

**HOUSING AND DEVELOPMENT BANK
SEPARATE 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 Separate Financial Statements

We have audited the accompanying separate financial statements of **Housing and Development Bank - (S.A.E)**, represented in the separate statement of financial position as at 31 December 2021, and the related separate 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 Separate Financial Statements

These separate 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 separate 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 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 **Housing and Development Bank - (S.A.E)** as of 31 December 2021 and its separate financial performance and its separate 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.

Report on Other Legal and Regulatory Requirements

The Bank maintains proper accounting records that comply with the laws and the Bank's Articles of Association and the Separate financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared according to Law No. 159 of 1981 and its executive regulations are in agreement with the Bank's accounting records and within the limit that such information is recorded therein.


Sherif El Kilany


A Member Of
Ernst & Young Global


Sameh Saad Mohamed Abdel-Megeed

Allied for Accounting and Auditing EY
Public Accountants & Consultants

Accountability State Authority

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(RAA. 5285)

(EFSAR. 83)

Cairo: 28 February 2022

HOUSING AND DEVELOPMENT BANK

SEPARATE 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)	6,773,137,496	5,800,421,892
Due from banks	(17)	14,137,932,823	3,789,745,855
Loans & Facilities to customers	(18)	24,672,409,680	19,349,700,877
Financial Assets			
Financial Assets at fair value through profit and loss	(19)	470,876,181	417,883,186
Financial Assets at fair value through other comprehensive income	(20)	19,095,315,426	18,709,887,676
Financial Assets at amortized costs	(20)	4,823,876,864	5,049,236,198
Financial Assets in subsidiaries and associates	(21)	1,944,370,716	1,663,314,124
Housing projects	(22)	1,113,896,707	1,000,927,602
Investments properties	(23)	91,941,433	99,489,678
Intangible assets	(24)	92,372,159	104,255,435
Other assets	(25)	1,953,373,520	1,273,977,030
Deferred tax assets	(33)	74,784,108	47,487,943
Fixed assets	(26)	1,034,050,238	1,009,941,588
TOTAL ASSETS		76,278,337,351	58,316,269,084
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(27)	736,835,207	786,929,840
Customers' deposits	(28)	62,895,517,607	47,122,485,216
	(29)	1,748,616	-
Other loans	(30)	474,913,955	566,377,142
Dividends payable		49,121,857	37,116,305
Other Liabilities	(31)	2,340,329,174	1,878,848,716
Provisions	(32)	328,001,372	311,835,009
Current Income tax liabilities		167,112,033	187,122,376
Retirement benefit obligations	(34)	55,317,866	47,073,604
TOTAL LIABILITIES		67,048,897,687	50,937,788,208
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)	(36)	2,215,562,159	1,842,113,516
Other comprehensive income		373,706,911	125,175,167
TOTAL SHAREHOLDERS' EQUITY		9,229,439,664	7,378,480,876
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		76,278,337,351	58,316,269,084

Gamal Mahmoud Sotiman



Chief Financial Officer

Hassan Ismail Ghanem



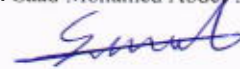
Chairman & Managing Director

Sherif El-Kelany



E&Y Allied for Accounting & Auditing

Sameh Saad Mohamed Abdel-Megeed



Accountability State Authority

- The accompanying notes, from (1) to (43) form an integral part of the separate financial statements and to be read therewith.
- Review report attached.

HOUSING AND DEVELOPMENT BANK

SEPARATE INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	From 1/1/2021 to 31/12/2021 EGP	From 1/1/2020 to 31/12/2020 EGP
	No.		
Interest from loans and similar income	(6)	6,965,353,490	6,025,984,666
Interest on deposits and similar expense	(6)	(3,696,616,052)	(3,228,661,592)
Net interest income		3,268,737,438	2,797,323,074
Fees and commissions revenue	(7)	451,406,781	406,806,656
Fees and commissions expense	(7)	(40,006,607)	(47,947,767)
Net fees and commission income		411,400,174	358,858,889
Dividends income	(8)	195,056,922	113,422,798
Net trading income	(9)	62,281,655	52,740,196
Housing Projects Profits'	(10)	397,523,035	359,541,575
Gain from financial investments	(21)	31,789,592	-
Credit impairment losses	(13)	(161,630,571)	178,831,891
General administrative and depreciation expenses	(11)	(1,752,730,934)	(1,512,586,325)
Other provision	(32)	(20,993,881)	35,551,477
Other operating revenues (expenses)	(12)	181,083,381	132,224,274
Net profit before income tax		2,612,516,811	2,515,907,849
Income tax expense	(14)	(782,432,082)	(715,177,347)
Net profit for the year		1,830,084,729	1,800,730,502
Earnings per share for the year	(15)	10.61	10.48

