,495

31 December 2022	Corporate Direct financing	Syndicated financing	Other financing	Total
Beginning balance	1,574,390	274,612	6,781	1,855,783
Net impairment loss recognized during the year	196,441	72,194	(6,781)	261,854
Recoveries during the year	1,619	36,917	-	38,536
Written off during the year	(133,062)	-	-	(133,062)
Foreign currencies translation differences	141,629	31,417	-	173,046
Ending balance (2)	1,781,017	415,140	-	2,196,157
Ending balance (1+2)	1,782,463	494,607	14,582	2,291,652

(EGP Thousands)

31 December 2021	Retail Credit cards	Personal financing	Mortgages	Total
Beginning balance	167	55,992	12,315	68,474
Net impairment loss recognized during the year	353	(6,717)	6,089	(275)
Written off during the year	(254)	(1,243)	-	(1,497)
Ending balance (1)	266	48,032	18,404	66,702

31 December 2021	Corporate Direct financing	Syndicated financing	Other financing	Total
Beginning balance	1,195,653	445,154	618	1,641,425
Net impairment loss recognized during the year	511,454	25,247	7,311	544,012
Recoveries during the year	163	-	-	163
Written off during the year	(131,697)	(195,627)	(1,148)	(328,472)
Foreign currencies translation differences	(1,183)	(162)	-	(1,345)
Ending balance (2)	1,574,390	274,612	6,781	1,855,783
Ending balance (1+2)	1,574,656	322,644	25,185	1,922,485

20. Financial investments

20.1 Measured at FVPL

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Mutual Funds		
Unlisted in stock exchange market	81,551	59,703
Total	81,551	59,703
Total financial instruments measured at FVPL (1)	81,551	59,703
Beginning balance	59,703	57,399
Additions	10,000	8,459
Disposals (sale/redemption)	-	(11,625)
FV revaluation differences of financial investment measured at FVPL	11,848	5,470
Total financial instruments measured at FVPL (1)	81,551	59,703

20.2 Measured at FVOCI

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Islamic Sukuk at fair value		
Listed in stock exchange market	1,506,878	558,325
Total	1,506,878	558,325
B) Treasury bonds at fair value		
Listed in stock exchange market	333,943	86,154
Total	333,943	86,154
C) Securitization bonds at fair value		
Listed in stock exchange market	292,671	-
Total	292,671	-
D) Equity instruments at fair value		
Listed in stock exchange market	83,698	58,408
Unlisted in stock exchange market	22,330	18,549
Total	106,028	76,957
Total financial instruments measured at FVOCI (2)	2,239,520	721,436

20.3 Measured at Amortized Cost

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Treasury bonds		
Listed in stock exchange market	22,957,202	16,336,702
Unlisted in stock exchange market	258,697	202,970
Deduct: Expected Credit Losses*	(76,374)	(38,878)
Total	**23,139,525**	**16,500,794**
B) Islamic Sukuk		
Listed in stock exchange market	269,724	173,247
Total	**269,724**	**173,247**
C) Treasury bills		
EGP TBills - 91 Days maturity	118,750	-
EGP TBills - 182 Days maturity	659,175	-
EGP TBills - 273 Days maturity	100,000	-
EGP TBills - 364 Days maturity	900,000	303,250
USD TBills - 364 Days maturity	3,909,457	2,483,239
EUR TBills - 364 Days maturity	475,352	323,360
Total	**6,162,734**	**3,109,849**
Deduct: Unearned interest	(187,644)	(65,716)
Deduct: Expected Credit Losses*	(37,379)	(24,300)
Net (1)	**5,937,711**	**3,019,833**
Total financial instruments measured at Amortized cost (3)	**29,346,960**	**19,693,874**
Total financial investment (1+2+3)	**31,668,031**	**20,475,013**
Non-profit bearing balances	187,579	136,660
Floating profit bearing balances	1,776,602	731,572
Fixed profit bearing balances	29,703,850	19,606,781
Total financial investment (1+2+3)	**31,668,031**	**20,475,013**
Debt instruments-ECL provision analysis*		
Beginning balance	63,178	57,706
Net impairment loss recognized during the year	50,575	6,158
Foreign currencies translation differences	-	(686)
Ending balance	**113,753**	**63,178**

- The carried value of financial investments in governmental debts at 31 December 2022 reached EGP 29,524 931 thousand. These investments are used to contribute to the financing of Egypt national projects , strategic and development projects.

The following table analyzes the movements on financial investments:

(EGP Thousands)

31 December 2022	Fair value through OCI	Amortized cost	Total
Beginning balance	721,436	19,693,874	20,415,310
Additions	1,506,962	11,064,874	12,571,836
Amortization of premium / discount	(2,701)	(18,968)	(21,669)
Disposals (sale/redemption)	(8,549)	(4,957,342)	(4,965,891)
Foreign currencies translation differences	46,015	3,615,097	3,661,112
Changes in fair value reserve	(23,643)	-	(23,643)
Net impairment loss recognized during the year	-	(50,575)	(50,575)
Ending balance	**2,239,520**	**29,346,960**	**31,586,480**

31 December 2021	Fair value through OCI	Amortized cost	Total
Beginning balance	490,171	31,459,985	31,950,156
Additions	220,384	2,033,002	2,253,386
Amortization of premium / discount	(433)	257,739	257,306
Disposals (sale/redemption)	(1,773)	(14,020,234)	(14,022,007)
Foreign currencies translation differences	(7,643)	(30,460)	(38,103)
Changes in fair value reserve	20,730	-	20,730
Net impairment loss recognized during the year	-	(6,158)	(6,158)
Ending balance	**721,436**	**19,693,874**	**20,415,310**

21. Intangible assets, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net book value at the beginning of the year	27,648	22,785
Additions	40,722	28,870
Amortization expense	(36,371)	(24,007)
Net book value at the end of the year	**31,999**	**27,648**

22. Other assets, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Accrued revenues	1,654,287	863,052
Deduct: Expected Credit Losses*	(1,762)	(1,331)
Accrued revenues,net	**1,652,525**	**861,721**
Pre-paid expenses	15,649	1,359
Advance payments for acquisition of property and equipment	352,630	135,963
Assets reverted to the bank in settlement of debts,net	261,588	250,602
Deposits held with others and custody	11,721	7,690
Other debit balances	814,682	35,013
Total	**3,108,795**	**1,292,348**
Accrued revenues-ECL provision analysis*		
Beginning balance	1,331	200
Net impairment loss recognized during the year	431	1,131
Ending balance	**1,762**	**1,331**

- Other debit balances include the value of guaranteed minimum dues and guaranteed return on real estate investments deducted by the guaranteed return ratio.

23. Property, plant and equipment, net

(EGP Thousands)

31 December 2022	"Lands and Premises"	Machines and Equipment	Information Technology	"Furniture and Renovations"	Others	Total
Cost	468,231	89,585	128,267	317,265	21,813	1,025,161
Accumulated depreciation	(154,792)	(58,906)	(117,896)	(92,307)	(12,663)	(436,564)
Net book value	**313,439**	**30,679**	**10,371**	**224,958**	**9,150**	**588,597**
Net book value at the beginning of the year	326,668	39,766	25,477	237,989	3,789	633,689
Additions	9,472	6,257	3,671	8,111	8,007	35,518
Disposals	(4,873)	-	-	(4,254)	(181)	(9,308)
Depreciation for the year	(18,986)	(15,344)	(18,777)	(17,921)	(2,646)	(73,674)
Disposals' accumulated depreciation	1,158	-	-	1,033	181	2,372
Net book value	**313,439**	**30,679**	**10,371**	**224,958**	**9,150**	**588,597**

(EGP Thousands)

31 December 2021	"Lands and Premises"	Machines and Equipment	Information Technology	"Furniture and Renovations"	Others	Total
Cost	463,632	83,328	124,596	313,408	13,987	998,951
Accumulated depreciation	(136,964)	(43,562)	(99,119)	(75,419)	(10,198)	(365,262)
Net book value	**326,668**	**39,766**	**25,477**	**237,989**	**3,789**	**633,689**
Net book value at the beginning of the year	303,344	35,020	16,345	198,502	2,458	555,669
Additions	41,250	17,773	30,944	55,292	2,849	148,108
Disposals	-	-	-	-	(1,408)	(1,408)
Depreciation for the year	(17,926)	(13,027)	(21,812)	(15,805)	(1,518)	(70,088)
Disposals' accumulated depreciation	-	-	-	-	1,408	1,408
Net book value	**326,668**	**39,766**	**25,477**	**237,989**	**3,789**	**633,689**

24. Income Tax

24.1 Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet .The deferred tax assets as a result of the carried forward tax losses are not recognized unless in case of probable future tax profits, The Bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities.

Deferred tax assets and liabilities	Deferred tax assets 31 December 2022 EGP Thousands	Deferred tax assets 31 December 2021 EGP Thousands	Deferred tax liabilities 31 December 2022 EGP Thousands	Deferred tax liabilities 31 December 2021 EGP Thousands
Tax impact on temporary differences arising from:				
Property and equipment	-	-	(5,409)	(10,123)
Provisions (other than the provision for loan impairment)	5,867	4,098	-	-
Differences in fair value of financial investments at FVOCI	5,873	-	(11,447)	-
Total	11,739	4,098	(16,856)	(10,123)
Deferred tax assets (liabilities), net	(5,117)	(6,025)		

Movement of deferred tax assets and liabilities	Deferred tax assets 31 December 2022 EGP Thousands	Deferred tax assets 31 December 2021 EGP Thousands	Deferred tax liabilities 31 December 2022 EGP Thousands	Deferred tax liabilities 31 December 2021 EGP Thousands
Beginning balance	4,098	3,634	(10,124)	(7,098)
DT recognized during the year	7,641	464	-	-
DT utilized during the year	-	-	(6,733)	(3,025)
Ending balance	**11,739**	**4,098**	**(16,857)**	**(10,124)**

Balances of DT assets (liabilities) recognized directly in equity	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Differences in fair value of financial investments at FVOCI	(5,574)	-
Ending balance	**(5,574)**	**-**

24.2 Current income tax liability

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	269,226	320,280
Impact of subsidiary adjustments (Note 38)	-	(293)
Current income tax recognized during the year	907,056	614,867
Transferred from tax liability provision to tax claims	(145,250)	-
Tax paid during the year	(486,745)	(665,628)
Ending balance	**544,287**	**269,226**

25. Due to banks

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current accounts	68,075	342,599
Deposits	1,834,830	554,171
Total	**1,902,905**	**896,770**
Local banks	866,019	89,326
Foreign banks	1,036,886	807,444
Total	**1,902,905**	**896,770**
Non-profit bearing balances	68,075	342,599
Floating profit bearing balances	1,834,830	554,171
Total	**1,902,905**	**896,770**

26. Customers' deposits

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Demand deposits	11,027,073	10,636,434
Time deposits and call accounts	27,641,162	28,754,776
Term saving certificates	26,449,754	22,706,628
Saving deposits	7,843,402	9,058,744
Other deposits	1,355,921	1,308,998
Total	**74,317,312**	**72,465,580**
Corporate deposits	37,248,197	37,424,110
Retail deposits	37,069,115	35,041,470
Total	**74,317,312**	**72,465,580**
Non-profit bearing balances	6,413,973	5,290,858
Floating profit bearing balances	67,903,339	67,174,722
Total	**74,317,312**	**72,465,580**

27. Subordinated and other Islamic financing

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
(A) Long-Term Restricted Finances	11,715	13,543
(B) Subordinated Finance (Main Shareholders)	-	314,334
(C) Subordinated Finance (Other Shareholders)	1,113,453	707,252
Total	**1,125,168**	**1,035,129**

(A) Long-Term Restricted Finances

- These represented as the "Musharaka" Contract concluded by and between the Bank & the Social Fund for Development to SMEs enterprises with a financing formula consistent with Islamic sharia instruction.
- Al Musharaka agreement profits (resulting from the returns on financing operations) are distributed equally to the Bank and SME Development Authority after a percentage of that return is deducted for the Bank as the Fund Manager.
- The Bank is also obliged to pay a return equal to the Bank's rate of return on deposits (3 months) for the lowest credit balance of the unused balance of the Fund's share of Al Musharaka agreement capital.

(A) Long-Term Restricted Finances	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	13,543	2,788
Additions	-	12,500
Amounts paid during the year	(1,828)	(1,745)
Total	11,715	13,543

(B) Subordinated Finance (Main Shareholder)

- On March 16, 2008, an “Investment Mudaraba Deposit Contract” has been concluded with (Al Baraka Group) - the bank’s main shareholder - to support the Bank’s subordinated capital in an amount of USD 20 million, and was due on 31 March 2013.
- On March 31, 2013, (Al Baraka Group) deposited the amount of USD 20 million, through an offset between the value of the old and new contract, as an (investment mudaraba deposit), in order to support the Bank’s subordinated capital. The maturity date of this deposit on June 30, 2018, The deposit profits are calculated according to the return rates applied on the Bank’s depositors in US Dollars over five years. The returns are paid annually after relinquishing 10% of the Bank’s share as mudarib. Al Baraka Group may withdraw this deposit only with the approval of the Central Bank of Egypt. On October 20, 2015, the deposit was extended to maturity on 20 June 2021, and on 7 June 2017, the deposit was extended to maturity on 30 June 2025.
- On March 7, 2022, the Bank made an early repayment of all Subordinated Finance from Al Baraka Group, which was due on June 30, 2025, in the amount of USD 20 million, after obtaining the approval of the Central Bank of Egypt.

(B) Subordinated Finance (Main Shareholders)	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	314,334	314,642
Amounts paid during the year	(314,334)	(308)
Total	-	314,334

(C) Subordinated Finance (Other Shareholders)

- On February 5, 2017, an (Investment Mudaraba Deposit Contract) has been concluded with (Misr Insurance Company) (one of the largest shareholders of our Bank) to support the Bank’s subordinated capital in the amount of USD 25 million. The contract commences on February 23, 2017, for seven years. and the deposit is entitled to a return of 6.75% approximately with quarterly disbursement.
- On July 2, 2017, another agreement has been concluded with Misr Insurance Company (Investment Mudaraba Deposit Contract) to support the Bank’s subordinated capital in the amount of 20 million US Dollars, over eight years. The deposit is entitled to a return of about 6.25% disbursed quarterly.

(C) Subordinated Finance (Other Shareholders)	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	707,252	707,945
Foreign currencies translation differences	406,201	(693)
Total	1,113,453	707,252

28. Other liabilities

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Accrued interest	641,789	562,377
Deferred revenues	25,119	40,193
Accrued expenses	176,371	129,308
Accounts under settlements	310,309	266,429
Other credit balances	275,563	345,938
Total	1,429,151	1,344,245

29. Other provisions

(EGP Thousands)

31 December 2022	Provision for legal claims	Provision for tax claims*	Provision for Contingents	Other provisions	Total
Beginning balance	6,628	15,436	81,531	11,587	115,182
Formed during the year	-	20,000	41,517	-	61,517
Provisions no longer required during the year*	-	(109,000)	(29,538)	-	(138,538)
Transferred from other liabilities*	-	145,250	-	-	145,250
Used during the year	(470)	(33,647)	-	-	(34,117)
Foreign currencies translation differences	-	-	1,444	-	1,444
Ending balance	6,158	38,039	94,954	11,587	150,738

31 December 2021	Provision for legal claims	Provision for tax claims	Provision for Contingents	Other provisions	Total
Beginning balance	4,564	15,436	86,106	11,587	117,693
Formed during the year	2,164	-	(4,567)	-	(2,403)
Used during the year	(100)	-	-	-	(100)
Foreign currencies translation differences	-	-	(8)	-	(8)
Ending balance	6,628	15,436	81,531	11,587	115,182

***Corporate tax provision:** During 2022, the Bank charge the corporate tax provision of EGP 20 million in addition to EGP 127 million (transferred from credit balances) to reach EGP 162 million and according to ending the corporate tax inspection for the years (2007-2017), the Bank paid the tax dues and the delay penalties for that period with total amount of EGP 33.6 million.

On the other hand, and according to the tax liability study which declared that the total tax due after the years 2017 amounted EGP 20 million therefore there is 109 million Egyptian pounds no longer required.

Stamp Duty tax provision: according to the last tax inspection for the years until 2020 the expected tax dues is amounted EGP 2 million.

Salary tax provision: according to the last tax inspection for the years until 2017 the expected tax dues is amounted EGP 6 million.

Real estate tax provision: according to the current position of fixed assets and assets that were expropriated to the bank, the expected tax liability and the delay penalties amounted EGP 10 million. (Transferred from credit balances)

30. Defined benefits obligation

30.1 Post - employment benefits (defined benefit plans)

The Bank applies the medical care scheme for its employees during the period of service and their families, and post-retirement only until the age of 65 without their families. The bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post- retirement schemes" to cover the total value of such obligations. Which comprises the present value of the defined benefit obligations at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealized actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.

The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high-quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.

The forecasted costs of these benefits are accrued throughout the recruitment period using an accounting method similar to that used in defined benefit systems.

- The discount rate used to determine benefit obligations is 16.10%.
- The inflation rate used to determine benefit obligations is 13.00%.
- The compensation increase rate used to determine benefit obligations is 16.24%.
- Life and mortality schedule used: Based on the British A67-70ULT table to calculate the rates of both life and total disability.
- Termination benefits table (Projected unit credit method)

30.2 The main actuarial assumptions summarized as follows:

Amounts recognized in the statement of financial position:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Liability for post-retirement medical benefits	63,925	130,206

Liability movements during the year are represented as follows	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Balance at the beginning of the financial year	130,206	112,277
Current service cost	10,989	9,951
Past Service Cost - Adjustments to benefits	(100,134)	15,877
Cost of return on the medical benefits obligation	25,220	13,686
Actuarial gain/losses	5,873	(19,061)
Benefits paid by the employer	(8,230)	(2,524)
Estimate of post-retirement medical benefits during the year	63,925	130,206

The main actuarial assumptions used by the Bank are outlined below:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Average assumptions to determine benefit obligations		
Rate of return used to dicount remedial benefits after retirement(%)	16.10%	16.10%
Rate of increase in compensation (%)	16.24%	16.24%
Rate of inflation (%)	13.00%	13.00%

31. Capital

31.1 Authorized Capital

The authorized capital amounted to EGP 10 billion (31 December 2021: EGP 2 billion).

31.2 Issued and paid-up Capital

The Issued and Paid-up Capital amounted to EGP 5,089,974 thousand on December 31, 2022, with a nominal value of EGP 7 each, the shares were paid in Egyptian pound (31 December 2021: EGP 1,546,447 thousand).

EGP Thousands

31 December 2022	No. of common shares	Common shares	Total
Beginning balance	220,921,033	1,546,447	1,546,447
Dividends for year 2019 used to capital increase	44,184,208	309,290	309,290
Reserves used to capital increase	462,033,889	3,234,237	3,234,237
Ending balance	727,139,130	5,089,974	5,089,974

31 December 2021	No. of common shares	Common shares	Total
Beginning balance	220,921,033	1,546,447	1,546,447
Ending balance	220,921,033	1,546,447	1,546,447

- On April 15, 2021, albaraka's OGM approved to increase the Paid-up Capital with a total amount of EGP 1,113,442thousand, this amount was recognized under amounts paid under capital increase line, until the completion of the procedures for registering this increase to reach EGP 1,422,732 thousand, on April 14, 2022, the capital increase was approved with a total amount of EGP 2,120,795 thousand through the distribution of bonus shares. which funded by: The shareholders' share in the profits of the year 2021 of EGP 742,295 thousand; and Usage the balances of the legal and general reserve of EGP 1,378,501 thousand; On December 7, 2022, the bonus shares were distributed in accordance with the decision of the extraordinary general assembly dated September 29, 2022, Accordingly the issued and paid-up capital became EGP 5,089,974 thousand on December 31, 2022.

