

**HOUSING AND DEVELOPMENT BANK
SEPARATE FINANCIAL STATEMENTS
FOR THE NINE MONTHS ENDED
30 SEPTEMBER 2022**

Accountability State Authority

Allied for Accounting & Auditing EY
Public Accountants & Consultants

Limited Review Report on Interim Separate Financial Statements

To: The Boards of Directors of Housing & Development Bank "Egyptian Joint Stock Company"

Introduction

We have performed a limited review of the accompanying interim separate financial statements of **Housing and Development Bank "Egyptian Joint Stock Company"** which comprise the separate statement of financial position as of 30 September 2022 and the related separate statements of income, comprehensive income, changes in equity, and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim separate financial statements in accordance with the rules of preparation and presentation of the banks' financial statements and the basis of recognition and measurement issued by the Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in the light of the prevailing Egyptian laws and regulations related to the preparation of these interim separate financial statements. Our responsibility is to express a conclusion on these interim separate financial statements based on our limited review.

Scope of limited review

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

Conclusion

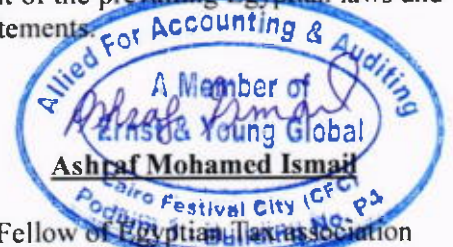
Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim separate financial statements do not present fairly, in all material respects, the separate financial position of the Bank as of 30 September 2022 and of its separate financial performance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



Auditors

Sameh Saad Mohamed Abdel-Megeed

Accountability State Authority



Fellow of Egyptian Tax Association
Fellow of Egyptian Accountants association
Accountants and Auditors Register No (9380)
Financial Regulatory Authority No (102)
Allied for Accounting & Auditing EY
Public Accountants & Consultants

Cairo: 15 November 2022

HOUSING AND DEVELOPMENT BANK

SEPARATE FINANCIAL POSITION

AS OF 30 SEPTEMBER 2022

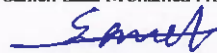
	Note No.	30/09/2022 EGP	31/12/2021 EGP
ASSETS			
Cash and balances with central bank of Egypt	(16)	10,768,015,295	6,773,137,496
Due from banks	(17)	18,018,418,695	14,137,932,823
Loans & Facilities to customers	(18)	31,655,470,762	24,672,409,680
Financial Assets			
Financial Assets at fair value through profit and loss	(19)	441,952,953	470,876,181
Financial Assets at fair value through other comprehensive income	(20)	27,776,846,048	19,095,315,426
Financial Assets at amortized costs	(20)	6,774,727,096	4,823,876,864
Financial Assets in subsidiaries and associates	(21)	2,137,970,716	1,944,370,716
Housing projects	(22)	1,152,094,613	1,113,896,707
Investments properties	(23)	86,281,922	91,941,433
Intangible assets	(24)	78,628,106	92,372,159
Other assets	(25)	2,342,232,072	1,953,373,520
Deferred tax assets	(33)	60,540,741	74,784,108
Fixed assets	(26)	1,041,928,983	1,034,050,238
TOTAL ASSETS		102,335,108,002	76,278,337,351
LIABILITIES AND EQUITY			
LIABILITIES			
Due to banks	(27)	1,456,776,826	736,835,207
Customers' deposits	(28)	87,244,985,303	62,895,517,607
Financial Derivatives	(29)	-	1,748,616
Other loans	(30)	434,261,932	474,913,955
Dividends payable		37,354,376	49,121,857
Other Liabilities	(31)	2,726,286,929	2,340,329,174
Other Provisions	(32)	271,656,272	328,001,372
Current Income tax liabilities		344,325,385	167,112,033
Retirement benefit obligations	(34)	49,684,130	55,317,866
TOTAL LIABILITIES		92,565,331,153	67,048,897,687
EQUITY			
Issued and paid-up-capital	(35)	1,518,000,000	1,518,000,000
Amounts reserved for capital increase	(35)	3,795,000,000	253,000,000
Reserves	(36)	2,894,236,659	4,869,170,594
Retained earnings (included net profit of the period)	(36)	1,783,270,746	2,215,562,159
Other comprehensive income		(220,730,556)	373,706,911
TOTAL SHAREHOLDERS' EQUITY		9,769,776,849	9,229,439,664
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		102,335,108,002	76,278,337,351

Gamal Mahmoud Soliman



Chief Financial Officer

Sameh Saad Mohamed Abel-Megeed



Accountability State Authority

Hassan Ismail Ghanem



Chairman & Managing Director



The accompanying notes, from (1) to (44) 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 NINE MONTHS ENDED 30 SEPTEMBER 2022