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

	Notes No.	From 1/1/2021 to 31/12/2021 EGP	From 1/1/2020 to 31/12/2020 EGP
NET PROFIT FOR THE YEAR		1,830,084,729	1,800,730,502
FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	(20)	248,531,744	46,293,080
TOTAL COMPREHENSIVE INCOME		2,078,616,473	1,847,023,582

HOUSING AND DEVELOPMENT BANK

SEPARATE STATEMENT OF CAHS FLOW FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	From 1/1/2021 to 31/12/2021 EGP	From 1/1/2020 to 31/12/2020 EGP
Cash Flows From Operating activities			
Profit before tax		2,612,516,811	2,515,907,849
Adjustments:			
Depreciation and amortization	(23),(24),(26)	254,215,630	238,209,487
Reversal of loans impairment losses	(13)	161,630,571	(178,831,891)
Reversal of Impairment losses from other assets and housing projects	(12)	(784,960)	3,578,990
Other provisions-charged during the year	(32)	99,157,306	23,189,981
Revaluation difference of financial assets at fair value through profit and loss	(9)	(47,899,302)	(35,546,335)
Reversal of impairment of investments in associates	(21)	(31,789,592)	-
Amortization of discount – financial investment at amortized cost	(20)	(7,301,612)	(13,391,904)
Dividends	(8)	(195,056,922)	(113,422,798)
Utilization of other provision	(32)	(4,827,518)	(575,230)
Provisions no longer required	(32)	(78,163,425)	(58,741,458)
Gain from selling fixed assets	(12)	(115,899)	(12,437,376)
Operating income before changes in operating assets and liabilities		2,761,581,088	2,367,939,315
Net decrease (increase) in assets			
Due from banks		(4,138,003,306)	4,311,889,320
Financial assets other than at fair value through profit and loss		5,278,204,215	(2,649,604,967)
Financial assets at fair value through profit and loss		(5,216,005)	5,627,556
Loans and advances to customers and banks		(5,676,815,413)	(1,710,081,190)
Housing Projects and investments properties		(112,106,267)	(59,867,946)
Other assets		117,792,521	286,444,596
Net (decrease) increase in liabilities			
Due to banks		(50,094,633)	(164,398,184)
Customers' deposits		15,773,032,391	5,837,014,741
Other liabilities		(125,830,780)	(775,616,646)
Retirement benefit obligations		8,244,262	7,397,149
Income tax paid		(829,738,590)	(591,205,180)
Net cash flows from operating activities		13,001,049,483	6,865,538,564
Cash flows from investing activities			
Payments for purchase of fixed assets		(205,283,883)	(239,141,641)
Proceeds from selling fixed assets		174,904	14,600,785
Payments for purchase of financial assets other than at fair value through profit and loss		(6,361,568,796)	(5,114,852,678)
Proceeds from sale of financial assets other than at fair value through profit and loss		1,199,447,601	410,455,250
Payments to acquire Associate companies		(62,000,000)	-
Payments for purchase of intangible assets		(53,745,759)	(60,181,432)
Dividends income		137,896,294	99,719,410
Net cash flows used in investing activities		(5,345,079,639)	(4,889,400,306)
Cash flows from Financing activities			
Long-term loans		(274,361,263)	(162,969,140)
Dividends paid		(197,769,247)	(495,750,042)
Net cash flows used in financing activities		(472,130,510)	(658,719,182)
Increase in cash and cash equivalents during the year		7,183,839,334	1,317,419,076
Cash and cash equivalent at the beginning of the year		4,473,669,802	3,156,280,726
Cash and cash equivalents at the end of the year		11,657,539,136	4,473,699,802
Cash and cash equivalents are represented in:			
Cash and balances with Central Bank of Egypt		6,778,991,561	5,800,421,892
Due from banks		14,133,085,112	3,789,812,141
Financial assets other than at fair value through profit and loss		12,960,964,725	18,239,168,939
Obligatory reserve balance with CBE		(5,854,537,537)	(5,016,534,231)
Bank Deposits with maturity more than three-months		(3,400,000,000)	(100,000,000)
Financial assets other than at fair value through profit and loss, maturity more than 3 months		(12,960,964,725)	(18,239,168,939)
Cash and cash equivalents at the end of the year	(38)	11,657,539,136	4,473,699,802

HOUSING AND DEVELOPMENT BANK
SEPARATE CHANGES IN EQUITY STATEMENT
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
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	1,993,303,629	78,882,087	6,057,482,093
Dividends paid for the year 2019	-	-	-	-	-	-	-	-	(526,024,799)	-	(526,024,799)
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	-	-	-	-	-	-	-	-	-	46,293,080	46,293,080
Net profit for the year 31/12/2020	-	-	-	-	-	-	-	-	1,800,730,502	-	1,800,730,502
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	1,842,113,516	125,175,167	7,378,480,876
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	1,842,113,516	125,175,167	7,378,480,876
Dividends paid for the year 2020	-	-	-	-	-	-	-	-	(209,774,799)	-	(209,774,799)
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)
Change in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	248,531,744	248,531,744
Capital increase	253,000,000	(253,000,000)	-	-	-	-	-	-	-	-	-
Net profit for the year 31/12/2021	-	-	-	-	-	-	-	-	1,830,084,729	-	1,830,084,729
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	2,215,562,159	373,706,911	9,229,439,664

