



(Arab Investment -Formerly)

(S.A.E)

Financial Statements Together with Auditors' Report

For The Year Ended December 31, 2024

Bank NXT
Financial Statements
Together With Auditors' Report
For The Financial Year Ended December 31, 2024

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Auditors' Report

To \ the Shareholders of Bank NXT (Arab Investment Bank - formerly) (S.A.E.)

Report on the Financial Statements

We have audited the accompanying financial statements of Bank NXT (Arab Investment Bank - formerly) (S.A.E.) represented in the statement of financial position as of December 31, 2024 and the related statements of profit or loss, statement of other comprehensive income, statement of changes in equity, and statement of cash flows for the financial year then ended, a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of the 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 light of the applicable Egyptian laws and regulations. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 entity'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 financial statements.

Opinion

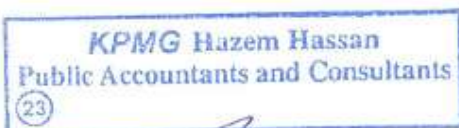
In our opinion, the financial statement referred to above, present fairly in all material respects, of the financial position of the Bank as of December 31, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with the Central bank of Egypt's rules pertaining to the preparation and presentation of the banks' financial statements issued on December 16, 2008 and as amended by the regulations issued on February 26, 2019 and in light of the applicable Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Legal and Other Regulatory Requirements

No contravention of any of the provisions of Central Bank and Banking System Law No. 194 of 2020 are noted during the financial year ended 31 December 2024.

The Bank maintains proper books of accounts that comply with all the requirements of provisions of Law and Bank's bylaws and the financial statements are in agreement with such books of accounts.


The financial information included in the report of the Board of Directors prepared according to Law no. 159 of 1981 and its executive regulation, is in agreement with the bank's books of accounts, in so far as such information is recorded therein.



Ahmed Raafat Mohamed
Hazem Hassan – KPMG
Financial Regulatory Authority Register No. (399)
Registry of Computer Controllers at the Central Bank of Egypt (517)

Cairo, 18 February 2025

Auditors


Hassan Basuoni El Basha
Mohamed Hilal & Wahid Abdel Ghaffar - BT
Financial Regulatory Authority Register No. (89)
Registry of Computer Controllers at the Central Bank of Egypt (213)

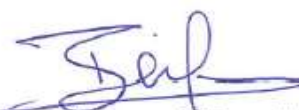


Arab Investment – Formerly
Statement of Financial Position
As of 31 December 2024

		31 December 2024	31 December 2023
	Note	EGP Thousands	EGP Thousands
Assets			
Cash on Hand and CBE Reserve Account	(15)	8,934,125	4,240,517
Due From Banks	(16)	11,993,876	11,526,371
Loans and credit facilities to customers	(17)	30,093,577	21,106,895
Financial Investments			
Financial Investments at fair value through OCI	(18)	11,511,087	9,957,296
Financial Investments at amortized cost	(18)	12,487,545	11,233,861
Investments in Subsidiaries and Associates	(19)	380,728	434,687
Non-Current asset held for sale	(19)	92,596	-
Intangible assets	(20)	283,673	49,949
Other assets	(21)	2,803,794	2,339,586
Property, Plant and Equipment	(22)	841,022	520,885
Deferred tax assets	(23)	-	35,849
Total Assets		79,422,023	61,445,896
Liabilities and Equity			
Liabilities			
Due to banks	(24)	542,109	2,676,093
Customers' deposits	(25)	68,010,990	50,900,610
Other loans	(26)	119,673	126,684
Other liabilities	(27)	1,698,930	888,036
Income tax payable		405,512	196,792
Other provisions	(28)	278,416	187,673
Deferred tax liabilities	(23)	122,031	-
Total liabilities		71,177,661	54,975,888
Equity			
Issued and Paid-up Capital	(29)	5,400,000	5,000,000
Reserves	(30)	427,857	277,203
Retained Earnings including net profit for the year	(31)	2,416,505	1,192,805
Total Equity		8,244,362	6,470,008
Total liabilities and Equity		79,422,023	61,445,896
Auditors' Report (attached)			



Chief Financial Officer
Nagy Banoub



Chief Executive Officer and Managing Director
Tamer Seif

The accompanying notes from (1) to (38) are an integral part of the financial statements.

Arab Investment – Formerly
Statement of Profit or Loss
For The Financial Year Ended 31 December 2024

		31 December 2024	31 December 2023
	Note	EGP Thousands	EGP Thousands
Interest revenue and similar income	(6)	12,369,448	7,668,964
Cost of deposits and similar costs	(6)	(8,458,569)	(5,129,506)
Net interest income		3,910,879	2,539,458
Fees and commission income	(7)	934,277	1,015,823
Fees and commission expenses	(7)	(253,062)	(108,199)
Net fees and commission income		681,215	907,624
Dividends income	(8)	31,812	13,491
Net trading income	(9)	102,057	155,334
Gains (losses) financial investment	(18)	5,024	(6,382)
Expected credit Losses (ECL)	(12)	(316,953)	(626,020)
Administrative expenses	(10)	(1,849,248)	(1,305,036)
Other operating Revenues (Expenses)	(11)	23,873	(181,258)
Bank Share on investments in associates	(19)	54,822	61,908
Net profit before income tax		2,643,481	1,559,119
Income tax expense	(13)	(873,121)	(408,796)
Net Profit for the Year		1,770,360	1,150,323
Earnings per share	(14)	1.69	1.09

The accompanying notes from (1) to (38) are an integral part of the financial statements.

Arab Investment – Formerly
Statement of Other Comprehensive Income
For The Financial Year Ended 31 December 2024

	Note	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Net Profit for the Year		1,770,360	1,150,323
Items that is reclassified to statement of profit or loss			
Net Change in fair value of debt instruments measured at fair value through other comprehensive income	(30-B)	143,001	68,990
Reclassified to statement of profit or loss	(30-B)	5,024	4,372
Expected Credit Losses	(30-B)	3,433	(11,017)
Deferred Tax related to items reclassified to statement of profit or loss	(30-B)	(7,878)	-
Items that will not be reclassified to statement of profit or loss			
Change in fair value of investment in equity instruments measured at fair value through other comprehensive income	(30-B)	24,605	10,744
Differences in Exchange of foreign currencies from equity instruments through other comprehensive income	(30-B)	53,241	16,179
Deferred Tax related to items not be reclassified to statement of profit or loss	(30-B)	(34,427)	-
		1,957,359	1,239,591

The accompanying notes from (1) to (38) are an integral part of the financial statements.

