Translated into English originally issued in Arabic

EGYPTIAN JOINT STOCK COMPANY
SEPARATE FINANCIAL STATEMENTS
For The Year Ended
31 December 2023
With Audit Report

Allied for Accounting and Auditing – E.Y
Public Accountants & Consultants

United Accountants (Member of Nexia international)
Public Accountants & Consultants

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Translation of Auditor's Report
Originally issued in Arabic.

Auditors' Report

To The Shareholders of Arab African International Bank "S.A.E."

Report on the separate financial statements

We have audited the accompanying separate financial statements of Arab African International Bank "S.A.E." (the "Bank"), which comprise the separate financial position as at 31 December 2023 and the related separate statements of income, changes in equity, comprehensive income 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 the Bank's management. Management is responsible for the preparation and fair presentation of these 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 on 16 December 2008 as amended by the regulations issued on 26 February 2019 and in light of the prevailing Egyptian laws and regulations. The management 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 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 financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the 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 auditor's judgement, 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 these 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 Arab African International Bank "S.A.E." as of 31 December 2023 and of its financial performance and its separate cash flows for the year then ended, 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 16 December 2008 as amended by the regulations issued on 26 February 2019 and in light of the prevailing Egyptian laws and regulations related to the preparation of these separate financial statements.

Report on other legal and regulatory requirements

No contravention of the Central Bank and Banking Sector Law No. 194 of the year 2020 were noted during the financial year ended 31 December 2023.

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 according to law no. 159 of 1981 and its executive regulation, is in agreement with the books of the bank insofar as such information is recorded therein.

Cairo 5 March 2024

Auditors

Ehab Morad Azer
Central Bank Registration No.148
Allied for Accounting and Auditing – EY

Sayed Khalil Sayed El deeb
Central Bank Registration No.464
United Accountants (Member of NEXIA international)
Public Accountants & Consultants

Allied For Accounting & Auditing
A Member of
Ernst & Young Global

arab african international bank

Translated into English

For the Year ended 31 December 2023
(All amounts are in thousands US dollars unless otherwise mentioned)

Arab African International Bank
(Egyptian joint stock company)
Separate statement of financial position
As at 31 December 2023

	Note	31 December 2023 US$ '000	31 December 2022 US$ '000
Assets			
Cash and due from Central Banks	(15)	1,621,545	1,164,978
Due from banks	(16)	4,942,057	2,719,349
Loans and advances to Banks	(19)	205,531	158,642
Loans and advances to customers	(20)	4,568,985	4,638,735
Financial derivatives	(21)	-	4,556
Financial Investments:			
At fair value through O.C.I.	(17)	3,170,832	1,645,818
At amortized cost	(17)	2,278,749	2,316,282
Investments in subsidiaries and associates	(22)	42,298	44,731
Investments properties	(18)	2,401	2,453
Intangible assets	(26)	42,897	29,795
Other assets	(23)	372,272	304,212
Deferred tax assets	(24)	26,700	25,691
Fixed assets	(25)	141,273	113,805
Total Assets		**17,415,540**	**13,169,047**
Liabilities & Shareholders' equity			
Liabilities			
Due to banks	(27)	1,020,425	863,732
Treasury bills sold with repurchase agreement	(34)	14,748	19,376
Customers' deposits	(28)	12,726,487	8,808,780
Financial Derviatives	(21)	1,160	-
Other liabilities	(29)	261,680	221,949
Loans and facilities from banks	(30)	1,013,083	1,028,327
Other provisions	(31)	27,434	38,762
Current income tax liabilities	(32)	57,007	26,169
Retirement benefits obligations	(33)	61	-
Total Liabilities		**15,122,085**	**11,007,095**
Shareholders' equity			
Paid-in capital	(35)	500,000	500,000
Reserves	(36)	243,031	272,543
Retained earnings	(37)	1,550,424	1,389,409
Total Sharesholders' equity		**2,293,455**	**2,161,952**
Total liabilities and Sharesholders' equity		**17,415,540**	**13,169,047**

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Mohamed Raef	Tamer Waheed	Bader M. Alhumaidhi
Group Chief Financial Officer	Vice Chairman and Managing Director	Chairman

"Audit Report attached"

(All amounts are in thousands US dollars unless otherwise mentioned)

Arab African International Bank
(Egyptian joint stock company)
Separate statement of Profit or Loss
For The Year Ended 31 December 2023

	Note	For the year ended at 31 December 2023	31 December 2022
		US$ '000	US$ '000
Interest Income & Similar revenues	(6)	1,404,218	1,012,697
Interest Expense & Similar costs	(6)	(898,347)	(599,513)
Net interest income		**505,871**	**413,184**
Fees & Commission income	(7)	112,899	84,717
Fees & Commission expenses	(7)	(20,983)	(19,149)
Net Fees & Commission income		**91,916**	**65,568**
Dividends Income	(8)	2,319	2,486
Net trading income	(9)	37,254	29,271
Expected credit losses	(10)	(106,528)	(86,952)
(loss)/gain on Financial Investments	(17)	(1,270)	(673)
Administrative expenses	(11)	(155,429)	(151,309)
Other operating expense	(12)	(44,827)	(44,383)
Profit before income tax		**329,306**	**227,192**
Income tax expenses	(13)	(101,612)	(84,023)
Net profit for the Year		**227,694**	**143,169**
Earnings per share (dollar / share)	(14)	**2.04**	**1.29**

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be rerad therewith.

(All amounts are in thousands US dollars unless otherwise mentioned)

Arab African International Bank

(Egyptian joint stock company)

Separate statement of O.C.I. (Other Comprehensive Income)

For The Year Ended 31 December 2023

	For the year ended at	
	31 December 2023	31 December 2022
	US$ '000	US$ '000
Net profit for the Year	227,694	143,169
Items that will not be reclassified to the profit or loss		
Net change in fair value reserve for financial investments in equity instruments at fair value through other comprehensive income	(458)	(12,822)
Transfered from retained earnings to fair value reserve	-	13,232
Total	**(458)**	**410**
Items that may be reclassified to the profit or loss		
Net change in fair value reserve of debt instruments at fair value through O.C.I.	(38,925)	(87,430)
Expected credit loss for debt instruments measured at fair value through O.C.I.	3,603	1,725
Total	**(35,322)**	**(85,705)**
Tax impact related to items that may be reclassified to O.C.I.	(4,659)	20,398
Total other comprehensive income items after tax	**(40,439)**	**(64,897)**
Total comprehensive income after tax	**187,255**	**78,272**

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

(All amounts are in thousands US dollars unless otherwise mentioned)

Arab African International Bank
(Egyptian joint stock company)
Separate statement of Changes in Equity
For The Year Ended 31 December 2023

	Paid In Capital	Legal reserve	General reserve	Fair value reserve	Special reserve credit	General Risk reserve	General banking risk reserve	Other reserve(*)	Retained Earnings	Total
	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000	US$ '000
Balance as at 1 January 2022 Before dividends declaration	500,000	179,018	10,000	13,198	61,974	23,481	3,752	5,533	1,345,045	**2,142,001**
Transferred to reserve from retained earnings	-	13,655	-	13,232	25,696	-	2,148	355	(55,086)	-
Dividends of the year ended 2021	-	-	-	-	-	-	-	-	(42,389)	**(42,389)**
Transferred from Retained Earnings to other credit balances	-	-	-	-	-	-	-	-	(1,330)	**(1,330)**
Foreign Currency Exchange Reserve	-	-	-	-	-	-	(1,370)	-	-	**(1,370)**
Net change in other comprehensive income items	-	-	-	(78,129)	-	-	-	-	-	**(78,129)**
Net Profit for the Year Ended at 31 December 2022	-	-	-	-	-	-	-	-	143,169	**143,169**
Balance as at 31 December 2022	**500,000**	**192,673**	**10,000**	**(51,699)**	**87,670**	**23,481**	**4,530**	**5,888**	**1,389,409**	**2,161,952**
balance as at 1 January 2023 before dividends declaration	500,000	192,673	10,000	(51,699)	87,670	23,481	4,530	5,888	1,389,409	**2,161,952**
Transferred to reserve from Retained Earnings	-	14,281	-	-	892	-	1,766	245	(17,184)	-
Dividends of the year ended 2022	-	-	-	-	-	-	-	-	(48,088)	**(48,088)**
Transferred from Retained Earnings to other credit balances(**)	-	-	-	-	-	-	-	-	(1,407)	**(1,407)**
Foreign Currency Exchange Reserve	-	-	-	-	-	-	(900)	(5,357)	-	**(6,257)**
Net change in other comprehensive income items	-	-	-	(40,439)	-	-	-	-	-	**(40,439)**
Net Profit For the Year Ended at 31 December 2023	-	-	-	-	-	-	-	-	227,694	**227,694**
Balance as at 31 December 2023	**500,000**	**206,954**	**10,000**	**(92,138)**	**88,562**	**23,481**	**5,396**	**776**	**1,550,424**	**2,293,455**

**Transferred from Retained Earnings to other credit balances represents 1% from distributable net profit for support and develop the banking sector fund for year 2022

* Other Reserves contains the following types of reserves (special reserve , capital reserve, foreign exchange reserve) , Movement of each reserve has been dislcosed separately in the financial statement disclosures

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Arab African International Bank
(Egyptian joint stock company)
Separate statement of cash flows
For the Year Ended 31 December 2023

	Note	31 December 2023 US$ '000	31 December 2022 US$ '000
Cash Flows from Operating Activities			
Profit before income tax		329,306	227,192
Adjustments to reconcile net profit to net cash provided from operating activities			
Depreciation and amortization	(11)	26,741	14,897
Impairment charge for Expected credit losses	(10)	106,528	86,952
Proceeds from debts previously executed	(20)	3,850	17,840
Other provision charges	(12)	(8,146)	19,628
Used from loans provisions	(20)	(90,076)	(14,996)
Provision foreign currency translation differences	(31)	(3,040)	(3,374)
Impairment in investment in subsidries and associates	(22)	2,433	2,801
Other provisions used other than loans provisions	(33)	(142)	(234)
Gain from financial assets	(17)	(1,163)	(2,128)
Dividends income	(8)	(2,319)	(2,486)
Gain on sale of fixed assets	(12)	(122)	(355)
Contribution in employees retirement benefit obligations	(33)	5,247	3,190
Used from employees retirement benefit obligations	(33)	(5,186)	(8,904)
Gain(loss) of monetary assets & liabilities revaluation difference	(17)	306,178	996,744
Operating profit before changes in assets and liabilities provided from operating activities		**670,089**	**1,336,767**
Net Decrease (Increase) in Assets and Liabilities			
Due from banks		474,691	659,497
Treasury bills		(743,006)	(246,747)
Financial Investments - Fair value through profit and loss		-	-
Loans and advances to customers & banks		54,577	443,403
Derivative financial instruments (Net)		4,556	(4,554)
Other assets		(68,060)	(24,226)
Due to banks		156,693	(778,945)
Customers' deposits		3,917,707	(1,357,182)
Credit balances and Other liabilities		39,792	(55,301)
Income taxes paid		(70,774)	(77,659)
Net cash flows Resulted from / (Used in) operating activities		**4,436,265**	**(104,947)**
Cash Flows From Investing Activities			
Payment to purchase securities other than financial assets at fair value through profit and loss		(1,547,075)	(1,138,666)
Proceeds from sale / redemption of securities other than financial assets at fair value through profit and loss		453,824	1,024,682
Gain on sale of Financial assets at fair value through other comprehensive income		1,163	2,128
Impairment charge in Investments in subsidiaries and associates		(2,433)	(2,801)
Gain on sale of fixed assets / assets reverted to the bank		122	355
Proceeds from dividends paid		2,319	2,486
Payment to purchase of fixed assets and branches equipment and improvement		-	(66,447)
Net cash flows (used in) investing activities		**(1,092,080)**	**(178,263)**
Cash Flows from Financing Activities			
Loans and advances from Banks		(15,244)	(14,530)
Cash dividends paid	(37)	(48,088)	(42,389)
Net cash flows (used in) financing activities		**(63,332)**	**(56,919)**
Net increase / (decrease) in cash and cash equivalents during the Year		**3,280,853**	**(340,129)**
Cash and cash equivalents at the beginning of the Year		3,838,067	4,178,196
Cash and cash equivalents at the end of the Year		**7,118,920**	**3,838,067**
Cash and cash equivalents are represented in:			
Cash and due from Central Banks		1,621,545	1,164,978
Due from banks		4,942,057	2,719,349
Treasury bills		2,769,926	2,026,920
Balances with the Central Banks limited to the reserve ratio		(1,520,365)	(1,108,411)
Deposits with banks (matured over than three months)		-	(27,000)
Treasury bills (matured over than three months)		(694,243)	(937,769)
Cash and cash equivalents	(45)	**7,118,920**	**3,838,067**

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

Arab African International Bank
(Egyptian joint stock company)
Statement of proposed appropriation
for the Year ended 31 December 2023

	31 December 2023 USD'000	31 December 2022 USD'000
Net profit for the year	227,694	143,169
Add / Deduct:		
General banking risk reserve	(1,766)	(2,148)
Gain from sale - fixed assets transferred to capital reserve	(245)	(355)
Net profit for distribution	**225,683**	**140,666**
Add / Deduct:		
Retained earnings after profit distribution	1,325,633	1,287,671
Transferred to special reserve credit	(892)	(25,696)
Transferred to OCI reserve	-	(13,232)
Total	**1,550,424**	**1,389,409**
Distributed as follows:		
legal reserve	22,745	14,281
Shareholders dividends (First distribution)	10	10
Employee distribution	20,293	12,638
Remuneration of board members	675	450
Shareholders dividends (Second distribution)	39,990	34,990
Banking sector development and support fund	2,257	1,407
Retained earnings at the end of the year	1,464,454	1,325,633
	1,550,424	**1,389,409**

The accompanying notes from (1) to (47) form an integral part of these financial statements and to be read therewith .

1. General Information

Arab African International Bank was established as an Egyptian Joint Stock Company by special law no. 45 for the year 1964 in the Arab Republic of Egypt. Its registered Head office is at 5 Midan Al-Saray Al Koubra, Garden City, Cairo. The bank is not listed in the Egyptian stock market.

Arab African International Bank (Egyptian joint stock Company) provides retail, corporate banking and investment banking services in Its Head office and a network of branches in the Arab Republic of Egypt (96 branches & units), (2 branches) in United Arab Emirates, and (1 branch) in Lebanon. The bank has more than 3,090 employees available at the balance sheet date.

These financial statements were approved by the Board of Directors in the 4th of March 2024.

2. 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 the period presented, unless otherwise stated.

A. Basis of preparation

The separate financial statements have been prepared conforming with the Egyptian financial reporting standards and its amendments in compliance with the Central Bank of Egypt regulations and as approved by the Board of Directors on December 16, 2008.

In addition to the Egyptian Financial Reporting Standards, the International Financial Reporting Standard no (9) issued on Feb 26, 2019 is applied as per the instructions of the Central Bank of Egypt

B. Classification of financial assets and financial liabilities

At initial recognition, financial assets are classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The financial assets are classified according to how they are managed (the Bank's business model) and their contractual cash flow characteristics.

B/1 Financial assets are measured at amortized cost if the following two conditions are met :

- The management intented to maintain the asset to collect contractual cashflows and;
- This contractual condition of financial assets will build cashflows in certain dates which are Solely Payments of Principle and Interest (SPPI).

B/2 Debt instruments have been measured at fair value through other comprehensive income "FVTOCI" if it is not measured at fair value through profit or loss and the following two conditions are met:

- The management intented to maintain the asset to collect contractual cash flow and/or sale of the financial asset;

B/3 Financial assets are measured at fair value through profit and loss "FVTPL" if the following condition is met:

- The management intended to maintain the asset within a business model that do not aim neither to hold the asset nor to collect its contractual cashflows.

Upon initial recognition of equity investments that are not held for trading, the Bank may choose irrevocably to present changes in fair value in other comprehensive income.

All other financial assets will be classified as fair value through profit or loss.