32. Reserves

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Legal reserve	239,253	449,726
General reserve	-	929,834
General banking risk reserve	118,566	118,566
Capital reserve	10,365	9,239
General risk reserve	214,926	214,926
Fair value reserve	22,476	49,272
Total	605,586	1,771,563

32.1 Legal Reserve

According to the Bank's Articles of Association, 10% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100% of the bank's capital.

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	449,726	449,310
Transferred from retained earnings	238,193	416
Transferred to capital increase	(448,666)	-
Ending balance	239,253	449,726

32.2 General Reserve

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	929,834	929,834
Transferred to capital increase	(929,834)	-
Ending balance	-	929,834

32.3 Capital Reserve

It is supported by the profits ensuing of selling the fixed assets owned by the Bank, for the purpose of consolidating the Bank's financial position.

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	9,239	9,239
Transferred from retained earnings	1,126	-
Ending balance	10,365	9,239

32.4 Fair Value Reserve

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	49,272	28,955
Net change in fair value of equity instruments	10,555	13,463
Net change in fair value of debt instruments	(34,198)	7,254
Expected credit losses for debt instrument at FVOCI	2,421	(400)
Deferred income tax recognized during the year	(5,574)	-
Ending balance	22,476	49,272

33. Retained Earnings

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	1,277,503	1,442,825
Impact of subsidiary adjustments	(24)	-
Transferred to legal reserve	(238,193)	(416)
Transferred to capital reserve	(1,126)	-
Banking system support and development fund	(11,313)	(12,477)
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	(136,595)	(165,060)
Shareholders' dividends used to capital increase	(742,295)	(1,113,442)
Net profit for the year	1,749,053	1,126,073
Ending balance	**1,897,010**	**1,277,503**

34. Contingent Liabilities and other Commitments

34.1 Legal Claims (litigation)

Several lawsuits have been filed versus the Bank and accordingly a provision has been formed for this purpose on December 31, 2022, in the amount of EGP 6,158 thousand, against EGP 6,628 thousand as at December 31,2021.

34.2 Capital Commitments

(EGP Thousands)

31 December 2022	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Operating lease commitments	7,422	38,592	23,801	69,815
Capital commitments	83,227	-	-	83,227

31 December 2021	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Capital commitments	35,299	-	-	35,299

34.3 Contingent liabilities

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Letter of Credit (import and export)	334,254	387,282
Letter of Guarantee	2,902,881	2,526,179
Accepted notes for suppliers facilities	108,933	437,530
Total	**3,346,068**	**3,350,991**

35. Tax Position

35.1 Corporate Tax:

- **From the beginning of activity till the end of 31 December 2006**

The Bank's books have been inspected, and the due tax was paid.

- **Years 2007 till 2017**

The Bank's books have been inspected, and the due tax was paid were obtained (Form 9A)

- **Years 2018 till 2021**

The Bank submitted its tax return in the due date according to the Income Tax Law No. 91 of 2005 and its amendments, the Bank's books have not been inspected yet.

- **Year 2022**

The Bank will submit its tax return within the legal deadline before 4/30/2023.¬¬¬¬

35.2 Salaries Tax:

- **From the beginning of activity till the end of 31 December 2017**

The Bank's books have been inspected, and the due tax was paid.

- **Years from 2018 till 2022.**

The years from 2018 to 2021 are being inspected, and the required documents have been submitted and the result of the tax inspection still awaiting till date, noting that the bank regularly calculating the salaries tax on a monthly basis and submit it to the Tax Authority.

35.3 Stamp duty Tax:

- **The period from the beginning of the activity till the end of 31 December 2020**

The actual inspection was carried out and the final settlement and payment of the receivable was made for the period.

- **Years from 2021 till 2022.**

The bank regularly calculates and pays its stamp duties, and no notice of inspection has been received to date.

35.4 Withholding Tax:

The bank regularly calculates and pays its withholding tax. and no notice of inspection has been received to date.

36. Mutual Funds

(EGP Thousands)

31 December 2022	Al Baraka Fund	Al Bashayer Fund	Al Motawazen Fund	Al Barakat Fund
Establishment date	30 March 2006	31 March 2009	10 May 2010	24 June 2019
License	"Number 246 issued by the Capital Market General Authority"	"Number 432 issued by the Capital Market General Authority"	"Number 580 issued by the Egyptian Financial Supervisory Authority"	"Number 778 issued by the Egyptian Financial Supervisory Authority"
Fund Manager	"Hermes Funds Management Company"	"The National Funds Management Company"	"Al Tawfik Company for Portfolio Management"	"Hermes Funds Management Company"
Total number of fund's certificates	236,134	1,187,191	173,532	2,929,876
Total number of fund's certificates (Banks' share)	147,630	45,403	52,700	124,255
NAV per certificate	148.85	112.02	111.44	135.24
Total Redeemable value of fund's certificates	35,149	132,989	19,338	396,236
Total Redeemable value of fund's certificates (Banks' share)	21,975	5,086	5,873	16,804

37. Related Parties Transactions

(EGP Thousands)

Related parties outstating balances can be analyzed below:	Main Shareholders	Directors and other key management	Main Shareholders	Directors and other key management
Financing and credit facilities to customers	-	1,000	-	-
Financial investments measured at FVOCI	25,600	-	-	-
Subordinated finance from Other Shareholders (Note 25)	707,252	-	707,945	-
Customers' deposits	597,803	18,674	269,594	17,632
Due to banks	623,819	-	-	-
Investment with banks (Note 17)	681,404	-	138,307	-

Related parties transactions can be analyzed below:	Main Shareholders	Directors and other key management	Main Shareholders	Directors and other key management
Profit received from financing and credit facilities	-	41	-	-
Profit received from placements and current accounts	8,209	-	-	-
Profit paid on subordinated finance	(49,917)	-	(41,030)	-
Profit paid on deposits and current accounts to customers	(18,850)	(659)	(18,482)	(988)
Profit paid on deposits and current accounts to banks	(8,446)	-	(79)	-
"The annually average of gross salaries and benefits for top 20 employees*"	-	(56,579)	-	(64,732)

- Investments with banks on December 31 2022 includes an amount of EGP 458,713 thousand representing investments with banks belonging to Al Baraka Group (EGP 301,379 thousand at 31 December 2021).
- Due to banks on December 31, 2022, includes an amount of EGP 361,192 thousand representing balances with banks belonging to Al Baraka Group - the bank's main shareholder.
- Financial assets at FVTOCI on 31 December 2022 includes the amount of EGP 25,600 thousand representing investments in the Islamic Bank of Jordan of Al Baraka Group - the bank's main shareholder (Compared to EGP 14,650 thousand at 31 December 2021).
- The total remuneration and allowances for board members during the financial period ended December 31, 2022, amounted to EGP 8,800 thousand.

38. Prior Years Adjustment

Comparative figures have been adjusted to reflect the reclassification impact of defined benefits obligation from other liabilities as well as the adjustment of profit in suspense on investments with banks in addition to the reclassification of government treasury bills to financial investments at amortized cost as follows:

				(EGP Thousands)
	Before	31 December 2021		After
		Reclassification		
Balance sheet		Transferred from	Transferred to	
Other liabilities	1,427,835	(136,726)	53,136	1,344,245
Other assets	1,239,212	53,136	-	1,292,348
Defined benefits obligation	-	-	130,206	130,206
Investment with banks	2,592,430	-	(6,520)	2,585,910
Treasury bills	3,019,833	(3,019,833)	-	-
Financial investment measured at amortized cost	16,674,041	-	3,019,833	19,693,874
Current income tax payable	269,519	(293)	-	269,226
Retained earnings	1,277,216	-	287	1,277,503
Non-controlling interests	2,282	-	6	2,288

39. Significant events

- The Monetary Policy Committee (MPC) of the Central Bank of Egypt affirmed in its extraordinary meeting on 21 March 2022 that the Central Bank of Egypt believes in the importance of exchange rate flexibility, as global inflationary pressures began to appear again, after signs of recovery of the global economy from the turmoil caused by the Coronavirus pandemic, due to developments of the Russian-Ukrainian conflict. To maintain the targeted inflation rates, the Central Bank of Egypt raised the overnight deposit and lending rates and the main transaction price by 100 basis points to reach 9.25%, 10.25% and 9.75%, respectively. The credit and discount rate were also raised by 100 basis points to reach 9.75%, which may affect the bank's policies in pricing current and future banking products. As a result, the value of assets and liabilities in foreign currencies as well as the income statement were affected by the valuation, where the average exchange rate of the dollar was raised from 15.7 pounds per dollar to 24.7 pounds per dollar, On 19 May 2022, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 200 basis points to 11.25 percent, 12.25 percent, and 11.75 percent, respectively. The discount rate was also raised by 200 basis points to 11.75 percent, On 27 October 2022, Central Bank of Egypt (CBE) has decided to intensify its reform agenda to secure macroeconomic stability and achieve strong, sustainable, and inclusive growth. To this end, the CBE moved to a durably flexible exchange rate regime, leaving the forces of supply and demand to determine the value of the EGP against other foreign currencies. Furthermore, to uphold the CBE's mandate of ensuring price stability over the medium term, the monetary policy committee (MPC) has decided in its special meeting to raise the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 200 basis points to 13.25 percent, 14.25 percent, and 13.75 percent, respectively. The discount rate was also raised by 200 basis points to 13.75 percent, On 22 December 2022, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 300 basis points to 16.25 percent, 17.25 percent, and 16.75 percent, respectively. The discount rate was also raised by 300 basis points to 16.75 percent.
- **April 14, 2022,** the Extraordinary General Assembly of the Bank's shareholders approved the distribution of 71.427% of the paid capital at 0.714% bonus share for one. (Included PUC of EGP 1,422,732 thousand) accordingly the issue and paid-up capital reached EGP 5,089,974 thousand, the increase of EGP 2,120,795 thousand from shareholders' profits for 2021 and EGP 1,378,501 thousand by using statutory and public reserves balances before consolidating the 2020 dividend as approved by CBE.
- **September 29, 2022,** the bank's EGM approved to increase the Authorized Capital from EGP 2 billion to EGP 10 billion, and the Issued and Paid-up Capital from EGP 1,855,737 thousand to EGP 5,089,974 thousand, over EGP 727,139,130 shares. valued at 7 EGP each, all represents as a common stock equity, in accordance with the resolutions of the Regular General Assembly of 15 April 2021 and 14 April 2022, subject to the approval of the Central Bank of Egypt.

Auditors’ report

To the Shareholders of Al Baraka Bank Egypt S.A.E

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Al Baraka Bank Egypt S.A.E “The Bank”, which comprise the separate financial position as at December 31, 2022 and the related separate statements of income, comprehensive income, changes in shareholder’s equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Separate Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of the Bank as of December 31, 2022 and of its separate financial performance and its separate cash flows for the year then ended in accordance with the rules, pertaining to the preparation and presentation of the banks’ financial statements, basis of recognition and measurement issued by Central Bank of Egypt Board of Directors on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on Legal and Other Regulatory Requirements

No material contravention, during the financial year ended 31 December 2022, of the provisions of Central Bank of Egypt and the Banking Sector Law no 194 of 2020 in the light of our audit of the separate financial statements.

The Bank maintains proper books of accounts, which include all that is required by law and by the statutes of the bank. The separate financial statements are in agreement thereto.

The financial information included in the Board of Directors’ report, which is prepared in accordance with Law no. 159 of 1981 and its Executive Regulations and their amendments, are in agreement with the Bank’s books of account.

Auditors

Wael Sakr
R.A.A. (26144)
F.R.A. (381)
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants
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R.A.A. (5911)
BDO Khaled & Co.
Public Accountants & Advisers
1 Wadi El Nile, El Mohandseen, Giza

Cairo: 16 February 2023

Separate statement of financial position

As of 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Assets			
Cash and due from Central Bank of Egypt	16	7,251,399	6,526,250
Due from banks, net	17	10,269,262	29,711,266
Investment with banks, net	18	3,521,211	2,585,910
Financing and credit facilities to customers, net	19	31,395,338	21,030,772
Financial investments			
- Measured at FVPL	20/1	67,928	47,275
- Measured at FVOCI	20/2	2,239,520	721,436
- Measured at Amortized cost	20/3	29,346,960	19,693,874
Investment in subsidiaries	21	98,000	98,000
Intangible assets, net	22	31,999	27,648
Other assets, net	23	2,414,759	1,292,342
Property, plant and equipment, net	24	588,565	633,625
Total assets		87,224,941	82,368,398
Liabilities and Equity			
Liabilities			
Due to banks	26	1,902,905	896,770
Customers' deposits	27	74,419,953	72,569,388
Subordinated and other financing	28	1,125,168	1,035,129
Other liabilities	29	1,428,354	1,343,712
Current income tax liabilities	25/2	543,704	267,821
Other provisions	30	150,738	115,182
Defined benefits obligation	31	63,925	130,206
Deferred tax liabilities	25/1	5,113	6,017
Total liabilities		79,639,860	76,364,225
Equity			
Issued and paid-up capital	32	5,089,974	1,546,447
Paid under capital increase	32	-	1,422,732
Reserves	33	604,230	1,770,503
Retained earnings *	34	1,890,877	1,264,491
Total equity		7,585,081	6,004,173
Total liabilities and equity		87,224,941	82,368,398

The accompanying notes are an integral part of these financial statements.

(Auditors' report attached)

*Including net profit for the current year

Hazem Hegazy
Vice Chairman & CEO

Abdulaziz Yamani
Chairman

Cairo:16 February 2023

Separate statement of income

For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Income from Murabaha, Musharaka, Mudarabah and similar income	7	8,349,947	7,205,565
Cost of deposits and similar costs	7	(4,914,792)	(4,455,607)
Net income from funds		3,435,155	2,749,958
Fees and commission income	8	292,148	290,521
Fees and commission expenses	8	(27,247)	(18,973)
Net fees and commission income		264,901	271,548
Dividends income	10	31,592	17,267
Net trading income	11	103,758	62,977
Administrative expenses	9	(885,462)	(792,080)
Impairment charge of expected credit losses	13	(343,851)	(554,790)
Gains on financial investments		-	678
Other operating income (expenses)	12	48,922	(8,683)
Net profit for the year before tax		2,655,015	1,746,875
Income tax expense	14	(899,998)	(614,508)
Net profit for the year		1,755,017	1,132,367
Basic earning per share	15	2.12	1.37

The accompanying notes are an integral part of these financial statements.

Hazem Hegazy
Vice Chairman & CEO

Abdulaziz Yamani
Chairman

Separate statement of comprehensive income

For the year ended 31 December 2022

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year	1,755,017	1,132,367
Comprehensive income items that will not be reclassified to the profit or loss:		
Net change in fair value of equity instruments measured at FVOCI	10,555	13,463
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	(11,447)	-
Comprehensive income items that is or may be reclassified to the profit or loss:		
Net change in fair value of debt instruments measured at FVOCI	(34,198)	7,254
Expected credit loss for fair value of debt instruments measured at FVOCI	2,421	(400)
Tax impact related to other comprehensive income that will be reclassified to the profit or loss	5,873	-
Net other comprehensive income for the year , After tax	(26,796)	20,317
Total comprehensive income for the year , After tax	1,728,221	1,152,684

The accompanying notes are an integral part of these financial statements.

Separate statement of changes in equity

For the year ended 31 December 2022

	Issued and paid up capital	Paid under capital increase	Reserves	Retained earnings	Total
31 December 2021					
Balance at 1 January 2021	1,546,447	309,290	1,750,186	1,422,269	5,028,192
Net other comprehensive income for the year	-	-	20,317	-	20,317
Net profit for the year	-	-	-	1,132,367	1,132,367
	1,546,447	309,290	1,770,503	2,554,636	6,180,876
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	-	-	-	(164,227)	(164,227)
Shareholders' dividends used to increase capital	-	1,113,442	-	(1,113,442)	-
Banking system development fund	-	-	-	(12,476)	(12,476)
Balance at 31 December 2021	1,546,447	1,422,732	1,770,503	1,264,491	6,004,173
31 December 2022					
Balance at 1 January 2022	1,546,447	1,422,732	1,770,503	1,264,491	6,004,173
Net other comprehensive income for the year	-	-	(26,796)	-	(26,796)
Net profit for the year	-	-	-	1,755,017	1,755,017
	1,546,447	1,422,732	1,743,707	3,019,508	7,732,394
Transferred to legal reserve	-	-	237,897	(237,897)	-
Transferred to capital reserve	-	-	1,126	(1,126)	-
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	-	-	-	(136,000)	(136,000)
Shareholders' dividends used to capital increase	-	742,295	-	(742,295)	-
Dividends for year 2019 used to capital increase	309,290	(309,290)	-	-	-
Reserves used to capital increase	3,234,237	(1,855,737)	(1,378,500)	-	-
Banking system support and development fund	-	-	-	(11,313)	(11,313)
Balance at 31 December 2022	5,089,974	-	604,230	1,890,877	7,585,081

The accompanying notes are an integral part of these financial statements.

Separate statement of cash flows

For the year ended 31 December 2022

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash flows from operating activities			
Profit before tax		2,655,015	1,746,875
Adjusted by:			
Property and Equipment depreciation and Intangible assets amortization	9	110,015	94,064
Impairment credit losses	13	343,851	554,790
Impairment charge (Released) of other provisions	12	61,517	(2,403)
Impairment charge (Released) of assets reverted to the bank	12	(1,483)	-
Provisions no longer required other than financing provision	30	(138,538)	-
Provisions used other than financing provision	30	(34,117)	(100)
Amortization of premium / discount for bonds	20/2	(100,260)	8,574
Exchange translation differences of financing provisions		259,318	(775)
Exchange translation differences of financial investment measured at FVOCI	20/2	(46,015)	7,642
Exchange translation differences of financial investment measured at Amortized cost	20/2	(2,036,887)	31,135
Exchange translation differences of subordinated financing	28	406,201	(1,001)
FV revaluation differences of financial investment measured at FVPL	20/1	(10,653)	(4,471)
Loss (Gain) on sale of financial investment measured at FVOCI		-	(678)
Loss (Gain) on sale of property and equipment	12	(1,611)	(1,126)
Loss (Gain) on sale of assets reverted to the bank	12	(19,474)	-
Dividend income	10	(31,592)	(17,267)
Operating profits before changes in operating assets and liabilities		**1,415,287**	**2,415,259**
Net decrease (increase) in assets and liabilities			
Balances with central banks within the required reserve ratio	16	(698,636)	15,182
Treasury bills with maturity more than 90 days	20/3	(2,812,205)	10,615,733
Investments with banks	18	(1,012,253)	(608,937)
Financing and facilities to customers	19	(10,823,642)	(2,027,732)
Financial investments measured at FVPL	20/1	(10,000)	(8,458)
Other assets	23	(1,111,868)	121,707
Due to banks	26	1,006,135	(156,561)
Customers' deposits	27	1,850,565	6,098,259
Other liabilities	29	84,643	(88,387)
Employees' Benefits obligations		(66,281)	-
Current income tax obligations paid	25/2	(485,343)	(662,423)
Net cash flows (used in) generated from operating activities		**(12,663,598)**	**15,713,642**

The accompanying notes are an integral part of these financial statements.

Separate statement of Cash Flows

For the year ended 31 December 2022 – Cont.