Arab Investment - Formerly
Statement of Changes in Equity
For The Financial Year Ended 31 December 2024

	EGP Thousands									
	Issued and Paid-up capital	Special Reserve	Capital Reserve	Legal Reserve	General Reserve	Fair value Reserve	General Banking Risk Reserve	Total Reserves	Retained Earnings	Total
Balance as of 1 January 2023	5,000,000	251	25,836	39,415	117,798	(23,531)	-	159,769	167,302	5,327,071
Transferred to reserves	-	-	1,985	26,181	-	-	-	28,166	(28,166)	-
Dividends	-	-	-	-	-	-	-	-	(96,654)	(96,654)
Net profit for the year	-	-	-	-	-	-	-	-	1,150,323	1,150,323
Net change in fair value of financial Investment through other comprehensive income	-	-	-	-	-	89,268	-	89,268	-	89,268
Balance as of 31 December 2023	5,000,000	251	27,821	65,596	117,798	65,737	-	277,203	1,192,805	6,470,008
Balance as of 1 January 2024	5,000,000	251	27,821	65,596	117,798	65,737	-	277,203	1,192,805	6,470,008
Transferred to issued capital	400,000	(251)	-	-	(117,798)	-	-	(118,049)	(281,951)	-
Gain on sale of equity investments through OCI	-	-	-	-	-	-	-	-	1,484	1,484
Transferred to reserves	-	-	1,355	57,449	-	-	22,900	81,704	(81,704)	-
Dividends	-	-	-	-	-	-	-	-	(184,489)	(184,489)
Net profit for the Year	-	-	-	-	-	-	-	-	1,770,360	1,770,360
Net change in fair value of financial Investment through other comprehensive income	-	-	-	-	-	186,999	-	186,999	-	186,999
Balance as of 31 December 2024	5,400,000	-	29,176	123,045	-	252,736	22,900	427,857	2,416,505	8,244,362

The accompanying notes from (1) to (38) are an integral part of the financial statements.

Arab Investment - Formerly

Statement of Cash Flows

For The Financial Year Ended 31 December 2024

		31 December 2024	31 December 2023
	Note	EGP Thousands	EGP Thousands
Cash flows from operating activities			
Net Profit for the year before income taxes		2,643,481	1,559,119
Adjustments to reconcile net profit with cash flows from operating activities			
Depreciation of fixed assets	(10)	90,412	66,937
Amortization of intangible assets	(10)	41,568	18,182
Impairment charges - Loans & Facilities to customers	(12)	303,774	631,388
Impairment charges - Due from banks	(12)	983	494
Impairment charges - Financial Investments	(12)	(1,097)	(5,862)
Impairment charges - Other Assets	(12)	13,293	-
utilized of loans provisions	(17)	(196,095)	(622,903)
Translation differences of loans provisions in foreign currencies	(17)	347,559	108,610
Other provision charges	(11)	115,972	112,298
Utilized provisions other than loans provision	(28)	(27,855)	(17,521)
Translation differences of other provisions in foreign currencies	(28)	2,626	1,894
Gains (Losses) on sale of financial investments	(18)	(5,024)	6,382
Translation differences resulting from foreign currency investments	(18)	(4,317,890)	(1,353,939)
Amortization of (discount) / premium issuance investments through other comprehensive income and at Amortized Cost	(18)	(2,171,081)	(1,270,786)
Gains from sale of fixed assets	(11)	(14,863)	(1,354)
Bank share of investments in associates	(19)	(54,822)	(61,908)
Dividends income from equity shares at fair value through OCI	(8)	(31,812)	(13,491)
Gains from assets reverted to bank	(11)	(17,398)	(9,530)
Revaluation differences of provisions in foreign currencies rather than loans provision		27,757	8,299
Operating Losses before changes in assets and liabilities used in operating activities		(3,250,512)	(843,691)
Net decrease (increase) in assets			
Due from banks & CBE	(15-16)	(4,699,056)	(2,142,354)
Loans and credit facilities to customers	(17)	(9,536,437)	(1,846,749)
Other assets	(21)	(309,929)	49,979
Net increase (decrease) in liabilities			
Due to banks	(24)	(2,133,984)	1,890,134
Customers' deposits	(25)	17,110,380	2,698,659
Other liabilities	(27)	799,404	224,147
Income taxes paid		(548,826)	(422,413)
Net cash flows Used in operating activities		(2,568,960)	(392,288)

Arab Investment - Formerly
Statement of Cash Flows - Continued
For The Financial Year Ended 31 December 2024

	Note	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Cash flows from investing activities			
Payments for purchase of fixed assets and branches preparation	(22)	(446,339)	(274,219)
Proceeds from sale of fixed assets and branches preparation	(22)	14,863	2,380
Payments for purchase of intangible assets	(20)	(275,908)	(8,520)
Proceeds from sale of intangible assets	(20)	616	-
Proceeds from sale of financial investments other than financial assets at FVPL	(18)	27,216,809	23,932,684
Proceeds from dividends on equity instruments at fair value through OCI	(8)	31,812	13,491
Proceeds from dividends from investments in associates	(19)	16,185	16,185
Payments for acquiring investments other than Financial assets at FVPL	(18)	(25,724,292)	(16,307,931)
Net cash flows resulting from investing activities		833,746	7,374,070
Cash flows from financing activities			
Other loans	(26)	(7,011)	(13,360)
Dividends Paid		(155,465)	(137,220)
Net cash flows used in financing activities		(162,476)	(150,580)
Net (decrease) increase in cash and cash equivalent during the Year		(1,897,690)	6,831,202
Balance of cash and cash equivalent at the beginning of the Year		15,116,956	8,285,754
Balance of cash and cash equivalent at the end of the Year	(32)	13,219,266	15,116,956
Cash and cash equivalent are represented is the following:			
Cash and balances with Central Bank of Egypt	(15)	8,934,125	4,240,517
Due from banks	(16)	11,997,888	11,529,087
Treasury bills	(18)	13,101,021	9,873,936
Mandatory reserve balance with Central Bank	(15)	(8,693,380)	(4,030,033)
Deposits with banks with a maturity of more than three months		(54,245)	(18,536)
Treasury bills with a maturity of more than three months	(18)	(12,066,143)	(6,478,015)
Total cash and cash equivalent at the end of the Year	(32)	13,219,266	15,116,956

The accompanying notes from (1) to (38) are an integral part of the financial statements.

