

**HOUSING AND DEVELOPMENT BANK
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2021**

Allied for Accounting & Auditing EY
Public Accountants & Consultants

Accountability State Authority

Auditors' Report

To: The Shareholders of Housing and Development Bank - (S.A.E)

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Housing and Development Bank - (S.A.E)**, represented in the consolidated statement of financial position as at 31 December 2021, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the consolidated Financial Statements

These consolidated financial statements are the responsibility of Bank's management. As Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation and presentation of Banks' financial statements and 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. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error. Management's responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with 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 that the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion the consolidated financial statements referred to above, present fairly, in all material respects, the Consolidated financial position of **Housing and Development Bank - (S.A.E)** as of 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the rules of the preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulations, issued on 26 February 2019 and in light of prevailing Egyptian laws and regulations related to the preparation of the financial statements.


Sherif El Kilany


A Member of
Ernst & Young Global


Saad Mohamed Abdel-Megeed

Allied for Accounting and Auditing EY
Public Accountants & Consultants

FESAA-FEST

(RAA. 5285)

(EFSAR. 83)

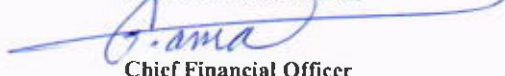
Accountability State Authority

Cairo: 28 February 2022

HOUSING AND DEVELOPMENT BANK
CONSOLIDATED FINANCIAL POSITION
AS OF 31 DECEMBER 2021

	Note No.	31/12/2021 EGP	31/12/2020 EGP
ASSETS			
Cash and balances with central bank of Egypt	(16)	6,773,750,377	5,800,495,733
Due from banks	(17)	14,160,651,761	3,819,857,064
Loans & Facilities to customers	(18)	24,159,306,553	18,962,124,081
Financial assets			
Financial investment at fair value through profit and loss	(19)	488,516,826	438,518,768
Financial assets at fair value through other comprehensive income	(20)	19,130,262,265	18,737,364,728
Financial assets at amortized costs	(20)	5,274,873,083	5,515,415,367
Financial assets in subsidiaries and associates	(21)	2,442,307,692	2,090,433,758
Housing projects	(22)	2,455,296,938	2,433,308,377
Real estate investments	(23)	98,682,329	106,620,726
Intangible assets	(24)	92,488,430	104,374,479
Other assets	(25)	3,472,342,585	2,208,849,586
Deferred tax assets	(33)	88,469,637	62,982,966
Fixed assets	(26)	1,130,887,478	1,107,334,945
TOTAL ASSETS		79,767,835,954	61,387,680,578
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(27)	736,835,207	786,929,840
Customers' deposits	(28)	62,815,782,755	46,981,598,505
Financial Derivatives	(29)	1,748,616	-
Other loans	(30)	1,065,965,425	888,568,740
Dividends payable		56,260,589	37,116,309
Other Liabilities	(31)	3,358,938,040	2,915,201,255
Provisions	(32)	399,625,319	387,142,119
Current Income tax obligations		207,174,123	222,669,714
Retirement benefit obligations	(34)	55,317,866	47,073,604
TOTAL LIABILITIES		68,697,647,940	52,266,300,086
EQUITY			
Issued and paid-up-capital	(35)	1,518,000,000	1,265,000,000
Amounts reserved for capital increase	(35)	253,000,000	379,500,000
Reserves	(36)	4,869,170,594	3,766,692,193
Retained earnings (included net profit of the year)		3,925,518,965	3,426,353,692
Other comprehensive income		400,109,974	182,633,575
TOTAL SHAREHOLDERS' EQUITY		10,965,799,533	9,020,179,460
Non-controlling interest		104,388,481	101,201,032
TOTAL SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST		11,070,188,014	9,121,380,492
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY AND NON-CONTROLLING INTEREST		79,767,835,954	61,387,680,578

Gamal Mahmoud Soliman



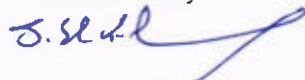
Chief Financial Officer

Hassan Ismail Ghanim



Chairman & Managing Director

Sherif El-Kelany



E&Y Allied for Accounting & Auditing

Sameh Saad Mohamed Abdel-Megeed



Accountability State Authority

- The accompanying notes, from (1) to (42) form an integral part of the consolidated financial statements and to be read therewith.
- Review report attached.