	Note	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash flows from investing activities			
Acquisition of Property and Equipment	24	(35,518)	(148,109)
Proceeds from sale of Property and Equipment		8,546	1,126
Acquisition of Intangible assets	22	(40,722)	(28,870)
Acquisition of investment measured at FVOCI	20/2	(1,506,962)	(220,384)
Proceeds from sale of investment measured at FVOCI	20/2	8,549	1,773
Acquisition of investment measured at Amortized cost	20/3	(9,286,949)	(2,253,387)
Proceeds from sale of investment measured at Amortized cost	20/3	4,654,092	3,359,686
Proceeds from sale of investment in subsidiaries		-	98,000
Dividends received		31,592	17,267
Net cash flows (used in) generated from investing activities		**(6,167,372)**	**827,102**
Cash flows from financing activities			
Subordinated Financing	28	(316,162)	10,755
Dividends paid		(147,313)	(176,705)
Net cash flows (used in) financing activities		**(463,475)**	**(165,950)**
Net (decrease) increase in cash and cash equivalent during the year		(19,294,445)	16,374,794
Beginning balance of cash and cash equivalent		30,148,808	13,774,014
Cash and cash equivalent at the end of the year		**10,854,363**	**30,148,808**
Cash and cash equivalent comprise:			
Cash and balances at the central bank	16	7,251,399	6,526,250
Due from banks - Current accounts	17	484,070	468,431
Due from banks - Deposits	17	9,789,206	29,244,553
Treasury bills measured at amortized cost	20/3	5,975,088	3,109,849
Obligatory reserve balance with CBE		(6,789,062)	(6,090,426)
Treasury bills with maturity more than three months		(5,856,338)	(3,109,849)
Cash and cash equivalent at the end of the year		**10,854,363**	**30,148,808**

The accompanying notes are an integral part of these financial statements.

Statement of proposed profit distribution

for the year ended 31 December 2022

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year (from income statement)	1,755,017	1,132,367
(Deduct)/Add :		
Profits of sale fixed assets transferred to capital reserve	(1,611)	(1,126)
Net profit for the year, available for distribution	**1,753,406**	**1,131,241**
Add: Beginning balance of retained earnings	135,860	7,349
Total	**1,889,266**	**1,138,590**
Distributed as follows:		
Statutory reserve 10%	175,341	113,124
Banking system support and development fund	17,534	11,312
Employees' profit share	175,500	114,000
Shareholders' dividends (T1)*	254,500	77,322
Remuneration for board members	35,000	22,000
Shareholders' dividends (T2)*	495,500	664,972
Retained earnings carried forward	735,891	135,860
Total	**1,889,266**	**1,138,590**

**The proposed cash dividends to shareholders for the financial year ended December 31, 2022, of EGP 750,000 (Cash dividends - a first share of 5% of the capital paid up in the amount of EGP 254,500 thousand, as well as cash dividends - a second share of EGP 495,500 thousand) while the shareholders' dividends for the financial year ended December 31, 2021, of EGP 742,294 thousand.*

Notes to the separate financial statements

for the year ended 31 December 2022

1. General Information

Al-Ahram Bank (an Egyptian joint stock company) was established as a commercial bank on March 19, 1980, in accordance with the provisions of the Investment Law no 43 of 1974 and its executive regulations and the amendments thereon. In accordance with the extraordinary general assembly resolution of 21 September 1988, the name of the bank was amended to become "Saudi Egyptian Finance Bank", and according to the resolution of the Extraordinary General Meeting held on 30 April 2009, the Bank's name was changed to become "alBaraka Bank-Egypt".

The Bank provides corporate and retail banking and investments services, which complies with the provisions of Islamic Sharia in all products provided to its clients, through its 33 branches served by 1127 staff at the date of the financial statements. The Head Office is located in the southern 90th Street, City Centre, the first sector in the Fifth Settlement, New Cairo, Egypt. The Bank is listed on the Egyptian Stock Exchange.

The Bank does not deal in financial derivatives, futures, or loans in accordance with its Islamic business system and this applies to any of these terms where they are provided with supplementary explanations of the financial statements.

These separate financial statements for the year ended 31 December 2022 were approved by the Board of Directors on 16 February 2023. The Bank's General Assembly has the right to amend the separate financial statements after their issuance.

2. Basis of preparation of the separate financial statements

The separate financial statements have been prepared in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008, as amended by the regulations issued on February 26, 2019, and in light of the prevailing Egyptian laws and regulations, and reference is made to the Egyptian Accounting Standards in matters not mentioned in the instructions of the Central Bank of Egypt, these separate financial statements have been prepared in accordance with the provisions of the relevant local laws. The Bank also prepared the consolidated financial statements of the Bank and its subsidiaries in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008, as modified by the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019. Reference is made to the Egyptian Accounting Standards for policies not specifically mentioned in the instructions of the Central Bank of Egypt. Subsidiaries are entirely included in the consolidated financial statements and these companies are the companies that the Bank - directly or indirectly – has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity. The Bank's consolidated financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries companies in the separate financial statements at cost minus impairment loss. The separate financial statements of the Bank should be read with its consolidated financial statements for the year ended on December 31, 2022 to get complete information on the Bank's financial position, results of operations, cash flows and changes in ownership equity.

3. Summary of significant accounting policies

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

A) Investment in subsidiaries and associates

A/1 Subsidiaries

Subsidiaries are entities which the bank exercises direct or indirect control over its financial and operating policies in order to get benefits from its activities and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing whether the bank has the control over its subsidiaries.

A/2 Associates

Associates are entities over which the Bank has significant influence (directly or indirectly), but without control, and the bank usually has an ownership stake of 20% to 50% of the voting rights. Subsidiaries and associates' companies are accounted for using the cost method in the bank separate financial statements. According to this method, the investments in subsidiaries and associates are initially recognized at purchase cost, including any goodwill, less any impairment losses. Dividends are recognized in the income statement when the distribution of these profits is approved, and the bank has the right to collect it

The purchase method is used to account for bank acquisition of companies, the cost of acquisition is measured at the fair value or consideration provided by the Bank of assets for purchase and/or equity instruments issued and/or obligations incurred by the Bank and/or obligations accepted by it on behalf of the acquiring company. And that is on the date of exchange plus any costs directly attributable to the acquisition process, and the net assets, including identifiable acquired contingent liabilities, are measured at their fair value on the date of acquisition. Regardless of the existence of any minority rights, the increase in the acquisition cost over the fair value of the Bank's share in that net is considered goodwill. If the acquisition cost is less than the fair value of the net referred to, the difference is recorded directly in the income statement under the item "other operating income / (expenses) ".

B) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments. The Bank is divided into two main business lines, which are corporate banking and retail banking. In addition, a corporate center acts as a central funding department for the bank's core businesses. The dealing room, proprietary activity and other non-core businesses are reported under the corporate banking business line.

For the purpose of preparing segment reporting according to geographical region, segment profit or loss and assets and liabilities are presented based on the location of the branches.

C) Foreign currency translation

C/1 Functional and presentation currency

The financial statements of the bank are presented using the currency of the economic environment in which the Bank operates (the functional currency) ,The financial statements of the bank are presented in the Egyptian pound which is the bank's functional and presentation currency.

C/2 Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pound. Transactions in foreign currencies during the period/year are translated into the Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of reporting period/year at the prevailing exchange rates. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following line items:

- Net trading income from held-for-trading assets and liabilities.
- Items of other comprehensive income with equity in relation to investments in equity instruments at fair value through comprehensive income.
- Other operating revenues (expenses) from the remaining assets and liabilities.

Changes in the fair value of financial instruments of a monetary nature in foreign currencies that are classified as financial investments at fair value through comprehensive income are analyzed between valuation differences that resulted from changes in the cost consumed for the instrument and differences that resulted from changing the exchange rates in effect and differences caused by changing the fair value For the instrument, the evaluation differences related to changes in the cost consumed are recognized in the income of loans and similar revenues and in the differences related to changing the exchange rates in other operating income (expenses) item, and are recognized in the items of comprehensive income right The ownership of the difference in the change in the fair value (fair value reserve / financial investments at fair value through comprehensive income).

Valuation differences arising from the measurement of items of a non-monetary nature at fair value through profit and losses resulting from fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss, whereas valuation differences arising on the measurement of equity instruments classified as financial investments at FVOCI are recognized directly in other comprehensive income.

D) Financial assets and financial liabilities

D/1 Financial assets -Initial recognition

The initial recognition of financial assets and liabilities on the date on which the bank becomes a party to the contractual conditions of financial instrument. The financial asset or liability is initially measured at fair value. With regard to asset or liability that is not subsequently measured at fair value through profit and loss, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with enough frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity.

Valuation techniques such as discounted cash flow models are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analyzed by level in the fair value hierarchy as follows:

- level one: are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities.
- level two measurements: are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- level three measurements: are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid. Transaction costs do not include debt premiums or discounts. Amortized cost is the amount at which the financial instrument was recognized at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortization of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest rate.

D/2 Financial assets – classification and subsequent measurement – measurement categories.

Upon initial recognition, the Bank classifies the financial assets into financial assets at amortized cost, financial assets at fair value through statement of other comprehensive income or at fair value through profit and loss.

- The financial asset is measured at amortized cost upon fulfilment of the following two conditions and when it has not been allocated by Bank's management upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to hold financial asset to collect contractual cash flows.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is represented only in the principal amount of the financial instrument and the interest.
- The debt instrument is measured at fair value through other comprehensive income upon fulfilment of the following two conditions and when it has not been allocated upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to collect contractual cash flows and sell the financial asset.
  - The contractual conditions of financial asset result on specific dates, in contractual cash flows for the asset and is represented only in the principal debt and the interest.
- Upon initial recognition of an equity instrument not held for trading, Bank can take irrevocable option to present subsequent changes in fair value through statement of other comprehensive income. Such option is adopted for each investment individually.
- Other outstanding financial assets are classified as financial investments at fair value through profit and loss.

Furthermore, Bank may, upon initial recognition, irrevocably allocate a financial asset as measured at fair value through profit or loss despite of fulfilling the conditions of classifying as financial asset at amortized cost or fair value through statement of other comprehensive income, if so materially prevents or reduces the conflict that may arise in accounting measurement.

The following table summarizes the classification along with the relevant business model and key characteristics.

Financial Instrument	Methods of Measurement according to Business Models		
	Amortized Cost	Fair Value	
		Through Other Comprehensive Income	Through Profit or Loss
Equity Instruments	Not Applicable	An irrevocable election at Initial Recognition	Normal treatment of equity instruments
Debt Instruments / Financing & Facilities	Business Model of Assets held for Collecting Contractual Cash Flows	Business Model of Assets held for Collecting Contractual Cash Flows & Selling	Business Model of Assets held for Trading

D/3 Financial assets – classification and subsequent measurement – Business Model.

The business model reflects how the bank manages the assets in order to generate its cash flows – whether the bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the bank in determining the business model include the purpose and composition of a portfolio, experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed.

Bank prepares documents, and approves the Business Model(s) in compliance with IFRS 9 requirements to reflect the bank strategy made for managing financial assets and its cash flows as follows.

Financial asset	Business model	Principal characteristics
• Financial assets at amortized cost	Business model of financial assets held to collect contractual cash flows.	• The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. • Sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. • Lowest sales in terms of periodic and value. • A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard are conducted by the bank.
• Financial assets at FVTOCI	Business model of financial assets held to collect contractual cash flows and sale	• Both the collection of contractual cash flows and sale are complementary to the objective of the model. • High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
• Financial assets at FVTPL	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	• The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. • Collecting contractual cash flows is an incidental event for the model objective. • Management of financial assets by the management at fair value through profit and loss to avoid accounting inconsistencies

The Bank evaluates the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information, which is taken into consideration when evaluating the business model, includes the following:

- Documented approved policies and portfolio's objectives and application of such policies in the real world. Whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that fund such assets or generates cash flows from sale of assets.
- Way of evaluating and reporting on portfolio's performance to senior management.
- Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
- Way of evaluating the performance of business managers (fair value and/or interest on portfolio).
- Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve the bank's objective from managing the financial assets and how to generate cash flows.

The financial assets held for trading or managed, and its performance valued on basis of fair value are measured at fair value through profit and loss since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

D/4 Financial assets – classification and subsequent measurement – cash flow characteristics

Assess whether an asset's contractual cash flows represent payments limited only to the principal amount of the instrument and the return.

The Bank defines the principal amount of the financial instrument as the fair value of the financial asset upon initial recognition. The return is defined as the time value of money, the credit risk associated with the principal amount within a specified period, other underlying financing risks and costs (e.g., liquidity risk and administrative costs), as well as the profit margin.

To assess whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and profit, the Bank takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. To carry out such valuation, Bank takes into consideration the following matters:

- Potential events that may change the amount or date of cash flows.
- Characteristics of financial leverage (Profit rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit the bank's ability to claim cash flows from certain assets.
- Characteristics that may be adjusted against the time value of money (periodically redefining the return price).

D/5 Financial assets - Reclassification

The financial assets are reclassified upon initial recognition only if the bank changes business model of managing such assets.

In all cases, reclassification between financial liabilities at fair value through profit and loss and financial liabilities at amortized cost are not conducted.

D/6 Financial assets impairment – credit loss allowance for ECL

The bank assesses, on a forward-looking basis for the financial instruments that are not measured at fair value are recognized through profit and loss, which are 1) Debt instruments and 2) Outstanding debts and 3) Financial guarantee contracts and 4) Financing and debts commitments.

Impairment losses are not recognized for the equity instruments.

D/6/1 Debt instruments related to Retail, Small & Micro finance.

- The bank consolidates debt instruments related to retail banking products and small and micro enterprises based on groups with similar credit risks based on the type of banking product.
- The Bank classifies debt instruments within the Retail Banking or Microenterprise Product Group into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of the maturity of contractual instalments.	If the borrower encounters one or more of the following events at least: The borrower requests to restructure the payment terms from short-term to long-term due to negative effects related to the borrower's cash flows. Cancel one of the Bank's direct facilities due to the high credit risk of the borrower. Extend the repayment's grace period upon the borrower's request. Past dues are frequent during the past 12 months. Negative future economic/ legislative/technological changes affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	N/A

D/6/2 Debt instruments related to Corporates and SMEs:

- The Bank categorize of all debt instruments relating to Corporates and SMEs based on the similar credit risk groups depending on borrowing CBE classification (ORR).
- The Bank classifies all customers within each group into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of maturity of the contractual instalments.	If the borrower is on the watch list and/ or the financial instrument encounters at least one or more of the following events: • Significant increase in the interest rate on the financial asset as a result of increased credit risk • Fundamental negative changes in the activity and financial or economic conditions in which the borrower operates. • Request of rescheduling. • Fundamental negative changes in actual or expected operating results or cash flows. • - Negative future economic changes affecting the borrower's future cash flows. • - Early signs of cash flow/liquidity problems such as delays in servicing creditors/ trade funds.		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty: • The death or disability of the borrower. • The borrower defaults financially. • Initiate scheduling as a result of the deterioration of the borrower's creditworthiness. • Failure to comply with financial commitments. • The disappearance of the active market of the financial asset or one of the financial instruments of the borrower due to financial difficulties. • Granting financiers privileges related to the borrower's financial difficulty, which would not have been granted under normal circumstances. • The borrower will enter into bankruptcy or restructuring as a result of financial difficulties. • If the borrower's financial assets are acquired at a significant discount that reflects the credit losses incurred.

D/6/3 Measurement of expected credit losses

- The Bank evaluates the debt instruments portfolio level on a quarterly basis for all financial assets of retail, corporates, SMEs and micro-enterprises, and on a regular basis with respect to the financial assets of institutions classified ranked in the watch list in order to monitor the risk of credit related thereto and such assessment shall be made at the counterparty level on a periodic basis; The criteria used to determine the substantial increase in credit risk are periodically reviewed and monitored by Credit Risk Management.
- At the date of the financial statements, the bank estimates the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at a value equal to the expected credit losses over 12 months:
- A debt instrument that has been identified as having low credit risk at the financial statements date [debt instruments in the stage (1)].
- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition [debt instruments in the stage (1)].
- The Bank considers the expected credit losses to be a probability-weighted estimate of the expected credit losses, which are measured as follows:

a. The expected credit losses on financial assets are measured at the stage (1) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios, which are adjusted according to the average forecasts of the scenarios of macroeconomic indicators for the future 12 months multiplied by the value at default, considering the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. Since the credit losses consider the amount and timing of payments consider the amount and timing of payments, credit losses arise even if the enterprise expects to be paid in full but later after the debt becomes due under contractual terms. And the expected credit losses over 12 months are part of the expected credit losses over the life of the asset resulting from delinquency events of a financial and potential instrument within 12 months after the date of the financial statements.
b. The expected credit losses on financial assets are measured at the stage (2) based on the present value of the total cash deficit calculated based on the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the life of the financial asset multiplied by the value at default, considering the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk.
c. Impaired financial assets at the financial statements date are measured as the difference between the total book value of the asset and the present value of the expected future cash flows.

- The unutilized commitments on facilities and similar debt instruments are included in the calculation of value upon default. They are calculated on the balances outstanding on the date of the financial statements after they have been converted into value if these commitments are used in the future.
- Upon calculating loss rates, the Bank calculates the expected recovery rates from the present value of the expected cash flows either from cash and in-kind collateral; or historical or expected future payment rates as follows:

A. For debt instruments classified in stage (1), it is considered the value of cash collateral and equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk. And B) For the debt instruments classified in the stages (2) and (3), only the types of guarantees will be considered in accordance with the instructions issued by the (CBE) dated 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees will be calculated according to the instructions of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated 16 December 2008. And C) For debt instruments held by banks operating outside Egypt, the probability rates of default are determined based on the credit rating of the headquarters of the Bank operating outside of Egypt in no more than the credit rating of the country of the headquarters, taking into consideration the instructions issued by the Central Bank of Egypt on the risks of countries. The loss rate is calculated at 45%. And D) As for the instruments held by the banks operating inside Egypt, the probability of default is calculated based on bank's classification by the external international rating institutions. The branches of the Egyptian banks abroad will be treated as the headquarters. The branches of the foreign banks operating in Egypt will be treated as their headquarters, and the loss rate is calculated at 45%. And E) For debt instruments issued by entities other than the banks, the probability of default is calculated based on the rating of the issuing entity for the financial instrument by the external international rating institutions in no more than the credit rating of the issuing country in the case of external entities and the loss rate is calculated at 45%.

- The impairment provision for financial assets recognised in the financial position is deducted from the carrying amount of the financial assets at the time of the of financial position, while the provision for impairment relating to funds commitments, financial guarantee contracts and contingent liabilities is recognised within other provisions for the liabilities in the financial position.
- For financial guaranteed contracts, the bank estimates the expected credit loss based on the difference between the payments expected to be made to the guaranteed holder less any other amounts that, the Bank expects to recover.

D/6/4 Transition from Stage 2 to Stage 1

The financial asset must not be transferred from Stage 2 to Stage 1 until all the quantitative and qualitative elements of the Stage 1 have been met and the full arrears of the principal and profits of 3 consecutive months pass when the requirements are fulfilled.

D/6/5 Transition from Stage 3 to Stage 2

Financial assets must not be transferred from Stage 3 to Stage 2 - including schedules - unless all the following conditions are met:

1. Fulfilling all quantitative and qualitative elements of the Stage 2
2. Payment of 25% of outstanding financial asset balances including profits in suspense/marginalized profits - depending on the circumstances.
3. Regular repayment of the principal and its accrued profits for at least 12 months continuous.

According to the requirements of applying the standard, the principal in the payment of a debtor's obligations is the cash flow resulting from the client's activity. Therefore, credit studies must accurately indicate the expected cash flows and are based on audited financial statements that reflect the debtor's ability to provide such cash flows.

D/6/6 Restructured financial assets.

If the terms of a financial asset are renegotiated, amended or a new financial asset is replaced by a current financial asset because of the financial difficulties of the borrower, an assessment is made as to whether the financial asset should be excluded from the books and the expected credit losses measured as follows:

- If the restructuring will not lead to the exclusion of the current asset, the expected cash flows from the adjusted financial asset will be used upon calculating the cash deficit in the current asset. The expected credit losses are calculated over the life of the instrument.
- If the restructuring would exclude the current asset, the expected fair value of the new asset will be deemed as final cash flows from the current financial asset upon exclusion. This value will be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the financial statements date using the original effective interest rate of the current financial asset.