Arab Investment - Formerly
Statement of Proposed Dividends
For The Financial Year Ended 31 December 2024.

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Net Profit for the year (As per Profit or Losses)	1,770,360	1,150,323
Deduct:		
Gains on sale of fixed assets transferred to capital reserve	(14,863)	(1,354)
General banking risk reserve	(22,899)	-
Distributable net profit for the year	1,732,598	1,148,969
Add:		
Retained Earnings at the beginning of the year	667,562	42,482
Items transferred to retained earnings	1,484	-
Total	2,401,644	1,191,451
To be Distributed as follow:		
Legal Reserve	87,775	57,448
Banking system support and development fund	17,326	11,490
Employees profit share	173,260	114,897
Employees additional profit share	30,000	25,103
Shareholders first share (5% from Capital)*	270,000	250,000
Board members remuneration	56,934	33,000
Shareholders additional share*	30,000	31,951
Retained Earnings at the end of the year	1,736,349	667,562
Total	2,401,644	1,191,451

*Share Dividends Distribution

Arab Investment - Formerly**Notes to the Financial Statements****For The Financial Year Ended 31 December 2024****1. Background**

Bank NXT (Arab Investment - formerly) (Egyptian Joint Stock Company) provides institutional, retail banking and investment services in the Arab Republic of Egypt through main center in Cairo (8 Abdel-Khalek Tharwat St.). The Bank has (36) branches and is hiring (1,273) employees on the date of balance sheet.

Bank NXT (Arab Investment - formerly) was established in the name of Arab Egyptian Bank for Development and Investment as an investment and business bank on 20/2/1974, in accordance with the provisions of the presidential council's decision by Law No. (1) of 1974.

In accordance with the decision of the extraordinary general assembly held on 3 June 2013, the name of the bank was changed to be Arab Investment Bank instead of Arab Egyptian Bank for Development and Investment.

In accordance with the decision of the extraordinary general assembly held on 14 January 2024, the name of the bank was changed to be Bank NXT instead of Arab Investment Bank; this change was noted in the commercial registry on 12 September 2024.

The financial statements for the Year ended 31 December 2024 were approved on 16 February 2024, in accordance with the decision of the board of directors held at that date.

2. Significant accounting policies**2.1. Basis of preparation**

- 2.1.1. The financial statements are prepared in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008, as well as the instructions on the preparation of financial statements, according to the requirements of IFRS (9) "Financial Instruments", according to the instructions issued by the Central Bank of Egypt on 26 February 2019. The financial statements of the Bank were prepared in accordance with the provisions of applicable laws.
- 2.1.2. The Bank's financial statements were prepared in accordance with the going concern assumption and historical cost except initial recognition of financial instrument at Fair value and financial assets categorized to fair value through OCI and fair value through P&L.

2.2. Accounting estimates and assumptions

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

When scheduling future cash flows, the management uses estimates based on previous experience of losses on assets with credit risk characteristics, upon the existence of objective evidence on impairment similar to those in the portfolio. The method and assumptions used in estimating both the amount and timing of future cash flows are reviewed regularly to limit any differences between estimated loss and actual loss based on experience.

2.3. Foreign currency translation**Functional and presentation currency**

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

Transactions and balances in foreign currencies

The Bank maintains its accounts in Egyptian pounds and records transactions in foreign currencies during the financial year on the basis of the prevailing exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the year / financial year on the basis of the prevailing exchange rates at that date. and the differences resulting from the valuation are recognized in the statement of profit or loss, under the following items:

- Net trading income on assets / liabilities held for trading, or those initially classified at fair value through profit or loss according to its type.
- Other operating income (expenses) for the other items.
- Items of other comprehensive income in equity for investments in equity instruments at fair value through other comprehensive income.
- Changes in the fair value of monetary financial instruments, denominated in foreign currency classified as investments at FVOCI (debt instruments), are analyzed among the valuation differences resulting from changes in the amortized cost of the instrument, the differences resulting from changes in the prevailing exchange rates, and the differences resulting from changes in the fair value of the instrument. Those differences resulting from changes in the amortized cost of the instrument are recognized in the statement of profit or loss, under "interest on loans and similar income". The differences related to the changes in the exchange rate are recognized in "other operating income (expenses)". The changes in fair value are recognized in equity under "change in differences in the fair value within (fair value reserve / investments at FVOCI).

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.3 Foreign currency translation - Continued

- Valuation differences resulting from non-monetary items, include the profit and loss resulting from the change in fair value, such as equity instruments held at fair value through profit or loss, and the valuation differences resulting from equity instruments classified as investments at FVOCI are recognized in the fair value reserve under equity.

2.4. Associates

Associates are the entities over which the Bank has significant influence directly or indirectly, but without control. The Bank generally owns 20% to 50% of the voting rights.

The acquisition method is used in accounting for the Bank's acquisition of entities. The acquisition cost is measured at fair value, or the assets given by the Bank as a consideration for purchase, equity instruments issued, liabilities incurred by the Bank and/or liabilities they report on behalf of the acquiree, at the date of exchange, plus any costs directly attributable to the acquisition. Net assets including the identifiable acquired contingent liabilities are measured at their fair value at the acquisition date. Regardless of the minority interest equity, the excess of acquisition cost over the Bank's interest fair value in the net assets is considered as a goodwill.

If the acquisition cost is less than the fair value of the aforementioned net, the difference is recognized directly in the statement of profit or loss under "Other operating income (expenses)."

The financial assets in associates are subsequently measured using the equity method, by which the investment in associate is recognized upon acquisition at cost, then the investment balance is increased or decreased by the Bank's share of change in the equity of the investee after the acquisition date, then the investment balance is decreased by the amount of dividends obtained by the investee .