HOUSING AND DEVELOPMENT BANK
CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31/12/2021 EGP	31/12/2020 EGP
Interest from loans and similar income	(6)	6,963,105,909	6,043,403,035
Interest on deposits and similar expense	(6)	(3,688,570,751)	(3,219,146,012)
Net interest income		3,274,535,158	2,824,257,023
Fees and commission income	(7)	451,293,892	406,633,802
Fees and commission expense	(7)	(40,006,607)	(47,947,767)
Net fees and commission income		411,287,285	358,686,035
Dividends income	(8)	5,788,064	5,798,459
Net trading income	(9)	65,289,272	54,701,756
Housing projects profit	(10)	640,115,716	503,765,957
Subsidiaries Revenues		257,907,001	119,283,413
Subsidiaries Expenses		(274,052,884)	(132,888,233)
Bank portion in income of associates companies		248,805,745	267,650,434
loans impairment loss (reversal)	(13)	(161,630,571)	178,831,891
Reversal of other provisions	(31)	(38,197,431)	26,501,181
General and administrative expenses	(11)	(1,772,231,598)	(1,535,145,432)
Other operating revenues	(12)	210,143,475	137,816,401
Net income before income tax		2,867,759,232	2,809,258,885
Income tax expenses	(14)	(839,609,879)	(748,999,424)
Net income for the year		2,028,149,353	2,060,259,461
Non-controlling interest in net income for the year		12,152,580	9,900,830
Equity holders of the bank		2,015,996,773	2,050,358,631
Net income for the year		2,028,149,353	2,060,259,461
Earnings per share	(15)	13.28	13.51

HOUSING AND DEVELOPMENT BANK
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31/12/2021 EGP	31/12/2020 EGP
Net income for the year		2,028,149,353	2,060,259,461
Financial assets at fair value through other comprehensive income	(20)	217,476,399	103,751,488
Total comprehensive income		<u>2,245,625,752</u>	<u>2,164,010,949</u>
Non-controlling interest portion in OCI		12,152,580	9,900,830
Equity holders of the bank portion in OCI		<u>2,233,473,172</u>	<u>2,154,110,119</u>
		<u>2,245,625,752</u>	<u>2,164,010,949</u>

HOUSING AND DEVELOPMENT BANK
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

	Paid-in-capital	Amounts reserved for capital increase	Legal reserves	General reserve	Special Reserve	Other reserve	Reserve of General Bank Risk	General risk reserve	Retained earnings	Other comprehensive income	Total Shareholders' equity	Non-controlling interest	Total
Balance as of 1 January 2020	1,265,000,000	379,500,000	444,847,495	1,779,000,000	9,344,966	18,365,606	22,500	89,215,810	3,373,186,689	78,882,087	7,437,365,153	95,009,668	7,532,374,821
Dividends paid for the year 2019	-	-	-	-	-	-	-	-	(571,295,812)	-	(571,295,812)	(3,709,466)	(575,005,278)
Transferred to reserves	-	-	97,554,467	1,325,000,000	-	3,336,849	4,500	-	(1,425,895,816)	-	-	-	-
Change in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	103,751,488	103,751,488	-	103,751,488
Net profit for the Nine months ended 31/12/2020	-	-	-	-	-	-	-	-	2,050,358,631	-	2,050,358,631	9,900,830	2,060,259,461
Balances as at 31 December 2020	1,265,000,000	379,500,000	542,401,962	3,104,000,000	9,344,966	21,702,455	27,000	89,215,810	3,426,353,692	182,633,575	9,020,179,460	101,201,032	9,121,380,492
Balance as of 1 January 2021	1,265,000,000	379,500,000	542,401,962	3,104,000,000	9,344,966	21,702,455	27,000	89,215,810	3,426,353,692	182,633,575	9,020,179,460	101,201,032	9,121,380,492
Dividends paid for the year 2020	-	-	-	-	-	-	-	-	(269,970,213)	-	(269,970,213)	(8,965,131)	(278,935,344)
Transferred to reserves	-	-	90,036,525	1,000,000,000	-	12,437,376	4,500	-	(1,102,478,401)	-	-	-	-
Reserved for capital increase	-	126,500,000	-	-	-	-	-	-	(126,500,000)	-	-	-	-
Transferred to banking sector support and development fund	-	-	-	-	-	-	-	-	(17,882,886)	-	(17,882,886)	-	(17,882,886)
Change in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	217,476,399	217,479,399	-	217,479,399
Capital increase	253,000,000	(253,000,000)	-	-	-	-	-	-	-	-	-	-	-
Net profit for the Nine months ended 31/12/2021	-	-	-	-	-	-	-	-	2,015,996,773	-	2,015,996,773	12,152,580	2,028,149,353
Balances as at 31 December 2021	1,518,000,000	253,000,000	632,438,487	4,104,000,000	9,344,966	34,139,831	31,500	89,215,810	3,925,518,965	400,109,974	10,965,799,533	104,388,481	11,070,188,014