HOUSING AND DEVELOPMENT BANK
SEPARATE PROFIT APPROPRIATION STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

- On 30/12/2021 the bank's board of directors has approved amending the bank capital increase source of fund to be from the general reserve and retained earnings to be in accordance with the Central Bank of Egypt, accordingly cancelling the previous amounts reserved that has been formed to increase the capital, the legal reserve became EGP 758.9 million and retained earnings EGP 512 million
- On 30/12/2021 the bank's board of directors has approved amending the bank capital increase source of fund with amount of EGP 3.795 billion to be from the general reserve with amount of EGP 3.283 billion and retained earnings with amount of EGP 512 million to be in accordance with the Central Bank of Egypt, accordingly the retained earnings balance become zero and general reserve with amount of EGP 821 million, the capital increased from EGP 1.518 billion to EGP 5.313 billion by distributing 2.5 share to each share.

	31/12/2021 EGP	31/12/2020 EGP
Net profit for the year (As per statement of income)	1,830,084,729	1,800,730,502
Deduct:		
Gain on sale of fixed assets transferred to capital reserve as per law regulations	(115,899)	(12,437,376)
General Banking Risk Reserve	31,500	(4,500)
Net	<u>1,830,000,330</u>	<u>1,788,288,626</u>
Retained Earnings at the beginning of the year	-	41,383,013
Net Income attributed to distribution	<u>1,830,000,330</u>	<u>1,829,671,639</u>
Distributed as following:		
Legal Reserve	91,504,236	90,036,525
General Reserve	1,090,000,000	1,000,000,000
Shareholders' Dividends(Cash dividends EGP 2.5 per share)	379,500,000	126,500,000
Employees shares of Profit	200,000,000	194,774,799
Board of directors rewards	20,000,000	15,000,000
Banking system support and development fund	18,300,003	17,882,886
Retained Earnings	<u>30,696,091</u>	<u>385,477,429</u>
Total	<u>1,830,000,330</u>	<u>1,829,671,639</u>

- According to the provision No. 178 from Central Bank Law No.194 for year 2020 by deducting amount not more than 1% of the net income attributed to distribution to the Support and development of banking sector fund.

HOUSING AND DEVELOPMENT BANK

NOTES TO THE SEPARATE 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, ministerial Decree No.147 for a year 1979 and it handles its activity through the head office in Giza governorate and the bank is listed 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 are prepared in accordance with Central bank of Egypt instructions approved by its board of directors on 16 December 2008, with consideration to requirements of IFRS 9 (Financial instruments) in accordance with the instructions issued by central bank of Egypt on 28 January 2018, 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 separate financial statements were prepared in accordance with relevant local laws, investment in associates are presented in bank's separate financial statement and valued according to cost less impairment loss method.

These separate 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 have been changed under central bank of Egypt instructions 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 1 January 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.

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:

HOUSING AND DEVELOPMENT BANK

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

- 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.

B. Subsidiaries & Associates

B.1. Subsidiaries

Subsidiaries companies are the entities over which the bank owns directly or indirectly the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting right. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the bank has the ability to control the entity.

B.2. Associates

Associates are the entities over which the bank owns directly or indirectly significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Accounting for subsidiaries and associates in the separate financial statements are recorded by cost method, according to this method, investments are recorded at cost of acquisition including any good-will after deducting any impairment losses in value, and the dividends in the income statement are recorded in the adoption of the distribution of these profits and evidence of the bank's right to collect it.

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.

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

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 1 January 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).

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.

HOUSING AND DEVELOPMENT BANK

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 at fair value through profit and loss.

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 documentation of the rationale of each sale process and its compliance with the requirements of the Standard.
Financial assets at fair value through comprehensive income	Business model of financial assets held for the collection of contractual cash flows and sale.	<ul style="list-style-type: none"> ▪ Both the collection of contractual cash flows and sales are complementary to the objective of the model. ▪ Sales are high (in terms of frequency and value) compared to the business model held for the collection of contractual cash flows.
Financial assets at fair value through profit or loss	Other business models include (trading – managing the financial assets based on fair value - maximizing cash flows through sale)	<ul style="list-style-type: none"> ▪ The business model is not aimed to retain the financial asset for the collection of contractual or this retained for the collection of contractual cash flows and sales. ▪ Collecting contractual cash flows is an exceptional action comparing to the model objective. ▪ Managing the financial assets at the fair value through profit or loss to avoid inconsistency in accounting measurement