If there are objective evidence on an impairment loss of the investment in associate, the loss amount is measured as the difference between the carrying amount of investment and the higher of the estimated expected future cash flows discounted at the current market rate of interest, and / or the net sale value for a similar investment for each investment. The carrying amount of the asset is reduced directly, and the loss amount is recognized in the statement of profit or loss under "Financial investment gains (losses)". If it is possible in any subsequent period to objectively relate the decrease and increase in the impairment loss, to an event occurs after the recognition of the impairment loss, then the previously recognized impairment loss is reversed to the statement of profit or loss. Such reversal should not result in a carrying amount of the asset that exceeds the cost at the date of impairment losses reversal if such impairment losses have not been recognized.

2.5. Interest income and expenses

Effective interest rate

The interest income and expenses are recognized in the statement of profit or loss, under "interest on loans and similar income" or "interest expense and similar costs", using the effective interest method for all financial instruments bearing interest, except for those classified investments at fair value through profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and distributing the interest income or expenses over lifetime of the related instrument. The effective interest rate is the rate used to exactly discount future cash flows expected to be paid or collected during the expected lifetime of the financial instrument, or a shorter period of time, if appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all contractual terms of the financial instrument (such as prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received among the contract parties that represents as integral part of the effective interest rate calculation include transactional cost and premiums.

Interest income on loans is recognized on an accrual basis, except for interest income on non-performing loans, which ceases to be recognized as income when the recovery of interest or the principle is in doubt.

The Bank ceases to recognize interest income on non-performing /impaired loans or debts (Stage 3) in the statement of profit or loss, the revenue of income will be recorded off balance sheet.

- When it is collected, after recovering all arrears for consumer Loans, personal mortgages, and micro-finance loans, and recognized as income subsequently based on a cash basis according to the followings:
- For corporate loans , the cash basis is also followed, Where as calculated interests are capitalized according to the rescheduling agreement conditions until paying 25 % from rescheduled payments for a minimum performing period of one year, if the customer continues to perform , the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before the rescheduling agreement which will be recognized in interest income after the settlement of the outstanding loan balance.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.6. Fees and commission income

The fees accrued for servicing a loan or facility that is measured at amortized cost, are recognized under income when the service is provided. Fees and commission income on non-performing /impaired loans or debts (Stage 3) are ceased to be recognized as income and are rather than recorded off balance sheet. These are recognized as income on a cash basis. Only when interest income on those loans is recognized in statement of P/L, at that time, fees & commissions that represent an integral part of the EIR of a financial asset, are treated as an adjustment to the EIR of that financial asset.

The commitment fees on loans are deferred if draw down is probable, given that the commitment fees obtained by the Bank are considered as a compensation for the continuous intervention to acquire the financial instrument, then they are recognized as an adjustment to the effective interest on the loan once drawn. Commitment fees in relation to facilities where draw down is not probable are recognized at the maturity of the term of the commitment.

Fees related to debt instruments that are measured at their fair value are recognized under income at the initial recognition and the fees on Syndicated loan promotion are recognized under income, upon the completion of the promotion process, provided that the Bank does not hold any part of the loan for itself or that the Bank holds a part of the loan for itself, but at the same actual rate of interest available to other participants.

Fees and commissions resulting from negotiating or participating in negotiation of a transaction for a third party - such as arrangement the purchase of shares or other financial instruments or the acquisition or sale of facilities - are recognized in the statement of profit or loss upon completion of the relevant transaction. Fees on management consultancy and other services are usually recognized on a time apportionment basis over the service performance. Fees on financial planning management and custody services that are provided over long periods of time are recognized throughout the year when the service is performed.

2.7. Dividends income

Dividends on the Bank's investments in equity instruments are recognized in the statement of profit or loss when the right to collect is declared.

2.8. Income tax

Income tax on the profit or loss for the year, includes both current year tax and deferred tax, and is recognized in the statement of profit or loss, except for income tax related to items of Equity, that are recognized directly under Equity. Income tax is recognized on the basis of the taxable net profit, using the applicable tax rates on the date of financial position, in addition to the tax adjustments for previous years.

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized, according to the accounting bases and their value on tax bases. The deferred tax amount is determined based on the expected method for realizing or settling the values of assets and liabilities, using the applicable tax rates on the date of financial position. The deferred tax assets of the Bank are recognized when there is a likely possibility of achieving taxable profits in the future, through which such asset can be used. The amount of the deferred tax assets is reduced by the value of the part, from which the expected tax benefit will not be realized during the following years, provided that in the event of an increase in the expected tax benefit, the deferred tax assets will be increased, to the extent of what was previously reduced.

2.9. Financial assets and financial liabilities

Initial recognition and measurement

The bank initially recognizes the financial assets and liabilities on the date when the Bank becomes a party to the contractual terms of the financial instrument.

The financial asset or financial liability is initially measured at fair value. As for those that are not subsequently measured at fair value through profit or loss, they are measured at fair value, plus the transaction cost that is directly related to the acquisition or issuance. (B-30)

Classification

Financial Assets

Upon initial recognition, the Bank classifies the financial assets into financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI), or financial assets at fair value through profit or loss (FVTPL).

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**Financial assets and financial liabilities – Continued****Financial assets at amortized cost**

A financial asset is measured at amortized cost, if both of the following conditions are met, and has not been designated by the management of the Bank, upon initial recognition, at the fair value through profit or loss:

The financial asset is held within a business model of financial assets held to collect contractual cash flows.

The objective of the business model is to retain the financial assets, to collect the contractual cash flows of principal amount of the investment and interest. Sale is an exceptional contingent event for the objective of such model and under the conditions of the Standard which are:

- There should be a deterioration in the creditworthiness of the issuer of the financial instrument.
- There should be less sales in terms of frequency / Turnover and value.
- There should be a clear and approved documentation process for the justifications of each sale and its compliance with the requirements of the Standard.

Financial assets at fair value through other comprehensive income (FVOCI)

- The financial asset is held within the business model of financial assets, to collect contractual cash flows and sell.
- Both contractual cash flow collection and sale are complementary to the model objective.
- High sales in terms of frequency/turnover and value, compared to a business model held to collect contractual cash flows.

Financial assets at fair value through profit or loss (FVTPL)

- The financial asset is held within other business models, that include trading, financial asset management on a fair value basis, and maximizing cash flows through sale.
- The objective of the business model is not to retain the financial asset to collect contractual cash flows or to hold the financial asset to collect contractual cash flows and sell.
- The collection of contractual cash flows is a contingent event for the objective of the model.