D/6/7 Presentation of the expected credit losses provisions in the statement of financial position

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

1. Financial assets measured at amortized cost as a deduction from the total book value of the assets.
2. Financial commitments and financial guarantee contracts as a provision in general.
3. When the financial instrument includes both the utilized and unutilized authorized limit of the instrument, The bank cannot determine the expected credit losses of the unused portion separately, bank presents a provision for the loss of the used and unused portion, and the aggregate amount will be presented as a deduction from the total book value for the used portion, and any increase in the loss provision is presented on the total amount of the used portion as a provision of the unused portion.
4. A provision for impairment of debt instruments at fair value through other comprehensive income is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve in statement of Other comprehensive income.

D/7 Financial assets – Write-off

Debts are written off (either partially or fully) when there is no realistic possibility of recovering such debt. Generally, when the Bank determines that the borrower does not have assets, resources or sources of funds that may generate sufficient cash flows to repay the debts that will be written off; however, the impaired financial assets may continue to be subject to follow-up considering the Bank's procedures to recover the due amounts. The deduction is charged to the impairment provision account for debts written off, whether they have provision, and any collections for previously written off funds will be added to the provision of impairment.

D/8 Financial assets - Disposal

The financial asset is disposed, when the contractual right to obtain cash flows from the financial asset expires or when the bank transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated with ownership are materially transferred to another party.

When a financial asset is disposed, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profit and loss has been previously recognized in the fair value reserve of financial investments at fair value through statement of other comprehensive income.

As of 1 January 2019, any accumulated profit or loss recognized in statement of other comprehensive income related to investing in equity instruments classified as investments at FVTOCI are not recognized in profit and loss upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) is recognized as separate asset or liability.

When the Bank makes transactions whereby it transfers assets that have been previously recognized in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not excluded.

For transactions where the Bank does not substantially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, Bank continues to recognize the asset within the limitation of its continuous commitment to financial asset. The continuous commitment of bank to the financial asset is determined based on bank's exposure to the changes in the value of transferred asset.

In some transactions, the bank retains the obligation to service the transferred asset against a commission. Thereupon, the transferred asset is excluded if it meets the exclusion conditions. An asset or liability to provide service is recognized if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

D/9 Financial liabilities – measurement categories

At the initial recognition, the bank classifies financial liabilities into financial liabilities at amortized cost and financial liabilities at fair value through profit and loss based on the Bank's business model objective.

All financial liabilities at fair value are initially recognized on the date on which the bank becomes a party to the financial instrument's contractual terms.

Classified financial liabilities are subsequently measured at amortized cost based on amortized cost by using effective interest rate.

Financial liabilities at fair value through profit and loss are subsequently measured at fair value and change in fair value related to change in credit rating degree of the bank is recognized in statement of other comprehensive income whilst the outstanding amount from change in fair value is presented in profit and loss.

D/10 Financial liabilities – derecognition

The bank derecognized the financial liabilities when is disposed of or cancelled or its term set forth in the contract expires.

D/11 Adjustments to financial assets and financial liabilities

1) Financial assets

If the terms of a financial asset are amended, bank evaluates whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the original financial asset are considered expired and hence the original financial asset is excluded and the new financial asset is recognized at fair value and the value resulting from adjusting aggregate book value is recognized as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits must be deferred and presented with aggregate impairment losses whilst losses must be recognized in the statement of profit and loss.

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

2) Financial liabilities

The Bank may adjust a financial liability when its terms are amended, and the cash flows of adjusted liability will materially differ. In such case, a new financial liability is recognized according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability is recognized in accordance with amended terms in the profit and loss.

D/12 Offsetting financial instruments

Financial assets and liabilities are offset if there is a legally enforceable right to offset the recognized amounts and there is an intention to be settled on a net basis or to receive the asset and settle the liability at the same time.

E) Interest income and expenses

Interest income and expense for all financial instruments except for those classified as held-for-trading or designated at fair value are recognized in 'interest income' and 'interest expense' in the profit and loss statement using the effective interest method.

The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that represents an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once the loans or debts are classified as nonperforming or impaired (stage 3), the revenue of interest income will not be recognized and will be recorded off balance sheet, and are recognized as income subsequently based on a cash basis according to the following:

- When all arrears are collected for consumer loans, personnel mortgages, and micro-finance loans.
- When calculated interest for corporate are capitalized according to the rescheduling agreement conditions until paying 25% from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

F) Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue, on a cash basis, only when interest income on those loans is recognized in profit and loss, at that time, fees and commissions that represent an integral part of the effective interest rate of a financial asset, are treated as an adjustment to the effective interest rate of that financial asset.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred and recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees are recognized on the debt instruments that are measured at fair value through profit and loss on initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants portions.

Commission and fee arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities and the purchase or sale of properties are recognized upon completion of the underlying transaction in the profit and loss statement.

Profit and loss statement will be impacted by the fees and commissions that resulting from negotiation or participation in negotiation of a transaction in favor of another party such as arranging the purchase of shares or other financial instruments or the acquisition or sale of enterprises upon completion of the transaction in question. Advisory and other service fees are recognized based on the applicable service contracts, usually on accrual basis. Also, the financial planning and custody services that are provided on the long term are recognized on the accrual basis over the period in which the service is provided.

G) Dividend's income

Dividends from investments in equity instruments and similar assets are recognized in the profit and loss statement when the right to collect it is declared.

H) Sale and repurchase agreements (repos and reverse repos)

Securities may be sold according to a commitment to repurchase (Repos) are reclassified in the financial statements and deducted from treasury bills balance. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

I) Investment property

The investment property represents lands and buildings owned by the Bank to obtain rental returns or capital gains and therefore do not include real estate assets which the Bank is carrying out its operations through or those that have owned by the Bank as settlement of debts. The accounting treatment is the same used with property, plant and equipment.

J) Intangible Assets

J/1 Goodwill

Goodwill is capitalized and represents the excess of acquisition cost over the fair value of the Bank's share in the acquired entity's net identifiable assets on the date of acquisition. Goodwill is included in the cost of investments in associates and subsidiaries in the Bank's separate financial statements. Goodwill is tested for impairment on an annual basis or shorter when trigger event took place, impairment loss is charged to the income statement. Goodwill is allocated to the cash generating units for the purpose of impairment testing. The cash generating units represented in the Bank main segments.

J/2 Computer programs

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits within more than one year that exceed its cost. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads. Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computer's software beyond its original specification.

Cost of computer software recognized as an asset shall be amortized over the period of expected benefits over 3 years.

J/3 Other intangible assets

The intangible assets other than goodwill and computer programs. Other intangible assets that are acquired by the Bank are recognized at cost less accumulated amortization and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible asset with definite life. Intangible assets with indefinite life are not amortized and tested for impairment. However, the impairment in their value is considered annually and the impairment value – if any – is charged to the profit and loss Statement.

K) Property, Plant and equipment

Lands and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

Type of assets	Lifetime/consumption rate
Buildings	20 years
Decorations and improvements	As per the asset type – (from 4 to 20 years)
Furniture and safes	5 years
Vehicles	5 years
Computers and core systems	2 years
Fixtures and fittings	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, on each balance sheet date. Depreciable assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the selling proceeds with the asset carrying amount and charged to other operating income (expenses) in profit and loss statement.

L) Impairment of non-financial assets

Assets that have an indefinite useful life are not amortized -except goodwill- and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. Assets are tested for impairment with reference to the lowest level of cash generating unit(s). A previously recognized impairment loss relating to a fixed asset may be reversed in part or in full when a change in circumstances leads to a change in the estimates used to determine the fixed asset's recoverable amount. The carrying amount of the fixed asset will only be increased up to the amount that the original impairment not been recognized.

M) Leases

The finance lease is accounted for pursuant to Law number 95/1995 regulating finance lease, if the contract authorizes the lessee to purchase the asset on a fixed date and against a fixed value and if the contract duration represents at least 75% of the useful life expected for the asset, or if the current value of the total lease payments represents at least 90% of the asset value. Other lease contracts are considered "Operating Lease Contracts".

M/1 lessee
Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets in the income statement for the period in which they occurred. If the Bank decides to exercise the right to purchase the leased asset the leased assets are capitalized and included in ‘property, plant and equipment’ and depreciated over the useful life of the expected remaining life of the asset in the same manner as similar assets.

Operating lease payments leases are accounted for on a straight-line basis over the periods of the leases and are included in ‘general and administrative expenses.

M/2 lessor
For finance lease, assets are recorded in the property and equipment in the balance sheet and amortized over the expected useful life of this asset in the same manner as similar assets. Lease income is recognized based on rate of return on the lease in addition to an amount corresponding to the cost of depreciation for the period. The difference between the recognized rental income and the total finance lease clients’ accounts is transferred to the income statement until the expiration of the lease to be reconciled with a net book value of the leased asset. Maintenance and insurance expenses are charged to the income statement when incurred to the extent that they are not charged to the tenant.

In case there is objective evidence that the Bank will not be able to collect the financial lease obligations, the finance lease payments are reduced to the recoverable amount.

For assets leased under operating lease it appears in the balance sheet under property and equipment and depreciated over the expected useful life of the asset in the same way as similar assets, and the lease income recorded less any discounts given to the lessee on a straight-line method over the contract period.

N) Cash & Cash Equivalents
For the purposes of the cash flow statement, cash and cash equivalents comprise balances due within three months from date of placement or acquisition. They include cash and balances placed with the Central Bank of Egypt (other than those required under the mandatory reserve), current accounts with banks and other governmental notes.

O) Other Provisions
Provisions for restructuring costs and legal claims are recognized when the Bank has present legal or constructive obligations as a result of past events; where it is more likely than not that a transfer of economic benefit will be necessary to settle the obligation, and it can be reliably estimated.

In case of similar obligations, the related cash outflow should be determined in order to settle these obligations as a group. The provision is recognized even in case of minor probability that cash outflow will occur for an item of these obligations.

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

The current value of the payments estimated to be made for the settlement of the obligations, having a one-year value date as of the date of reporting, is measured using a rate appropriate to the obligation settlement term – without being influenced by the prevailing tax rate – which reflects the time value of money. If this value date is less than a year, the obligation estimated value shall be calculated at the current value, unless having substantial influence.

P) Commitments and financial guarantee contracts
Financial guarantees represent contracts in which the Bank is the guarantor or the guarantor of financing or overdrafts (mudaraba) towards other entities. This requires the Bank to make certain payments to compensate the beneficiary for loss incurred due to default of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees are given to banks, financial institutions, and other entities on behalf of Bank’s customers.

Commitments on financing which the Bank is obliged to grant credit under pre-defined conditions/ terms and thus include the unused portions of the credit limits granted within the amounts expected to use in the future. And when a financial guarantee is recognized initially, it is measured at its fair value plus, transaction costs that is directly attributable to the issue of such financial guarantee. The recognized fair value is initially consumed over the lifetime of the guarantee / commitment.

In subsequent measurement, the Bank’s obligation under the guarantee / commitment is measured at the higher of:

The bank has not made any commitments during the period / year on finances measured at fair value through profit and loss.

Obligations arising from financial guarantees contracts are recognized within provisions. And any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) in the income statement. And the calculated provision for commitments for financing is recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of financing. Any increase in the provision for commitment over finance is recognized within provisions in the statement of financial position.

Q) Employee benefits
Q/1 Defined contribution plan – “Employees’ End of service fund.”
The bank established a private insurance fund “The Fund” in accordance with law no. 54 of 1975 for private insurance funds and its Executive Regulation issued by the Minister of Economy and Economic Cooperation decision No.78 of 1977.

The fund was registered the fund under No. 643 pursuant to the Egyptian Insurance Supervision Authority’s decision of 16 December 1997.

The payment of compensation will be as the following cases: age of retirement, disability, death, or termination for any other reason, in accordance with the fund's article of association. The Bank is obliged to pay the due contributions monthly to the fund which calculated in accordance with the fund's regulations and amendments, thereto the fund shall be financed through a monthly contribution in accordance with the fund's article of association – Article no. 5, the bank shall be under no additional obligations other than the contribution payment. The fund's contributions were calculated at 14% of the gross monthly salaries which paid as follows: 1) Total staff's share is 6% 2) Total bank share 8% of the staff's wages.

Q/2 post-employment benefits (defined benefit plans)

The Bank applies the medical care scheme for its employees during the period of service and their families, and post-retirement only until the age of 65 without their families. The bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post- retirement schemes" to cover the total value of such obligations. Which comprises the present value of the defined benefit obligations at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealized actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.

The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high-quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.

The forecasted costs of these benefits are accrued throughout the recruitment period using an accounting method similar to that used in defined benefit systems.

- The discount rate used to determine benefit obligations is 16.10%.
- The inflation rate used to determine benefit obligations is 13.00%.
- The compensation increase rate used to determine benefit obligations is 16.24%.
- Life and mortality schedule used: Based on the British A67-70ULT table to calculate the rates of both life and total disability.
- Termination benefits table (Projected unit credit method)

R) Borrowings

Borrowings obtained by the bank are initially recognized at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest rate.

S) Income tax

Income tax expense on the profit and loss for the period and deferred tax are recognized in the income statement except for income tax relating to items of other comprehensive income that are recognized directly through OCI.

Income tax is recognized based on net taxable profit using the tax rates applicable on the date of the balance sheet in addition to tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable on the date of the statement of financial position.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

T) Capital

T/1 Capital issuance cost

The issuance expenses directly related to the issuance of new shares or shares against an entity acquisition or else options issuance are displayed, being discounted of the shareholders' equity, at the net collections after taxation.

T/2 Dividend distributions

Dividends on ordinary shares and profit sharing are recognized as a charge of equity upon the general assembly approval. Profit sharing includes the employees' profit share and the Board of Directors' remuneration as prescribed by the Bank's articles of incorporation and the corporate law.

T/3 Treasury shares

If the Bank purchases capital shares, the purchase amount shall be discounted of the total shareholders' equity, as this represents treasury shares cost until they are abrogated. In case of selling these shares or reissuing them at a subsequent period, all collected amounts shall be credited to the shareholders' equity.

U) Fiduciary activities

The Bank carries out fiduciary activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans and other institutions. These assets and income arising thereon are not recognized in the bank's separate financial statements, as they are not assets or income of the bank.

D) Comparative figures

Comparative figures have been adjusted to conform with changes in the presentation of the current period where necessary. (Note No. 39).

4. Significant accounting estimates and assumptions

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

A) Estimates:
Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

Classification of financial assets: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of profit and instalments on the outstanding balances of those assets.

B) Uncertainty Related with Assumptions and Estimates:
Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 31 December 2022 shall be appeared in the following notes:

- **Impairment of financial instruments:** An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, considering the impact of future information upon measuring the expected credit losses. (Note. 3/W - Note. 19)
- **Fair value of financial investments through the other comprehensive income list.** (Note. 3/W - Note. 20)
- **Determination of the fair value of financial instruments:** using unobservable inputs upon measuring. (Note. 3/W – Note. 20)
- **Measurement of defined benefit liabilities:** Key actuarial assumptions. (Note. 3/Q - Note. 31)
- **Income taxes** (Note. 3/g - Note. 14)

5. Financial Risk Management
The Bank as a result of conducting its activities is exposed to various financial risks and those activities involve the analysis, evaluation, acceptance, and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and rewards and minimize potential adverse effects on the Bank's financial performance. The most important types of financial risks are credit risk, market risk, liquidity risk and other operating risks. Also, market risk includes exchange rate risk, rate of return risk and other prices risks.

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

Risk management is carried out by risk department under policies approved by the Board of Directors. Bank treasury identifies, evaluates, and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

Risk Categories:
The following are part of the risks associated with Al Baraka's banking activities:

5.1 Credit Risk
The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in financing and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team and reported to the Board of Directors and head of each business unit regularly. The bank is also exposed to credit risk from investment activities in debt instruments and positions outstanding from trading activities.

Credit risk is the most important risk to the bank's activity and therefore it manages the credit risk exposures carefully. Management and control of the Bank's credit risk shall focus on the retail banking credit risk management group and the institutions at the Risk Department, which reports to the Risk Committee, Senior Management, Heads of Operation Department and BOD on interim basis.

5.1.1 Credit risk measurement
Financing and facilities to banks and customers (including commitments and financial guarantees) The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio, therefore, requires further estimates of the probability of default and related loss rates. the Bank measures the credit risk losses using the rates of probability of failure (failure to fulfil contractual obligations) (Probability of default) based on the book balance of the financial instrument at the date of failure (Exposure at default), and the rate of loss upon failure (Loss given default).

Bank's rating	Classification rating
1	Good Debts
2	Regular follow-up
3	Special Follow-up
4	Non-performing Debts

Credit Risks Classification

The bank assesses the probability of default of each customer/ group/ product, using methods to classify the customers in different categories, considering the minimum rating as per CBE's instructions on determining the creditworthiness of customers and provisions issued during 2005. Hence, the bank uses a group of models and methods that are internally designed for the counterparty categories and customers and the nature of the various financings upon the available information at the date of model application (e.g., income level, spendable income level, guarantees for individuals, revenue, industry, and other financial and non-financial indicators for corporates). The Bank supplements these indicators with a range of external data such as CBE and credit query reports on recipients of finance and reports of other domestic and external credit rating agencies. In addition, the models used by the Bank shall allow the systematic assessment of experts by credit risk officers' experts in the final internal credit rating. Thus, this allows to consider other matters and indicators that may not have been taken as part of other data inputs into evaluation forms and methods designed internally or through external sources.

Credit scores are calibrated so that the risk of default increases incrementally with each higher risk. which means that the difference in grade A and A- grade default rates is lower than the difference in B and B-.

Additional considerations for each type of credit portfolio held by the Bank are as follows:

1. Individuals, Retail Banking Products and Small & Micro Enterprises

After the date of initial recognition, the payment behavior of the borrower is monitored on a periodic basis to calculate a measure of the payment pattern. Any other known information about the borrower identified by the Bank may affect the creditworthiness of credit such as unemployment rates and non-payment precedents as they are included to measure the payment pattern.

2. Corporates and SMEs Enterprises

The rating is determined at the level of the borrower / groups with similar credit risk, and any updated or new credit information or assessments are included in the credit system continuously and periodically. In addition, information on the creditworthiness of the borrower / groups with similar credit risk are periodically updated from other sources such as financial statements and other published financial and non-financial data. This will determine the degree of internal credit rating updated and defaulting rates.

3. Debt Instruments issued by the Egyptian Government and CBE

The Bank uses external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings are regularly monitored and updated periodically. The default rates associated with each rating are determined on the basis of rates achieved over the previous 12 months as published by the aforementioned rating agencies. The loss rate for government debt instruments and the central bank in local currency equals zero.

The Bank's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. it complies with the internal rating categories alongside with the rating categories set by CBE according to the instructions of determining creditworthiness and the formation of provisions and reviewing that compliance on a regular basis. The rating methods are periodically re-calibrated and validated to reflect the most recent projections in light of all assumptions observed in reality.

5.1.2 Risk limit control and mitigation policies

The Bank manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries.

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

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

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below:

Guarantees

The Bank sets a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The Bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

The principal collateral types for financing and facilities are:

- Cash and cash equivalents
- Mortgages over residential properties.
- Mortgage business assets
- Mortgage financial instruments such as debt securities and equities.

Long-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. In addition, to minimize the credit loss, the Bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual financing and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, except for the asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Credit-related commitments

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

5.1.3 Impairment and provisioning policies

The internal rating system mainly focus on the credit-quality mapping from the lending and investment activities perspective. Conversely, for only financial reporting purposes impairment losses are recognized for that has been incurred on the balance sheet date when there is objective evidence of impairment. Due to the different methodologies applied, the amount of incurred impairment losses in balance sheet are usually lower than the amount determined from the expected loss model that is used for internal operational management and CBE regulation purposes.

The impairment provision reported in balance sheet at the end of the period is derived from each of the four internal credit risk ratings. However, the majority of the impairment provision is usually driven by the last two rating degrees.