HOUSING AND DEVELOPMENT BANK
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	31/12/2021	31/12/2020
		EGP	EGP
Cash Flows From Operating activities			
Profit before tax		2,867,759,232	2,809,258,885
Adjustments:			
Depreciation and amortization	(23),(24),(26)	266,896,865	246,040,119
(Reversal) of loans impairment losses	(13)	161,630,571	(178,831,891)
(Reversal) of other assets and housing projects provision	(12)	(1,732,734)	3,564,690
Other provisions-charged during the year	(32)	116,360,856	32,240,277
Revaluation difference of financial assets at fair value through profit and loss	(9)	(50,246,800)	(37,240,537)
Amortization of discount – financial assets at amortized cost	(20)	(7,301,612)	(13,391,904)
Bank's portion in income of associates companies		(248,805,745)	(267,650,434)
Other provision utilized during the year	(32)	(25,714,231)	(15,185,682)
Provisions no longer required	(32)	(78,163,425)	(58,741,458)
Gain from selling fixed assets	(12)	(2,739,428)	(14,249,098)
Operating income before changes in operating assets and liabilities		<u>2,997,943,549</u>	<u>2,505,812,967</u>
Net decrease (increase) in assets			
Due from banks		(4,066,259,395)	4,238,145,140
Financial assets other than fair value through profit and loss		5,293,387,165	(2,988,675,373)
Financial assets at fair value through profit and loss		248,742	14,999,169
Loans and advances to customers and banks		(5,364,022,080)	(1,587,242,287)
Housing Projects and real estate investments		(21,203,601)	(164,902,840)
Other assets		(382,900,858)	479,816,384
Net (decrease) increase in liabilities			
Due to banks		(50,094,633)	(164,398,184)
Customers' deposits		15,834,184,250	6,069,953,165
Other liabilities		(434,733,393)	(1,011,185,252)
Retirement benefit obligations		8,244,262	7,397,149
Income tax paid		(880,592,141)	(636,252,191)
Net cash flows from operating activities		<u>12,934,201,867</u>	<u>6,763,468,117</u>
Cash flows from investing activities			
Payments for purchase of fixed assets		(218,792,554)	(255,537,705)
Proceeds from sale of fixed assets		4,724,413	15,265,988
Payments for purchase of financial assets other than fair value through profit and loss		(6,361,568,796)	(5,114,852,678)
Proceeds from sale of financial assets other than fair value through profit and loss		1,199,447,601	410,455,250
Payments for purchase of intangible assets		(53,895,261)	(60,181,432)
Net cash flows (used in) investing activities		<u>(5,430,084,597)</u>	<u>(5,004,850,577)</u>
Cash flows from Financing activities			
Long-term loans		(5,501,391)	(23,435,711)
Dividends paid		(250,825,933)	(541,021,051)
Net cash flows used in financing activities		<u>(256,327,324)</u>	<u>(564,456,762)</u>
Net increase in cash and cash equivalents during the year		7,247,789,946	1,194,160,778
Cash and cash equivalent at the beginning of the year		4,427,074,655	3,232,913,877
Cash and cash equivalents at the end of the year		<u>11,674,864,601</u>	<u>4,427,074,655</u>
Cash and cash equivalents are represented in:			
Cash and balances with Central Bank of Egypt		6,773,750,377	5,800,495,733
Due from banks		14,160,651,761	3,819,857,064
Financial assets other than at fair value through other comprehensive income		13,411,960,944	18,705,348,108
Obligatory reserve balance with CBE		(5,854,537,537)	(5,016,534,231)
Bank Deposits with maturity more than three-months		(3,405,000,000)	(176,743,911)
Financial assets other than at fair value through profit and loss with maturity more than three-month		(13,411,960,944)	(18,705,348,108)
Cash and cash equivalents at the end of the year	(38)	<u>11,674,864,601</u>	<u>4,427,074,655</u>