Characteristics of the business model are as follows:

- Structuring a set of activities designated to get specific outputs.
- Representing a complete framework for a specific activity (inputs - activities - outputs).
- A single business model can include sub-business models.

The remaining other financial assets are classified as financial assets at fair value through profit or loss.

In addition, the Bank may, upon initial recognition, irrevocably designate a financial asset as at fair value through profit or loss, even though it meets the conditions for classification as a financial asset at amortized cost, or at fair value through the statement of other comprehensive income, if doing so would substantially avoid inconsistency in accounting measurement.

Business Model Assessment

Both debt and equity instruments are classified and measured as follows:

Financial Instrument	Measurement Methods Based on Business Models		
	Amortized Cost	Fair Value	
		Through OCI	Through PL
Equity instruments		Irrevocable one-time election at initial recognition	Normal treatment of equity instruments
Debt instruments	Business model for assets held to collect contractual cash flows	Business model for assets held to collect contractual cash flows and sell	Business model for assets held for trading

The Bank prepares, documents, and approves the Business Model(s), in line with the requirements of EAS 47, and in a manner that reflects the Bank's strategy, set for managing financial assets and its cash flows according to the following:

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**2.9. Financial assets and financial liabilities – Continued****Business Model Assessment - Continued**

- Approved documented policies and the portfolio objectives, as well as applying such policies in practice. Whether management's strategy focuses only on collecting the contractual cash flows of the asset, and holding a certain interest rate, to match the maturities of financial assets, with the maturities of the obligations that finance these assets, or to generate cash flows through the sale of these assets.
- How to evaluate and report on the performance of the portfolio to senior management.
- Risks that affect the performance of the business model, including the nature of the financial assets held within that model and the way these risks are managed.
- How to determine the performance evaluation of business managers (fair value, cash flows of contracts, or both).
- Frequency, value, and timing of sales in previous periods, the reasons for these sales, and expectations regarding future sale activities. However, information about sale activities is not considered in isolation, but as part of a comprehensive assessment of how the Bank's objective of managing financial assets is achieved and how to generate cash flows.

Financial assets that are held for trading or that are managed, and which performance is evaluated on a fair value basis, are measured at fair value through profit or loss, as they are not held to collect contractual cash flows, or to collect contractual cash flows and sell the financial assets together.

The following is a summary of the Business Models, in line with the requirements of EAS 47, and in a manner that reflects the Bank's strategy set for managing financial assets and their cash flows, according to the following:

Financial Asset	Business Model	Main Characteristics
Financial assets at amortized cost	Business model for financial assets held to collect contractual cash flows	<ul style="list-style-type: none"> • The objective of the business model is to hold financial assets in order to collect the contractual cash flows, represented in the investment payments of principal and interest. • Sale is an exceptional contingent event for the objective of such model, and in terms of the conditions set out in the Standard, represented in a deterioration in the creditworthiness of the issuer of the financial instrument. • Less sales in terms of regularity and value. • The Bank undertakes a clear and approved documentation for the justifications for each sale and its compliance with the standard's requirements.
Financial assets at fair value through other comprehensive income (FVOCI)	Business model for financial assets held to collect contractual cash flows and sell	<ul style="list-style-type: none"> • Both contractual cash flow collection and sale are complementary to the objective of the model. • High sales (in terms of regularity and value), compared to a business model held to collect contractual cash flows.
Financial assets at fair value through profit or loss (FVTPL)	Other business models include (trading - financial asset management on a fair value basis - maximizing cash flows by sale)	<ul style="list-style-type: none"> • The objective of the business model is not to hold the financial asset to collect contractual cash flows, or to hold the financial asset to collect contractual cash flows and sell. • The collection of contractual cash flows is a contingent event for the objective of the model. • Managing financial assets by the management, on a fair value basis through profit or loss, in order to eliminate the mismatch in the accounting measurement.

Assessment of whether the contractual cashflows are solely payments of principal and interest.

For the purpose of this assessment, the Bank defines the "principal" of the financial instrument as the fair value of the financial asset at initial recognition. "interest" is defined as consideration for time value of money and for the credit risk associated with the principal, during a period of time, and for other basic lending risks and costs (such as liquidity risk and administrative costs), as well as a profit margin.

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Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**2.9. Financial assets and financial liabilities – Continued****Business Model Assessment – Continued**

Assessment of whether the contractual cashflows are solely payments of principal and interest.

In assessing whether the contractual cash flows of an asset are payments, that are limited only to the asset of the financial instrument and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains contractual terms, that may change the timing or amount of contractual cash flows, so that it will not meet that condition. In making this assessment, the Bank considers the following:

- Contingent events that would change the amount and timing of cash flows.
- Leverage features (interest rate, maturities, currency type).
- Prepayment and extension terms.
- Terms that limit the Bank's claim to cash flows from specified assets.
- Features that modify consideration of the time value of money (e.g., periodical reset of interest rate).

Financial Liabilities

- At initial recognition, the Bank classifies the financial liabilities, into financial liabilities at amortized cost, and financial liabilities at fair value through profit or loss, based on the objective of the Bank's business model.
- All financial liabilities are initially recognized at fair value, on the date when the Bank becomes a party to the contractual terms of the financial instrument.
- Financial liabilities classified at amortized cost are subsequently measured on an amortized cost basis by using the effective interest method.
- Financial liabilities at fair value through profit or loss are subsequently measured at fair value. The change in fair value related to the change in the credit rating of the Bank is recognized in the statement of other comprehensive income, while the remaining amount of the change in fair value is presented in the statement profit or loss.

Reclassification

- Financial assets are not reclassified, after initial recognition, except when - and only when - the Bank changes the business model for managing these assets.
- In all cases, the items of financial liabilities at fair value through profit or loss, and financial liabilities at amortized cost are not reclassified.