The following table illustrates the proportional distribution of financing and advances reported in the balance sheet for the year ended 31 December 2022 for each of the internal credit risk ratings of the Bank and their relevant impairment losses:

	31 December 2022		31 December 2021	
Bank's rating	Financing to customers(%)	Impairment provision(%)	Financing to customers(%)	Impairment provision(%)
Good debts	73.2%	4.1%	64.1%	1.8%
Regular watch list	20.6%	23.5%	30.7%	44.2%
Special watch list	1.4%	8.8%	0.8%	6.4%
Non-Performing debts	4.8%	63.7%	4.4%	47.6%
	100%	100%	100%	100%

The internal rating tools assists management to determine whether objective evidence of impairment exists according to EAS no. (26), based on the following criteria set by the Bank:

- Cash flow difficulties experienced by the borrower or debtor.
- Breach of loan covenants or conditions
- Initiation of bankruptcy proceedings
- Deterioration of the borrower's competitive position
- Bank granted concessions may not be approved under normal circumstances due to economic, legal reasons and financial difficulties facing the borrower.
- Deterioration of the collateral value
- Deterioration of the creditworthiness situation.

The Bank's policy requires to review of all financial assets that are above materiality thresholds at least annually or more regularly when circumstances require. Impairment provisions on individually assessed accounts are determined by an evaluation of the incurred loss at balance- sheet date and are applied to all significant accounts individually. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account. Collective impairment provisions are provided portfolios of homogenous assets by using the available historical loss experience, experienced judgment, and statistical techniques.

5.1.4 Model of measuring the general banking risk

In addition to the four categories of the Bank's internal credit ratings previously stated, management classifies financing and advances based on more detailed subgroups in accordance with the instructions for applying the International Standard for Financial Reports (9) issued by the Central Bank of Egypt on February 26, 2019. Assets exposed to credit risk in these categories are classified according to detailed rules and terms depending heavily on information relevant to the customer, his activity, financial position, and his repayment track record.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit based on rates determined by CBE. In case, the provision required for impairment losses as per CBE credit worthiness rules exceeds the required provisions by the application used in balance sheet preparation in accordance with EAS. That excess shall be debited to retained earnings and carried to the general banking risk reserve in the equity section. Such reserve is always adjusted, on a regular basis, by any increase or decrease so, that reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution.

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk:

CBE rating	CBE Categorization	Provision %	Internal rating	Internal rating categorization
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular watch up
7	Risk needs special attention	5%	3	Special watch up
8	Substandard	20%	4	Non-performing debts
9	Doubtful	50%	4	Non-performing debts
10	Bad debts	100%	4	Non-performing debts

5.1.5 Maximum limit for credit risk before collaterals.

Financial position items exposed to credit risks	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash and due from Central Bank of Egypt	7,251,399	6,526,250
Due from banks	10,269,261	29,711,266
Investment with banks	3,521,211	2,585,910
Financing and credit facilities to customers, net		
Retail		
- Credit cards	29,299	24,812
- Personal financing	2,771,981	1,437,588
- Mortgages	447,065	454,852
Corporate		
- Direct financing	23,444,832	16,397,314
- Syndicated financing	4,702,161	2,708,470
- Other financing	-	7,736
Financial investments		
Debt instruments measured at FVPL		
Debt instruments measured at FVOCI	2,133,492	644,479
Debt instruments measured at Amortized cost	29,346,960	19,693,874
Total	83,917,661	80,192,551
Off balance sheet items exposed to credit risk		
Letter of Credit (import and export)	334,254	387,282
Letter of Guarantee	2,902,881	2,526,179
Customers Acceptances	108,933	437,530
Total	3,346,068	3,350,991

The above table represents the Bank's Maximum exposure to credit risk on December 31, 2022, before considering any held collateral. For assets recognized on balance sheet, the exposures set out above are based on net carrying amounts as reported in the balance sheet.

As shown above, 37% of the total maximum exposure is derived from financing and advances to banks and customers against 26% on December 31, 2021, while investments in debt instruments represent 38% against 25% on December 31, 2021.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk resulting from both the bank's loans and advances portfolio and debt instruments based on the following:

- 95% of the financing portfolio is rated at the two highest degrees of internal rating, against 96% at December 31, 2021.
- The financing portfolio having been individually assessed amount to EGP 1,707,936 thousand against EGP 1,063,978 thousand on December 31, 2021.
- 94% of the debt instruments represents debt instruments of the Egyptian Government against 97% on December 31, 2021.

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

(EGP Thousands)

Due from banks	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	10,273,277	-	-	10,273,277	29,712,983	-	-	29,712,983
Total	10,273,277	-	-	10,273,277	29,712,983	-	-	29,712,983
Deduct: Expected credit losses	(4,015)	-	-	(4,015)	(1,717)	-	-	(1,717)
Ending Balance	10,269,262	-	-	10,269,262	29,711,266	-	-	29,711,266

(EGP Thousands)

Investments with banks	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	850,000	2,682,694	-	3,532,694	1,159,611	1,434,435	-	2,594,046
Non-Performing debts	-	-	229,864	229,864	-	-	151,297	151,297
Total	850,000	2,682,694	229,864	3,762,558	1,159,611	1,434,435	151,297	2,745,343
Deduct: Expected credit losses	-	(2)	(229,864)	(229,866)	(10)	(1,606)	(151,297)	(152,913)
Deduct: Profit in suspense	-	-	(11,481)	(11,481)	-	-	(6,520)	(6,520)
Ending Balance	850,000	2,682,692	(11,481)	3,521,211	1,159,601	1,432,829	(6,520)	2,585,910

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(EGP Thousands)

Retail	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good financing	1,628,238	104,238	-	1,732,476	636,322	46,982	-	683,304
Regular watch list	1,433,764	122,502	-	1,556,266	1,215,419	30,070	-	1,245,489
Non-performing financing	-	-	55,098	55,098	-	-	55,161	55,161
Total	3,062,002	226,740	55,098	3,343,840	1,851,741	77,052	55,161	1,983,954
Deduct: Expected credit losses	(37,659)	(4,127)	(53,709)	(95,495)	(24,022)	(1,847)	(40,833)	(66,702)
Ending Balance	3,024,343	222,613	1,389	3,248,345	1,827,719	75,205	14,328	1,917,252

(EGP Thousands)

Corporate	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good financing	19,885,203	3,549,983	-	23,435,186	12,634,936	2,015,621	-	14,650,557
Regular watch list	710,825	4,277,645	-	4,988,470	739,250	4,465,651	-	5,204,901
Special watch list	-	380,355	-	380,355	-	127,050	-	127,050
Non-performing financing	-	-	1,541,979	1,541,979	-	-	986,796	986,796
Total	20,596,028	8,207,983	1,541,979	30,345,990	13,374,186	6,608,322	986,796	20,969,304
Deduct: Expected credit losses	(68,641)	(752,221)	(1,378,135)	(2,198,997)	(39,445)	(942,277)	(874,061)	(1,855,783)
Deduct: Profit in suspense				-				-
Ending Balance	20,527,387	7,455,762	163,844	28,146,993	13,334,741	5,666,045	112,735	19,113,521

(EGP Thousands)

Debt instruments measured at FVOCI	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	2,133,492	-	-	2,133,492	644,479	-	-	644,479
Total	2,133,492	-	-	2,133,492	644,479	-	-	644,479
Deduct: Expected credit losses	-	-	-	-	-	-	-	-
Ending Balance	2,133,492	-	-	2,133,492	644,479	-	-	644,479

(EGP Thousands)

Debt instruments measured at Amortized cost	31 December 2022 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	31 December 2021 Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Credit rating as per CBE classification								
Good debts	29,460,712	-	-	29,460,712	19,757,052	-	-	19,757,052
Total	29,460,712	-	-	29,460,712	19,757,052	-	-	19,757,052
Deduct: Expected credit losses	(113,752)	-	-	(113,752)	(63,178)	-	-	(63,178)
Ending Balance	29,346,960	-	-	29,346,960	19,693,874	-	-	19,693,874

The following table shows changes in customer financing balances during the period between the three stages:

(EGP Thousands)

31 December 2022	Retail Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	Corporate Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Balance at 1 January 2022	1,851,741	77,052	55,160	1,983,953	13,374,186	6,608,322	986,796	20,969,304
Transferred to (from) stage 1	-	-	-	-	371,405	(371,405)	-	-
Transferred to (from) stage 2	-	-	-	-	(1,176,685)	1,176,685	-	-
Transferred to (from) stage 3	-	-	-	-	-	(627,955)	627,955	-
New financial assets purchased or issued	1,210,261	149,688	-	1,359,949	10,079,713	2,450,846	167,126	12,697,685
Matured or disposed financial assets	-	-	(62)	(62)	(2,052,591)	(1,028,510)	(239,898)	(3,320,999)
Balance at 31 December 2022	3,062,002	226,740	55,098	3,343,840	20,596,028	8,207,983	1,541,979	30,345,990

The following table shows changes in ECL balances during the financial period between the three stages:

(EGP Thousands)

31 December 2022	Retail Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total	Corporate Stage 1 12-Months	Stage 2 Life time	Stage 3 Life time	Total
Balance at 1 January 2022	24,022	1,847	40,833	66,702	39,445	942,277	874,061	1,855,783
Transferred to (from) stage 1	-	-	-	-	9,409	(9,409)	-	-
Transferred to (from) stage 2	-	-	-	-	(2,973)	2,973	-	-
Transferred to (from) stage 3	-	-	-	-	-	(466,910)	466,910	-
Released (charged) during the year	13,637	2,280	15,390	31,307	22,760	177,418	64,516	264,694
Written off during the year	-	-	(2,514)	(2,514)	-	-	(133,062)	(133,062)
Recoveries during the year	-	-	-	-	-	-	38,536	38,536
Foreign exchange translation differences	-	-	-	-	-	105,872	67,174	173,046
Balance at 31 December 2022	37,659	4,127	53,709	95,495	68,641	752,221	1,378,135	2,198,997

(EGP Thousands)

31 December 2021	Retail Stage 1 12-Months	Retail Stage 2 Life time	Retail Stage 3 Life time	Retail Total	Corporate Stage 1 12-Months	Corporate Stage 2 Life time	Corporate Stage 3 Life time	Corporate Total
Balance at 1 January 2021	28,937	12,151	27,386	68,474	169,464	420,786	1,051,175	1,641,425
Transferred to (from) stage 2	-	-	-	-	(130,019)	130,019	-	-
Transferred to (from) stage 3	-	-	-	-	-	(102,264)	102,264	-
Released (charged) during the year	(4,915)	(10,304)	14,944	(275)	-	493,736	50,276	544,012
Written off during the year	-	-	(1,497)	(1,497)	-	-	(328,472)	(328,472)
Recoveries during the year	-	-	-	-	-	-	163	163
Foreign exchange translation differences	-	-	-	-	-	-	(1,345)	(1,345)
Balance at 31 December 2021	24,022	1,847	40,833	66,702	39,445	942,277	874,061	1,855,783

Financing and credit facilities which are individually impaired.
the carrying amount of financing and credit facilities, that are assessed to be individually impaired excluding any cash flows expected to arise from the associated guarantees, amounts to EGP 1,745,113 thousand against EGP 1,096,193 thousand on December 31, 2021.

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

(EGP Thousands)

Retail	31 December 2022 Credit cards	31 December 2022 "Personal financing"	31 December 2022 Mortgages	31 December 2022 Total	31 December 2021 Credit cards	31 December 2021 "Personal financing"	31 December 2021 Mortgages	31 December 2021 Total
Individually impaired	2,222	49,288	13,870	65,380	457	51,613	12,418	64,488
Total	2,222	49,288	13,870	65,380	457	51,613	12,418	64,488

(EGP Thousands)

Corporate	31 December 2022 "Direct financing"	31 December 2022 "Syndicated financing"	31 December 2022 "Other financing"	31 December 2022 Total	31 December 2021 "Direct financing"	31 December 2021 "Syndicated financing"	31 December 2021 "Other financing"	31 December 2021 Total
Individually impaired	1,162,794	479,762	-	1,642,556	667,794	324,565	7,131	999,490
Total	1,162,794	479,762	-	1,642,556	667,794	324,565	7,131	999,490
Fair value of collaterals	519,466	-	-	519,466	790,948	-	-	790,948

5.1.6 Debt instruments & other governmental notes

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

(EGP Thousands)

Debt instruments, treasury bills, and other governmental notes	31 December 2022 Rating	31 December 2022 Carrying value	31 December 2021 Rating	31 December 2021 Carrying value
Fair value through other comprehensive income				
- Egyptian Treasury Bonds	B	333,943	B	86,154
- Islamic Sukuk	Unrated	1,506,878	Unrated	558,325
- Securitization Bonds	Unrated	292,671	Unrated	-
Amortized cost				
- Egyptian Treasury Bills	B	5,975,089	B	3,044,133
- Egyptian Treasury Bonds	B	23,215,899	B	16,539,672
- Islamic Sukuk	Unrated	269,724	Unrated	173,247
Total		31,594,204		20,401,531

5.1.7 Concentration of the risks of financial assets exposed to the credit risk.

5.1.7.1 Geographical Segments:

The following table provides a breakdown of the gross amount of the most significant credit risk limits to which the bank is exposed at the end of the current reporting year, The gross amount of all financial assets including financing and credit facilities is segmented into the geographical regions of the bank's clients:

(EGP Thousands)

	Arab Republic of Egypt			Total	Gulf	"Other Countries"	Total
	Great Cairo	Alex and Delta	Upper Egypt				
Cash and due from Central Bank of Egypt	7,251,399	-	-	7,251,399	-	-	7,251,399
Due from banks	9,839,033	-	-	9,839,033	15,449	418,794	10,273,276
Investment with banks	1,491,754	-	-	1,491,754	1,807,075	463,729	3,762,558
Gross financing and credit facilities to customers							
Retail							
- Credit cards	22,627	7,079	-	29,706	-	-	29,706
- Personal financing	3,270,515	471,158	-	3,741,673	-	-	3,741,673
- Mortgages	483,744	70,731	-	554,475	-	-	554,475
Corporate							
- Direct financing	21,888,058	4,048,453	-	25,936,511	-	-	25,936,511
- Syndicated financing	5,117,299	-	-	5,117,299	-	-	5,117,299
Financial investments							
- Debt instruments measured at FVOCI	2,133,492	-	-	2,133,492	-	-	2,133,492
- Debt instruments measured at Amortized cost	29,378,633	-	-	29,378,633	269,724	-	29,648,357
Balance at 31 December 2022	**80,876,554**	**4,597,421**	**-**	**85,473,975**	**2,092,248**	**882,523**	**88,448,746**
Balance at 31 December 2021	**71,677,630**	**3,932,243**	**-**	**75,609,873**	**1,112,440**	**456,757**	**77,179,070**

5.1.7.2 Activity Segments

The following table analyses the Group's main credit exposure at their book value categorized by the Bank's customers activities.:

	Financial institutions	Manufacturing	Real estate	Wholesale and retail trade	Governmental	"Other activities"	Individuals	Total
Cash and due from Central Bank of Egypt	7,251,399	-	-	-	-	-	-	7,251,399
Due from banks	10,273,276	-	-	-	-	-	-	10,273,276
Investment with banks	3,762,558	-	-	-	-	-	-	3,762,558
Gross financing and credit facilities to customers								
Retail								
- Credit cards	-	-	-	-	-	-	29,706	29,706
- Personal financing	-	-	-	-	-	-	3,741,673	3,741,673
- Mortgages	-	-	554,475	-	-	-	-	554,475
Corporate								
- Direct financing	5,811,813	10,474,002	23,223	4,718,121	56,555	4,852,797	-	25,936,511
- Syndicated financing	-	1,828,354	-	500,282	1,578,176	1,210,487	-	5,117,299
Financial investments								
- Debt instruments measured at FVPL								-
- Debt instruments measured at FVOCI	292,671	-	1,506,878	-	333,943	-	-	2,133,492
- Debt instruments measured at Amortized cost	-	-	-	-	29,648,357	-	-	29,648,357
Balance at 31 December 2022	**27,391,717**	**12,302,356**	**2,084,576**	**5,218,403**	**31,617,031**	**6,063,284**	**3,771,379**	**88,448,746**
Balance at 31 December 2021	**32,866,080**	**6,788,497**	**694,934**	**5,516,314**	**22,183,224**	**6,648,369**	**2,481,652**	**77,179,070**

5.2 Market Risk

Market Risks represent the potential losses resulting from unfavorable movements in market prices that may negatively affect the values of the bank's investment positions. Market risk results from open positions of the rate of return, currencies, and equity products, as each of them is exposed to general and specific risks in the market and changes in the level of sensitivity to market rates or to prices such as interest rates, exchange rates and prices of equity instruments. The bank distinguishes between the trading book portfolio and the non-trading book portfolio in measuring market risks.

The management of market risk arising from trading or non-trading activities is concentrated in the Bank's risk management and is monitored by two separate teams. Periodic reports on market risks are submitted to the Board of Directors and the members of the Assets and Liabilities Committee (ALCO).

The portfolios of financial investments at fair value through profit or loss include those positions resulting from the Bank's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the interest rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

5.2.1 Market risk measurement techniques

5.2.1.1 Value at Risk

- The Bank applies a "Value at Risk" methodology (VaR) to its trading and non-trading portfolios, to estimate the market risk of positions held and the maximum losses expected under normal market conditions. The Board sets a limit for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and are monitored daily by the Bank's market risk management.
- VaR is a statistically based estimate of the potential loss on the current portfolio from adverse market movements, it expresses the 'maximum' amount the Bank might lose, but only to a certain level of confidence (98%). There is therefore a specified statistical probability (2%) that actual loss could be greater than the VaR estimate. The VaR model assumes a certain 'holding period' until positions can be closed 10 Days. It is also assumed that the market movement during the holding period will follow the same pattern of movement that occurred during the previous 10 Days. The Bank assesses the historical movements in the market prices based on volatilities and correlations for the previous 5 Years. the Bank applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
- The use of that technique does not prevent the loss to exceed those limits in the case of a larger movement in the market.
- As VaR constitutes an integral part of the Bank's market risk control regime, the Market Risk Management set VaR Limits, for the trading book and non- trading transactions, which have been approved by the board, and are monitored and reported on a daily basis to the Senior Management. In addition, monthly limits compliance is reported to the ALCO.
- The quality of VAR model is monitored on an ongoing basis by reinforced tests to the results of the VAR of trading portfolio, and the results of tests are reported to the senior management and Board of Directors.

5.2.1. 2Stress Testing

Stress tests give an indication of the magnitude of the expected loss that may arise from extreme market conditions. Stress testing are tailored to activity using standard analysis for specific scenarios. The stress testing carried out by the risk management include risk factor stress testing where a range of acute movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to abnormal movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress tests are reviewed by the top management and the board on a regular basis.

5.2.1.3Summary of the (Value at Risk)

Total value at risk as per the risk type

(EGP Thousands)

	Last 12 months ended 31 December 2022			Last 12 months ended 31 December 2021		
	Medium	High	Low	Medium	High	Low
Total VaR according to risk type						
- Foreign exchange risk	178,633	433,509	7,479	28,519	113,974	6,198
- Profit rate risk	615,570	696,345	359,961	341,200	429,299	210,662
Total VaR	794,203	1,129,854	367,440	369,719	543,273	216,860
VaR of a non-trading portfolio according to risk type						
- Foreign exchange risk	178,633	433,509	7,479	28,519	113,974	6,198
- Profit rate risk	615,570	696,345	359,961	341,200	429,299	210,662
Total VaR	794,203	1,129,854	367,440	369,719	543,273	216,860

- The bank isn't exposed to the profit rate risk as it distributes variable return on it's customers as per the quarterly achieved revenues and returns.
- The increase in the value at risk, particularly the return rate, is linked to the increase of the return rate sensitivity at the world financial markets.
- The three previous outcomes of the VAR were calculated independently from the positions involved and historical market movements. The aggregate value at risk for trading and non-trading is not the Bank's risk value because of the correlation between types of risks.