In addition to that, at initial recognition, the bank may choose irrevocably to measure a financial asset that satisfies the measurement conditions of amortized cost or fair value through profit or loss (FVTPL) at fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL).
At initial recognition of investment in securities that are not held for trading, the bank may choose irrevocably to measure the subsequent changes in securities fair value through Other comprehensive income statement. All other financial assets are classified at fair value through profit or loss (FVTPL)

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

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

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

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI TEST).
For the purposes of this assessment, "principal" is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as a consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.
In assessing whether the contractual cashflows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that it would not meet this condition.

Impairment of financial assets
According to Central Bank of Egypt (CBE) instructions dated February 26, 2019, IFRS9 to replace impairment loss model recognized according to previous instructions dated December 16, 2008, with excepted credit loss (ECL). Expected credit loss is also applied on all financial assets in addition to some financial guarantees and loan commitments.
According to IFRS 9; impairment losses will be recognized earlier than when applying impairment losses according to Central Bank of Egypt (CBE) instructions dated December 16, 2008.
The Bank applies three stages to measure expected credit losses on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive

income. The financial assets can transfer between these three stages according to changes in credit quality since initial recognition.

Stage 1: 12 months Expected Credit Loss:
It includes financial assets on initial recognition, financial asstes that did no have any significant increase in credit risk since initial recognition, or those that have low credit risk. For these assets, expected credit loss is recognized on the gross carrying amount of the asset based on the expected credit losses that result from default events that are possible within 12 months after the reporting date.

Stage 2: Lifetime Expected Credit Loss - not credit impaired:
It includes financial assets that have a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. Lifetime expected credit losses are recognized for theses assets, while interest is still calculated on the gross carrying amount of the asset. Lifetime expected credit loss is the expected credit loss that results from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired
It includes financial assets that have an objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss is recognized and interest is marginalized and recorded as Off-Balance sheet item.

C. Subsidiaries and associates

C/1 Subsidiaries

Subsidiaries are all entities where the bank has direct or indirect power to govern its financial & operating policies, generally accompanied by shareholding more than half of the voting rights. However, in individual cases, the bank may still exercise control with less than 50% shareholding, or may not be able to exercise control even with ownership over 50%. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank has the power to control the entity.

C/2 Associates

Associates are all entities over which the bank has direct or indirect significant influence but not control over the entity, generally accompanying a shareholding of between 20% and 50% of the voting rights.
Purchase method of accounting has been applied to all the acquisition operations. The cost of acquisition is measured at fair value or through the assets offered and/or equity securities issued and/or liabilities incurred and/or liabilities accepted on behalf of the acquired company, at the date of the exchange, plus costs directly attributed to the acquisition. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of acquisition cost over the fair value of the bank's share of the identifiable net assets acquired is recorded as Goodwill. If the cost of acquisition is less than the fair value of the net assets of the entity acquired, the difference is recognized directly in the income statement into other operating income (expenses).

In the separate financial statements, the investments in subsidiaries and associates are subsequently accounted for using the cost method on the separate financial statements. According to the cost method; investments are recognized at acquisition cost plus any goodwill or less any impairment losses in value-if any-. Dividends are recognized as revenue in the separate income statement when they are declared and the bank's right to collect them has been established.

D. Segment reporting

An operating segment is a group of assets and operations providing products or services whose risks and benefits are different from those associated with products or services provided by other operating segments.

A geographical segment provides products or services within a specific economic environment characterized by risks and benefits different from those related to other geographical segments operating in a different economic environment.

Foreign currency translation

D/1 Transactions in foreign currencies

The bank maintains its accounts in US dollar. Foreign currency transactions are translated using the exchange rates prevailing at the date of the transactions. All monetary assets and liabilities balances in foreign currencies at the balance sheet date are translated at the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in the following items in the income statement:-

- Net trading income for trading assets and liabilities or net income from financial instruments classified at initial recognition as fair value through profit or loss, and for assets/liabilities classified at initial recognition as fair value through profit or loss are recognized according to its type.
- Other Operating income (expense) for the rest of items.
- Changes in the fair value of monetary instruments denominated in foreign currencies classified as available for sale investments (debt instruments) are analyzed between translation differences arising from changes in amortized cost of the instrument and differences arising from changes in exchange rates prevailing and differences arising from changes in the fair value of the instrument. In the income statement, the difference in valuation related to the changes in amortized cost is recognized with the income of loans and similar income and with differences in exchange rate in other operating income (expenses). The difference in fair value is recognized in equity (Fair value reserve / financial investments available for sale).
- Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available for sale financial assets, are included in the fair value reserve in equity.

D/2 Foreign branches

The bank translates results of business and financial position of foreign branches to presentation currency (if they don't operate in an accelerating inflation economy) in which the functional currency is different from the presentation currency of the bank as follows:

Translation of assets and liabilities at each financial statement presented to the foreign branch using the closing price on the date of this financial statement.
Translation of income & expenditure in each income statement is presented using the average exchange rates, unless the average doesn't represent an acceptable approximation of the cumulative effect of the rates applicable at the date of transactions, then the translation of income & expenditure will be by using exchange rate at the transaction date.

Recognition of the resulting currency differences in a separate item (foreign exchange transaction differences) in equity. Foreign exchange resulting from the assessment of net investment in foreign branches, loans and financial instruments in foreign currency to cover the investment with the same item are also transferred to equity. These difference are recognized in the income statement upon disposal of foreign branches as the part of other operating income (expense).

E. Financial assets

Financial assets classified as: Amortized cost, Fair value through other comprehensive income (FVTOCI) or Fair value through profit or loss (FVTPL). The classification depends on the business model that manages the financial assets and its contractual cash flow

E/1 Financial assets classified as amortized cost

The financial asset is retained in the business model of financial assets held to collect contractual cash flow.

- The objective from this business model is to collect contractual cash flow which represented in principal and interest.
- The sale is an exceptional event for this model and under the terms of the standard represented in following:
- Significant deterioration for the issuer of financial instrument;
- Lowest sales in terms of rotation and value;
- A clear and reliable documentation process to be done to justify each sale and its conformity with the requirements of the standard.

E/2 Financial assets classified as fair value through other comprehensive income

The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sale to achieve the objective of the model.

Sales are high in terms of turnover and value as compared to the business model retained for the collection of contractual cashflows.

E/3 Financial assets classified as fair value through profit or loss

The financial asset is held in other business models including trading, management of financial assets at fair value, maximization of cashflows through sale.

The objective of the business model is not to maintain the financial asset for the redemption of principle or redemption of contractual cashflows and sale. Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs;
- Represents a complete framework for a specific activity (inputs - activities - outputs);
- One business model can include sub-business models.

F. Offsetting of financial instruments

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

G. <u>Financial Derivative and Hedge accounting</u>

Derivatives are recognized at fair value at the date of the derivative contract, and are subsequently revalued at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation methods such as the Discounted Cashflow module and the Options pricing module, as appropriate. Derivatives are carried as financial assets when its fair value is positive and as financial liabilities when its fair value is negative.
The financial derivatives embedded into other financial instruments such as convertible bonds must be treated as if they are separate derivatives when the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, and the hybrid (combined) instrument is not measured at fair value with changes in fair value recognized in profit or loss. The embedded derivatives are measured at fair value through profit or loss and changes in fair value are recognized in net trading income in the income statement.

The embedded derivatives are not separated if the Bank has chosen to classify the entire complex contract at fair value through profit or loss.

Recognition in profit or loss method that is arising from changes in the fair value of derivatives depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The parent bank designates certain derivatives as:

- Hedging instruments of the risks associated with fair value changes of recognized assets or liabilities or firm commitments (fair value hedge).
- Hedging of risks relating to future cash flows attributable to a recognized asset or liability or a highly probable forecast transaction (cash flow hedge).

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met. At the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions provided that at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

G/1 Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized immediately in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the interest rate swaps and the changes in the fair value of the hedged item attributable to the hedged risk are recognized in profit or loss. Additionally, interest differential on interest rate swaps is recognized in profit or loss as part of "Net interest income" line item in the income statement. Any ineffectiveness is recognized in profit or loss in "Net trading income".
When the hedging instrument no longer qualifies for hedge accounting, the adjustment to the carrying amount of a hedged item is measured at amortized cost by recognition to profit and loss during that period till the maturity date. Adjustment to the carrying amount of a hedged equity instrument that has been deferred in equity remains in equity until the asset is derecognized.

G/2 Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualified for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement in "Net trading income".

Amounts accumulated in equity are transferred to income statement in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "Net trading income".
When a hedging item expires or is sold or if hedging instrument no longer qualifies for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately through profit or loss

G/3 Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the profit and loss under" net trading income". However, gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or liabilities are included in “net income from financial instruments at fair value through profit or loss”.
Interest income and expense on all interest-bearing financial instruments are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method, except for those classified as held for trading or initially classified as fair value through profit or loss.
The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or cash 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 on initial recognition. When calculating the effective interest rate, the bank estimates the future cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties of the contract which is considered an integral part of the effective interest rate, in addition to transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets have been classified as nonperforming or impaired, the related interest income is not recognized and is recorded in marginal records apart from the financial statements, and is recognized as revenues according to cash basis as follows:

- When they are collected, after receiving all past due instalments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one period. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except after paying all the loan balance in the balance sheet before rescheduling.

H. <u>Interest income and expense:</u>

Interest income and expense on all interest-bearing financial instruments are recognized in "Interest income" and "Interest expense" line items in the income statement using the effective interest rate method, except for those classified as held for trading or initially classified as fair value through profit or loss.
The effective interest rate is a method of calculating the amortized cost of a financial asset or a financial liability and allocating its interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or cash 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 on initial recognition. When calculating the effective interest rate, the bank estimates the future cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties of the contract which is considered

an integral part of the effective interest rate, in addition to transaction costs and all other premiums or discounts.

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- When they are collected, after receiving all past due instalments for consumption loans, mortgage loans, and small business loans.
- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments and provided these installments continue to be paid for at least one period. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except after paying all the loan balance in the balance sheet before rescheduling.

I. Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue since the service is provided. Fees and commissions on non-performing, impaired loans and 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 or loss, at which time, fees and commissions that are 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 received by the bank to originate a loan are deferred if it is probable to be draw down and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate of the loan

And in case of the commitment period has expired without issuing the loan, fees and commission are considered as income at the end of the commitment period,

Fees related to debt instruments is mearsured by fair value and recognized as profit, Loan syndication fees are recognized as revenue when the syndication has been completed and the bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees 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 or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognized ratably over the Period in which the service is provided. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

J. Dividends income

Dividends are recognized in the income statement when the bank’s right to receive payment is established.

K. Treasury Bills, Purchase and resale agreements, and sale and repurchase agreements

Treasury bills are recognized when they are bought at face value and the issuance cost which represents the unearned interest on these bills and government bonds is recognized through credit balances and other liabilities. And these treasury bills appear on the financial statement excluding the unearned interest and they are measured by the amortized cost using the effective interest rate.

Treasury bills purchased with resale agreement are presented in assets and treasury bills sold with repurchase agreement are presented in liabilities.

L. Impairment of financial assets

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

Financial assets are classified as three stages at each reporting date:

Stage 1: Financial assets that have not experienced a significant increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.

Stage 2: Financial assets that have experienced a significant increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.

Stage 3: Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows.

Credit losses and impairment losses on the value of financial instruments are measured as follows:

- The low risk financial instrument is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.
- If it is determined that there has been a significant increase in credit risk since the initial recognition, the financial instrument is transferred to the second stage where it is not yet considered impaired at this stage.
- In case of indicators of impairment of the financial instrument, it is transferred to the third stage
- The financial assets created or acquired by the Bank which include a higher credit risk ratio than the Bank's low risk financial assets are classified on initial recognition to the second stage directly and therefore the expected credit losses are measured on the basis of expected credit losses over the life of the asset.

L 1 Significant increase in credit risk

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

L 2 Quantitative factors

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

L 3 Qualitative factors

Retail loans, micro and small businesses

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

- The borrower submits a request to convert short-term to long-term payments due to negative effects on the borrower's cash flows.
- Extension of the deadline for repayment at the borrower's request.

- Frequent past dues over the previous 12 months.
- Future adverse economic changes affecting the borrower's future cash flows.

Corporate loans and medium businesses

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

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

Unpayments

In reference to IFRS 9 mentioned before the loans and facilities of institutions, medium, small, micro and retail banking are included in stage two if the period of non-payment is more than (60) days and less than (90) days. Noting that this period (60 days) will be reduced by (10) days per period to become (30) days during (3) period from the date of application.

Transfer between three stages:

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

Transfer from third stage to second stage:
The financial asset shall not be transferred from the third stage to the second stage until all the following conditions are met:

- Completion of all quantitative and qualitative elements of the second stage.
- Repayment of 25% of the balance of the outstanding financial assets, including accrued segregated / statistical interest.
- Regularity of payment for at least 12 months.

M. Intangible Assets

Intangible assets, other than goodwill, are recognized at cost of acquisition and amortized on a straight-line basis or on the basis of economic benefits expected from them over the estimated useful lives. For assets that do not have a specific useful life, they are not amortized, but impairment is measured annually and the impairment value (if any) is recognized in the statement of income.

Assets type	Useful life-
Integrated computer systems	10 years
Computer systems	3 years
Other assets	3 to 5 years

M/1 Computer software

Computers' software related development and maintenance expenses are recognized in the income statement when incurred. While specific direct costs of computer programs under the bank's control are recognized as intangible assets when probable economic benefit is expected to be generated for more than one period. Direct costs include program development staff costs, and appropriate allocation of the overhead costs.

Development costs are recognized as computer program in which lead to an increase or expansion in the performance of computer programs and are added to the original costs of the program.

These costs are amortized on the basis of the expected useful lives, and not more than three periods.

N. Fixed Assets

Land and buildings comprise mainly branches and offices. All property, plant and equipment are stated at historical cost less depreciation & 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 are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. All other repairs and maintenance are charged to other operating expenses during the financial period in which they are incurred.

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

The residual value and useful lives of fixed assets are reviewed at each balance sheet date and adjusted as necessary.

Assets type	Useful life
Building	40 years
Furniture	5 years
Equipment	7 years
Means of transportation	5 years
Computers	5 years
Installations	10 years or rent years which ever is less
Safes boxes & Secured rooms	40 years

The bank reviews the carrying amounts of its depreciable property and equipment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.When the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset's net realizable value or value in use. Gains or losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit (loss) in other operating income (expense) in the income statement.

O. Investment Properties

Investments properties are represented in lands and buildings owned by the bank for obtaining lease income or capital increase, consequently it does not include property assets through which the bank executes its operations, or those properties which reverted to the bank in the settlements of debts, investments properties are accounted for similarly with the same accounting method for the fixed assets.

Impairment of non-financial assets

Assets that do not have definite useful lives - except for goodwill - are not amortized, 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 and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

P. Lease

Finance lease are accounted for according to Law No. 95 of 1995 under the following conditions; if the contract gives the right to the lessee to purchase the asset on a specefied period with a specified amount, if the contract's period represents atleast 75% of the expected usefull life of the asset, or if the present value of total lease payments represents at least 90% of the asset's value. Otherwise lease contracts are classifies as operating leases.

P/1 The bank as a Lessee

Finance lease contracts are recognized at the lease cost - including the cost of maintenance of the leased assets - within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the right to purchase the leased assets, the cost of the right to purchase it as an asset is capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.
Lease expenses are recognized in the income statement using straight line method over the term of contract, after deduction of any discounts obtained by the bank at initiation of the contract. In case of periods when the bank is exempted from paying the lease or if the lease is variable (more or less) in different periods, in this case the distribution of the total lease payments expected to be paid over the contract life is recognized in income statement in equal amounts per month including the periods that the bank does not pay the lease.

P/2 The bank as a Lessor

For assets leased Operationally, asset are recorded in the fixed assets in the financial statement and amortized over the expected useful life of this asset in the same manner as similar assets. Leasing income recorded less any discount given to the lessee on a straight line method over the contract period.