Derecognition**Financial Assets**

- A financial asset is derecognized when the contractual right to receive cash flows from the financial asset expires, or when the Bank transfers the right to receive the contractual cash flows in a transaction, in which the risks and rewards of ownership are substantially transferred to another or different party.
- When a financial asset is derecognized, in the statement of profit or loss a recognition will be made of the difference between the carrying amount of the asset (or the carrying amount designated to the part of the asset derecognized), and the sum of the consideration received (including any new asset acquired, less any new liability assumed) and any accumulated profit or loss previously recognized in the fair value reserve for financial assets at fair value through the statement of other comprehensive income.
- When the Bank enters into transactions, whereby it transfers assets previously recognized in the statement of financial position but retains all or substantially most of the risks, and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not derecognized.
- For transactions in which the Bank neither retains nor transfers substantially all the risks and rewards of the ownership of the asset, and maintains control over the asset, the Bank continues to recognize the asset to the extent of the Bank's continuing involvement in the financial asset. The Bank's continuing involvement in the financial asset is determined by the Bank's exposure to changes in the value of the transferred asset.
- In some transactions, the Bank retains the liability of the transferred asset service for a commission, then the transferred asset is derecognized, if it meets the criteria for derecognition. An asset or liability for a service contract is recognized if the service commission is higher than the adequate amount (asset) or less than the adequate amount (liability) to perform the service.

Financial Liabilities

The Bank derecognizes financial liabilities, when they are extinguished (i.e when the obligation specified in the contract is discharged, cancelled, or expires).

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Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**2.9. Financial assets and financial liabilities – Continued****Modifications to financial assets and financial liabilities****Financial Assets**

- If the terms of a financial asset are modified, the Bank assesses whether the cash flows of the modified asset are significantly different. If the cash flows are significantly different, then the contractual rights to the cash flows from the original financial asset are considered expired, then the original financial asset is derecognized, and a new financial asset is recognized at fair value. The value resulting from modifying the total carrying amount is recognized as profit or loss within profit and loss. But if such modification has occurred due to financial difficulties experienced by the borrower, then the profits are deferred and presented with the accumulated impairment losses, while the losses are recognized in the statement of profit or loss.
- If the cash flows of the modified asset recognized at amortized cost are not significantly different, then the modification does not result in the derecognition of the financial asset.

Financial Liabilities

The Bank modifies a financial liability when its terms are modified, and the cash flows of the modified liability are significantly different. In such case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the old financial liability and the new financial liability on the modified terms is recognized in profit and loss.

Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset if there is a currently enforceable legal right to offset the recognized amounts, and there is an intention to settle on a net basis, or to receive the asset and settle the liability simultaneously.

Income and expenses are only offset if it is permitted, in accordance with the revised Egyptian Accounting Standards, or as an outcome of profit or loss from similar categories, as a result of trading activity, differences in monetary asset and liability balance translation in foreign currencies, or from foreign currencies profit (loss).

Fair Value Measurement

- The Bank determines the fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, taking into account when measuring fair value, the characteristics of the asset or liability if the market participants consider those characteristics, when pricing the asset and/or liability at the measurement date. These characteristics include the condition and location of the asset, restrictions on selling or using the asset and the way the participants in the market take the same into consideration.
- The Bank uses the market approach to determine the fair value of financial assets and liabilities, considering that this approach uses prices and other relevant information, resulting from market transactions that include assets, liabilities or a group of assets and liabilities, and are identical or comparable. Accordingly, the Bank may use valuation techniques consistent with the market approach, such as market multiples derived from comparable categories. Then the selection of the appropriate multiple out of the scope requires the use of personal judgment, taking into account the quantitative and qualitative factors of the measurement.
- When the market input is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the income approach to determine the fair value, according to which the future amounts, such as cash flows or income and expenses are transferred to a current (discounted) amount, so that the fair value measurement reflects the current market expectations about future amounts.
- When the market input or income approach is not reliable, in determining the fair value of a financial asset or a financial liability, the Bank uses the cost approach to determine the fair value, so that it reflects the amount required currently to replace the asset in its current condition (current replacement cost). As the fair value reflects the cost incurred by a market participant, as a purchaser, to acquire an alternative asset with a similar benefit, since the market participant, as a purchaser, will not pay for the asset more than the amount at which the benefit would be replaced for the asset.

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Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.9. Financial assets and financial liabilities – Continued

Valuation techniques used to determine the fair value of a financial instrument include the following:

- Quoted prices of similar assets or liabilities in active markets.
- Interest rate swap contracts, by calculating the present value of the expected future cash flows, based on the observable interest curves.
- Fair value of the future currency exchange rate contracts using the present value of the expected cash flow, by using the future exchange rate of the contractual currency.
- Discounted cash flow analysis used in determining the fair value of other financial instruments.

Impairment of financial assets

Impairment losses are recognized for the expected credit losses (ECL) on the following financial instruments that are not measured at fair value through profit or loss, which are:

- 1) Financial assets that represent debt instruments.
- 2) Outstanding debts.
- 3) Financial guarantee contracts.
- 4) Commitments of loans and similar debt instruments.

The impairment losses are not recognized for investments in equity instruments.

Debt instruments related to retail banking products and small and micro enterprises.

- The Bank is grouping debt instruments related to retail banking products, small and micro enterprises on the basis of categories with similar credit risks based on the type of banking product in accordance with the Central Bank's instructions.
- The Bank classifies debt instruments within the retail banking product category or small and micro enterprises into three levels based on the following quantitative and qualitative criteria:

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No past dues	Low – acceptable default risks				
Significant increase in credit risk of financial instruments			30 days past due of the contractual instalment maturity.	<ul style="list-style-type: none"> • If the borrower experiences one or more of the following events: • If the borrower applies to transfer the short-term repayment to a long-term repayment, as a result of the adverse effects related to the borrower's cash flows. • If the Bank writes off one of the direct facilities granted from the Bank, due to the increase in credit risk of the borrower. • If the period granted for repayment is extended at the borrower's request. • If frequent past dues occurred within the previous 12 months. • If there are adverse future economic changes that affect the future cash flows of the borrower 		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding the contractual instalments.	N/A

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.9. Financial assets and financial liabilities – Continued

Debt instruments related to medium entities and enterprises.