HOUSING AND DEVELOPMENT BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

1. **Background**

Housing and Development bank provides Banking Services for Corporates rather than Investments, retail Banking Services in the Arab republic of Egypt through 97 branches, and hires 2718 employees at the date of the financial position.

Housing and Development bank is an Egyptian Joint Stock company established as Investments and Business Bank on 30 June 1979 by virtue of ministerial Decree No 147 for a year 1979 and it handles its activity through the head office in Giza governorate and the bank is registered in the Egyptian Stock Market for Securities.

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 all the years presented, unless otherwise stated.

A. Basis of Preparation

The financial statements have been prepared in accordance with instructions of Central bank of Egypt approved by its board of directors on 16 December 2008, in addition to the historical cost basis, modified by the revaluation of financial assets and liabilities originally valued with fair value through profits and losses, and financial assets at fair value through other comprehensive income, and all financial derivatives contracts.

These consolidated financial statements have been prepared in accordance with relevant local laws, investment in associates have been presented in bank's consolidated financial statements and measured using equity method less impairment loss.

These consolidated financial statements have been prepared until 31 December 2009 using central bank of Egypt instructions prevailing until this date, this partially differ from the banks preparation and presentations rules and the recognition and measurement basis approved by central bank of Egypt's board of directors on 16 December 2008. At the date of the preparation of consolidated financial statements dated 31 December 2010, the bank's management has amended certain accounting policies and basis of measurements to be in accordance with the preparation and presentation requirements and the recognition and measurements basis of banks consolidated financial statements approved from the central bank of Egypt's board of directors on 16 December 2008.

These consolidated financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on 16 December 2008; that is differ with what is added under instructions of Central Bank of Egypt issued on 26 February 2019 regarding the implementation of IFRS 9 – financial instruments .

Effect of implementation IFRS 9 on Accounting Policies

IFRS 9- Financial Instruments

The Bank applied the instructions of the Central Bank of Egypt (CBE) rules IFRS 9 "Financial Instruments" dated February 26, 2019 starting from January 01, 2019, Requirements of IFRS 9 represents material change than required under Egyptian accounting standard no. 26 "financial instrument- recognition and measurement" specially when related to classification, measurement and disclosure of financial assets and some of financial liabilities, the following summarize the main accounting policies changes resulted from applying the required standards:

Classification of financial assets and liabilities

Financial assets have been classified through three main categories as the following:

- Financial assets at amortized cost.
- Financial assets at fair value through other comprehensive income.
- Financial assets at fair value through profit and loss.

Based of IFRS 9, financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics. Therefore Egyptian accounting standard no. (26) is no longer applied (Held to maturity, Loans and available for sale).

The implicit derivative contracts shall not be separated when derivatives are associated with a financial asset and therefore the implicit derivative contract is fully classified according to the related financial asset.

The change in financial liabilities at fair value through profit or loss is presented as follows:

- The change in the fair value related to the change in the degree of the credit rating is presented in other comprehensive income.
- The remaining amount of the change in fair value under (net income from financial assets at fair value through profit or loss) is presented in the income statement.

HOUSING AND DEVELOPMENT BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Impairment of financial assets

IFRS 9 and Central Bank of Egypt (CBE) instructions replaced the impairment loss model recognized according to EAS 26 with expected credit loss (ECL) model, also, IFRS 9 & CBE instructions requires from the bank to implement the measurement of expected credit loss (except for measured at fair value through profit and loss and fair value through other comprehensive income).