5.2.2 Risk of Fluctuation of Foreign Currencies Exchange Rates

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

(Equivalent EGP Thousands)

31 December 2022	EGP	USD	GBP	EUR	Other	Total
Financial assets						
Cash and due from Central Bank of Egypt	7,050,740	154,220	4,724	37,132	4,583	7,251,399
Due from banks	8,945,397	4,574,092	45,609	393,669	77,068	14,035,835
Gross financing and credit facilities to customers	31,511,768	3,815,956	-	51,940	-	35,379,664
Financial Investments measured at FVPL	67,928	-	-	-	-	67,928
Financial Investments measured at FVOCI	2,105,101	-	-	108,819	25,600	2,239,520
Financial Investments measured at Amortized cost	19,517,589	9,163,303	-	967,465	-	29,648,357
Investment in subsidiaries	98,000	-	-	-	-	98,000
Other financial assets	1,498,208	134,542	96	21,092	349	1,654,287
Total financial assets	**70,794,731**	**17,842,113**	**50,429**	**1,580,117**	**107,600**	**90,374,990**
Financial liabilities						
Due to banks	-	1,327,617	36	569,921	5,331	1,902,905
Customers' deposits	58,604,289	14,665,400	51,623	1,017,148	81,493	74,419,953
Subordinated and other Islamic financing	11,715	1,113,453	-	-	-	1,125,168
Other financial liabilities	115,417	509,554	-	16,554	335	641,860
Total financial liabilities	**58,731,421**	**17,616,024**	**51,659**	**1,603,623**	**87,159**	**78,089,886**
Net financial position	**12,063,310**	**226,089**	**(1,230)**	**(23,506)**	**20,441**	**12,285,104**
31 December 2021						
Total financial assets	71,706,208	11,002,550	41,395	1,003,784	82,134	83,836,071
Total financial liabilities	63,128,885	10,323,317	42,162	944,610	62,313	74,501,287
Net financial position	**8,577,323**	**679,233**	**(767)**	**59,174**	**19,821**	**9,334,784**

5.2.3 Profit Rate Risk

The Bank is exposed to the effects of volatility in the prevailing market interest rate levels on both of fair value and cash flow risks, profit margin may increase as a result of those changes, but profits may decrease due to unexpected changes in the market. The Board sets limits on the gaps of profit rate repricing that may be undertaken, which is monitored by the bank's Risk Management Department.

The table below summarizes the Bank's exposure to profit rate risks. It includes the Bank's financial instruments at carrying amounts, categorized by the earlier of repricing or contractual maturity dates.

(EGP Thousands)

31 December 2022	Up to one month	More than one month up to 3 months	More than 3 months up to one year	"More than one year up to 3 years"	More than 3 years	Non-Profit Bearing	Total
Financial assets							
Cash and due from Central Bank of Egypt	-	-	-	-	-	7,251,399	7,251,399
Due from banks and Investments with banks	13,520,972	30,793	-	-	-	484,070	14,035,835
Gross financing and credit facilities to customers	2,314,070	4,056,969	11,933,595	4,315,641	12,759,389	-	35,379,664
Financial Investments measured at FVPL	-	-	-	-	-	67,928	67,928
Financial Investments measured at FVOCI	1,430,046	-	-	703,446	-	106,028	2,239,520
Financial Investments measured at Amortized cost	1,217,476	2,563,491	6,423,749	11,437,174	8,006,467	-	29,648,357
Investment in subsidiaries	-	-	-	-	-	98,000	98,000
Total financial assets	**18,482,564**	**6,651,253**	**18,357,344**	**16,456,261**	**20,765,856**	**8,007,425**	**88,720,703**
Financial liabilities							
Due to banks	1,834,830	-	-	-	-	68,075	1,902,905
Customers' deposits	4,702,013	18,145,632	7,683,220	36,097,340	1,376,479	6,415,269	74,419,953
Subordinated and other Islamic financing	-	-	-	1,113,453	11,715	-	1,125,168
Total financial liabilities	6,536,843	18,145,632	7,683,220	37,210,793	1,388,194	6,483,344	77,448,026
Total profit re-pricing gap	11,945,721	(11,494,379)	10,674,124	(20,754,532)	19,377,662	1,524,081	11,272,677
31 December 2021							
Total financial assets	20,035,139	13,119,713	19,501,357	19,728,959	4,331,991	7,118,912	83,836,071
Total financial liabilities	18,565,726	6,543,155	7,239,755	33,765,200	2,753,994	5,633,457	74,501,287
Total profit re-pricing gap	**1,469,413**	**6,576,558**	**12,261,602**	**(14,036,241)**	**1,577,997**	**1,485,455**	**9,334,784**

5.3 Liquidity Risk

Liquidity risk is defined as the risk of the Bank's inability to meet cash flows or collateral requirements associated with its financial obligations. This could result in a failure to meet obligations to pay depositors and meet funding commitments.

Organization of Liquidity Risk Management and Measurement Tools:

Liquidity Risk is governed by Asset and Liability Committee (ALCO) and Board Risk Committee (BRC) subject to provisions of Treasury Policy Guide (TPG).

Board Risk Committee: Provides oversight of risk management functions and assesses compliance to the set risk strategies and policies approved by the board through periodic reports submitted by the Risk Group, The committee makes recommendations to the board with regards to risk management strategies and policies (including those related to capital adequacy, liquidity management, various types of risks: credit, market and operation, compliance, reputation, and any other risks the Bank may be exposed to).

Asset and Liability Committee: Optimizes the allocation of the Bank's assets and liabilities, taking into consideration expectations of the potential impact of future profit rate fluctuations, liquidity constraints, and foreign exchange exposures. ALCO monitors the Bank's liquidity and market risks, economic developments, market fluctuations, and risk profile to ensure ongoing activities are compatible with the risk/ reward guidelines approved by the board.

Treasury Policy Guide: the purpose of TPG is to document and communicate the policies that govern the activities performed by the Treasury Group and monitored by Risk Group, the main measures and monitoring tools used to assess the Bank's liquidity risk include regulatory and internal ratios, gaps, Basel III liquidity ratios, asset and liability gapping mismatch, stress testing, and funding base concentration. More conservative internal targets and Risk Appetite indicators (RAI) against regulatory requirements are set for various measures of Liquidity and Funding.

5.3.1 Liquidity risk management

The Bank's liquidity managed by ALCO and monitored independently by the Risk Management as follows:

- Day-to-day funding is managed by monitoring the future cash flows to ensure that all requirements can be met when due. This includes replacing funds when they are due or when financing them to customers. The Bank exists in the global financial markets to ensure that this goal is achieved.
- Maintaining a portfolio of high-marketing assets that can easily be liquidated to meet any unexpected disruptions in cash flows.
- Monitoring the liquidity ratios according to the bank's internal and CBE requirements
- Managing concentration and financing maturity.

For control and reporting purposes, cash flows are measured and projected for the following day, week, and month, as these are main periods of liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the dates of expected collections of the financial assets. It also monitors the incompatibility between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

5.3.2 Funding approach

Liquidity sources are reviewed by a separate liquidity risk management team in order to provide a wide diversification of currencies, geographical areas, sources, products, and terms.

5.3.3 Non-derivative cash flows

All balances shown in the table below represent the undiscounted cash flows of the bank's financial liabilities based on the remaining contractual maturities and based on the behavioral study of non-contractual products, at the date of balance sheet.

(EGP Thousands)

31 December 2022	Up to one month	More than one month up to 3 months	More than 3 months up to one year	"More than one year up to 3 years"	More than 3 years	Total
Financial liabilities						
Due to banks	1,902,905	-	-	-	-	1,902,905
Customers' deposits	11,117,282	18,145,632	7,683,220	36,097,340	1,376,479	74,419,953
Subordinated and other Islamic financing	-	-	-	1,113,453	11,715	1,125,168
Total financial liabilities (contractual and non contractual maturity dates)	13,020,187	18,145,632	7,683,220	37,210,793	1,388,194	77,448,026
Total financial assets (contractual and non contractual maturity dates)	19,907,771	6,651,253	18,357,344	22,872,550	20,931,784	88,720,702
31 December 2021						
Total financial liabilities (contractual and non contractual maturity dates)	24,199,224	6,543,155	7,239,755	36,519,153	-	74,501,287
Total financial assets (contractual and non contractual maturity dates)	20,939,392	13,119,713	19,501,357	25,896,343	4,379,266	83,836,071

All financial assets are available to meet all liabilities and to cover the outstanding financing commitments include Cash and due from CBE, Due from banks, T-bills and other government notes, financing and advances to customers in the normal course of business, a proportion of customer financing contractually matured within one year, will be extended. In addition, debt instrument and treasury bills and other governmental notes have been pledged to secure liabilities. Also, The Bank would be able to meet the unexpected net cash outflows by selling securities and accessing additional funding sources.

5.3.4 Cash flow for Off-Balance Sheet Items

(EGP Thousands)

31 December 2022	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Operating lease commitments	7,422	38,592	23,801	69,815
Capital commitments resulting from acquisition of property and equipment	83,227	-	-	83,227
Contingent liabilities	2,126,066	3,064,054	566,117	5,756,237

31 December 2021	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Capital commitments resulting from acquisition of property and equipment	35,299	-	-	35,299

5.4 Fair Value of Financial Assets & Liabilities

5.4.1 Financial instruments measured at the fair value using valuation techniques.

During the financial period ended December 31, 2022, the Bank does not re-evaluate its financial assets and liabilities items using any valuation techniques.

5.4.2 Financial instruments not measured at the fair value.

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

(EGP Thousands)

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial Assets				
Due from banks	10,269,262	10,269,262	29,711,266	29,898,839
Investments with banks	3,521,211	3,680,118	2,585,910	2,597,468
Financing and credit facilities to customers				
- Retail	3,248,345	3,248,345	1,917,251	1,917,251
- Corporate	28,146,993	28,146,993	19,113,521	19,113,521
Debt instruments measured at Amortized cost	29,346,960	28,355,352	16,674,041	17,115,523
Financial liabilities				
Due to banks	1,902,905	1,926,991	896,770	896,879
Customers' deposits	74,419,953	75,045,679	72,569,388	73,235,298
Subordinated and other Islamic financing	1,125,168	1,137,426	1,035,129	1,055,649

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

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

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

Investments in securities at amortized cost: Represents the value of financial assets measured at amortized cost, The estimated fair value is based on the current market prices, or which obtained from brokers. If these data are not available, the estimated fair value will be determined through the financial market prices of traded securities with similar credit risk, rates, and similar maturity date.

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

5.4.3 Fair value measurement

- The Bank determines the fair value on the basis that it is the price to be obtained for the sale of an asset or to be paid for the transfer of an obligation in an organized transaction between market participants on the date of measurement, taking into account when measuring the fair value the asset's characteristics or obligation if market participants take those characteristics into account when pricing the asset and/or obligation on the date of measurement.
- The Bank uses the market approach to determine the fair value of financial assets and liabilities as it uses prices and other relevant information arising from market transactions involving assets, liabilities or a range of assets and liabilities, which are identical or comparable. The Bank may therefore use valuation methods consistent with the market approach such as market multipliers derived from comparable groups. The selection of an appropriate multiplier from within the scope requires the use of a personal judgement considering the quantitative and qualitative factors of measurement.
- When the market input cannot be relied upon to determine the fair value of a financial asset or liability, the Bank uses the income method to determine the fair value under which future amounts such as cash flows or income and expenses are converted into a current amount (discounted) so that the fair value measure reflects current market expectations about future amounts.
- When the Bank cannot rely on the market approach or income method to determine the fair value of its' financial asset or financial liability, the bank uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the bank can access at the measurement date.

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

Level 3: Unobservable inputs for the asset or liability.

The following table provides the fair value measurement hierarchy of the assets and liabilities according to EAS.

				(EGP Thousands)
	31 December 2022			
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt instruments	-	2,133,492	-	2,133,492
Mutual funds	-	-	67,928	67,928
Equity Instruments	83,698	-	22,330	106,028
	31 December 2021			
Financial Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
Debt instruments	-	644,479	-	644,479
Mutual funds	-	-	47,275	47,275
Equity Instruments	58,408	-	18,549	76,957

5.5 Capital Management

For capital management purposes, the bank's capital includes total equity as reported in the balance sheet plus some other elements that are managed as capital. The Bank manages its capital to ensure that the following objectives are achieved:

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

Capital adequacy and the use of regulatory capital are monitored on a daily basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the banking supervision unit in the Central Bank of Egypt.

The required data is submitted to the Central Bank of Egypt on a monthly basis.

Central Bank of Egypt requires the following:

- Maintaining EGP 5 billion as a minimum requirement for the issued and paid-in capital, noting that at the reporting date the issued and paid-up capital has reached EGP 5,090 million.
- Maintaining a ratio between the capital base and the total credit and market and operating risks and the excess value of the top 50 customers over the regulatory limits and the excess value of the regulatory limits for the recruitment of countries equal to or greater than 10%.

The numerator in capital adequacy comprises the following two tiers:

Tier One: Comprises of paid-in capital ,retained earnings and reserves resulting from the distribution of profits except the general banking risk reserve, interim profits and deducting previously recognized goodwill and any retained losses.

Tier Two: Represents the gone concern capital which is composed of general risk provision according to stage one ECL to the maximum of 1.25% risk weighted assets and contingent liabilities, subordinated financing with more than five years to maturity (amortizing 20% of it carrying amount in each year of the remaining five years to maturity).

When calculating the numerator of capital adequacy ratio, the rules set limits of total Tier 2 to no more than Tier 1 capital and also limits the subordinated to no more than 50% of Tier 1.

The bank has complied with all local capital requirements during the past two years.

5.5.1 Capital Adequacy Ratio (CAR%)

The tables below summarize the compositions of tier 1, tier 2 , the capital adequacy ratio and leverage ratio .

According to Basel II	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Tier 1 capital		
Basic going concern capital		
Issued and paid up capital	5,089,974	1,546,447
Other reserves	249,619	1,387,740
General risk reserve	214,926	214,926
Retained earnings	1,894,350	2,680,756
Other comprehensive income	24,776	49,272
Total basic going concern capital after disposal	**7,473,645**	**5,879,141**
Additional basic capital		
Non-Controlling interest	2,315	2,281
Total deductions from capital invested	(22,963)	(17,756)
Total qualifying tier 1 capital	**7,452,997**	**5,863,666**
Tier 2 capital		
Subordinated financing	540,676	738,685
Impairment provision for Financing, debt instruments and contingent liabilities in stage one*	274,157	126,646
Total qualifying tier 2 capital	**814,833**	**865,331**
Total capital base after disposal	**8,267,830**	**6,728,997**
Risk weighted assets and contingent liabilities excluding top 50		
Total credit risk	42,732,647	27,826,602
Cross border over limit	104,908	-
Total market risk	388,448	529,344
Total operational risk	3,478,802	4,054,765
Total risk weighted assets and contingent liabilities	**46,704,804**	**32,410,711**
***Capital adequacy ratio (%)**	**17.70%**	**20.76%**

The "capital adequacy ratio" has been added pursuant to the instructions dispatched to the Central Bank of Egypt.

** Based on consolidated financial statement figures and in accordance with Central Bank of Egypt regulation issued on 24 December 2012.*

5.5.2 Leverage Ratio%

Within the framework of its endeavour to apply the best international practices in the field of banking supervisory regulations, the Central Bank of Egypt issued its instructions for the measurement of the adequacy of "Tier 1" of the capital base, in comparison to the total risk-weighted assets (the financial leverage), committing banks to the minimum ratio of 3% on quarterly basis, as follows:

The tables below summarizes the leverage financial ratio:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Total qualifying tier 1 capital	**7,452,997**	**5,863,666**
Total on-balance sheet exposures	87,514,040	82,319,248
Total off-balance sheet exposures	4,903,068	3,594,201
Total exposures on-balance sheet and off-balance sheet	**92,417,108**	**85,913,449**
Leverage financial ratio % (1/2)	**8.06%**	**6.83%**

** Based on the Bank's Consolidated financial statements and in accordance with the instructions issued by the Central Bank of Egypt on 14 July 2015.*

- In December 2022 NSFR% recorded 207.54% and LCR% recorded 854.11%
- In December 2021, NSFR% recorded 274.4% and LCR% recorded 513.4%

6. Segments Reporting

6.1 Segmental analysis by activity

Segment activity includes operational processes, assets used in offering banking services, management of surrounding risks and related yield. Such activity may be different from other activities. Segmentation analysis of operations according to banking activities includes:

- The Bank's Head Office
- Cairo Governorate Branches
- Giza Governorate Branches
- Alexandria Governorate Branches
- Other Governorates Branches

(EGP Thousands)

31 December 2022	Head office	Cairo branches	Giza branches	Alex branches	Other branches	Total
Total revenues and expenses according to segmental activities						
Total revenues	1,480,394	4,698,597	1,176,152	724,807	697,495	8,777,445
Total expenses	(1,860,289)	(2,516,212)	(751,827)	(536,114)	(457,988)	(6,122,430)
Net profit for the year before tax	(379,895)	2,182,385	424,325	188,693	239,507	2,655,015
Income tax expense	(899,998)	-	-	-	-	(899,998)
Net profit for the year	(1,279,893)	2,182,385	424,325	188,693	239,507	1,755,017
Total assets and liabilities according to segmental activities						
Total assets	5,274,773	51,246,174	13,865,926	8,930,468	7,907,600	87,224,941
Total liabilities	5,274,773	43,661,093	13,865,926	8,930,468	7,907,600	79,639,860

31 December 2021	Head office	Cairo branches	Giza branches	Alex branches	Other branches	Total
Total revenues and expenses according to segmental activities						
Total revenues	1,120,144	4,167,110	1,031,124	638,352	620,278	7,577,008
Total expenses	(1,660,019)	(2,474,664)	(733,993)	(499,411)	(462,046)	(5,830,133)
Net profit for the year before tax	(539,875)	1,692,446	297,131	138,941	158,232	1,746,875
Income tax expense	(614,508)	-	-	-	-	(614,508)
Net profit for the year	(1,154,383)	1,692,446	297,131	138,941	158,232	1,132,367
Total assets and liabilities according to segmental activities						
Total assets	5,041,778	49,232,427	12,201,211	7,719,749	8,173,233	82,368,398
Total liabilities	5,041,776	43,228,256	12,201,211	7,719,749	8,173,233	76,364,225

6.2 Segmental analysis by geographic area

(EGP Thousands)

	Arab Republic of Egypt			
31 December 2022	Great Cairo	Alex and Delta	Upper Egypt	Total
Total revenues and expenses according to geographical segment				
Total revenues	7,739,068	1,038,377	-	8,777,445
Total expenses	(5,365,279)	(757,151)	-	(6,122,430)
Net profit for the year before tax	2,373,789	281,226	-	2,655,015
Income tax expense	(899,998)	-	-	(899,998)
Net profit for the year	1,473,791	281,226	-	1,755,017
Total assets and liabilities according to geographical segment				
Total assets	74,880,393	12,344,548	-	87,224,941
Total liabilities	67,295,312	12,344,548	-	79,639,860

(EGP Thousands)

	Arab Republic of Egypt			
31 December 2021	Great Cairo	Alex and Delta	Upper Egypt	Total
Total revenues and expenses according to geographical segment				
Total revenues	6,633,503	943,505	-	7,577,008
Total expenses	(5,101,149)	(728,984)	-	(5,830,133)
Net profit for the year before tax	1,532,354	214,521	-	1,746,875
Income tax expense	(614,508)	-	-	(614,508)
Net profit for the year	917,846	214,521	-	1,132,367
Total assets and liabilities according to geographical segment				
Total assets	71,254,094	11,114,304	-	82,368,398
Total liabilities	65,249,921	11,114,304	-	76,364,225