- The Bank is grouping debt instruments related to medium sized projects and enterprises on the basis of categories with similar credit risks, based on the obligor risk rating (ORR), in accordance with the Central Bank's instructions.
- The Bank classifies customers within each category into three levels based on the following quantitative and qualitative criteria:

Financial Instrument Classification	Stage 1		Stage 2		Stage 3	
	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)	Key Determinant (Quantitative Criteria)	Additional Determinant (Qualitative Criteria)
Low-credit risk financial instruments	No past dues	Low – acceptable default risks				
Significant increase in credit risk of financial instruments			60 days past due of the contractual instalment maturity.	<p>If the borrower is on the Watch-list and/or the financial instrument experiences one or more of the following events:</p> <ul style="list-style-type: none"> Significant increase in the interest rate of the financial asset, as a result of the increase in credit risks. Significant adverse changes in the activity and financial or economic circumstances, in which the borrower operates. Applying for rescheduling. Significant adverse changes in actual or expected operating results or cash flowsths. Adverse future economic changes that affect the future cash flows of the borrower Early signs of cash flow/liquidity issues such as due payments to creditors/ of business loans. 		
Impaired financial instruments					When the borrower is more than 90 days past due, regarding the contractual instalments.	<p>When the borrower fails to meet one or more of the following criteria, which indicates that the borrower is experiencing a significant financial difficulty.</p> <ul style="list-style-type: none"> Borrower's death or disability. Borrower's default. Scheduling as a result of the deterioration in the creditworthiness of the borrower. Non-compliance with financial covenants. Disappearance of the active market of a financial asset or one of the borrower's financial instruments, due to financial difficulties. lenders granting concessions related to the borrower's financial difficulty that would not be granted in normal circumstances. The possibility that the borrower will enter into bankruptcy or restructure, as a result of financial difficulties. If the borrower's financial assets are purchased at a significant discount that reflects the credit losses incurred.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.9. Financial assets and financial liabilities – Continued

Impairment of financial assets – Continued

Transfer from Stage 2 to Stage 1

The Bank doesn't transfer financial asset from Stage 2 to Stage 1, unless all the quantitative and qualitative factors of Stage 1 are completed, the total cash proceeds of the financial asset become equal to or more than the full value of the instalments due for the financial asset and the payable interest, and the elapse of three months of consecutive meeting all the conditions.

Transfer from Stage 3 to Stage 2

The Bank doesn't transfer the financial asset from Stage 3 to Stage 2 – including scheduling processes - until all the following conditions are met:

- 1) Completion of all quantitative and qualitative factors of Stage 2.
- 2) Payment of 25% of the outstanding balance of the financial assets, including accrued interest.
- 3) Regularity of payment of the financial asset's principal and payable interests for a consequent period of at least 12 months.

Period of financial asset recognition under final category of Stage 2

The period of recognition (classification) of the financial asset under the final category of Stage 2 doesn't exceed a period of nine months, as of the date of its transfer to such stage.

The financial assets created or acquired by the Bank are classified, and which include a higher rate of credit risk than the Bank's low-risk financial assets rates, at initial recognition in Stage 2 directly.

Measurement of Expected Credit Losses (ECL)

- The Bank evaluates the debt instrument portfolios quarterly, at the portfolio level for all financial assets of individuals, institutions, small, medium, and micro enterprises, and periodically with respect to the financial assets of institutions, classified within the Watch-list, in order to monitor the related credit risk. This evaluation is also carried out at the counterparty level on a periodic basis, and the criteria used to identify a significant increase in credit risk are reviewed and monitored periodically by the Financial Risk Management.
- At the reporting date, the Bank estimates the impairment losses provision for the financial instrument at an amount equal to the expected credit losses over the lifetime of the financial instrument, except for the following cases, in which the impairment loss allowance is estimated at an amount equal to the expected credit losses over a period of twelve months:
 - 1) Debt instrument determined as an instrument with low credit risks at the reporting date (debt instruments under Stage 1).
 - 2) Other financial instruments in which the credit risks have not significantly increased at the reporting date since the initial recognition (debt instruments under Stage 1).

The Bank considers the expected credit risks as a probable-weighted estimation of the expected credit risks which are measured as following:

- Expected credit losses on the financial assets under Stage 1 are measured based on the present value of the total cash deficit, calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators for the next 12 months, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery, when calculating the loss rate for each category of the debt instruments with similar credit risks. Since these expected credit risks consider the amount and time of payments, then the credit losses arise, even if the entity expects the full payment, but in a subsequent time after the debt falls due, under the contractual terms. The expected credit losses over 12 months are considered a part of the expected credit losses over the lifetime of the asset, which result from the default in payment of a financial instrument and are probable within a period of 12 months after the reporting date.
- The expected credit losses of the financial assets under Stage 2 are measured based on the present value of the total cash deficit calculated on the basis of the historical probability of default rates, adjusted for the expectations on the average scenarios of macro-economic indicators throughout the lifetime of the asset, multiplied by the value on default, taking into account the probable-weighted expected rates of recovery when calculating the loss rate for each category of the debt instruments with similar credit risks.
- The credit impaired financial assets, at the reporting date, are measured as the difference between the total carrying amount of the asset and the present value of expected future cash flows.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**2.9. Financial assets and financial liabilities – Continued****Impairment of financial assets – Continued****Measurement of Expected Credit Losses (ECL) – Continued**

- The Bank when calculating the loss rates, takes into account the expected recovery rates of the present value of the expected cash flows, whether from cash and in-kind guarantees, or the historical or future expected payment rates as following:
 - For the debt instruments designated under Stage 1, only the value of cash guarantees and equivalent is considered, which is represented in cash and other financial instruments, that can be transferred easily to cash in a short time (3 months or less), or without a change (loss) in its value, due to the credit risks, after discounting 10% due to unseen conditions.
 - For the debt instruments designated under Stage 2 or Stage 3, only the types of guarantees are considered, in accordance with the rules issued by CBE on 24 May 2005, concerning the determination of the creditworthiness of the customers and making the provisions, while the value of these guarantees is calculated in accordance with the rules on preparation and presentation of the Bank's financial statements, and the bases of recognition and measurement issued by CBE on 16 December 2008, after discounting 10% and 20% for cash guarantees, as well the present value of the expected cash flows of the considered in-kind guarantees respectively.
 - For debt instruments held by banks operating abroad, the probability of default rates is determined on the basis of credit rating of the Bank's main office, that operates abroad, in a way not exceeding the credit rating of the country, where the main office is located, taking into account the instructions issued by Central Bank of Egypt, concerning the risks of countries. The loss rate is calculated at 45%.
 - For debt instruments held by the banks working in Egypt, the probability of default rates is calculated on the basis of Bank's rating by International External Rating Agencies, and the branches of the Egyptian banks abroad are treated as the main office, as well the branches of foreign banks working in Egypt are treated as their main office. The loss rate is calculated at 45%.
 - For debt instruments issued by entities other than banks, the probability of default rates is calculated based on the classification of the financial instrument issuer, conducted by International External Rating Agencies, in a way not exceeding the credit rating of the issuer in the case of foreign entities. The loss rate is calculated at 45%.
 - The impairment provision of the financial assets recognized in the statement of financial position is discounted from the financial assets when presenting the statement of financial position, while the impairment provision relating to loan commitments, financial guarantee contracts and contingent liabilities are recognized in "Other provisions" under "Liabilities" in the financial position.
 - For financial guaranteed contracts, the Bank estimates the expected credit loss, based on the difference between the payments expected to be made to the guarantee holder, less any other amounts the Bank expects to recover.