Notes	No.	Nine Months ended in 30/09/2022	Nine Months ended in 30/09/2021	Three months from 1/07/2022 to 30/09/2022	Three months from 1/07/2021 to 30/09/2021
		EGP	EGP	EGP	EGP
Interest from loans and similar income	(6)	7,068,046,249	5,097,763,399	2,681,880,776	1,776,147,827
Interest on deposits and similar expense	(6)	<u>(3,660,198,256)</u>	<u>(2,646,969,848)</u>	<u>(1,370,388,176)</u>	<u>(942,730,525)</u>
Net interest income		<u>3,407,847,993</u>	<u>2,450,793,551</u>	<u>1,311,492,600</u>	<u>833,417,302</u>
Fees and commissions revenue	(7)	403,083,592	285,722,182	152,155,905	99,578,062
Fees and commissions expense	(7)	<u>(25,536,511)</u>	<u>(34,354,894)</u>	<u>(9,411,354)</u>	<u>(6,445,642)</u>
Net fees and commission income		<u>377,547,081</u>	<u>251,367,288</u>	<u>142,744,551</u>	<u>93,132,420</u>
Dividends income	(8)	162,193,960	194,906,402	19,913,393	2,972,832
Net trading income	(9)	37,414,254	43,492,457	15,241,234	16,845,842
Housing Projects Profits'	(10)	317,438,745	261,295,119	135,926,968	54,214,718
Gain from financial investments	(21)	-	31,789,592	-	1,721,842
Credit impairment losses (Reversal)	(13)	<u>(361,144,631)</u>	<u>(109,014,443)</u>	<u>(295,619,913)</u>	<u>(3,767,349)</u>
General and administrative expenses	(11)	<u>(1,551,013,895)</u>	<u>(1,250,840,104)</u>	<u>(588,323,621)</u>	<u>(446,693,398)</u>
Other provisions expense (Reversal)	(32)	53,639,870	99,843,363	82,906,259	79,653,818
Other operating revenues	(12)	76,302,687	64,266,582	19,771,644	(43,393,708)
Net profit before income tax		<u>2,520,226,064</u>	<u>2,037,899,807</u>	<u>844,053,115</u>	<u>588,104,319</u>
Income tax expense	(14)	<u>(767,651,409)</u>	<u>(603,629,513)</u>	<u>(295,545,131)</u>	<u>(154,793,188)</u>
Net profit for the period		<u>1,752,574,655</u>	<u>1,434,270,294</u>	<u>548,507,984</u>	<u>433,311,131</u>
Earnings per share for the period	(15)	<u>10.29</u>	<u>8.43</u>		

HOUSING AND DEVELOPMENT BANK

**SEPARATE STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022**

	Notes	Nine Months ended in 30/09/2022	Nine Months ended in 30/09/2021	Three months from 1/07/2022 to 30/09/2022	Three months from 1/07/2021 to 30/09/2021
	EGP	EGP	EGP	EGP	EGP
NET PROFIT FOR THE PERIOD		1,752,574,655	1,434,270,294	548,507,984	433,311,131
Change in fair value of equity instruments of financial assets at fair value through other comprehensive income	(20)	(594,437,467)	(23,315,928)	(255,939,632)	30,165,935
TOTAL COMPREHENSIVE INCOME		<u>1,158,137,188</u>	<u>1,410,954,366</u>	<u>292,568,352</u>	<u>463,477,066</u>

HOUSING AND DEVELOPMENT BANK
SEPARATE SHAREHOLDERS' EQUITY STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

*

	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 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	-	-	-	-	-	-	-	-	-	(23,315,928)	(23,315,928)
Reserved for capital increase	253,000,000	(253,000,000)	-	-	-	-	-	-	-	-	-
Net profit for the three months ended 30/09/2021	-	-	-	-	-	-	-	-	1,434,270,294	-	1,434,270,294
Balance as at 30 September 2022	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	1,819,747,724	101,859,239	8,561,777,557
Balance as of 1 January 2022	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
Dividends paid for the year 2021	-	-	-	-	-	-	-	-	(599,500,000)	-	(599,500,000)
Transferred to reserves	-	-	91,504,236	1,090,000,000	-	115,899	(31,500)	-	(1,181,588,635)	-	-
Cancellation of the Reserve previously formed for the capital increase	-	(253,000,000)	126,500,000	-	-	-	-	-	126,500,000	-	-
Reserved for capital increase	-	3,795,000,000	-	(3,283,022,570)	-	-	-	-	(511,977,430)	-	-
Transferred to banking sector support and development fund	-	-	-	-	-	-	-	-	(18,300,003)	-	(18,300,003)
Change in financial assets at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-	(594,437,467)	(594,437,467)
Net profit for the three months ended 30/09/2022	-	-	-	-	-	-	-	-	1,752,574,655	-	1,752,574,655
Balance as at 30 September 2022	1,518,000,000	3,795,000,000	850,442,723	1,910,977,430	9,344,966	34,255,730	-	89,215,810	1,783,270,746	(220,730,556)	9,769,776,849