7. Net income from funds

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Income from Murabaha, Musharaka, Mudaraba and other similar income:		
Financing and credit facilities		
- Customers	3,018,629	2,152,176
Total	3,018,629	2,152,176
Debt instruments at fair value through OCI and AC	3,698,315	2,617,301
Deposits and current accounts	1,633,003	2,436,088
Total	8,349,947	7,205,565
Cost of deposits and similar expenses:		
Deposits and current accounts		
- Banks	(32,995)	(8,669)
- Customers	(4,831,343)	(4,391,783)
Total	(4,864,338)	(4,400,452)
Other financings	(50,454)	(55,155)
Total	(4,914,792)	(4,455,607)
Net income from funds	3,435,155	2,749,958

8. Net fees and commission income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Fees and commission income:		
Fees and commissions related to credit	176,598	147,483
Investment commission	1,600	22
Custody fees	1,125	679
Other fees	112,825	142,337
Total	292,148	290,521
Fees and commission expenses:		
Other fees paid	(27,247)	(18,973)
Total	(27,247)	(18,973)
Net fees and commission income	264,901	271,548

9. Administrative expenses

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Staff cost:		
Salaries and wages	(393,631)	(343,454)
Social insurance	(15,927)	(12,009)
Pension cost:		
Defined contribution scheme	(14,030)	(8,511)
Defined benefit scheme	86,407	-
Zakah and charity fund	(25,500)	(10,448)
Depreciation and amortization	(110,015)	(94,064)
Other administrative expenses	(412,766)	(323,594)
Total	(885,462)	(792,080)

10. Dividend's income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Equity instruments measured at FVOCI	20,856	6,146
Investment in subsidiaries	10,600	11,007
Mutual funds measured at FVPL	136	114
Total	31,592	17,267

11. Net trading income

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Profit from foreign exchange transactions	93,105	58,505
Mutual funds measured at FVPL	10,653	4,472
Total	103,758	62,977

12. Other operating income (expenses)

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Gain (Loss) from Foreign exchange differences from translation of foreign currency monetary assets and liabilities other than held for trading items and those classified as at FVPL at initial recognition	(55,895)	(64)
Gain (loss) on sale of assets reverted to the bank	19,474	-
Gain on sale of property and equipment	1,611	1,126
Operating lease rental expense	(9,322)	(10,367)
Impairment release (charges) of assets reverted to the bank	1,483	(4,281)
Other provisions (net of reversed amounts)*	77,021	2,403
Other income	14,550	2,500
Total	48,922	(8,683)

Other provisions (net of reversed amounts)*	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Tax provision	89,000	-
Contingent liabilities provision	(11,979)	2,403
Total	77,021	2,403

13. Impairment charge of expected credit losses

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Financing and credit facilities to customers	(296,001)	(543,737)
Investments with banks	7,875	(3,872)
Due from banks	(2,298)	(293)
Debt instruments at fair value through other comprehensive income	(2,421)	400
Debt instruments at amortized cost	(50,575)	(6,157)
Other assets	(431)	(1,131)
Total	(343,851)	(554,790)

14. Income tax expense

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current tax	(906,476)	(611,946)
Deferred tax	6,478	(2,562)
Total	(899,998)	(614,508)

Adjustments to calculate the effective tax rate	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year before tax	2,655,015	1,746,875
Current tax rate (%)	22.5%	22.5%
Income tax calculated at applicable tax rate	597,378	393,047
Add / (Deduct)		
Tax exemptions	(629,700)	(376,289)
Non-deductible expenses	443,910	348,280
Other tax	488,410	249,470
Effective income tax expense	899,998	614,508
Effective tax rate (%)	33.90%	35.18%

15. Basic earnings per share

Adjustments to calculate the effective tax rate	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net profit for the year, available for distribution	1,753,406	1,131,241
Remuneration for the board members and staff profit share	(210,500)	(136,000)
Profit available to shareholders	1,542,906	995,241
Weighted average number of the shares outstanding during the year (Note 23/2)	727,139	727,139
Basic earning per share	2.12	1.37

16. Cash and due from Central Bank of Egypt

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Cash	462,337	435,824
Mandatory reserve balances with CBE	6,789,062	6,090,426
Total	7,251,399	6,526,250
Non-profit bearing balances	7,251,399	6,526,250
Total	**7,251,399**	**6,526,250**

17. Due from banks, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current accounts	484,070	468,431
Deposits	9,789,207	29,244,552
	10,273,277	**29,712,983**
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Balances at CBE other than those under the mandatory reserve	9,806,805	29,260,322
Local banks	32,228	75,146
Foreign Banks	434,244	377,515
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Non-profit bearing balances	484,070	468,431
Fixed profit bearing balances	9,789,207	29,244,552
Deduct: Expected Credit Losses*	(4,015)	(1,717)
Total	**10,269,262**	**29,711,266**
Due from banks-ECL provision analysis*		
Beginning balance	1,717	1,425
Net impairment loss recognized during the year	2,298	292
Ending balance	**4,015**	**1,717**

18. Investment with banks, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Investment with banks	3,762,558	2,745,343
Deduct:		
Expected Credit Losses*	(229,866)	(152,913)
Profit in suspense	(11,481)	(6,520)
Total	**3,521,211**	**2,585,910**
Investment with banks-ECL provision analysis*		
Beginning balance	152,913	149,121
Net impairment loss recognized during the year	(7,875)	3,872
Foreign currencies translation differences	84,828	(80)
Ending balance	**229,866**	**152,913**

- Representing “commodity Murabaha” with local and correspondent banks in foreign currencies.
- Investment with banks Includes of EGP 222,690 thousand representing investment operations with (Al Baraka Group) - the main shareholder of the Bank - (EGP 138,306 thousand at 31 December 2021).
- It also includes EGP 458,713 thousand representing investments with banks belonging to Al Baraka Group (EGP 301,379 thousand at 31 December 2021).
- An amount of EGP 6,520 thousand has been reclassified for profit in suspense from Al Baraka Bank Lebanon (modified to be in line with the nature of the operation)

19. Financing and credit facilities to customers, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Retail		
Credit cards	29,706	25,078
Personal financing	3,741,673	1,889,791
Mortgages	554,475	565,038
Total (1)	4,325,854	2,479,907
Corporate including (SMEs)		
Direct financing	25,936,511	18,642,786
Syndicated financing	5,117,299	3,070,707
Other financing	-	15,099
Total (2)	31,053,810	21,728,592
Gross financing and credit facilities (1+2)	35,379,664	24,208,499
Deduct:		
Expected Credit Losses*	(2,294,492)	(1,922,485)
Deferred profit	(1,689,834)	(1,255,242)
Net financing and credit facilities	31,395,338	21,030,772
Financing and credit facilities-ECL provision analysis*		
Beginning balance	1,922,485	1,709,899
Net impairment loss recognized during the year	296,001	543,737
Recoveries during the year	38,536	163
Written off during the year	(135,576)	(329,969)
Foreign currencies translation differences	173,046	(1,345)
Ending balance	2,294,492	1,922,485

Analysis of the expected credit losses on financing and advances to customers by type was as follows

(EGP Thousands)

	Retail			
31 December 2022	Credit cards	Personal financing	Mortgages	Total
Beginning balance	266	48,032	18,404	66,702
Net impairment loss recognized during the year	1,180	31,517	(1,390)	31,307
Written off during the year	-	(82)	(2,432)	(2,514)
Ending balance (1)	1,446	79,467	14,582	95,495

	Corporate			
31 December 2022	Direct financing	Syndicated financing	Other financing	Total
Beginning balance	1,574,390	274,612	6,781	1,855,783
Net impairment loss recognized during the year	199,281	72,194	(6,781)	264,694
Recoveries during the year	1,619	36,917	-	38,536
Written off during the year	(133,062)	-	-	(133,062)
Foreign currencies translation differences	141,629	31,417	-	173,046
Ending balance (2)	1,783,857	415,140	-	2,198,997
Ending balance (1+2)	1,785,303	494,607	14,582	2,294,492

(EGP Thousands)

	Retail			
31 December 2021	Credit cards	Personal financing	Mortgages	Total
Beginning balance	167	55,992	12,315	68,474
Net impairment loss recognized during the year	353	(6,717)	6,089	(275)
Written off during the year	(254)	(1,243)	-	(1,497)
Ending balance (1)	266	48,032	18,404	66,702

	Corporate			
31 December 2021	Direct financing	Syndicated financing	Other financing	Total
Beginning balance	1,195,653	445,154	618	1,641,425
Net impairment loss recognized during the year	511,454	25,247	7,311	544,012
Recoveries during the year	163	-	-	163
Written off during the year	(131,697)	(195,627)	(1,148)	(328,472)
Foreign currencies translation differences	(1,183)	(162)	-	(1,345)
Ending balance (2)	1,574,390	274,612	6,781	1,855,783
Ending balance (1+2)	1,574,656	322,644	25,185	1,922,485

20. Financial investments

20.1 Measured at FVPL

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Mutual Funds		
Unlisted in stock exchange market	67,928	47,275
Total	**67,928**	**47,275**
Total financial instruments measured at FVPL (1)	**67,928**	**47,275**
Beginning balance	47,275	34,344
Additions	10,000	8,459
FV revaluation differences of financial investment measured at FVPL	10,653	4,472
Total financial instruments measured at FVPL (1)	**67,928**	**47,275**

20.2 Measured at FVOCI

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Islamic Sukuk at fair value		
Listed in stock exchange market	1,506,878	558,325
Total	**1,506,878**	**558,325**
B) Treasury bonds at fair value		
Listed in stock exchange market	333,943	86,154
Total	**333,943**	**86,154**
C) Securitization bonds at fair value		
Listed in stock exchange market	292,671	-
Total	**292,671**	**-**
D) Equity instruments at fair value		
Listed in stock exchange market	83,698	58,408
Unlisted in stock exchange market	22,330	18,549
Total	**106,028**	**76,957**
Total financial instruments measured at FVOCI (2)	**2,239,520**	**721,436**

20.3 Measured at Amortized Cost

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
A) Treasury bonds		
Listed in stock exchange market	22,957,202	16,336,702
Unlisted in stock exchange market	258,697	202,970
Deduct: Expected Credit Losses*	(76,374)	(38,878)
Total	**23,139,525**	**16,500,794**
B) Islamic Sukuk		
Listed in stock exchange market	269,724	173,247
Total	**269,724**	**173,247**
C) Treasury bills		
EGP TBills - 91 Days maturity	118,750	-
EGP TBills - 182 Days maturity	659,175	-
EGP TBills - 273 Days maturity	100,000	-
EGP TBills - 364 Days maturity	900,000	303,250
USD TBills - 364 Days maturity	3,909,457	2,483,239
EUR TBills - 364 Days maturity	475,352	323,360
Total	**6,162,734**	**3,109,849**
Deduct: Unearned interest	(187,645)	(65,716)
Deduct: Expected Credit Losses*	(37,378)	(24,300)
Net (1)	**5,937,711**	**3,019,833**
Total financial instruments measured at Amortized cost (3)	**29,346,960**	**19,693,874**
Total financial investment (1+2+3)	**31,654,408**	**20,462,585**
Non-profit bearing balances	173,956	124,232
Floating profit bearing balances	1,776,602	731,572
Fixed profit bearing balances	29,703,850	19,606,781
Total financial investment (1+2+3)	**31,654,408**	**20,462,585**
Debt instruments-ECL provision analysis*		
Beginning balance	63,178	57,706
Net impairment loss recognized during the year	50,575	6,158
Foreign currencies translation differences	-	(686)
Ending balance	**113,753**	**63,178**

- The carried value of financial investments in governmental debts at 31 December 2022 reached EGP 29,524 931 thousand. These investments are used to contribute to the financing of Egypt national projects , strategic and development projects.

The following table analyzes the movements on financial investments:

(EGP Thousands)

31 December 2022	Fair value through OCI	Amortized cost	Total
Beginning balance	721,436	19,693,874	20,415,310
Additions	1,506,962	11,064,874	12,571,836
Amortization of premium / discount	(2,701)	(18,968)	(21,669)
Disposals (sale/redemption)	(8,549)	(4,957,342)	(4,965,891)
Foreign currencies translation differences	46,015	3,615,096	3,661,111
Changes in fair value reserve	(23,643)	-	(23,643)
Net impairment loss recognized during the year	-	(50,574)	(50,574)
Ending balance	2,239,520	29,346,960	31,586,480

31 December 2021	Fair value through OCI	Amortized cost	Total
Beginning balance	490,171	31,459,985	31,950,156
Additions	220,384	2,033,002	2,253,386
Amortization of premium / discount	(434)	257,739	257,305
Disposals (sale/redemption)	(1,773)	(14,020,234)	(14,022,007)
Foreign currencies translation differences	(7,642)	(30,460)	(38,102)
Changes in fair value reserve	20,730	-	20,730
Net impairment loss recognized during the year	-	(6,158)	(6,158)
Ending balance	721,436	19,693,874	20,415,310

21. Investment in subsidiaries

Subsidiaries:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
alBaraka Investment Company	98,000	98,000
Total	98,000	98,000

- During the year ended December 31, 2018, the bank established Al Baraka Financial Investments Company (it was entered in the commercial register on 10/17/2018) with a capital of 200 million Egyptian pounds and the contribution rate was 98% of the company's capital on 8/16/2021. In the commercial register of the company, it was noted that the capital would be reduced to 100 million pounds.
- Al Baraka Financial Investments Company during the year ended December 31, 2022, established Tanfez Company for real estate investment (Date of registration in the commercial register 10 November 2022), the value of the authorized capital of EGP 50 million and issued capital of EGP 5 million. And paid-up capital of EGP 1.25 million, while the share of Al Baraka Financial Investments Company in the company's capital was 98% of the total capital paid.

The following table summarizes the Bank's holdings in its subsidiaries.

(EGP Thousands)

31 December 2022	"Country of residence"	Total assets	Total liabilities (without equity)	Total revenues	Net profit (loss)	The Bank's stake(%)
Subsidiaries:						
alBaraka Investment Company	Egypt	117,041	13,666	7,620	1,991	98%
Total		117,041	13,666	7,620	1,991	98%

31 December 2021	"Country of residence"	Total assets	Total liabilities (without equity)	Total revenues	Net profit (loss)	The Bank's stake(%)
Subsidiaries:						
alBaraka Investment Company	Egypt	116,408	9,269	12,536	6,057	98%
Total		116,408	9,269	12,536	6,057	98%

22. Intangible assets, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Net book value at the beginning of the year	27,648	22,785
Additions	40,722	28,870
Amortization expense	(36,371)	(24,007)
Net book value at the end of the year	31,999	27,648

23. Other assets, net

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Accrued revenues	1,654,287	863,052
Deduct: Expected Credit Losses*	(1,762)	(1,331)
Accrued revenues,net	**1,652,525**	**861,721**
Pre-paid expenses	15,649	1,359
Advance payments for acquisition of property and equipment	352,583	135,955
Assets reverted to the bank in settlement of debts,net	261,588	250,602
Deposits held with others and custody	11,070	7,690
Others debit balances	121,344	35,015
Total	**2,414,759**	**1,292,342**
Accrued revenues-ECL provision analysis*		
Beginning balance	1,331	200
Net impairment loss recognized during the year	431	1,131
Ending balance	**1,762**	**1,331**

24. Property , plant and equipment, net

(EGP Thousands)

31 December 2022	"Lands and Premises"	Machines and Equipment	Information Technology	"Furniture and Renovations"	Others	Total
Cost	468,231	89,582	128,142	317,267	21,814	1,025,035
Accumulated depreciation	(154,792)	(58,875)	(117,833)	(92,308)	(12,663)	(436,470)
Net book value	**313,439**	**30,707**	**10,309**	**224,959**	**9,151**	**588,565**
Net book value at the beginning of the year	326,668	39,763	25,415	237,989	3,790	633,625
Additions	9,472	6,257	3,671	8,111	8,007	35,518
Disposals	(4,873)	-	-	(4,252)	(181)	(9,307)
Depreciation for the year	(18,986)	(15,313)	(18,777)	(17,921)	(2,646)	(73,643)
Disposals' accumulated depreciation	1,158	-	-	1,033	181	2,372
Net book value	**313,439**	**30,707**	**10,309**	**224,959**	**9,151**	**588,565**

(EGP Thousands)

31 December 2021	"Lands and Premises"	Machines and Equipment	Information Technology	"Furniture and Renovations"	Others	Total
Cost	463,632	83,325	124,471	313,408	13,988	998,824
Accumulated depreciation	(136,964)	(43,562)	(99,056)	(75,419)	(10,198)	(365,199)
Net book value	**326,668**	**39,763**	**25,415**	**237,989**	**3,790**	**633,625**
Net book value at the beginning of the year	303,344	35,017	16,252	198,502	2,458	555,573
Additions	41,250	17,773	30,944	55,292	2,850	148,109
Disposals	-	-	-	-	(1,408)	(1,408)
Depreciation for the year	(17,926)	(13,027)	(21,781)	(15,805)	(1,518)	(70,057)
Disposals' accumulated depreciation	-	-	-	-	1,408	1,408
Net book value	**326,668**	**39,763**	**25,415**	**237,989**	**3,790**	**633,625**

25. Income Tax

25.1 Deferred income tax

Deferred tax has been calculated on all temporary tax differences using the balance sheet method .The deferred tax assets as a result of the carried forward tax losses are not recognized unless in case of probable future tax profits, The Bank does not offset deferred tax assets and deferred tax liabilities unless the bank has a legally enforceable right to set off current tax assets against current tax liabilities; and if the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Deferred tax assets and liabilities.

Deferred tax assets and liabilities	Deferred tax assets 31 December 2022 EGP Thousands	Deferred tax assets 31 December 2021 EGP Thousands	Deferred tax liabilities 31 December 2022 EGP Thousands	Deferred tax liabilities 31 December 2021 EGP Thousands
Tax impact on temporary differences arising from:				
Property and equipment	-	-	(5,405)	(10,115)
Provisions (other than the provision for loan impairment)	5,867	4,098	-	-
Differences in fair value of financial investments at FVOCI	5,873	-	(11,447)	-
Total	11,739	4,098	(16,852)	(10,115)
Deferred tax assets (liabilities), net	(5,113)	(6,017)		

Movement of deferred tax assets and liabilities	Deferred tax assets 31 December 2022 EGP Thousands	Deferred tax assets 31 December 2021 EGP Thousands	Deferred tax liabilities 31 December 2022 EGP Thousands	Deferred tax liabilities 31 December 2021 EGP Thousands
Beginning balance	4,098	3,634	(10,115)	(7,088)
DT recognized during the year	7,641	464	-	(3,027)
DT utilized during the year	-	-	(6,737)	-
Ending balance	**11,739**	**4,098**	**(16,852)**	**(10,115)**

Balances of DT assets (liabilities) recognized directly in equity	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Differences in fair value of financial investments at FVOCI	(5,574)	-
Ending balance	**(5,574)**	**-**

25.2 Current income tax payable

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	267,821	318,298
Current income tax recognized during the year	906,476	611,946
Transferred from tax liability provision to tax claims	(145,250)	-
Tax paid during the year	(485,343)	(662,423)
Ending balance	**543,704**	**267,821**

26. Due to banks

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Current accounts	68,075	342,599
Deposits	1,834,830	554,171
Total	**1,902,905**	**896,770**
Local banks	866,019	89,326
Foreign banks	1,036,886	807,444
Total	**1,902,905**	**896,770**
Non-profit bearing balances	68,075	342,599
Floating profit bearing balances	1,834,830	554,171
Total	**1,902,905**	**896,770**

27. Customers' deposits

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Demand deposits	11,029,713	10,640,242
Time deposits and call accounts	27,741,162	28,854,776
Term saving certificates	26,449,754	22,706,628
Saving deposits	7,843,402	9,058,744
Other deposits	1,355,922	1,308,998
Total	**74,419,953**	**72,569,388**
Corporate deposits	37,350,838	37,527,918
Retail deposits	37,069,115	35,041,470
Total	**74,419,953**	**72,569,388**
Non-profit bearing balances	6,415,269	5,290,892
Floating profit bearing balances	68,004,684	67,278,496
Total	**74,419,953**	**72,569,388**

28. Subordinated and other Islamic financing

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
(A) Long-Term Restricted Finances	11,715	13,543
(B) Subordinated Finance (Main Shareholders)	-	314,334
(C) Subordinated Finance (Other Shareholders)	1,113,453	707,252
Total	**1,125,168**	**1,035,129**

(A) Long-Term Restricted Finances

- These represented as the "Musharaka" Contract concluded by and between the Bank & the Social Fund for Development to SMEs enterprises with a financing formula consistent with Islamic sharia instruction.
- Al Musharaka agreement profits (resulting from the returns on financing operations) are distributed equally to the Bank and SME Development Authority after a percentage of that return is deducted for the Bank as the Fund Manager.
- The Bank is also obliged to pay a return equal to the Bank's rate of return on deposits (3 months) for the lowest credit balance of the unused balance of the Fund's share of Al Musharaka agreement capital.