The bank excludes the following from the calculation of expected credit losses:

- Deposits at banks with a maturity date of one month and less than the date of the financial position.
- Current accounts at banks.
- Balances at the Central Bank in local currency.
- Debt instruments issued by the Egyptian government in local currency.

Provision shall be identified based on the expected credit losses relating to probability of default over the next 12 months unless the credit risk has increased substantially since inception.

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.

Transitional provisions

The bank has not re-measured the recognized financial instruments in the comparative financial statements, but only reclassified the financial assets and liabilities in the comparative figures to conform with the presentation method of the financial statements, subject to applying the standard for the first time and is therefore not comparable.

The impairment provision of the financial assets recognized in the financial position is deducted from the financial asset value at the time of preparing the financial position statement, while the impairment provision of the loan commitments, financial guarantee contracts and contingent liabilities is recognized under other provisions of financial position obligations.

B. Basis of presentation of consolidation

Subsidiaries

Subsidiaries companies are controlled by the bank, control exists when the bank has the power directly or indirectly to govern the financial and operating policies of an entity to obtain benefits from its activities. This is usually achieved when the bank owns, directly or indirectly, through subsidiaries, more than half of the voting power of an entity (when the bank's shareholding portion exceeding directly or indirectly 50% of the paid up capital of the subsidiary), the existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

The Group fully consolidates its subsidiaries from the effective date in which control is obtained and deconsolidates them when such control ceases to exist.

Information on subsidiaries is set out below for companies which are combined in the bank's consolidated financial statements as of 31 December 2021.

	Direct & indirect share %
Holding company for Investment and Development	92%
Housing and development company for real-estate investment	94,96%
El-Tameer company for financial and real estate investment banking	94,20%
El-Tameer company General and environmental services – Hemaya	85,92%
El-Tameer company for real estate and touristic asset Management	62,62%
Real estate development fund – Nemmo	93,83%
Information and electronical transactions services company	86,92%
El-Tameer company for real estate development and investment	92,77%
Hemaya company for security and money transfer	94,82%
HD for leasing	97.11%

HOUSING AND DEVELOPMENT BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Basis of Combinations

During the preparation of consolidated financial statements, the bank combines the consolidated financial statement with subsidiary companies financial statements, through the combination of similar items of assets, liabilities, owner's equity, revenues and expenses for the purpose of presenting the consolidated financial statement as of one business unit, going through following steps during the preparation of consolidated financial statement:

- Elimination of the book value for investments in subsidiary company according to Equity method, including share of holding company in the equity of each subsidiary company.
- Non-controlling interest in profit/ loss of subsidiaries is considered during the fiscal year in the preparation of the financial reports.
- Non-controlling interest in net assets of the subsidiaries is determined during the preparation of consolidated financial statements and presented in the consolidated financial statements in the owner's equity of holding company.
- Elimination of all interrelated revenues and expenses transactions between the subsidiaries within the group.
- Elimination of all balances resulted from the transactions between the subsidiaries within the group, also group transactions including revenues, expenses and dividends, besides elimination of all revenues and losses resulted of such transactions and recognized in the assets value.
- The financial statements are presented using same accounting policies for similar transactions and same events under same circumstances.

B.2. Associates

According to the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and is subsequently adjusted to recognize the Group's share in profit or loss, and other changes in the net assets, of the associate.

C. Translation of Foreign Currencies

C.1. Functional and presentation currency

The financial statements are presented in Egyptian pound, which is the bank's functional and presentation currency.