HOUSING AND DEVELOPMENT BANK
SEPARATE STATEMENT OF CASH FLOW
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

	Notes	Nine Months ended in 30/09/2022 EGP	Nine Months ended in 30/09/2021 EGP
Cash Flows From Operating activities			
Profit before tax		2,520,226,064	2,037,899,807
Adjustments:			
Depreciation and amortization	(23),(24),(26)	193,101,324	187,347,486
Credit impairment losses (Reversal)	(13)	361,144,631	109,014,443
Impairment losses from other assets and housing projects (Reversal)	(12)	1,039,460	(784,960)
Other provisions-charged during the period	(32)	22,963,259	56,552,355
Revaluation difference of financial assets at fair value through profit and loss	(9)	(12,911,264)	(31,014,121)
Reversal of impairment of equity instruments - associates companies	(21)	-	(31,789,592)
Amortization of discount (premium)- financial investment	(20)	19,170,890	(4,548,172)
Dividends income	(8)	(162,193,960)	(194,906,402)
Utilization of other provision	(32)	(2,705,230)	(4,536,940)
Provisions no longer required	(32)	(76,603,129)	(156,395,718)
Gain from selling fixed assets	(12)	(235,025)	(4,902)
Operating income before changes in operating assets and liabilities		2,862,997,020	1,966,833,284
Net decrease (increase) in assets			
Due from banks		(434,963,354)	(331,625,810)
Financial assets at fair value through profit and loss		41,834,491	4,845,151
Loans and advances to customers and banks		(7,331,689,476)	(3,848,175,274)
Housing Projects and investments properties		(35,333,285)	(97,451,573)
Other assets		491,690,853	558,809,724
Net (decrease) increase in liabilities			
Due to banks		719,941,618	(90,682,074)
Customers' deposits		24,349,467,695	9,139,584,344
Other liabilities		(483,995,737)	151,424,993
Retirement benefit obligations		(5,633,736)	(1,299,905)
Income tax paid		(576,194,690)	(600,279,561)
Net cash flows from operating activities		19,598,121,399	6,851,983,299
Cash flows from investing activities			
Payments for purchase of fixed assets		(141,578,316)	(147,842,228)
Proceeds from selling fixed assets		300,501	4,903
Payments for purchase of financial assets other than at fair value through profit and loss		(3,733,361,326)	(5,735,826,576)
Proceeds from sale of financial assets other than at fair value through profit and loss		950,016,682	1,199,447,601
Net financial investments (Treasury bills) other than at fair value through profit and loss		(3,598,700,147)	3,108,633,230
Payments for acquisition of associates companies		(193,600,000)	(62,000,000)
Payments for purchase of intangible assets		(41,686,746)	(28,417,130)
Dividends income		76,384,426	66,502,680
Net cash flows used in investing activities		(6,682,224,926)	(1,599,497,520)
Cash flows from Financing activities			
Long-term loans		(185,616,470)	(148,680,101)
Dividends paid		(611,267,482)	(194,675,669)
Net cash flows (used in) financing activities		(796,883,952)	(343,355,770)
Net increase in cash and cash equivalents during the period		12,119,012,521	4,909,130,009
Cash and cash equivalent at the beginning of the period		11,657,539,136	4,473,699,802
Cash and cash equivalents at the end of the period		23,776,551,657	9,382,829,811
Cash and cash equivalents are represented in:			
Cash and balances with Central Bank of Egypt		10,774,250,062	6,391,860,059
Due from banks		18,012,582,317	8,399,583,641
Financial assets at fair value through other comprehensive income		21,238,885,042	15,170,081,862
Obligatory reserve balance with CBE		(9,689,500,892)	(5,448,160,042)
Bank Deposits with maturity more than three-month		-	-
Financial assets other than at fair value through profit and loss		(16,559,664,872)	(15,130,535,709)
Cash and cash equivalents at the end of the period	(38)	23,776,551,657	9,382,829,811

HOUSING AND DEVELOPMENT BANK

NOTES TO THE SEPARATE FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2022

1. **Background**

Housing and Development bank provides Banking Services for Corporates rather than Investments, retail Banking Services in the Arab republic of Egypt through 98 branches, and hires 2830 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 till 31 December 2018 in accordance with the instructions of the Central Bank of Egypt (CBE) rules which are applicable till 31 December 2018; 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 SIX 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 NINE MONTHS ENDED 30 SEPTEMBER 2022

- 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 NINE MONTHS ENDED 30 SEPTEMBER 2022

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 NINE MONTHS ENDED 30 SEPTEMBER 2022

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