Q. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances due from Central Banks other than the mandatory reserve, due from banks, and treasury bills

R. Other provisions

Provisions for restructuring costs and legal claims are recognized when: The bank has a present legal or constructive obligation as a result of past events; and it is more likely that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.
When there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if there is slight probability of an outflow of cash for an item within that group.
Reversals of provisions no longer required are presented in other operating income (expense).
The present value of the estimated payments to be made for payment of the obligations specified for payment is measured one period after the balance sheet date using an appropriate rate for the payment

of the obligation - without being affected by the applicable tax rate - which reflects the time value of the money and if the term is less than one period, the estimated value of the obligation is calculated unless the impact of which is substantial then it's calculated at present value.

Financial guarantees contracts

The financial guarantees contracts are contracts that the bank issue as a guarantee for bank's customers for their loans with other parties, and it is required that the bank pays some claims for the beneficiary as a result of default in repayments. These financial guarantees are presented to banks and other financial institutions instead of the bank's customers.

These contracts are initially recognized at fair value on the contract date, and bank's liability is measured by the higher of the initial recognition value deducted by the calculated amortization of guarantee fees or the best estimated value payments required to settle any financial liability resulted from the financial guarantee on balance sheet date. And these estimated values are determined based on bank's management experience in similar transactions and any differences in bank's liabilities will be recorded in income statement in other operating income (expenses).

S. Income tax

The income tax on the bank's period profits or losses including both current tax, and deferred income tax is recognized in the income statement, except when it relates to items directly recognized into equity, in which case the tax is also recognized directly in equity. Income tax is calculated on the taxable profits using the prevailing tax rates as of balance sheet in addition to tax adjustments for previous Period.

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities, using the tax rates prevailing as of the balance sheet date.

Deferred tax assets are recognized when there is a reasonable probability that future taxable profits will be realized through which the asset can be utilized. Deferred tax assets are reduced by the portion that will not be realized for the expected tax benefit over the following periods. However, if the expected tax benefit increases, deferred tax assets will be increased to the extent of previous reduction

T. Employee benefits

T/1 Pension obligations

The bank has a special social fund scheme (the Fund) that is not subject to the general law (law 79 for 1975) as it was established under law 64 for 1980 and this Fund has its own alternative independent articles of insurable rights (Pension / Bonuses / one payment compensation) and according to the ministry decree 94 for 1985. This fund covers only the bank employees in the Head Quarter and branches in the Arab Republic of Egypt.

The bank is committed to pay the Fund its monthly contributions, which calculated according the Fund's articles of associations and its amendments. The Fund is generally funded through monthly contributions payments and other resources as identified in the Fund's article of associations.

The fund's liabilities are the present values of the defined benefit obligations at the balance sheet date minus the current value of plan assets, together with adjustments for actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities, which have terms to maturity approximating the terms of the related liability.

The most basic assumptions used by the actuary are as follows: -

- Rates of death from the British Table A49-52ULT

- Deficit rates of Egyptian social insurance experience
- Average rates of salaries increases during the period for Egyptian pound & American dollar.
- Method used is the estimated additional unit in the calculation of the commitments and the present value of subscriptions (Unit Projected Method).

T/2 Bonuses scheme

A liability for employees and managers' benefits in the form of bonus is recognized in other credit balances and other liabilities according to the bank board of directors' decisions in this respect and the payments should be determined before the time of issuing the financial statements.

T/3 Employees share in profits

The bank distributes a portion of the expected profits determined by the board under the bank's statute, to the bank's personnel. In the case that no employees profit share were distributed no liability is recognized.

T/4 Board of directors members profit sharing

The bank pays a percentage of its cash dividends as profit share to its Board of directors' members. Board of directors' profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the bank's shareholders. No liability is recognized for profit sharing related to undistributed profits.

U. Capital

U/1- Cost of capital

Issue charges are presented, which is directly related to the issuance of new shares or shares for the acquisition of an entity or the issuance of options against owners' equity with the net proceeds after taxes.

U/2- Dividends

Dividends are deducted from equity in the period which the general assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the board of directors as per regulation and law.

3. Financial Risk management

The bank is exposed to a variety of financial risks. Acceptance of risk is the basis of financial activity. Some risks or combination of risks are analyzed, evaluated and managed together. Therefore, the bank aims to achieve an appropriate balance between risk and return and minimize potential adverse effects on the bank's financial performance., The most important types of risk are credit risk, market risk, liquidity risk and other operational risks. Market risk includes foreign exchange risk, interest rate risk and other price 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 system. The bank regularly reviews its risk management policies and systems to reflect changes in markets, products, and best emerging applications.

Risk management is carried out by a risk department under policies approved by the Board of Directors. Credit risk management identifies, evaluates and covers financial risks in close collaboration with the various operational units of the bank. The board provides written principles for risk management as a whole, as well as written policies covering specific risk areas such as credit risk, foreign currency risk, interest rate risk, and derivative and non-derivative instruments. In addition, credit risk management is responsible for periodic review of risk management and the control environment independently.

3.A. Credit risk

The bank is exposed to credit risk, which is the risk that a party will fail to fulfill its contractual obligations. The credit risk is the most important risk to the bank, and thus management carefully manages exposure to that risk. Credit risk is mainly presented due to lending activities through loans, facilities, and investment activities that results in including debt instruments in the bank's assets. Credit risk is also found in off-balance sheet financial instruments such as loan commitments. The credit risk management and control operations of the Credit Risk Management Group are concentrated in the Credit and Risk Management Department, which reports to the Board of Directors, senior management, and heads of activity units on a regular basis.

3.A.1 : Credit risk measurement

3.A.1.1 Loans and advances to banks and customers

In measuring credit risk of loans and advances to banks and customers, the bank reflects the following component:

- Probability of default – by the client or counterparty on its contractual obligations.
- The bank assesses the probability of default of individual customers using internal rating tools tailored to the various categories of the counterparty. They have been developed internally and combine statistical analysis with credit officer judgment. Clients of The bank are segmented into four rating classes. The rating scale which is as shown below reflects the range of default probabilities- defined for each rating class. This means that in principal, exposures might migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The bank regularly assesses the performance of the rating and its predictive power with regard to default cases.

  Bank’s internal ratings scale and mapping of external ratings

Bank’s rating	Description of the grade
1-5	Performing loans
6	Regular watching
7	Watch list
8-10	Nonperforming loans

Exposure at default is based on the amounts the bank expects to be outstanding at the time of default. For example, for a loan this is the face value. For a commitment, the bank includes any amount already drawn plus the further amount that may have been drawn by the time of default, if it occurred.

Loss given default or loss severity represents the bank’s expectation of the extent of loss on a claim should default occur. It is expressed as a percentage of loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation methods.

3.A.1.2 Debt securities and treasury bills

For debt securities and treasury bills external rating such as (Standard & Poor's) rating or their equivalents are used by the bank for managing of the credit risk exposures. In case such ratings are unavailable, internal rating methods are used that are similar to those used for credit customers. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

3.A.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, groups 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 group 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 product, industry sector, and by country are approved quarterly by the Board of Directors.
The exposure to any one borrower including banks is further divided by sub-limits covering on- and off-balance sheet exposures, and daily 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 the borrowers and potential borrowers to meet interest and capital repayment obligation and by changing these lending limits when appropriate.

Some other specific control and mitigation measures are outlined below:

3.A.2.1 : Collateral

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is maintaining collaterals against 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 loans and advances are:

- Mortgages over residential properties.
- Pledge on business assets like machinery and merchandise.
- Pledge in financial instruments like debt instruments and equity.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured. The Bank attempts to mitigate the credit risk through additional collaterals from the concerned parties immediately on arising of impairment indicators for any of the loans or facilities.
Collateral held as security for financial assets other than loans and advances depends on the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of Asset-backed Securities and similar instruments, which are secured by portfolios of financial instruments.

3.A.2.2 :Derivatives

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount subject to credit risk is limited to expect future net cash inflows of instruments, which in relation to derivatives are only a fraction of the contract, or notional values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties
Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are

established for each counter party to cover the aggregate of all settlement risk arising from the bank market's transactions on any single day.

3.A.2.3 : Master Netting Arrangements

The bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities shown in the balance sheet, as transactions are either usually settled on a gross basis. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The bank's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

3.A.2.4 : Credit Related Commitments

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the bank on behalf of a customer authorizing a third party to draw drafts on the bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3.A.3: Impairment and provisioning policies

The internal assessment systems mentioned above assessment (3.A.1) focus to a large extent on credit quality planning from the beginning of the validation of lending and investment activities. Otherwise, only impairment losses recognized on the balance sheet date for financial reporting purposes are recognized on the basis of objective evidence of impairment as described in this note. Due to the different methods applied, credit losses charged to the financial statements are usually less than the estimated loss using the expected loss model. The provision for impairment losses in the balance sheet at the end of the Period is derived from the four internal ratings.

The table below shows the percentage of the bank s on balance sheet items, relating to loans and advances and the associated impairment allowance for each of the bank internal rating categories:

(All amounts are in thousand US Dollars unless otherwise mentioned)

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

	31 December 2023		31 December 2022	
	Loans and advances	Impairment Losses	Loans and advances	Impairment Losses
Bank's rating	%	%	%	%
1-Performing loans	70	16	62	15
2-Regular watching	23	26	28	28
3-Watch list	-	-	1	-
4-Nonperforming loans	7	58	9	57
	100	**100**	**100**	**100**

- Significant financial difficulties facing the counterparty;
- Breach of loan covenants as in case of default;
- Expecting the bankruptcy of the counterparty, liquidation, lawsuit, or finance rescheduling.
- Deterioration of the borrower's competitive position.
- Offering exceptions or surrenders due to economic and legal reasons related to financial difficulties encountered by the counterparty not provided by the bank in ordinary conditions.
- Deterioration in the value of collateral.
- Deterioration in credit situation.

The bank policies require the review of individual financial assets that are above materiality threshold at least annually or more regularly when individual circumstances require. Impairment allowance on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet on case-by –case basis , and are applied to all individually significant accounts. The assessment normally encompasses collateral hold including re- confirmation of its enforceability and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets using the available historical experience, experience judgment and statistical techniques

3.A.4 General Bank Risk Measurement Model

In addition to the four credit rating levels (note 3.A.1), management classifies categories that are more detailed so as to agree with the requirements of the Central Bank of Egypt (CBE). Assets subject to credit risk are classified in these categories in accordance with regulations and detailed conditions that largely depend on information related to the client, his/her activity, financial position, and regularity of repayment.

The bank calculates the required provisions for the impairment of the assets subject to credit risk, including commitments related to credit, on the basis of ratios specified by the Central Bank of Egypt. In case the impairment loss provision required by the Central Bank of Egypt exceeds that required for the purpose of financial statement preparation in accordance with the Egyptian accounting standards, retained earnings are decreased to support the General Bank risk reserve with the amount of the increase. This reserve is periodically revised for an increase or a decrease to reflect the amount of increase between the two provisions.

Following is a table of the worthiness levels for institutions in accordance with the internal assessment bases compared to the Central Bank of Egypt assessment bases and the provision ratios required for the impairment of the assets exposed to credit risk, :-

CBE rating categorization	Rating description	Provision %	Indication of internal rating
1	Low risk	0%	Good loans
2	Average risk	1%	Good loans
3	Satisfactory risk	1%	Good loans
4	Reasonable risk	2%	Good loans
5	Acceptable risk	2%	Good loans
6	Marginally acceptable risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	non-performing
9	Doubtful	50%	non-performing
10	Bad Debt	100%	non-performing

(All amounts are in thousand US Dollars unless otherwise mentioned)

3.A.5 Maximum credit risk limit before collaterals

	31 December 2023	31 December 2022
Loans and advances to banks	205,531	158,642
Loans and advances to customers		
Retail:		
*Overdrafts	70,822	99,003
*Credit cards	30,042	17,587
*Personal loans	263,567	300,813
*Mortgage Loan	89,451	74,794
*Other Loans	1,584	2,117
*Commercial papers	147,905	189,885
deduct : expected credit loss	(32,672)	(64,599)
Corporate:		
*Overdrafts	1,931,893	1,808,069
*Direct loans	826,980	871,032
*Syndicated loans	1,589,751	1,679,546
*Discounted commercial papers	36,352	44,926
*Other Loans	1,459	1,391
deduct : expected credit loss	(357,442)	(355,083)
deduct : unearned discounted commercial paper and unearned ineterest	(30,707)	(30,134)
deduct : Suspended interest	-	(612)
Financial investments:		
Financial investments through O.C.I.	3,106,002	1,601,217
Financial investments at amortized cost	2,278,749	2,278,749
Other assets	114,102	95,547
Total	**10,273,369**	**8,772,890**

Off balance sheet credit risk exposure is shown below:	**31 December 2023**	**31 December 2022**
Letters of guarantee	929,568	1,018,823
Letter of credit (import and export)	271,108	146,602
Customers Acceptances	86,449	231,862
Total	**1,287,125**	**1,397,287**

The above table represents maximum credit risk exposure to the bank at the end of 31 December 2023 :

As shown above, 41.3% of the total maximum exposure is derived from loans and advances to banks and customers against 47.17% for comparative year, while the investments in debt instruments represents 46.58% against 38.15% for the comparative year.
Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loans and advances portfolio and debt Instruments base on the following:

- 93% of the loans and advances portfolio is categorized in the top two grades of the internal rating system.
- 81.21% of the loans and advances portfolio are considered to be neither past due nor impaired.
- Loans and advances assessed on an individual third stage amounted to USD 369,005 thousand at the end of the year with an ECL expense representing 72.75% from it's value against 473,119 USD at the end of the comapartive year with an ECL expense representing 65.37% of it's value.
- The bank has implemented more prudent processes when granting loans and advances during the financial Year ended in 31 December 2023.
- More than 87.19% of the investments in debt instruments & treasury bills are represented in debt instruments on the Egyptian government.

(All amounts are in thousand US Dollars unless otherwise mentioned)

The following table provides information on the qualty of financial assets during the year ended of 31 December 2023

Due from banks and central banks limited to reserve ratio	**Stage 1 1-12 months**	**Stage 2 Life time**	**Stage 3 Life time**	**Total**
AAA to A-	710,492	-	-	710,492
BBB+ to BBB-	-	185,404	-	185,404
BB+to BB-	5,453,751	113,396	-	5,567,147
WD	-	-	13,753	13,753
Total	6,164,243	298,800	13,753	6,476,796
Expected credit loss	(620)	(1)	(13,753)	(14,374)
Carrying amount	**6,163,623**	**298,799**	**-**	**6,462,422**

Treasury bills at Amortized cost	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
AAA to A-	118,966	-	-	118,966
BB+to BB-	-	1,602,460	-	1,602,460
CCC+ to CCC-	-	-	20	20
Total	118,966	1,602,460	20	1,721,446
Expected credit loss	(3)	(8,773)	(20)	(8,796)
Carrying amount	**118,963**	**1,593,687**	**-**	**1,712,650**

Treasury bills at FVTOCI	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
BB+to BB-	1,057,276		-	1,057,276
Total	1,057,276	-	-	1,057,276
Expected credit loss	-	-	-	-
Carrying amount	**1,057,276**	**-**	**-**	**1,057,276**

Debt instruments at Amortized cost	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
BB+to BB-	398,246	173,296	-	571,542
CCC+ to CCC-	-	-	8,000	8,000
Total	398,246	173,296	8,000	579,542
Expected credit loss	-	(5,443)	(8,000)	(13,443)
Carrying amount	**398,246**	**167,853**	**-**	**566,099**

Debt instruments at FVTOCI	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
AAA to A-	528,600	72,780	-	601,380
BBB+ to BBB-	-	24,651	-	24,651
BB+to BB-	1,207,280	215,415	-	1,422,695
Total	1,735,880	312,846	-	2,048,726
Expected credit loss	(634)	(8,138)	-	(8,772)
Carrying amount	**1,735,880**	**312,846**	**-**	**2,048,726**

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Loans to banks	**stage 1** **1-12 months**	**stage 2** **Life time**	**stage 3** **Life time**	**Total**
Normal watch-list (rating 6)	206,746	-	-	206,746
Total	206,746	-	-	206,746
Expected credit loss	(1,215)	-	-	(1,215)
Carrying amount	**205,531**	**-**	**-**	**205,531**