C.2. Functions and balances in foreign currencies

The bank maintains its accounts in Egyptian pound and transactions are recorded in foreign currencies during the financial year on the basis of prevailing exchange rates at the date of the transaction, monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the financial year on the basis of prevailing exchange rates at that date. Foreign exchange gains and losses resulting from the settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net income from financial assets at fair value through profit and loss/or net income from financial instruments classified at fair value through profit and loss at the date of inception of the assets/liabilities or those classified at the date of inception with its fair value through profits and losses according to their type.
- Shareholders' equity of financial derivatives as a coverage for cash flow/net investment or as a coverage for net investment.
- Other operating income (expenses) for the other items.
- Changes in fair value of financial instruments denominated in foreign currency classified at fair value through other comprehensive income (debt instruments) is analyzed between valuation differences from changes in amortized cost of the instrument, differences resulted from changes in the prevailing exchange rates, differences resulted from changes in the fair value of the instrument, and differences resulted from the impairment of the financial assets. Those changes are recognized in the income statement as income on loans and similar items regarding changes in amortized cost and differences related to changes in the exchange rate are recognized as other operating income(expense), changes in fair value are recognized in equity(Other comprehensive income/financial assets at fair value through other profit and loss).

Evaluation differences resulting from non-monetary items include profit and loss resulting from changes in fair value such as equity instruments held at fair value through profit and loss, while evaluation differences resulting from equity instruments classified as financial assets at fair value through other comprehensive income are recognized as other comprehensive income.

D. Financial Assets

D.1. Recognition

The Bank classifies its financial assets into the following categories: fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) and amortized cost. Management determines the classification of its investments at initial recognition.

D.2. Classification

Financial assets Policies applied starting from January 01, 2019:

At the time of initial recognition, the bank determines the classification of financial assets to be classified as amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

HOUSING AND DEVELOPMENT BANK
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

Financial asset classified as amortized cost if the following two conditions are met and was not recognized at inception date by the bank as fair value through profit or loss:

- The financial asset is retained in the business model of financial assets held to collect contractual cash flow.
- The contractual terms of the financial asset at specific dates result in contractual cash flows of the asset represented only in the principal financial instrument amount and the return.

Financial assets classified as fair value through other comprehensive income if the following two conditions are met and was not recognized at inception date by the bank as fair value through profit or loss:

- The financial asset is retained in the business model of financial assets held to collect contractual cash flows and sales.
- The contractual terms of the financial asset at specific dates result in contractual cash flows of the asset represented only in the principal financial instrument amount and the return.

- The debt instrument that was not allocated at the initial recognition at the fair value through profit or loss is measured at the fair value through other comprehensive income if both of the following conditions are met:
 - The financial asset is retained in the business model that aims to collect contractual cash flows and sell the financial asset.
 - The contractual terms of the financial asset on specific dates result in cash flows of the asset and not represented only the principal debt and the return.
- Upon the initial recognition of an equity instrument that not held at fair value through profit and loss, the bank may make an irrevocable choice to present subsequent changes in the fair value through the other comprehensive income statement. This choice shall be made for each investment individually.
- The remaining financial assets are classified as investments at the fair value through profit or loss.

In addition, upon the initial recognition, the bank may irrevocably allocate a financial asset measured at the fair value through profit or loss, although it meets the criteria of classification as a financial asset at amortized cost or at the fair value through other comprehensive income, if this action substantially reduces the inconsistency that may arise in the accounting measurement.

Business models Evaluation

1) Following debt and equity instruments are classified and measured according to the following:

Financial Instrument	Methods of Measurement According to the Business Model		
	Fair Value		
	Amortized Cost	Through Comprehensive Income	Through Profit or Loss
Equity Instruments		One-time irrevocable choice at the initial recognition	Normal transaction of equity instruments.
Debt Instruments	Business model of assets held to collect contractual cash flows.	Business model of assets held to collect contractual cash flows and sale.	Business model of assets held for trading.

2) The bank prepares, documents and approves a business model in accordance with the requirements of the IFRS 9 in a way that reflects the Bank's strategy to manage the financial assets and their cash flows as follows:

Financial Asset	Business Model	Basic Characteristics
Financial assets at amortized cost	Business model of financial assets held to collect contractual cash flows	<ul style="list-style-type: none"> ▪ The business model is aimed to retain the financial assets to collect the contractual cash flows of the investment principal amount and the revenues. ▪ The sale is an exceptional action comparing to the purpose of this model and the terms of the standard represented in the deterioration in the creditworthiness of the financial instrument issuer. ▪ Less sales in terms of frequency and value. ▪ The bank performs a clear and reliable