(A) Long-Term Restricted Finances	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	13,543	2,788
Additions	-	12,500
Amounts paid during the year	(1,828)	(1,745)
Total	11,715	13,543

(B) Subordinated Finance (Main Shareholder)

- On March 16, 2008, an "Investment Mudaraba Deposit Contract" has been concluded with (Al Baraka Group) - the bank's main shareholder - to support the Bank's subordinated capital in an amount of USD 20 million, and was due on 31 March 2013.
- On March 31, 2013, (Al Baraka Group) deposited the amount of USD 20 million, through an offset between the value of the old and new contract, as an (investment mudaraba deposit), in order to support the Bank's subordinated capital. The maturity date of this deposit on June 30, 2018, The deposit profits are calculated according to the return rates applied on the Bank's depositors in US Dollars over five years. The returns are paid annually after relinquishing 10% of the Bank's share as mudarib. Al Baraka Group may withdraw this deposit only with the approval of the Central Bank of Egypt. On October 20, 2015, the deposit was extended to maturity on 20 June 2021, and on 7 June 2017, the deposit was extended to maturity on 30 June 2025.
- On March 7, 2022, the Bank made an early repayment of all Subordinated Finance from Al Baraka Group, which was due on June 30, 2025, in the amount of USD 20 million, after obtaining the approval of the Central Bank of Egypt.

(B) Subordinated Finance (Main Shareholders)	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	314,334	314,642
Amounts paid during the year	(314,334)	(308)
Total	-	314,334

(C) Subordinated Finance (Other Shareholders)

- On February 5, 2017, an (Investment Mudaraba Deposit Contract) has been concluded with (Misr Insurance Company) (one of the largest shareholders of our Bank) to support the Bank's subordinated capital in the amount of USD 25 million. The contract commences on February 23, 2017, for seven years. and the deposit is entitled to a return of 6.75% approximately with quarterly disbursement.
- On July 2, 2017, another agreement has been concluded with Misr Insurance Company (Investment Mudaraba Deposit Contract) to support the Bank's subordinated capital in the amount of 20 million US Dollars, over eight years. The deposit is entitled to a return of about 6.25% disbursed quarterly.

(C) Subordinated Finance (Other Shareholders)	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	707,252	707,945
Foreign currencies translation differences	406,201	(693)
Total	1,113,453	707,252

29. Other liabilities

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Accrued interest	641,860	562,463
Deferred revenues	25,119	40,193
Accrued expenses	176,166	129,200
Accounts under settlements	310,309	266,429
Other credit balances	274,900	345,427
Total	1,428,354	1,343,712

30. Other provisions

(EGP Thousands)

31 December 2022	Provision for legal claims	Provision for tax claims*	Provision for Contingents	Other provisions	Total
Beginning balance	6,628	15,436	81,531	11,587	115,182
Formed during the year	-	20,000	41,517	-	61,517
Released during the year*	-	(109,000)	(29,538)	-	(138,538)
Provisions no longer required during the year*	-	145,250	-	-	145,250
Used during the year	(470)	(33,647)	-	-	(34,117)
Foreign currencies translation differences	-	-	1,444	-	1,444
Ending balance	6,158	38,039	94,954	11,587	150,738

31 December 2021	Provision for legal claims	Provision for tax claims	Provision for Contingents	Other provisions	Total
Beginning balance	4,564	15,436	86,106	11,587	117,693
Formed during the year	2,164	-	(4,567)	-	(2,403)
Used during the year	(100)	-	-	-	(100)
Foreign currencies translation differences	-	-	(8)	-	(8)
Ending balance	6,628	15,436	81,531	11,587	115,182

***Corporate tax provision:** During 2022, the Bank charge the corporate tax provision of EGP 20 million in addition to EGP 127 million (transferred from credit balances) to reach EGP 162 million and according to ending the corporate tax inspection for the years (2007-2017), the Bank paid the tax dues and the delay penalties for that period with total amount of EGP 33.6 million.

On the other hand, and according to the tax liability study which declared that the total tax due for the years 2017 / 2021 amounted EGP 20 million therefore there is 109 million Egyptian pounds no longer required.

Stamp Duty tax Provision: according to the last tax inspection for the years until 2020 the expected tax dues for the years 2021 / 2022 is amounted EGP 2 million.

Salary tax provision: according to the last tax inspection for the years until 2017 the expected tax dues for the years 2018 / 2022 is amounted EGP 6 million.

Real estate tax provision: according to the current position of fixed assets and assets that were expropriated to the bank, the expected tax liability and the delay penalties amounted EGP 10 million. (Transferred from credit balances)

31. Defined benefits obligation

31.1 Post - employment benefits (defined benefit plans)

The Bank applies the medical care scheme for its employees during the period of service and their families, and post-retirement only until the age of 65 without their families. The bank recognizes the defined benefit obligation as a liability in the statement of financial position under "obligations for post- retirement schemes" to cover the total value of such obligations. Which comprises the present value of the defined benefit obligations at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealized actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.

The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high-quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.

The forecasted costs of these benefits are accrued throughout the recruitment period using an accounting method similar to that used in defined benefit systems.

- The discount rate used to determine benefit obligations is 16.10%.
- The inflation rate used to determine benefit obligations is 13.00%.
- The compensation increase rate used to determine benefit obligations is 16.24%.
- Life and mortality schedule used: Based on the British A67-70ULT table to calculate the rates of both life and total disability.
- Termination benefits table (Projected unit credit method)

31.2 The main actuarial assumptions summarized as follows:

Amounts recognized in the statement of financial position:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Liability for post-retirement medical benefits	63,925	130,206

Liability movements during the year are represented as follows	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Balance at the beginning of the financial year	130,206	112,277
Current service cost	10,989	9,951
Past Service Cost - Adjustments to benefits	(100,134)	15,877
Cost of return on the medical benefits obligation	25,220	13,686
Actuarial gain/losses	5,873	(19,061)
Benefits paid by the employer	(8,230)	(2,524)
Estimate of post-retirement medical benefits during the year	63,925	130,206

The main actuarial assumptions used by the Bank are outlined below:	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Average assumptions to determine benefit obligations		
Rate of return used to dicount remedial benefits after retirement(%)	16.10%	16.10%
Rate of increase in compensation (%)	16.24%	16.24%
Rate of inflation (%)	13.00%	13.00%

32. Capital

32.1 Authorized Capital

The authorized capital amounted to EGP 10 billion (31 December 2021: EGP 2 billion).

32.2 Issued and paid-up Capital

The Issued and Paid-up Capital amounted to EGP 5,089,974 thousand on December 31, 2022, with a nominal value of EGP 7 each, the shares were paid in Egyptian pound (31 December 2021: EGP 1,546,447 thousand).

31 December 2022	No. of common shares	Common shares	EGP Thousands Total
Beginning balance	220,921,033	1,546,447	1,546,447
Dividends for year 2019 used to capital increase	44,184,208	309,290	309,290
Reserves used to capital increase	462,033,889	3,234,237	3,234,237
Ending balance	727,139,130	5,089,974	5,089,974

31 December 2021	No. of common shares	Common shares	Total
Beginning balance	220,921,033	1,546,447	1,546,447
Ending balance	220,921,033	1,546,447	1,546,447

- On April 15, 2021, albaraka's OGM approved to increase the Paid-up Capital with a total amount of EGP 1,113,442 thousand, this amount was recognized under amounts paid under capital increase line, until the completion of the procedures for registering this increase to reach EGP 1,422,732 thousand, on April 14, 2022, the capital increase was approved with a total amount of EGP 2,120,795 thousand through the distribution of bonus shares. which funded by: the shareholders' share in the profits of the year 2021 of EGP 742,295 thousand; and Usage the balances of the legal and general reserve of EGP 1,378,501 thousand; On December 7, 2022, the bonus shares were distributed in accordance with the decision of the extraordinary general assembly dated September 29, 2022, Accordingly the issued and paid-up capital became EGP 5,089,974 thousand on December 31, 2022.

33. Reserves

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Legal reserve	237,897	448,666
General reserve	-	929,834
General banking risk reserve	118,566	118,566
Capital reserve	10,365	9,239
General risk reserve	214,926	214,926
Fair value reserve	22,476	49,272
Total	604,230	1,770,503

33.1 Legal Reserve

According to the Bank's Articles of Association, 10% of net profit of the year shall be transferred to a non-distributable statutory reserve until it reaches 100% of the bank's capital.

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	448,666	448,666
Transferred from retained earnings	237,897	-
Transferred to capital increase	(448,666)	-
Ending balance	237,897	448,666

33.2 General Reserve

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	929,834	929,834
Transferred to capital increase	(929,834)	-
Ending balance	-	929,834

33.3 Capital Reserve

It is supported by the profits ensuing of selling the fixed assets owned by the Bank, for the purpose of consolidating the Bank's financial position.

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	9,239	9,239
Transferred from retained earnings	1,126	-
Ending balance	10,365	9,239

33.4 Fair Value Reserve

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	49,272	28,955
Net change in fair value of equity instruments	10,555	13,463
Net change in fair value of debt instruments	(34,198)	7,254
Expected credit losses for debt instrument at FVOCI	2,421	(400)
Deferred income tax recognized during the year	(5,574)	-
Ending balance	22,476	49,272

34. Retained Earnings

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Beginning balance	1,264,491	1,422,270
Transferred to legal reserve	(237,897)	-
Transferred to capital reserve	(1,126)	-
Banking system support and development fund	(11,313)	(12,477)
Cash dividends (share of employees and remuneration of members of the Board of Directors and shareholders)	(136,000)	(164,227)
Shareholders' dividends used to capital increase	(742,295)	(1,113,442)
Net profit for the year	1,755,017	1,132,367
Ending balance	**1,890,877**	**1,264,491**

35. Contingent Liabilities and other Commitments

35.1 Legal Claims (litigation)

Several lawsuits have been filed versus the Bank and accordingly a provision has been formed for this purpose on December 31, 2022, in the amount of EGP 6,157 thousand, against EGP 6,628 thousand as at December 31,2021.

35.2 Capital Commitments

(EGP Thousands)

31 December 2022	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Operating lease commitments	7,422	38,592	23,801	69,815
Capital commitments resulting from acquisition of property and equipment	83,227	-	-	83,227

31 December 2021	"Less than one year"	"More than one year and less than 5 years"	"More than 5 years"	Total
Capital commitments resulting from acquisition of property and equipment	35,299	-	-	35,299

35.3 Contingent liabilities

	31 December 2022 EGP Thousands	31 December 2021 EGP Thousands
Letter of Credit (import and export)	334,254	387,282
Letter of Guarantee	2,902,881	2,526,179
Accepted notes for suppliers facilities	108,933	437,530
Total	**3,346,068**	**3,350,991**

36. Tax Position

36.1 Corporate Tax:

- **From the beginning of activity till the end of 31 December 2006**

The Bank's books have been inspected, and the due tax was paid.

- **Years 2007 till 2017**

The Bank's books have been inspected, and the due tax was paid were obtained (Form 9A)

- **Years 2018 till 2021**

The Bank submitted its tax return in the due date according to the Income Tax Law No. 91 of 2005 and its amendments, the Bank's books have not been inspected yet.

- **Year 2022**

The Bank will submit its tax return within the legal deadline before 4/30/2023.¬¬¬¬

36.2 Salaries Tax:

- **From the beginning of activity till the end of 31 December 2017**

The Bank's books have been inspected, and the due tax was paid.

- **Years from 2018 till 2022.**

The years from 2018 to 2021 are being inspected, and the required documents have been submitted and the result of the tax inspection still awaiting till date, noting that the bank regularly calculating the salaries tax on a monthly basis and submit it to the Tax Authority.

36.3 Stamp duty Tax:

- **The period from the beginning of the activity till the end of 31 December 2020**

The actual inspection was carried out and the final settlement and payment of the receivable was made for the period.

- **Years from 2021 till 2022.**

The bank regularly calculates and pays its stamp duties, and no notice of inspection has been received to date

36.4 Withholding Tax:

The bank regularly calculates and pays its withholding tax. and no notice of inspection has been received to date.

37. Mutual Funds

(EGP Thousands)

31 December 2022	Al Baraka Fund	Al Bashayer Fund	Al Motawazen Fund	Al Barakat Fund
Establishment date	30 March 2006	31 March 2009	10 May 2010	24 June 2019
License	"Number 246 issued by the Capital Market General Authority"	"Number 432 issued by the Capital Market General Authority"	"Number 580 issued by the Egyptian Financial Supervisory Authority"	"Number 778 issued by the Egyptian Financial Supervisory Authority"
Fund Manager	"Hermes Funds Management Company"	"The National Funds Management Company"	"Al Tawfik Company for Portfolio Management"	"Hermes Funds Management Company"
Total number of fund's certificates	236,134	1,187,191	173,532	2,929,876
Total number of fund's certificates (Banks' share)	147,630	45,403	52,700	124,255
NAV per certificate	148.85	112.02	111.44	135.24
Total Redeemable value of fund's certificates	35,149	132,989	19,338	396,236
Total Redeemable value of fund's certificates (Banks' share)	21,975	5,086	5,873	16,804

38. Related Parties Transactions

(EGP Thousands)

Related parties outstating balances can be analyzed below:	31 December 2022 Main Shareholders	31 December 2022 Directors and other key management	31 December 2022 Subsidiaries	31 December 2021 Main Shareholders	31 December 2021 Directors and other key management	31 December 2021 Subsidiaries
Financing and credit facilities to customers	-	1,000	693,397	-	-	-
Financial investments measured at FVOCI	25,600	-	-	-	-	-
Subordinated Finance from ABG (Note 25)	-	-	-	314,334	-	-
Subordinated finance from Other Shareholders (Note 25)	1,113,453	-	-	707,252	-	-
Customers' deposits	597,803	18,674	102,641	269,594	17,632	102,956
Due to banks	623,819	-	-	-	-	-
Investment with banks (Note 17)	681,404	-	-	138,307	-	-

Related parties transactions can be analyzed below:	31 December 2022 Main Shareholders	31 December 2022 Directors and other key management	31 December 2022 Subsidiaries	31 December 2021 Main Shareholders	31 December 2021 Directors and other key management	31 December 2021 Subsidiaries
Profit received from financing and credit facilities	-	41	10,543	-	-	-
Profit received from placements and current accounts	8,209	-	-	-	-	-
Profit paid on subordinated finance	(49,917)	-	-	(41,030)	-	-
Profit paid on deposits and current accounts to customers	(18,850)	(659)	(6,413)	(18,482)	(988)	(9,934)
Profit paid on deposits and current accounts to banks	(8,446)	-	-	(79)	-	-
"The annually average of gross salaries and benefits for top 20 employees*"	-	(56,579)	-	-	(64,732)	-

- Investments with banks on December 31 2022 includes an amount of EGP 458,713 thousand representing investments with banks belonging to Al Baraka Group (EGP 301,379 thousand at 31 December 2021).
- Due to banks on December 31, 2022, includes an amount of EGP 361,192 thousand representing balances with banks belonging to Al Baraka Group - the bank's main shareholder.
- Financial assets at FVTOCI on 31 December 2022 includes the amount of EGP 25,600 thousand representing investments in the Islamic Bank of Jordan of Al Baraka Group - the bank's main shareholder (Compared to EGP 14,650 thousand at 31 December 2021).
- The total remuneration and allowances for board members during the financial period ended December 31, 2022, amounted to EGP 8,800 thousand.

39. Prior Years Adjustment

Comparative figures have been adjusted to reflect the reclassification impact of defined benefits obligation from other liabilities as well as the adjustment of profit in suspense on investments with banks in addition to the reclassification of government treasury bills to financial investments at amortized cost as follows:

(EGP Thousands)

	31 December 2021			
	Before	Reclassification		After
Balance sheet		Transferred from	Transferred to	
Other liabilities	1,427,302	(136,726)	53,136	1,343,712
Other assets	1,239,206	53,136	-	1,292,342
Defined benefits obligation	-	-	130,206	130,206
Investment with banks	2,592,430	-	(6,520)	2,585,910
Treasury bills	3,019,833	(3,019,833)	-	-
Financial investment measured at amortized cost	16,674,041	-	3,019,833	19,693,874

40. Significant events

- The Monetary Policy Committee (MPC) of the Central Bank of Egypt affirmed in its extraordinary meeting on 21 March 2022 that the Central Bank of Egypt believes in the importance of exchange rate flexibility, as global inflationary pressures began to appear again, after signs of recovery of the global economy from the turmoil caused by the Coronavirus pandemic, due to developments of the Russian-Ukrainian conflict. To maintain the targeted inflation rates, the Central Bank of Egypt raised the overnight deposit and lending rates and the main transaction price by 100 basis points to reach 9.25%, 10.25% and 9.75%, respectively. The credit and discount rate were also raised by 100 basis points to reach 9.75%, which may affect the bank's policies in pricing current and future banking products. As a result, the value of assets and liabilities in foreign currencies as well as the income statement were affected by the valuation, where the average exchange rate of the dollar was raised from 15.7 pounds per dollar to 24.7 pounds per dollar, On 19 May 2022, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 200 basis points to 11.25 percent, 12.25 percent, and 11.75 percent, respectively. The discount rate was also raised by 200 basis points to 11.75 percent, On 27 October 2022, Central Bank of Egypt (CBE) has decided to intensify its reform agenda to secure macroeconomic stability and achieve strong, sustainable, and inclusive growth. To this end, the CBE moved to a durably flexible exchange rate regime, leaving the forces of supply and demand to determine the value of the EGP against other foreign currencies. Furthermore, to uphold the CBE's mandate of ensuring price stability over the medium term, the monetary policy committee (MPC) has decided in its special meeting to raise the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 200 basis points to 13.25 percent, 14.25 percent, and 13.75 percent, respectively. The discount rate was also raised by 200 basis points to 13.75 percent, On 22 December 2022, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 300 basis points to 16.25 percent, 17.25 percent, and 16.75 percent, respectively. The discount rate was also raised by 300 basis points to 16.75 percent.
- **April 14, 2022:** the Extraordinary General Assembly of the Bank's shareholders approved the distribution of 71.427% of the paid capital at 0.714% bonus share for one. (Included PUC of EGP 1,422,732 thousand) accordingly the issue and paid-up capital reached EGP 5,089,974 thousand, the increase of EGP 2,120,795 thousand from shareholders' profits for 2021 and EGP 1,378,501 thousand by using statutory and public reserves balances before consolidating the 2020 dividend as approved by CBE.
- **September 29, 2022:** the bank's EGM approved to increase the Authorized Capital from EGP 2 billion to EGP 10 billion, and the Issued and Paid-up Capital from EGP 1,855,737 thousand to EGP 5,089,974 thousand, over EGP 727,139,130 shares. valued at 7 EGP each, all represents as a common stock equity, in accordance with the resolutions of the Regular General Assembly of 15 April 2021 and 14 April 2022, subject to the approval of the Central Bank of Egypt.

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