Retail Loans	**stage 1** **1-12 months**	**stage 2** **Life time**	**stage 3** **Life time**	**Total**
Bucket 1 (0-30 day)	566,525	-	-	566,525
Bucket 2 (30 - 90 day)	-	20,938	-	20,938
Bucket 3 (more than 90 day)	-	-	15,908	15,908
Total	566,525	20,938	15,908	603,371
Expected credit loss	(11,202)	(7,683)	(13,787)	(32,672)
Carrying amount	**555,323**	**13,255**	**2,121**	**570,699**

Corporate Loans	**stage 1** **1-12 months**	**stage 2** **Life time**	**stage 3** **Life time**	**Total**
Good debt (rating 1-5)	2,859,945	226,111	-	3,086,056
Normal watch-list (rating 6)	87,696	849,515	-	937,211
Special watch-list (rating 7)	-	10,071	599	10,670
Non performing loan (rating 8-10)	-	-	352,498	352,498
Total	2,947,641	1,085,697	353,097	4,386,435
Expected credit loss	(17,725)	(85,069)	(254,648)	(357,442)
Carrying amount	**2,929,916**	**1,000,628**	**98,449**	**4,028,993**

Translated Into English

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The Following Table shows amounts as of 31 December 2022:

Due from banks and central banks limited to reserve ratio	**Stage 1 1-12 months**	**Stage 2 Life time**	**Stage 3 Life time**	**Total**
AAA to A-	245,670	76,126	-	321,796
BBB+ to BBB-	181,843	167,677	-	349,520
BB+to BB-	2,281,542	874,984	-	3,156,526
WD	-	-	13,945	13,945
Total	2,709,055	1,118,787	13,945	3,841,787
Expected credit loss	(295)	(149)	(13,583)	(14,027)
Carrying amount	**2,708,760**	**1,118,638**	**362**	**3,827,760**

Treasury bills at Amortized cost	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
AAA to A-	61,182	-	-	61,182
BB+to BB-	1,384,911	-	-	1,384,911
CCC+ to CCC-	2,306	-	-	2,306
Total	1,448,399	-	-	1,448,399
Expected credit loss	(3,460)	-	-	(3,460)
Carrying amount	**1,444,939**	**-**	**-**	**1,444,939**

Treasury bills at FVTOCI	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
BB+ to BB-	581,981	-	-	581,981
Total	581,981	-	-	581,981
Expected credit loss	(630)	-	-	(630)
Carrying amount	**581,981**	**-**	**-**	**581,981**

Debt instruments at FVTOCI	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
AAA to A-	329,884	9,403	-	339,287
BBB+ to BBB-	-	30,715	-	30,715
BB+to BB-	499,530	149,704	-	649,234
Total	829,414	189,822	-	1,019,236
Expected credit loss	(294)	(4,247)	-	(4,541)
Carrying amount	**829,414**	**189,822**	**-**	**1,019,236**

Debt instruments at Amortized cost	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
BB+ toBB-	656,053	217,518	-	873,571
CCC+ to CCC-	-	-	8,000	8,000
Total	656,053	217,518	8,000	881,571
Expected credit loss	-	(2,228)	(8,000)	(10,228)
Carrying amount	**656,053**	**215,290**	**-**	**871,343**

Loans to banks	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
Good debt (rating 1-5)	-	-	-	-
Normal watch-list (rating 6)	149,153	-	-	149,153
Non performing loan (rating 8-10)	-	-	12,586	12,586
Total	149,153	-	12,586	161,739
Expected credit loss	(510)	-	(2,587)	(3,097)
Carrying amount	**148,643**	**-**	**9,999**	**158,642**

Retail Loans	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
Bucket 1 (1-40 day)	608,917	-	-	608,917
Bucket 2 (40 - 90 day)	-	26,425	-	26,425
Bucket 3 (more than 90 day)	-	-	48,857	48,857
Total	608,917	26,425	48,857	684,199
Expected credit loss	(14,020)	(7,776)	(42,803)	(64,599)
Carrying amount	**594,897**	**18,649**	**6,054**	**619,600**

Corporate Loans	**stage 1 1-12 months**	**stage 2 Life time**	**stage 3 Life time**	**Total**
Good debt (rating 1-5)	2,590,947	147,964	-	2,738,911
Normal watch-list (rating 6)	280,920	944,128	-	1,225,048
Special watch-list (rating 7)	-	29,329	-	29,329
Non performing loan (rating 8-10)	-	-	411,676	411,676
Total	2,871,867	1,121,421	411,676	4,404,964
Expected credit loss	(12,858)	(78,327)	(263,898)	(355,083)
Carrying amount	**2,859,009**	**1,043,094**	**147,778**	**4,049,881**

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The following table shows the changes in expected credit losses (ECL) :

Due from banks and central banks	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	295	149	13,583	14,027
Net changes in the probability of failure	295	(10)	170	455
New financial assets purchased or issued	30	1	-	31
Financial assets have been matured or derecognised	-	(139)	-	(139)
Balance at the end of the Year	**620**	**1**	**13,753**	**14,374**

Treasury bills at amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	3,460	-	-	3,460
Net changes in the probability of failure	-	-	-	0
New financial assets purchased or issued	3	8,773	20	8,796
Financial assets have been matured or derecognised	(3,460)	-	-	(3,460)
Balance at the end of the Year	**3**	**8,773**	**20**	**8,796**

Treasury bills at fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	630	-	-	630
Financial assets have been matured or derecognised	(630)	-	-	(630)
Balance at the end of the Year	**-**	**-**	**-**	**-**

Loans and Facilities (Corporate and banks)	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	13,368	78,327	266,485	358,180
Transfer to stage 1	7,756	(7,756)	-	-
Transfer to stage 2	(1,465)	1,465	-	-
Transfer to stage 3	(10)	(449)	459	-
Net changes in the probability of failure	(3,506)	18,031	21,516	36,041
New financial assets purchased or issued	3,630	15	-	3,645
Financial assets have been matured or derecognised	(833)	(13)	46,338	45,492
Recoveries	-	-	3,419	3,419
Execution during the period	-	-	(57,255)	(57,255)
Foreign exchange translation differences	-	(4,551)	(26,314)	(30,865)
Balance at the end of the Year	**18,940**	**85,069**	**254,648**	**358,657**

Debt instruments at fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	294	4,247	-	4,541
Net changes in the probability of failure	(14)	1,634	-	1,620
New financial assets purchased or issued	521	2,577	-	3,098
Financial assets have been matured or derecognised	(168)	(2)	-	(170)
Foreign exchange translation differences	-	(317)	-	(317)
Balance at the end of the Year	**633**	**8,139**	**-**	**8,772**

Debt instruments at amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Period	-	2,228	8,000	10,228
Net changes in the probability of failure	-	499	-	499
New financial assets purchased or issued	-	3,117	-	3,117
Financial assets have been matured or derecognised	-	(401)	-	(401)
Balance at the end of the Year	**-**	**5,443**	**8,000**	**13,443**

(All amounts are in thousand US Dollars unless otherwise mentioned)

The following table shows the changes in expected credit losses (ECL) in 2022:

Due from banks and central banks	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	57	29	13,534	13,620
Transfer to stage 1	11	(11)	-	-
Net changes in the probability of failure	(45)	45	-	-
New financial assets purchased or issued	280	99	49	428
Financial assets have been matured or derecognised	(8)	(13)	-	(21)
Balance at the end of the Year	**295**	**149**	**13,583**	**14,027**

Treasury bills at amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	3,972	-	-	3,972
Net changes in the probability of failure	(2)	-	-	(2)
New financial assets purchased or issued	3,460	-	-	3,460
Financial assets have been matured or derecognised	(3,970)	-	-	(3,970)
Balance at the end of the Year	**3,460**	-	-	**3,460**

Treasury bills at fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	-	-	-	-
New financial assets purchased or issued	630	-	-	630
Balance at the end of the Year	**630**	-	-	**630**

Loans and Facilities (Corporate and banks)	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	17,242	82,188	268,655	368,085
Transfer to stage 1	393	(393)	-	-
Transfer to stage 2	(1,085)	1,085	-	-
Transfer to stage 3	(4)	(34)	38	-
Net changes in the probability of failure	(5,077)	11,050	51,507	57,480
New financial assets purchased or issued	3,729	17	2,645	6,391
Financial assets have been matured or derecognised	(1,830)	(4,056)	(64,590)	(70,476)
Recoveries	-	-	(11,416)	(11,416)
Execution during the Year	-	-	82,212	82,212
Foreign exchange translation differences	-	(11,530)	(62,566)	(74,096)
Balance at the end of the Year	**13,368**	**78,327**	**266,485**	**358,180**

Debt instruments at fair value through other comprehensive income	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	101	3,344	-	3,445
Net changes in the probability of failure	43	(1,044)		(1,001)
New financial assets purchased or issued	218	2,275	-	2,493
Financial assets have been matured or derecognised	(68)	(11)	-	(79)
Foreign exchange translation differences		(317)		(317)
Balance at the end of the Year	**294**	**4,247**	-	**4,541**

Debt instruments at amortized cost	stage 1 1-12 months	stage 2 Life time	stage 3 Life time	Total
Expected credit loss at beginning of Year	-	3,580	8,000	11,580
Net changes in the probability of failure	-	(927)	-	(927)
New financial assets purchased or issued	-	929	-	929
Financial assets have been matured or derecognised	-	(1,354)	-	(1,354)
Balance at the end of the Year	-	**2,228**	**8,000**	**10,228**

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3.A.7 loans and facilities to banks & customers

	31 December 2023	31 December 2022
Neither past due nor impaired	4,222,471	4,049,921
Past due but not impaired	560,620	744,584
Subject to impairment	416,287	457,963
Total	**5,199,378**	**5,252,468**
Deduct:		
Unearned discount for commercial papers & loans	(33,400)	(31,549)
Prepaid interest for loans	(133)	(151)
Impairment loss provision	(391,329)	(422,779)
Interest in suspense	-	(612)
Net	**4,774,516**	**4,797,377**

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is USD 391,329 thousand in the current year against USD 422,779 thousand comparing to last year. USD 268,345 thousand against USD 309,288 thousand comparing to last year represents individual loans impairment the rest amounting to USD 122,984 thousand against USD 113,491 thousand to the compartive year represents general impairment for loans and facilities to banks & customers.

Loans and advances past due but not impaired

These loans and advance are past due for up to 90 days but not impaired, unless the bank is otherwise informed. Loans and advance past due but not impaired and the fair values of the related collateral are as follows:

31 December 2023	Individual				
	Direct loans	Credit cards	Personal Loans	Mortgage loans	Total
Past due up to 30 days	-	3,388	20,727	182	24,297
Past due 30-60 days	-	576	8,517	-	9,093
Past due 60-90 days	-	172	2,222	-	2,394
Total	**-**	**4,136**	**31,466**	**182**	**35,784**

31 December 2023	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	62,061	107,060	336,061	-	505,182
Past due 30-60 days	3,189	1,279	-	-	4,468
Past due 60-90 days	7,462	7,724	-	-	15,186
Total	**72,712**	**116,063**	**336,061**	**-**	**524,836**

31 December 2022	Individual				
	Direct loans	Credit cards	Personal Loans	Mortgage loans	Total
Past due up to 30 days	-	2,639	23,591	176	26,406
Past due 30-60 days	-	636	6,411	16	7,063
Past due 60-90 days	-	248	732	11	991
Total	**-**	**3,523**	**30,734**	**203**	**34,460**

31 December 2022	Corporate				
	Overdrafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	147,421	89,662	447,255	-	684,338
Past due 30-60 days	12,001	-	-	-	12,001
Past due 60-90 days	622	13,163	-	-	13,785
Total	**160,044**	**102,825**	**447,255**	**-**	**710,124**

(All amounts are in thousand US Dollars unless otherwise mentioned)

Loans and advances neither past due nor impaired

31 December 2023

	Individual						Corporate							
Rating	Overdrafts	Credit cards	Personal loans	Mortgage Loan	other loans	Discounted Commercial Papers	Overdrafts	Direct loans	Syndicated loans	other loans	Discounted Commercial Papers	Total loans & advances to customer	Total loans & advances to banks	Total loans & advances to customer & banks
1.Good	65,110	16,773	116,332	177	9	147,905	1,344,810	50,499	1,042,059	589	26,352	2,820,615	209,572	3,030,187
2.Standard monitoring	5,712	8,979	105,532	89,082	1,575	-	506,196	286,209	177,459	870	-	1,181,614	-	1,181,614
3.Special monitoring	-	-	-	-	-	-	8,175	2,495	-	-	-	10,670	-	10,670
Total	**70,822**	**25,752**	**221,864**	**89,259**	**1,584**	**147,905**	**1,859,181**	**339,203**	**1,219,518**	**1,459**	**26,352**	**4,012,899**	**209,572**	**4,222,471**

31 December 2022

	Individual						Corporate							
Rating	Overdrafts	Credit cards	Personal loans	Mortgage Loan	other loans	Discounted Commercial Papers	Overdrafts	Direct loans	Syndicated loans	other loans	Discounted Commercial Papers	Total loans & advances to customer	Total loans & advances to banks	Total loans & advances to customer & banks
1.Good	91,026	8,608	153,699	499	34	189,885	1,104,706	141,989	703,450	330	44,926	2,439,152	163,305	2,602,457
2.Standard monitoring	7,977	5,366	105,416	74,092	2,083	-	542,885	274,677	404,580	1,059	-	1,418,135	-	1,418,135
3.Special monitoring	-	-	-	-	-	-	434	28,893	-	2	-	29,329	-	29,329
Total	**99,003**	**13,974**	**259,115**	**74,591**	**2,117**	**189,885**	**1,648,025**	**445,559**	**1,108,030**	**1,391**	**44,926**	**3,886,616**	**163,305**	**4,049,921**

The credit quality of the portfolio of loans and advances that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

Loans that are backed by collateral are not considered impaired for the non-performing category, taking into consideration the collectability of the collateral.

(All amounts are in thousand US Dollars unless otherwise mentioned)

Loans and advances to customers

The individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is USD 416,287 thousand at the end of 31 December 2023 (against USD 457,963 thousand at the end of December 2022).

The following breakdown of the gross amount of individually impaired loans and advances by class:

	Retail					
	Over Drafts	Credit cards	Personal Loans	Mortgage loans	Other loans	Total
31 December 2023						
Individually impaired loans	-	154	10,237	10	-	10,401
31 December 2022						
Individually impaired loans	-	90	10,964	-	-	11,054

	Corporate					
	Over Drafts	Direct loans	Syndicated loans	Other loans	Banks loans	Total
31 December 2023						
Individually impaired loans	-	371,714	34,172	-	-	405,886
31 December 2022						
Individually impaired loans	-	322,648	124,261	-	-	446,909

Loans and advances restructure

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria that, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to long term loans – in particular, customer finance loan. Total renegotiated loans results amounted to USD 83,527 thousand at the end of 31 December 2023 (was USD 54,399 thousand at 31 December 2022).

	31 December 2023	31 December 2022
Loans and Advances to customers		
Corporate		
Syndicated loans	69,441	38,041
Direct loans	13,794	15,845
Retail		
Personal loans	285	505
Mortgage loans	7	8
Total	**83,527**	**54,399**

3.A.8 Debt securities and treasury bills

(All amounts are in thousand US Dollars unless otherwise mentioned)

The table below presents an analysis of debt securities & treasury bills according to the rating agencies:
Based on Standard & Poor assessment or equivalent at 31 December 2023.

31 December 2023	Treasury Bills	Debt instruments at fair value through other comprehensive income	Investments at amortized cost	Total
Prime 1	-	64,118	-	**64,118**
AA+	-	19,078	-	**19,078**
AA	-	156,551	-	**156,551**
AA-	-	52,740	-	**52,740**
A+	-	114,090	-	**114,090**
A	-	146,802	-	**146,802**
A-	-	48,001	-	**48,001**
BBB	-	1,946	-	**1,946**
Less than BBB	2,769,926	1,445,400	566,099	**4,781,425**
Total	**2,769,926**	**2,048,726**	**566,099**	**5,384,751**

31 December 2022	Treasury Bills	Debt instruments at fair value through other comprehensive income	Investments at amortized cost	Total
Prime 1	-	11,283	-	11,283
AA+	-	16,823	-	16,823
AA	-	107,085	-	107,085
AA-	-	72,336	-	72,336
A+	-	32,757	-	32,757
A	-	41,328	-	41,328
A-	-	57,675	-	57,675
BBB	-	2,425	-	2,425
Less than BBB	2,026,920	677,524	871,343	3,575,787
Total	**2,026,920**	**1,019,236**	**871,343**	**3,917,499**

arab african international bank

(An Egyptian Joint Stock Company)

Notes to the separate financial statements –For the Year ended 31 December 2023

(All amounts are in thousand US Dollars unless otherwise mentioned)

3.A.9 Concentration of risks of financial assets with credit risk exposure

- ***Geographical sectors***

- The following table breaks down the bank's credit exposure at their carrying amounts by geographical regions at the end of the Year. In this table, the bank has allocated exposures to regions based on the country of domicile of its clients.

	Cairo	Alex& Delta	Upper Egypt	Sinai,Red sea & Canal towns	Total	Gulf countries	Lebanon	Total
Balances with the central banks limited to the reserve ratio	1,130,107	-	-	-	**1,130,107**	390,238	20	**1,520,365**
Due from banks	2,954,531	-	-	-	**2,954,531**	1,988,166	13,734	**4,956,431**
Treasury bills and other governmental papers	4,550,008	-	-	-	**4,550,008**	158,935	8,020	**4,716,963**
Loans & advances to bank	8,311	5,151	-	-	**13,462**	196,110	-	**209,572**
Loans and advances to customers :								
Retail:								
Overdrafts	66,676	2,961	289	633	**70,559**	263	-	**70,822**
Credit cards	19,419	6,639	1,713	2,271	**30,042**	-	-	**30,042**
Personal loans	161,404	55,965	14,385	31,580	**263,334**	233	-	**263,567**
Mortgage Loan	86,349	1,637	361	835	**89,182**	269	-	**89,451**
Discounted Commercial Paper	147,905	-	-	-	**147,905**	-	-	**147,905**
Other loans	1,562	-	-	22	**1,584**	-	-	**1,584**
Corporate:								
Overdrafts	1,218,217	362,183	31,651	140,191	**1,752,242**	179,651	-	**1,931,893**
Direct loans	577,602	160,360	11,255	32,457	**781,674**	45,306	-	**826,980**
Syndicated loans	1,122,383	66,075	-	19,664	**1,208,122**	381,629	-	**1,589,751**
Discounted Commercial Paper	36,352	-	-	-	**36,352**	-	-	**36,352**
Other loans	935	258	102	164	**1,459**	-	-	**1,459**
Investment securities:								
Debt instruments	625,761	-	-	-	**625,761**	64,266	-	**690,027**
Total as at 31 December 2023	**12,707,522**	**661,229**	**59,756**	**227,817**	**13,656,324**	**3,405,066**	**21,774**	**17,083,164**
Total as at 31 Decemeber 2022	**10,299,202**	**634,166**	**29,651**	**32,893**	**10,995,912**	**2,007,435**	**25,853**	**13,029,200**

(All amounts are in thousand US Dollars unless otherwise mentioned)

- **Industry sectors**

  The following table breaks down the bank's credit exposure at carrying amounts by industry sectors of the bank's clients:

	Manufacturing	Agriculture	Commercial	Service	Financial Institutions	Constructions	Government	Individual	Others	Total
Balances with the central banks limited to the reserve	-	-	-	-	-	-	1,520,365	-	-	**1,520,365**
Due from banks	-	-	-	-	3,565,903	-	1,390,528	-	-	**4,956,431**
Treasury bills & other governmental papers	-	-	-	-	-	-	4,716,963	-	-	**4,716,963**
Loans and advances to banks	-	-	-	-	209,572	-	-	-	-	**209,572**
Loans and advances to customers:										
Retail:										
Overdrafts	-	-	-	-	-	-	-	70,822	-	**70,822**
Credit cards	-	-	-	-	-	-	-	30,042	-	**30,042**
Personal Loans	-	-	-	-	-	-	-	263,567	-	**263,567**
Discounted Commercial Paper	-	-	-			-	-	147,905		**147,905**
Mortgage Loan	-	-	-	-	-	-	-	89,451	-	**89,451**
Other loans	-	-	-	-	-	-	-	1,584	-	**1,584**
Corporate:										
Overdrafts	888,519	4,138	248,567	340,787	121,255	328,596	31	-	-	**1,931,893**
Direct Loans	89,222	3,061	53,805	410,754	258,359	11,242	537	-	-	**826,980**
Syndicated Loans	420,955	-	101,160	632,841	90,091	109,068	155,652	-	79,984	**1,589,751**
Other loans	110	9	367	780	25	108	60	-	-	**1,459**
Discounted Commercial Paper	-	-	-	36,352	-	-	-	-	-	**36,352**
Investment securities										
Debt instruments	-	-	-	-	690,027	-	-	-	-	**690,027**
Total as at 31 December 2023	**1,398,806**	**7,208**	**403,899**	**1,421,514**	**4,935,232**	**449,014**	**7,784,136**	**603,371**	**79,984**	**17,083,164**
Total as at 31 Decemeber 2022	**1,536,833**	**23,404**	**768,017**	**1,294,367**	**3,356,549**	**204,500**	**6,006,016**	**684,199**	**99,165**	**13,973,050**

B. Market risk

B.1 Value exposed to risk

B.1.1 Interest rate fluctuation risk

Interest rate risk is controlled by asset and liability committee (ALCO)

Financial assets in foreign currency

The interest rate is determined on the basis of (floating rate) therefore interest rate fluctuation is mitigated on foreign currency increasing or decreasing taking into consideration hedging price fluctuation risk resorting to financial derivatives Interest Rate Swap (IRS).

Financial assets in local currency

Fixed income financial assets:

The risk of fixed income assets is covered by issuing medium and long term (liability products) to meet fixed rate income risk.

Floating rate financial assets

Variable cost is risk free due to its compatibility with the prices prevailing at the grant.

B.1.2 Foreign exchange fluctuation risk

Foreign currency position is monitored momentary by the responsible department to preserve the allowed limits with currency position, whether by the Central Bank of Egypt or bank board of directors. The bank does not open position on foreign currency except on clients' requirement.

B.2 Foreign exchange risk

The bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by level of currency and in aggregate for both overnight and intra-day positions which are monitored daily. The table below summarises the bank's exposure to foreign currency exchange rate risk at the end of the financial Period.

(All amounts are in thousand US Dollars unless otherwise mentioned)

The following table includes the carrying value of the financial instruments distributed by its original currencies.

Foreign currency risk concentration on financial instruments :

31 December 2023	USD	EGP	EUR	GBP	OTHER	TOTAL
Financial assets						
Cash and balances with central banks	43,407	1,181,660	2,929	755	392,794	1,621,545
Due from banks	3,653,411	905,771	93,725	47,426	241,724	4,942,057
Loans and advances to customers and banks	1,890,795	2,634,135	10,328	159	239,099	4,774,516
Deferred tax	19,376	-	-	-	7,324	26,700
Financial investment at fair value through O.C.I.	264,320	2,904,824	1,682	-	6	3,170,832
Financial investment at amortized cost	1,604,279	398,246	157,239	-	118,985	2,278,749
Investment in subsidiaries and associates	33,924	8,374	-	-	-	42,298
Other assets	137,345	230,482	1,921	114	2,410	372,272
Total financial assets	**7,646,857**	**8,263,492**	**267,824**	**48,454**	**1,002,342**	**17,228,969**
Financial liabilities						
Due to banks	910,116	3,549	68,955	1,407	36,398	1,020,425
Sales of treasury bills with comitment to repurchase	-	14,748	-	-	-	14,748
Customers deposits	3,518,688	7,654,555	200,130	46,689	1,306,425	12,726,487
Financial Derivatives	1,160	-	-	-	-	1,160
Loans and facilities from banks	1,010,000	3,083	-	-	-	1,013,083
Other provision	14,535	12,077	748	13	61	27,434
Income tax liability	33,365	14,305	-	-	9,337	57,007
Other liabilities	(9,949)	165,493	291	344	105,501	261,680
Total financial liabilities	**5,477,915**	**7,867,810**	**270,124**	**48,453**	**1,457,722**	**15,122,024**
Net on balance sheet financial position	**2,168,942**	**395,682**	**(2,300)**	**1**	**(455,380)**	**2,106,945**
31 December 2022						
Total financial assets	**5,976,028**	**5,975,087**	**209,893**	**41,882**	**820,104**	**13,022,994**
Total financial liabilities	**4,220,635**	**5,796,914**	**210,401**	**41,818**	**737,327**	**11,007,095**
Net on balance sheet financial position	**1,755,393**	**178,173**	**(508)**	**64**	**82,777**	**2,015,899**

B.3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase because of such changes but may reduce profits in the event that unexpected movements arise. The board sets limits on the level of mismatch of interest rate repricing and value at risk that may be undertaken, which is monitored daily by the respective bank's department.

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

(All amounts are in thousand US Dollars unless otherwise mentioned)

31 December 2023	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Non-interest bearing	Total
Financial Assets							
Cash and balances with central bank	390,238	-	-	-	-	1,231,307	1,621,545
Due from banks	4,623,110	247,633	-	-	-	71,314	4,942,057
Treasury bills	558,912	1,516,772	694,242	-	-	-	2,769,926
Loans to customers and banks	2,759,543	999,029	525,234	212,733	277,977	-	4,774,516
Financial investment at fair value through other comprehensive income	196,862	945,827	229,239	305,309	371,488	64,831	2,113,556
Financial investment at amortized cost	-	39,204	112,829	279,523	134,543	-	566,099
Total financial assets	**8,528,665**	**3,748,465**	**1,561,544**	**797,565**	**784,008**	**1,367,452**	**16,787,699**
Financial liabilities							
Due to banks	1,013,903	-	-	-	-	6,522	1,020,425
Sales of treasury bills with comitment to repurchase	14,748	-	-	-	-	-	14,748
Customers deposits	6,915,515	1,495,787	1,779,961	1,489,844	110,530	934,850	12,726,487
financial dervatives	-	-	-	-	-	1,160	1,160
Loans and facilities from banks	400,000	10,571	600,000	-	2,512	-	1,013,083
Total financial liabilities	**8,344,166**	**1,506,358**	**2,379,961**	**1,489,844**	**113,042**	**942,532**	**14,775,903**
Total interest repricing gap	**184,499**	**2,242,107**	**(818,417)**	**(692,279)**	**670,966**	**424,920**	**2,011,796**

C. Liquidity risk

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

31 December 2023	Up to 1 month	1-3 months	3-12 Months	1-5 years	Over 5 years	Total
Financial liabilities						
Due to banks	1,020,425	-	-	-	-	**1,020,425**
Sales of treasury bills with comitment to repurchase	14,748	-	-	-	-	**14,748**
Customers deposits	5,895,499	1,371,359	1,531,105	2,467,633	1,460,891	**12,726,487**
Finanical Derviatives	1,160	-	-	-	-	**1,160**
Loans and facilities from banks	400,000	5,000	605,000	-	3,083	**1,013,083**
Total financial liabilities	**7,331,832**	**1,376,359**	**2,136,105**	**2,467,633**	**1,463,974**	**14,775,903**

Liquidity risk management process
The bank liquidity management process, as carried out within the bank and monitored by assets and liability committee, includes:

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

Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key Periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
Assets and liability management also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach
Sources of liquidity are regularly reviewed by a separate team in bank’s treasury to maintain a wide diversification by currency, geography, provider, product and term.

Derivatives
Derivatives settled on a gross basis
The bank’s derivatives that will be settled on a gross basis include: Foreign exchange derivatives: currency forward, currency swaps.

D. Fair value of financial assets and liabilities

D.1Financial instruments measured at fair value using valuation techniques
No change in the assessed fair value using the valuation techniques through the financial Year ended on 31 December 2023 comparing to 31 December 2022.

D.2Financial instruments not measured at fair value
The table below summarizes the carrying amounts and fair values of those financial assets and liabilities not presented on the bank’s statement of financial position at their fair value:

(All amounts are in thousand US Dollars unless otherwise mentioned)

	Book Value		Fair Value	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Financial Assets				
Due from banks	4,942,057	2,719,349	4,942,057	2,719,349
Loans and advances to banks	205,531	158,642	205,531	158,642
Loans to customers				
- Individual	603,371	684,199	603,371	684,199
- Corporate Entities	4,386,435	4,404,964	4,386,435	4,404,964
Financial Investments				
At amortized cost	2,278,749	2,316,282	2,127,150	2,240,300
Financial liabilities				
Due to banks	1,020,425	863,732	1,020,425	863,732
Customer deposits:				
- Individual	5,348,665	2,941,391	5,348,665	2,941,391
- Corporate Entities	7,377,822	5,867,389	7,377,822	5,867,389
Loans and facilities from banks	1,013,083	1,028,327	1,013,083	1,028,327

Due from banks
The fair value of due from banks represents the book value, where all balances are current balances expected to mature during the Year.

Investment securities
Investment securities disclosed in the table above comprise only those financial assets classified as held to maturity. Where assets available for sale are valued at fair value except for equity investments which the bank couldn't determine its fair value with an acceptable degree of certainty. And the fair value of financial assets held to maturity is determined based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

Due to banks
The fair value of due to banks approximates the book value, where all balances are current balances expected to mature during the Year.

Deposits due to customers:
The customer deposits are divided into current and non-current balances. The book value of the current balances approximates the fair value.

Other loans:
The other loans are divided into current and no-current balances. The book value of the current balances approximates the fair value.

E. Capital management

The bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by Arab Republic of Egypt and countries in which bank branches operate.
- To safeguard the bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders.
- To maintain a strong capital base to support the development of its business.
- Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory capital (the Central Bank of Egypt in the Arab Republic of Egypt) by the Bank's management, through models based on the Basel committee's guidelines. The required data are submitted and deposited with the Central Bank of Egypt on a quarterly basis

The CBE requires the bank to:

- The bank maintains a ratio of 12.5% or more of total regulatory capital to its risk-weighted assets and contingent liabilities. In addition to another 0.25% summing up to 12.75% for AAIB according to the CBE manual dated 8 May,2017 since the bank is considered one of the banks with local systematic importance.
- Bank's branches operating outside Arab Republic of Egypt subject to banking supervision rules in countries which they operate.
- On December 18, 2012, the Central Bank of Egypt (CBE) approved the minimum capital adequacy guidelines as part of the implementation of the Basel II directives. Under these instructions, the Bank is required to comply with these instructions as of December 2012

According to the new regulations issued on 18 December 2012

Tier 1 capital:
Tier 1 capital consists of two parts **Going Concern Capital and Additional Going Concern.**

Tier 2 capital:

Going Concern Capital consists of:

- 45% of the increase in the fair value over the book value of financial investments (fair value reserve if it is positive, financial investments held to maturity, investments in subsidiaries and associates).
- 45% of the special reserve.
- 45% of the foreign currency reserve positive translation differences.
- Hybrid financial instruments.
- Loans (deposits) support.
- Provision for impairment losses for loans and advances and liabilities regular (must not exceed 1.25% of the total credit risk of the assets and liabilities of regular risk-weighted, must also be dedicated impairment losses for loans and credit facilities and contingent liabilities irregular enough to meet the liabilities component for which LCA).

Deducted 50% of the Tier 1 and 50% of the Tier 2:

- Investments in non-financial companies - each company alone, which amount to 15% or more of continuous core capital of the bank by regulatory amendments.
- The total value of the bank 's investments in non-financial companies - each individual company and that at least 15% of the basic capital continued by regulatory amendments provided that exceed those investments combined for 60% of the core capital continued by regulatory amendments
- Securitization portfolios.
- Regarding the value of the assets that devolved to the bank settlement of debts a general banking risks reserve.

When calculating the total extension of capital adequacy standard, shall not exceed loans (deposits) support for 50% of the first slide after the disposals.
Contingent assets and liabilities are weighted at credit risk, market risk and operational risk.
The capital adequacy criterion is composed of the following

1 - Credit risk
2 - Market risk
3 - Operational risk

The assets are weighted risk weights ranging from zero to 100% classified according to the nature of the debtor, each asset to reflect the credit risk associated with it, and taking cash collateral into account.
The treatment is used for extra-budgetary funds after making adjustments to reflect the episodic nature of the potential losses of those amounts.
Banks operating in the Arab Republic of Egypt are commited to maintain a capital base of at least 12.5% of its assets and incidental liabilities weighted with credit, market, and operational risks. Additionally, a capital requirement is mandatory for banks with local systematic importance. Accordingly, Arab African International Bank maintains an extra capital requirement of 0.25% summing up to 12.75% of its assets and probable liabilities weighed with market, credit, and operational risk as capital requirement.

The below tables summarize tier 1 and tier 2 components and capital adequacy ratio

	31 December 2023 USD '000	31-December-2022 USD '000
Capital		
Tier 1 Going Concern Capital (1)		
Share capital (net of the treasury shares)	500,000	500,000
Reserves	220,660	206,133
Retained earnings	1,364,022	1,282,147
General risk reserve	23,481	23,481
Total other comprehensive income items after regulatory adjustments	(77,303)	(51,699)
Quarterly interim earnings	168,178	153,399
Total deduction from going concern capital	(92,839)	(65,499)
Total Common Equity capital	**2,106,199**	**2,047,962**
Tier 2 (Gone – Concern Capital) (2)		
45% of the value of the Special Reserve	1,102	1,102
45 % of the increase in the fair value above the carrying amount for investments in subsidries and associates	11,511	14,397
Provision for impairment losses for performing loans and advances and contingent liabilities	43,856	33,880
Total Deductions from tier 2	(2,698)	-
Total tier 2 (Gone – Concern Capital)	**53,771**	**49,379**
Total capital base	**2,159,970**	**2,097,341**
Total Credit Risk , Market Risk and Operational Risk		
Credit Risk	10,141,711	9,135,715
Market Risk	163,876	142,825
Operational Risk	274,717	464,335
Total Credit Risk , Market Risk and Operational Risk	**10,580,304**	**9,742,875**
Capital Adequacy Ratio %	**20.42%**	**21.53%**

- The above consolidated balances as CBE instructions dated 24 December 2012 .
- NSFR ratio amounted 172.11% (154.73 % in local currency & 190.8% in foreign currency) and the LCR amounted 373.99% (283.06% in local currency & 218.59% in foreign currency).

Financial Leverage Ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 14, 2015 special supervisory instructions related to leverage ratio of maintaining a minimum level of leverage ratio of 3% to be reported on a quarterly basis as follows:

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

This ratio will be included in Basel requirement Tier 1 in order to maintain the effectiveness of the Egyptian banking system, as well as keep up with the best international regulatory practices.

Financial leverage ratio reflect the relationship between tier 1 for capital that are used in capital adequacy ratio (after exclusions) and the Bank's assets (on and off-balance Sheet items) that are not risk weighted assets

Ratio Components

The numerator components

The numerator consists of the tier 1 for capital that are used in capital adequacy ratio (after exclusions) in accordance with the requirements of the Central Bank of Egypt

The denominator components

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

1. On balance sheet exposure items after deducting Tier 1 exclusions for capital base
2. Derivatives contracts exposure
3. Financing financial securities operations exposure
4. Off-balance sheet exposures "weighted exchange transactions"

The Financial leverage ratio as follow:

	31 December 2023 USD '000	31-December-2022 USD '000
Tier 1 Capital after exclusion	2,106,199	2,047,962
Total Tier 1 Capital after exclusion	**2,106,199**	**2,047,962**
Total on balance sheet exposures items including derivatives contracts & financial securities	19,308,980	15,043,288
Total off-balance sheet exposures	1,207,913	1,524,621
Total exposures on and off-balance sheet	**20,516,893**	**16,567,909**
Financial leverage ratio	**10.27%**	**12.36%**

4. Critical accounting estimates and judgments

The bank makes estimates and assumptions that affect the presented amounts of assets and liabilities within the next financial Period. Estimates and judgments are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events which believed to be reasonable during the current conditions and available information.

4.A. Impairment losses on loans and advances

The bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the bank makes judgments as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The method and assumptions used to estimate the amount and the timing of future cash flows are reviewed on a regular basis in order to reduce any difference between the expected and the actual loss based on experience

4.B. Impairment of equity investments through other comprehensive income

The bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of whether they are significant or prolonged requires judgment. In making this judgment, the bank evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

4.C. Fair value of Derivatives

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions. Where valuation techniques (for example, models) are used to determine fair values, they are validated and Periodcally reviewed by qualified personnel independent of those that sourced them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own credit risk and counterparty risk), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

4.D. Amortized cost investments

The bank classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgment. In making this judgment, the bank evaluates its intention and ability to hold such investments to maturity. If the bank were to fail to keep these investments until maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the bank is required to reclassify the entire category as available for sale. Accordingly, the investments would be measured at fair value instead of amortized cost, in addition to suspending the classification of any investments in this category.

4.E. Income taxes

The bank is subject to income taxes in numerous jurisdictions. Significant estimates are required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the Period where the differences exist.

5. Segment reporting analysis

5A. Segment reporting analysis

Segmental analysis of activities

Segment activity includes operating activities, assets used in providing banking services, and risk and return management associated with this activity, which might differ from other activities. Segment analysis for the banking operations involves the following:

Large, medium, and small enterprises:

Includes current accounts, deposits, overdraft accounts, loans, credit facilities, and financial derivatives activities.

Investment:

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

Retail:

includes current account, saving accounts, deposits, credit card, personal loans, and real estate loans

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Other activities:

Includes other banking operations, such as money management.

Transactions among segments are performed according to the bank's normal operating cycle, and includes operating assets and liabilities as presented in the bank's statement of financial position.

31 December 2023	Corporate banking	Retail	Investment banking	Total
Revenues and expenses according to the sector activity				
Revenues of the sector activity	380,134	93,633	162,572	636,339
Expenses of the sector	(162,577)	(78,939)	(65,517)	(307,033)
Result of the sector operations	**217,557**	**14,694**	**97,055**	**329,306**
Profit before tax				329,306
Income Tax expense				(101,612)
Net profit after tax				**227,694**
Assets and Liabilities according to the sector activity				
Assets of the sector activity	4,110,971	616,008	12,169,522	**16,896,501**
Uncategorized assets				**519,039**
Total assets				**17,415,540**
Liabilities of the sector activity	7,386,708	5,348,142	1,125,573	**13,860,423**
Uncategorized liabilities				**3,555,117**
Total Liabilities				**17,415,540**

31 December 2022	Corporate banking	Retail	Investment banking	Total
Revenues and expenses according to the sector activity				
Revenues of the sector activity	292,914	98,645	119,867	**511,426**
Expenses of the sector	(146,397)	(81,537)	(56,300)	**(284,234)**
Result of the sector operations	**146,517**	**17,108**	**63,567**	**227,192**
Profit before tax				227,192
Income Tax expense				(84,023)
Net profit after tax				**143,169**
Assets and Liabilities according to the sector activity				
Assets of the sector activity	4,345,328	464,187	7,669,295	**12,478,810**
Uncategorized assets				**690,237**
Total assets				**13,169,047**
Liabilities of the sector activity	5,743,200	3,118,772	912,657	**9,774,629**
Uncategorized liabilities				**3,394,418**
Total Liabilities				**13,169,047**

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Segment analysis (continued)

5.B.Geographical sector analysis

31 December 2023	Arab Republic of Egypt							
	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Lebanon	Total
Revenues & Expenses according to the geographical sectors								
Revenues of the Geographical sectors	1,729,638	350,883	142,443	63,392	**2,286,356**	196,593	7,195	**2,490,144**
Expenses of the Geographical sectors	(1,467,322)	(362,600)	(109,745)	(109,812)	**(2,049,479)**	(106,652)	(4,707)	**(2,160,838)**
Result of sector operations	**262,316**	**(11,717)**	**32,698**	**(46,420)**	**236,877**	**89,941**	**2,488**	**329,306**
Profit before tax								**329,306**
Income tax expense								**(101,612)**
Profit of the year after tax								**227,694**
Assets & liabilities according to the geographical sectors								
Geographical sectors assets	10,288,097	1,964,043	831,613	844,897	**13,928,650**	3,471,787	15,103	**17,415,540**
Total assets	10,288,097	1,964,043	831,613	844,897	**13,928,650**	3,471,787	15,103	**17,415,540**
Geographical sectors liabilities	10,288,097	1,964,043	831,613	844,897	**13,928,650**	3,471,787	15,103	**17,415,540**
Total liabilities	10,288,097	1,964,043	831,613	844,897	**13,928,650**	3,471,787	15,103	**17,415,540**

31 December 2022	Cairo	Alex Delta	Upper Egypt	Other	Total	Gulf	Lebanon	Total
Revenues & Expenses according to the geographical sectors								
Revenues of the Geographical sectors	1,904,487	182,923	64,689	123,891	**2,275,990**	154,271	1,509	**2,431,770**
Expenses of the Geographical sectors	(1,552,775)	(467,738)	(71,301)	(57,851)	**(2,149,665)**	(53,244)	(1,669)	**(2,204,578)**
Result of sector operations	**351,712**	**(284,815)**	**(6,612)**	**66,040**	**126,325**	**101,027**	**(160)**	**227,192**
Profit before tax								**227,192**
Income tax expense								**(84,023)**
Profit of the year								**143,169**
Assets & liabilities according to the geographical sectors								
Geographical sectors assets	**9,734,696**	**844,275**	**268,813**	**319,936**	**11,167,720**	1,974,128	27,199	**13,169,047**
Total assets	**9,734,696**	**844,275**	**268,813**	**319,936**	**11,167,720**	1,974,128	27,199	**13,169,047**
Geographical sectors liabilities	**9,734,696**	**844,275**	**268,813**	**319,936**	**11,167,720**	1,974,128	27,199	**13,169,047**
Total liabilities	**9,734,696**	**844,275**	**268,813**	**319,936**	**11,167,720**	1,974,128	27,199	**13,169,047**

(All amounts are in thousand US Dollars unless otherwise mentioned)

6. Net Interest Income

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Interest revenue and similar items		
Loans and advances to Customers	639,097	513,758
Loans and advances to banks	897	2,532
Treasury bills and bonds	379,782	350,570
Deposits and current accounts	308,387	90,397
Investments in Amortized cost and OCI bonds	76,055	55,440
Total Interest and similar income	**1,404,218**	**1,012,697**
Interest expenses and similar charges		
Deposits and current accounts:		
To banks	(41,972)	(38,835)
To customers	(796,104)	(533,302)
Sales of treasury bills with comitment to repurchase	(343)	(569)
Other loans	(59,928)	(26,807)
Total Interest and similar expenses	**(898,347)**	**(599,513)**
Net interest income	**505,871**	**413,184**

7. Net fees and commission income

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Fees and Commissions income		
Credit related fees and commissions	76,677	53,068
Book keeping fees	2,169	1,733
Other fees	34,053	29,916
Total fees & Commission income	**112,899**	**84,717**
Fees and Commissions expense :		
Book keeping fees paid	(2,164)	(1,554)
Other fees and commissions paid	(18,819)	(17,595)
Total fees & Commission Expenses	**(20,983)**	**(19,149)**
Net fees and Commissions	**91,916**	**65,568**

8. Dividend Income

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Equity instruments at fair value through other comprehensive income	1,380	1,206
Subsidiaries and associates companies	939	1,280
Total dividend income	**2,319**	**2,486**

(All amounts are in thousand US Dollars unless otherwise mentioned)

9. Net trading income

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Foreign exchange:		
Gains from foreign currencies transactions	43,222	24,937
(loss)/gains from SWAPS	(360)	(203)
Debt Instruments held for trading	83	-
change in fair value for equity instruments held for trading	(5,691)	4,537
Net trading income	**37,254**	**29,271**

10. Expected credit losses expense

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Loans and advances to Customers	(95,096)	(86,062)
Loans and advances to banks	1,883	(569)
Due from banks	286	(444)
Debt instruments	(12,228)	(129)
Other assets	(1,373)	252
Net	**(106,528)**	**(86,952)**

11. Administrative expenses

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Salaries, Wages & Staff Benefits	(68,472)	(66,080)
Staff medical expenses	(2,055)	(2,197)
Social insurance & pension	(5,856)	(5,819)
Merchandise supplies	(8,461)	(9,718)
Services supplies	(24,539)	(31,030)
Stamp duty taxes & Fees	(15,708)	(18,438)
Depreciation &Amortization	(26,741)	(14,897)
Donation	(156)	(71)
Comprehensive medical insurance	(3,441)	(3,059)
Total	**(155,429)**	**(151,309)**

12. Other Operating Expense/Income

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Gain/(loss) on revaluation of monetary assets & liabilities balances in foreign currencies other than trading	(42,206)	(6,851)
Gain from sale fixed assets	122	355
Gain from sale of assets reverted to banks	-	110
Other operating income	383	313
Other operating expenses	(11,272)	(18,576)
Other provision expense	8,146	(19,734)
Net	**(44,827)**	**(44,383)**

(All amounts are in thousand US Dollars unless otherwise mentioned)

13. Income Tax Expense

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Current income taxes-Local Branches	(93,742)	(65,724)
Current income taxes-Foreign Branches	(13,537)	(13,042)
Deferred tax	5,667	(5,257)
Total	**(101,612)**	**(84,023)**

Income tax on profit before income tax differs from the theoretically expected current income tax when applying the average tax rate applicable to the bank profits realized from local and overseas units as follows

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Profit before taxes	329,306	227,192
average tax rates	**22.50%**	**22.50%**
Income tax computed based on the average tax rates of local and Foreign branches on the profit in several tax circuits	74,094	51,118
Add/(Deduct)		
Revenues not subject to taxation	(167,098)	(125,100)
Expenses not deducted for tax purposes	200,283	152,748
Used deferred tax wasn't recognized before	(5,667)	5,257
Income tax	101,612	84,023
Actual tax rate	**30.86%**	**36.98%**

14. Earnings per share

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Net profit for the period	227,694	143,169
Expected / Actual distributions of profits to employees	(20,293)	(12,637)
Board of directors remuneration from net profit expected/actual	(675)	(450)
Banking sector and support fund	(2,257)	(1,407)
Total	**204,469**	**128,675**
Weighted average for the expected number of shares	100,000	100,000
Earnings per share (Dollar / share)	**2.05**	**1.29**

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15. Cash and due from Central banks

	31 December 2023	31 December 2022
Cash in hand	101,180	56,567
Balances with the Central Banks limited to the reserve ratio	1,520,365	1,108,411
Total	**1,621,545**	**1,164,978**
Non-interest bearing balances	1,621,545	1,164,978
Balance	**1,621,545**	**1,164,978**

16. Due from banks

	31 December 2023	31 December 2022
Current accounts	187,456	158,093
Deposits	4,768,975	2,575,283
Expected credit loss	(14,374)	(14,027)
Balance	**4,942,057**	**2,719,349**
Central banks other than those under Legal Reserve	1,390,528	311,258
Local banks	2,946,849	1,203,164
Foreign banks	619,054	1,218,954
Expected credit loss	(14,374)	(14,027)
Balance	**4,942,057**	**2,719,349**
Non-interest bearing balances	187,456	158,093
Interest bearing balances	4,768,975	2,575,283
Expected credit loss	(14,374)	(14,027)
Balance	**4,942,057**	**2,719,349**
Current balance	4,956,431	2,733,376
Expected credit loss	(14,374)	(14,027)
Balance	**4,942,057**	**2,719,349**

(All amounts are in thousand US Dollars unless otherwise mentioned)

17. Financial investments

17/1 Financial investments at fair value through other comprehensive income (FVTOCI)

	31 December 2023	31 December 2022
(1)Debt securities – at fair value		
Listed at fair value	549,457	649,234
Non-listed at fair value	690,027	370,002
Total (1)	**1,239,484**	**1,019,236**
(2)Equity securities - at fair value		
Non-listed securities at market	30,480	30,534
Listed at market	20,169	-
Total (2)	**50,649**	**30,534**
(3) Treasury Bills		
Treasury bills at fair value through other comprehensive income	1,057,276	581,981
Total (3)	**1,057,276**	**581,981**
(4) Mutual fund cerrificates		
Non listed at stock exchange	14,181	14,067
Total (4)	**14,181**	**14,067**
(5) Treasury Bond	**809,242**	**-**
Total (5)	**809,242**	**-**
Total Financial investments at fair value through other comprehensive income	**3,170,832**	**1,645,818**

17/2 Financial investments at amortized cost

	31 December 2023	31 December 2022
(1)Debt instruments:		
Listed in stock exchange market	579,542	881,571
Deduct : Expected credit loss	(13,443)	(10,228)
Total (1)	**566,099**	**871,343**
(2)Treasury Bills		
Treasury Bills at amortized cost	1,721,446	1,448,399
Deduct : Expected credit loss	(8,796)	(3,460)
Total (2)	**1,712,650**	**1,444,939**
Financial investments at amortized cost	**2,278,749**	**2,316,282**
Total financial investments	**5,449,581**	**3,962,100**
Current Balances	3,986,543	2,373,932
Non-current balances	1,463,038	1,588,168
Total	**5,449,581**	**3,962,100**
Debt instruments with fixed interest rates	4,169,942	3,619,575
Debt instruments with variable interest rates	1,214,809	297,924
Total	**5,384,751**	**3,917,499**

(All amounts are in thousand US Dollars unless otherwise mentioned)

17/2. Treasury bills

	31 December 2023	31 December 2022
Treasury bills issued from central bank of Egypt	2,659,684	1,970,653
Treasury bills issued from central bank of Emirates	118,967	61,179
Treasury bills issued from central bank of Lebanon	20	2,306
Net treasury bills	**2,778,671**	**2,034,138**
Treasury bills represent the following according to maturities:		
Treasury bills, maturity 91 days	1,091,534	139,600
Treasury bills, maturity 182 days	94,289	92,184
Treasury bills, maturity 273 days	805	26,807
Treasury bills, maturity 364 days	1,655,509	1,821,754
Treasury bills, maturity more than 1 year	-	300
Total nominal value	**2,842,137**	**2,080,645**
Less: Accrued interest	(63,466)	(46,507)
Total nominal value after deducting accrued interest	**2,778,671**	**2,034,138**
Expected credit loss	(8,796)	(4,090)
Fair value through comprehensive income reserve	51	(3,128)
Net treasury bills	**2,769,926**	**2,026,920**

The movement in financial investments during the period may be summarized as follows:

	Fair value through other comprehensive income	Amortized cost	Total
Balance at 1 January 2022	1,663,416	2,852,772	4,516,188
Additions	1,071,552	67,114	1,138,666
Disposals (sale / redemption)	(848,559)	(176,613)	(1,025,172)
Translation differernces resulting from monetary foregin currency assets	(594,375)	(402,369)	(996,744)
Net changes in financial investments fair value through other comprehensive income	(121,114)	-	(121,114)
Treasury Bills	474,898	(25,170)	449,728
Expected credit loss	-	548	548
Balance at 31 December 2022	**1,645,818**	**2,316,282**	**3,962,100**
Balance at 1 January 2023	1,645,818	2,316,282	3,962,100
Additions	1,491,174	55,901	1,547,075
Disposals (sale / redemption)	(226,139)	(227,685)	(453,824)
Translation differernces resulting from monetary foregin currency assets	(175,933)	(130,245)	(306,178)
Net changes in financial investments fair value through other comprehensive income	(37,826)	-	(37,826)
Treasury Bills	475,295	273,047	748,342
Expected credit loss	-	(8,551)	(8,551)
Balance at 31 December 2023	**3,172,389**	**2,278,749**	**5,451,138**

(All amounts are in thousand US Dollars unless otherwise mentioned)

Gains/losses from financial investments as follows :

	For The Year Ended 31 December 2023	For The Year Ended 31 December 2022
Gain on sale investment bonds	249	368
Gain on sale Treasury bills	914	1,760
Impairment losses for investments in subsidries and associates	(2,433)	(2,801)
Total	**(1,270)**	**(673)**

18.Investment properties

	Land	Buildings	Total
Balance at 1 January 2023			
Cost	958	3,231	4,189
Accumulated Depreciation	-	(1,736)	(1,736)
Net book value as of 1 January 2023	958	1,495	2,453
Depreciation expense	-	(52)	(52)
Net book value as of 31 December 2023	**958**	**1,443**	**2,401**
Net book value as of 31 December 2022	**958**	**1,495**	**2,453**

19.Loans & Advances to banks

	31 December 2023	31 December 2022
Dicounted Commercial Papers	209,572	163,305
Less:		
Unearned discount for commercial papers and loans	(2,826)	(1,566)
Expected credit loss	(1,215)	(3,097)
Balance	**205,531**	**158,642**

(All amounts are in thousand US Dollars unless otherwise mentioned)

20. Loans & Advances to customers

	31 December 2023	31 December 2022
Retail		
Overdrafts	70,822	99,003
Credit cards	30,042	17,587
Personal Loans	263,567	300,813
Mortgage Loan	89,451	74,794
Other Loans	1,584	2,117
Discounted commercial papers	147,905	189,885
Total (1)	**603,371**	**684,199**
Corporate		
Overdrafts	1,931,893	1,808,069
Direct Loans	826,980	871,032
Syndicated loans	1,589,751	1,679,546
Other Loans	1,459	1,391
Discounted commercial papers	36,352	44,926
Total (2)	**4,386,435**	**4,404,964**
Total Loans and advances (1+2)	**4,989,806**	**5,089,163**
less:		
unearned discount for commercial papers and loans	(30,574)	(29,983)
prepaid interest for loans	(133)	(151)
Expected credit loss	(390,114)	(419,682)
suspense interest	-	(612)
Net balance distributed as follows:	**4,568,985**	**4,638,735**
Current Balances	2,356,389	2,144,235
Non-Current Balances	2,212,596	2,494,500
Net Balance	**4,568,985**	**4,638,735**

Expected credit losses

Movement of expected credit losses on loans and advances to banks and customers by class is as follows:

(All amounts are in thousand US Dollars unless otherwise mentioned)

	31 December 2023				31 December 2022			
	Retail	Banks	Corporate	Total	Retail	Banks	Corporate	Total
Balance at the beginning of the Period/Year	**64,599**	**3,097**	**355,083**	**422,779**	**55,284**	**3,651**	**362,416**	**421,351**
Expected credit loss	7,906	(1,882)	87,189	**93,213**	24,564	569	61,498	**86,631**
Proceeds from written off debts	432	-	3,418	**3,850**	215	-	17,625	**17,840**
Utilized during the Period / Year	(27,351)	-	(62,725)	**(90,076)**	(3,591)	(992)	(10,413)	**(14,996)**
Foreign currencies translation differences	(12,914)	-	(25,523)	**(38,437)**	(11,873)	(131)	(76,043)	**(88,047)**
Balance at the end of Period/Year	**32,672**	**1,215**	**357,442**	**391,329**	**64,599**	**3,097**	**355,083**	**422,779**

21. Financial Derivatives instruments and hedging.

Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or interest rates, or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.

Credit risk is considered low, and future interest rate contract represents future exchange rate contracts negotiated for case by case, These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future interest rates on future dates based on contractual amount (nominal value) pre agreed upon.

Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (i.e., cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps.

The bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis with reference to the current fair value, and a proportion of the notional amount of the contracts. In order to control the level of credit risk taken, the bank assesses counterparties using the same techniques as for its lending activities.

The notional amounts of certain types of financial instrument provide a basis for comparison with instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore; do not indicate the bank 's exposure to credit or price risks.

The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

(All amounts are in thousand US Dollars unless otherwise mentioned)

31 December 2023	**31 December 2023**		**31 December 2023**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency forwards	2	235	27	26
Derivatives held for trading	1	928	4,605	50
Total derivatives	**3**	**1,163**	**4,632**	**76**
Net derivatives (Liabilities)	**-**	**1,160**	**4,556**	**-**

22.-Investment in subsidiaries and associates

The bank's interest in its subsidiary and associates is as follows:

31 December 2023	Nature of relation	Country	Company assets	Company liabilities (without owners' equity)	Company revenues	Company profit/loss	Participation value	Participation percentage
			USD '000	USD '000	USD '000	USD '000	USD '000	%
Universal for investment and development company(S.A.E)	Subsidiary	Egypt	498	145	1,046	86	224	90
Arab African Holding company (S.A.E)	Subsidiary	Egypt	19,779	11,959	7,598	2,393	9,498	89.63
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	47,919	34,693	6,434	1,753	17,787	95.46
Arab African financial leasing	Subsidiary	Egypt	52,726	41,935	20,900	1,462	14,086	99
Sandah Micro-Finance company	Subsidiary	Egypt	10,939	11,320	2,917	(1,409)	-	67
Nuun Fund Services	Associate	Egypt	92	14	28	(8)	-	20
Egypt Company for Investment & Development	Associate	Egypt	-	-	-	-	703	20
Total			**131,953**	**100,066**	**38,923**	**4,277**	**42,298**	

31 December 2022	Nature of relation	Country	Company assets	Company liabilities (without owners' equity)	Company revenues	Company profit/Loss	Participation value	Participation percentage
			USD '000	USD '000	USD '000	USD '000	USD '000	%
Universal for investment and development company(S.A.E)	Subsidiary	Egypt	563	170	1,181	93	224	90
Arab African Holding company (S.A.E)	Subsidiary	Egypt	12,884	5,941	3,710	698	9,498	89.63
Arab African Real estate mortgage company (S.A.E)	Subsidiary	Egypt	45,702	30,358	7,678	2,384	17,787	95.46
Arab African financial leasing	Subsidiary	Egypt	49,491	37,404	13,771	1,578	14,086	99
Sandah Micro-Finance company	Subsidiary	Egypt	8,535	7,270	3,448	(1,581)	2,433	67
Nuun Fund Services	Associate	Egypt	92	14	28	(8)	-	20
Egypt Company for Investment & Development	Associate	Egypt	-	-	-	-	703	20

- The Bank has made an investment in Egypt company for investment and development amounted to USD 703 thousand that represents 20% of the investee shares (this amount represent 25 % from the appropriation amount) .
- Capital of Sandah has been raised by amount EGP 20.1 M equivalent to USD 1.047 thousand.
- Created for Sandah microfinance impairment with USD 6,637 thousands.
- Created for the bank's contribution to Nuun Fund Services an impairment amounted to USD 33 thousand.
- Created for the bank's contribution to Universal for Investment and Development Company (S.A.E) impairment amounted to USD 280 thousand.
- Investments in subsidiaries and associates are not-listed in the stock exchange.

(All amounts are in thousand US Dollars unless otherwise mentioned)

23.Other assets

	31 December 2023	31 December 2022
Accrued revenues	115,934	96,069
Prepaid expenses	8,534	5,774
Advance payments for purchase of fixed assets	103,699	113,316
Assets reverted to the bank in settlement of debts	17,761	22,176
Deposits with others and staff advances	12,347	14,570
Miscellaneous Debit Balances	115,829	52,829
allowance for impairment loss	(1,832)	(522)

24-Deferred tax assets

Deferred tax assets resulting from tax differences of the assets and liabilities items comprise the following:

	31 December 2023		31 December 2022	
	Assets	Liabilities	Assets	Liabilities
Fixed assets	-	(1,569)	-	(1,952)
Foreign currency translation differences	9,504	-	-	-
Other provisions	7,853	-	12,634	-
Employee benefits obligations	14	-	-	-
Change in investments at fair value through other comprehensive income	10,351	-	15,009	-
Impairment	547			
Total tax assets (liabilities)	**28,269**	**(1,569)**	**27,643**	**(1,952)**

	31 December 2023	31 December 2022
Balance at the beginning of the Year	25,691	8,538
Deferred tax movement during the Year	1,009	17,153

(All amounts are in thousand US Dollars unless otherwise mentioned)

25-Fixed Assets

fixed assets

	Land & Building	Machinery & Equipment	Other	Total
Balance as of 1 January 2022				
Cost	130,692	22,379	44,041	197,112
Accumulated Depreciation	(41,554)	(12,200)	(25,389)	(79,143)
Net book value as of 1 January 2022	**89,138**	**10,179**	**18,652**	**117,969**
Additions	-	749	4,568	5,317
Disposal	-	(1)	(31)	(32)
Depreciation expense	(1,107)	(2,851)	(5,491)	(9,449)
Net book value as of 31 December 2022	**88,031**	**8,076**	**17,698**	**113,805**
Balance as of 1 January 2023				
Cost	130,692	23,127	48,578	202,397
Accumulated Depreciation	(42,661)	(15,051)	(30,880)	(88,592)
Net book value as of 1 January 2023	**88,031**	**8,076**	**17,698**	**113,805**
Additions	3,324	15,413	28,169	46,906
Disposal	(2,777)	(579)	(1,016)	(4,372)
Depreciation expense	(1,035)	(4,414)	(9,617)	(15,066)
Net book value as of 31 December 2023	**87,543**	**18,496**	**35,234**	**141,273**
Balance as at end of Period				
Cost	131,239	37,961	75,731	244,931
Accumulated Depreciation	(43,696)	(19,465)	(40,497)	(103,658)

26-Intangible assets :

intangible assets

	31 December 2023	31 December 2022
Cost	63,545	38,820
Accumlated amortization	(20,648)	(9,025)

(All amounts are in thousand US Dollars unless otherwise mentioned)

27.Due to banks

	31 December 2023	31 December 2022
Current accounts	56,419	163,902
Deposits	964,006	699,830
Balance	**1,020,425**	**863,732**
Central Banks	39,326	45,764
Local banks	515,624	480,017
Foreign banks	465,475	337,951
Balance	**1,020,425**	**863,732**
Non-interest bearing balances	56,419	163,902
Interest bearing balances	964,006	699,830
Balance	**1,020,425**	**863,732**
cuurent Balance	**1,020,425**	**863,732**

28.Customers' deposits

	31 December 2023	31 December 2022
Demand deposits	3,738,139	3,024,447
Time and call deposits	4,506,060	3,747,107
Certificates of deposits	893,784	1,015,679
Saving accounts	3,254,717	874,182
Other deposits	333,787	147,365
Balance	**12,726,487**	**8,808,780**
Corporate Deposits	7,377,822	5,867,389
Retail Deposits	5,348,665	2,941,391
Balance	**12,726,487**	**8,808,780**
Non-interest bearing balances	2,171,924	1,532,916
Variable interest rate balances	425	2,273
Fixed interest rate balances	10,554,138	7,273,591
Balance	**12,726,487**	**8,808,780**
Current Balances	8,797,963	5,325,822
Non-current balances	3,928,524	3,482,958
Balance	**12,726,487**	**8,808,780**

(All amounts are in thousand US Dollars unless otherwise mentioned)

29-Other liabilities

	31 December 2023	31 December 2022
Accrued interest	83,351	102,026
Deferred revenue	9,574	1,895
Accrued expenses	29,626	28,273
Creditors	34,441	29,107
Other credit balances	104,688	60,648
Balance	**261,680**	**221,949**

30-Loans and Facilities from banks

	Interest Rate	31 December 2023	31 December 2022
Loan from AFREXIM bank	7.26%	400,000	400,000
Loan from AFREXIM bank	6.57%	400,000	400,000
Loan from AFREXIM bank	6.58%	200,000	200,000
Loan from European bank for construction and development	-	-	4,286
Loan from European bank for construction and development	8.74%	5,000	10,000
Loan from Frensh Development agency	8.06%	5,000	10,000
MESMEDA Orgnization	9.50%	2,512	2,506
MESMEDA Orgnization	9.75%	571	1,535
Balance		**1,013,083**	**1,028,327**
Current balances		1,010,000	614,286
Non Current Balance		3,083	414,041
Balance		**1,013,083**	**1,028,327**

arab african international bank

(An Egyptian Joint Stock Company)

Notes to the separate financial statements – For the Year ended 31 December 2023

(All amounts are in thousand US Dollars unless otherwise mentioned)

31-Other Provisions

31 December 2023	Balance at the beginning of the Period	Formed/ Released during the Period	Foreign exchange currency difference	Used during the Period	Balance at the end of the Period
Claims provision	5,033	766	(592)	(142)	**5,065**
Contingent liabilities provision	33,729	(8,912)	(2,448)	-	**22,369**
Balance	**38,762**	**(8,146)**	**(3,040)**	**(142)**	**27,434**

31 December 2022	Balance at the beginning of the year	Formed/ Released during the year	Foreign exchange currency difference	Used during the year	Balance at the end of the year
Claims provision	1,115	4,299	(147)	(234)	**5,033**
Contingent liabilities provision	21,627	15,329	(3,227)	-	**33,729**
Balance	**22,742**	**19,628**	**(3,374)**	**(234)**	**38,762**

32.Current income tax liabilities

	31 December 2023	31 December 2022
Current tax obligation for Treasury bills and bonds	14,305	13,136
Current tax obligation local branches	33,365	7
Current tax obligation foreign branches	9,337	13,026
	57,007	**26,169**

33.Employment benefit obligation

The Department of Social Fund for employees in the Arab African International Bank conducted an actuarial study to determine the net present value of funds obligations. Thus, determine the surplus or deficit in the fund as at 31 December 2023 under which the bank will compensate any shortfall that may arise from the investment fund.

The most important was the basic assumptions used by the actuary are as follows: -

- Death rates from the British Table A49-52 ULT
- Disability rates from the experience of the Egyptian Social Security.
- Unity method is used in the calculation of the estimated additional commitments and the present value of subscriptions (Unit Projected method).

The pension and remuneration system for employees who receive their salaries in Egyptian pounds.

Employee benefits obligations	31 December 2023	31 December 2022
Balance at the beginning of the Year	-	5,714
Foreign exchange currency difference	-	(289)
Formed during the year	5,247	1,040
Used during the year	(5,186)	(6,465)
Balance at the end of the year	**61**	**-**

	31 December 2023 EGP '000	31 December 2022 EGP '000
The present value of funded obligations	676,640	1,046,012
The fair value of the assets system	892,143	860,179
Deficit of funded system	(215,503)	185,833
Unrealized actuarial losses	223,582	(225,208)
Net liabilities (Assets)	**8,079**	**(39,375)**

	EGP '000	EGP '000
Amounts recognized in the Balance Sheet		
Liabilities	8,079	(39,375)
Net liabilities (Assets)	**8,079**	**(39,375)**

	31 December 2022 USD'000	31 December 2022 USD'000
The present value of funded obligations	20,111	27,058
The fair value of the assets system	21,466	18,751
Deficit of funded system	(1,355)	8,307
Unrealized actuarial losses	1,154	(4,789)
The liabilities in the Financial Position statement	**(201)**	**3,518**

Amounts recognized in the Balance Sheet	**31 December 2022**	**31 December 2022**
Liabilities	(201)	3,518
The liabilities in the Financial Position statement	**(201)**	**3,518**

	EGP %	**USD %**
Average assumptions for the determination of benefits obligations		
Discount rate%	23.35	4.97
Rate of increase in compensation%	5	2
Rate of price inflation%	34.6	8.30
Rate of increase in pension%	7.0	2
Average assumptions to determine the net cost		
Discount rate%	15.4	3.79
Expected long-term rate of return on the assets during the financial year	10.18	3.34
Rate of increase in compensation%	5	2
Rate of price inflation%	24.4	8.3
Rate of increase in pension%	7	2

34.Sales of Treasury Bills with a commitment to repurchase

	31 December 2023	31 December 2022
Sales of Treasury Bills with a commitment to repurchase maturity 91 days	14,748	19,376
Balance	**14,748**	**19,376**

(All amounts are in thousand US Dollars unless otherwise mentioned)

35.Capital

A. Authorized capital

The authorized capital for the bank is 1 Billion USD.

B. Issued and Paid-in capital

The issued, subscribed and paid-in capital amounts to 500 million USD represented in 100 million shares of 5 USD par value.

On September 12, 2017, the Extraordinary General Meeting of Arab African International Bank shareholders approved the increase of the bank's authorized capital from 500 million USD to 1 billion USD and amended the provisions of Article (6) of the Bank's Articles of Association. Also, the increase of the issued and paid in capital from USD 100 million to USD 500 million from the retained earning represented in 100 million shares of 5 USD par value.

C. Shareholders

	Ownership Interest
Central Bank of Egypt	49.37%
Kuwait General Investment Authority	49.37%
Others	1.26%
	100%

36.Reserves and Retained earning

	31 December 2023	31 December 2022
Legal reserve	206,954	192,673
General reserve	10,000	10,000
Special reserve	2,448	2,448
General banking risks reserve	5,396	4,530
Capital reserve	3,705	3,460
Currencies translation reserve	(5,377)	(20)
Fair value reserve	(92,138)	(51,699)
Special reserve - Credit	88,562	87,670
General risk reserve	23,481	23,481
Total reserves at the end of the Year	**243,031**	**272,543**

(All amounts are in thousand US Dollars unless otherwise mentioned)

Movements in reserves were as follows:

36.A.Legal reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	192,673	179,018
Transferred from retained earning	14,281	13,655
Balance at the end of the Year	**206,954**	**192,673**

As per the bank's charter of association, 10% of the profits of the current Period appropriated to the legal reserve, and that appropriation only stops when the maintained legal reserve equals to 100% of the issued and paid in capital noting that this reserve is not distributable.

36.B.General reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	10,000	10,000
Balance at the end of the Year	**10,000**	**10,000**

36.C. Special reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	2,448	2,448
Balance at the end of the Year	**2,448**	**2,448**

As per the Central Bank of Egypt guidelines, the bank has no authority to use that reserve unless being approved by the Central Bank of Egypt

36.D.Banking risk reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	4,530	3,752
Transferred from retained earning	1,766	2,148
Foreign Exchange differences	(900)	(1,370)
Balance at the end of the Year	**5,396**	**4,530**

In compliance with the Central Bank of Egypt guidelines, the balance of the banking risk reserve represents 10% of the assets that their ownership have transferred to the bank against settling debts unless these assets won't be disposed in a certain time interval.

36.E.Capital reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	3,460	3,105
Transferred from retained earning	245	355
Balance at the end of the Year	**3,705**	**3,460**

(All amounts are in thousand US Dollars unless otherwise mentioned)

36.F. Currencies translation reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	(20)	(20)
Foreign exchange difference	(5,357)	-
Balance at the end of the Year	**(5,377)**	**(20)**

In accordance with the Central Bank of Egypt guidelines, the results of the business and budget of the foreign branches are translated into the presentation currency, which is different from the presentation currency of the Bank. Exchange differences arising from a separate item (foreign currency translation differences) are recognized in equity as currencies translation reserve

36.G.Fair value reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	(51,699)	13,198
Net change in fair value reserve for financial investments in equity instruments at FVTOCI	(458)	(12,822)
Net change in fair value reserve for financial investments of debt instruments at FVTOCI	(38,925)	(87,430)
Expected credit loss	3,603	1,725
transferred from retained earnings to fair value reserve	-	13,232
Deferred income tax during the year	(4,659)	20,398
Balance at the end of the Year	**(92,138)**	**(51,699)**

36.H.General risk reserve

	31 December 2023	31 December 2022
Balance at the beginning of the Year	23,481	23,481
Balance at the end of the Year	**23,481**	**23,481**

36.I.Special reserve - credit

	31 December 2023	31 December 2022
Balance at the beginning of the Year	87,670	61,974
Transferred to general risk reserve	892	25,696
Balance at the end of the Year	**88,562**	**87,670**

37-Retained earnings

	31 December 2023	31 December 2022
Balance at the beginning of the Year	1,389,409	1,345,045
Distributions of cash dividends	(48,088)	(42,389)
Transferred to credit balances	(1,407)	(1,330)
Transferred to legal reserve	(14,281)	(13,655)
Transferred to Capital reserve	(245)	(355)
transferred to banking risk reserve	(1,766)	(2,148)
Transferred to special reserve- credit	(892)	(25,696)
transferred to fair value reserve	-	(13,232)
Profit of the Year	227,694	143,169
Balance at the end of the Year	**1,550,424**	**1,389,409**

(All amounts are in thousand US Dollars unless otherwise mentioned)

38.Contingent liabilities and commitments

Items exposed to credit risk off balance sheet	31 December 2023	31 December 2022
Letters of guarantee	929,568	1,018,823
Commercial letters of credit (import and export)	271,108	146,602
Letters of acceptances	86,449	231,862
Total	**1,287,125**	**1,397,287**

39.Tax status

First: Corporate tax according to law for the year 2005

1-Years until 2016

The tax returns for those periods has been presented in accordance to tax law No. 91 for year 2005 and it's all amendments , tax examination has been made by The tax authority , the internal committies and the bank has settled all the due tax differences ,The Bank has received final clearance for these periods without any remaining taxes liabilities.

2-Years 2017/2019

Tax eximantion has been finished for these periods based od the submitted tax return , as well as agreement with internal committee on therms of the claims with no tax disputes , tax settlements are being finalized for obtaining a final clearence for tax authority.

3- Years 2020/2022:

The tax returns for these years have been submitted and presented to tax authority. Data and documents, evidence and tax analysis necessary to conduct the tax examination will be prepared and processed.

4-The Year Ended 31 December 2023 :

The draft tax return has been prepared for the Year Ended 31/12/2023 with making necessary tax dues till the declaration is submitted.

Second: Salary tax:

1-Years until 2020

Tax return has been submitted for these periods according to law number 91 for year 2005 , Tax examination has been done , internal committees has been done and all disputes has been agreed with tax authority , Our bank settled all tax differences and no current disputes. Tax clearance has been received up until 2019, while 2020's tax clearance is in progress.

2-Years 2021/2022

Monthly taxes have been paid in due time, tax returns for monthly and quarterly are presented on thier legal dates with tax differences paid on the mentioned period, and currently documents, data and related tax analysis are being prepared

3-The Year Ended 31 December 2023:

Monthly and Quarterly tax declaration has been presented in their legal dates till the quarter ended at 31/12/2023.

(All amounts are in thousand US Dollars unless otherwise mentioned)

Third: Stamp Duty Tax:

1-Years until 2022

The tax examination for these periods have been completed in accordance with law no.9 year 2013, internal committees took place for the related periods, and all due taxes has been paid, and all differences between tax authority have been settled , and final clearance for the period has been obtained till the end of 2020. Tax clearance for both 2021 and 2022 is in progress.

2- The Year Ended 31 December 2023: :

Monthly and Quarterly tax declaration has been presented in their legal dates till the quarter ended at 31/12/2023

Fourth : Properity Tax

The tax declaration has been presented to the tax authority on all the bank's assets by end of December 2020 for the property tax law No.117 for the year 2014 and all tax due have been paid from 2013 till the quarter ended 31/12/2023.

40.Related party transactions

A- Related parties include the major shareholders, subsidiaries and associates. During the year the bank has dealt with related parties within its ordinary operations. The nature of these transactions and balances on the financial position date are as follows:

	31 December 2023	31 December 2022
Due from banks -Central Bank of Egypt (shareholder)	1,390,528	311,258
General Investment Authority - Kuwait	758	947
Investments in subsidiaries and associates	42,298	44,731
Loans to customers (subsidiaries and associates)		
Loans to customers (subsidiaries and associates)	28,907	28,617
Paid During the Year	15,727	290
Balance of Loans to customers (subsidiaries and associates) at 31 December 2023	**44,634**	**28,907**
Interest on loans	4,687	919
Customers' deposits (subsidiaries and associates)		
Customers' deposits (subsidiaries and associates) in the Begining of the Year	6,961	13,569
Paid During the Year	(1,095)	(6,608)
Balance Customers' Deposits (subsidiaries and associates) at 31 December 2023	**5,866**	**6,961**
Ineterest On Deposits	(633)	(337)
Due to banks -Central Bank of Egypt (shareholder)	**39,326**	**35,275**

(All amounts are in thousand US Dollars unless otherwise mentioned)

* The value of the remuneration of the biggest twenty owners of bonuses and salaries in the bank together, including senior management and staff branches of the bank inside and outside Egypt (on the basis of monthly average for the Period), according to the stated rules to strengthen corporate governance and internal control of banks and issued by the Central Bank of Egypt on 23/8/2011 amount to USD 523 thousand at 31 December 2023 (USD 500 thousand in 31 December 2022).

	31 December 2023	30 September 2022
Salaries and benefits	2,705	2,476
Incentives granted within the framework of employee benefits in accordance with the regulations	468	409
Total	**3,173**	**2,885**

41.Arab African International Bank Mutual Fund "Shield"

The bank owns "shield" mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 322,839 certificates equivalent to **EGP 124.93 M** and the value per certificate at the Financial position date was **EGP 386.97**.

42.Arab African International Bank Mutual Fund "Juman"

The bank owns "Juman" mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 439,259 certificates equivalent to **EGP 201.96 M** and the value per certificate at the Financial position date was **EGP 459.77**.

43.Arab African International Bank Mutual Fund Fixed debt instrument"Gozor"

The bank owns "Fixed debt instrument mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 2,807,009 certificates equivalent to **EGP 99.58 M** and the value per certificate at the Financial position date was **EGP 35.47**.

44. Arab African International Bank Mutual Fund Fixed debt instrument"Guard"

The bank owns "Fixed debt instrument mutual fund which was established in accordance with the capital law No. 95 of 1992 and its executive regulations. The bank shares are currently amounting 500,000 thousand certificates equivalent to **EGP 11.62 M** and the value per certificate at the Financial position date was **EGP 23.24**.

45. Cash and cash equivalents

	31 December 2023	30 September 2022
Cash and balances with central banks	1,621,545	1,164,978
Due from banks	4,942,057	2,719,349
Treasury bills	2,769,926	2,026,920
Due from the central banks "obligatory reserve ratio"	(1,520,365)	(1,108,411)
Deposits at banks	-	(27,000)
Treasury bills (maturity more than 3 months)	(694,243)	(937,769)
Cash and cash equivalents	**7,118,920**	**3,838,067**

For the purposes of the cash flow statement presentation, cash and cash equivalents comprise the following balances with a maximum maturity of three months from the date of acquisition.

46/A . Important events

On 30 March 2023, 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 18.25 percent, 19.25 percent, and 18.75 percent, respectively. The discount rate was also raised by 200 basis points to 18.75 percent.

On 3 August 2023, 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 100 basis points to 19.25 percent, 20.25 percent, and 19.75 percent, respectively. The discount rate was also raised by 100 basis points to 19.75 percent.

Based on the change in the average US dollar exchange rate from 24 Egyptian Pounds per dollar to 30.9 Egyptian Pounds per dollar, the values of assets and liabilities of monetary nature in foreign currencies, as well as the income statement, were affected by the results of evaluating the existing currency positions at the date of the financial position.

On Feb 1, 2023 the central bank of Lebanon decided to change rate of USD exchange rate from 1507.5 LBP to 15,000 LBP so the values of assets and liabilities with monetary nature in foreign currencies, as well as the income statement, were affected by the results of evaluating the existing currency positions at the date of the financial position.

Standard & Poor's agency Lowered Egypt's Sovereign rating in foreign and local currencies to "B-" from "B " with a stable outlook, in addition Moody's Credit rating agency Lowered Egypt's rating from B3 to CAA1, with a stable outlook . the bank has reviewed the potential impacts resulted from lowered Egypt's rating, and the effects on Bank Financial statements, and The bank's management believes that there is no potential material impact on Financial statements

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

46/B - Subsequent Events

On the 1st Feb, 2024, 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 21.25 percent, 22.25 percent, and 21.75 percent, respectively. The discount rate was also raised by 200 basis points to 21.75 percent.

On the 2nd of Feb, 2024, the Central Bank of Liban decided to change the average exchange rate of the U.S. dollar from 15,000 to 89,500 Lebanese Lira per dollar. The value of monetary assets and liabilities in foreign currencies were affected, as well as the income statement, as a result of the revaluation of existing currency positions at the financial position date.

47.Translation

These financial statements are translated into English from the original Arabic statements. The original Arabic statements are the official financial statements.