Restructured financial assets.

If the conditions of a financial asset are renegotiated or modified, or a new financial asset replaces a current financial asset due to financial difficulties experienced by the borrower, an assessment is conducted to determine whether the financial asset should be derecognized in the books of account. The expected credit losses are measured as following:

- If the rescheduling will not result in the derecognition of the current asset, the expected cash flows resulting from the modified financial asset are used, when calculating the cash deficit in the current asset. The expected credit losses are calculated over the lifetime of the instrument.
- If the rescheduling will result in the derecognition of the current asset, the expected fair value of the new asset is treated as final cash flows from the current financial asset, upon derecognition. This value is used in calculating the cash deficit of the current financial asset, which has been discounted as of the expected date to derecognize the asset, till the reporting date, by using the original effective interest of the current financial asset.

Presentation of provisions for expected credit losses in the statement of financial position

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

- Financial assets measured at amortized cost as a discount from the total carrying amount of assets.
- Commitments on loans and financial guarantee contracts: generally, as a provision.
- When the financial instrument includes both utilized and unutilized portions of the permitted limit of this instrument, and the Bank cannot determine the expected credit losses of the unutilized portion separately, the Bank will present the provision for aggregate loss for both utilized and unutilized portion. The aggregate amount is presented as a discount from the total carrying amount of the utilized portion. Any increase in the loss provision is presented to the total amount used as a provision for the unutilized portion.

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Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.9. Financial assets and financial liabilities – Continued

Impairment of financial assets – Continued

Measurement of Expected Credit Losses (ECL) – Continued

- For debt instruments at fair value through other comprehensive income, no impairment provision is recognized in the statement of financial position, because the carrying amount of such assets is their fair value. However, the impairment provision is disclosed, and recognized in the fair value reserve.

Debts Write-Off

The debts are written off (either partially or wholly) when there is no actual possibility of recovering such debts, and generally, when the Bank determines that the borrower does not have assets, resources, or sources of income, that could generate sufficient cash flows to repay the debts that will be written off. However, the written-off financial assets could still be subject to the monitoring procedures taken by the Bank to recover the amounts due. A deduction is made on the provision for impairment of debt that are written-off, whether a provision has been made for it or not, and an addition is made to the provision for impairment of loan proceeds previously written-off.

Purchase & Resale Agreements and Sale & Repurchase Agreements

The financial instruments sold in accordance with the repurchase agreements, under assets added to the treasury bills and other government securities are presented in the statement of financial position. The liability (purchase & resale agreements), less the treasury bills and other government securities, is presented in the statement of financial position. The difference between sale price and repurchase price is recognized as an interest payable over the agreement term by using the effective interest rate method.

2.10. Investments Properties

Investment properties are represented in the lands and buildings owned by the Bank in order to obtain rental returns or a capital increase. Therefore, they do not include real estate assets through which the Bank conducts its business or those that are devolved to the Bank in fulfillment of debts. Investment properties are accounted for in the same accounting method applied to fixed assets.

2.11. Financial Derivatives Instruments

- The financial derivatives are recognized at fair value at the date the derivative contract is signed. It's subsequently measured at fair value. Fair value is obtained from the market prices quoted in the active markets, recent market transactions or the assessment techniques such as the discounted cash flow models and option pricing models, based on cases.
- All derivatives are reflected in the assets if the derivative's fair value is positive or in the liabilities if its fair value is negative.
- The method of recognition of profits or losses resulting from changes in fair value of the derivatives depends on whether the derivative is designated as a hedge instrument and on nature of the hedged item. The changes of fair value of the derivatives that are not qualified for hedge accounting are recognized under "Net trading income" in the statement of profit or loss. "Net income from the financial instruments designated, on inception, at fair value through profits or losses" is recognized in the statement of profit or loss for the profits and losses resulting from changes in the fair value of the derivatives that are managed in conjunction with the financial assets and liabilities classified, on inception, at fair value through profits or losses.
- The changes in fair value of the derivatives designated and qualified for the hedges of the fair value are recognized with any changes in the fair value relating to the risk of the hedged asset or liability. The impact of the effective changes in fair value of the interest rate swap contracts and the related hedged items is taken to "Net interest income".
- Impact of the effective changes in fair value of the future currency contracts is taken to "Net trading income". Ineffective impact in all contracts and the related hedged items mentioned in the previous paragraph is taken to the "Net trading income".
- Effective part of the changes in fair value of the derivatives designated and qualified for the cash flows hedges is recognized in equity. Profits and losses relating to the ineffective part are immediately recognized under "Net trading income" in the statement of profit or loss. The amounts accumulated in equity are brought forward to the statement of profit or loss at the same periods when the hedged item has an impact on the profits or losses. Profits or losses relating to the effective part of currency swaps and options are taken to "Net trading income". When a hedge instrument is due or sold or if the hedge is no longer meeting the conditions of hedge accounting, the profits or losses accumulated in the equity at that time remain under equity, and they are recognized in the statement of profit or loss when the expected transaction is eventually recognized. However, if the expected transaction is no longer expected to occur, then the profits or losses accumulated in equity are immediately brought forward to the statement of profit or loss.

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Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued

2.12. Intangible Assets

Computer Software

Expenses relating to development or maintenance of computer software are recognized as an expense in the statement of profit or loss when incurred. The expenses relating directly to specific software under control of the Bank, and which are expected to generate economic benefits exceeding its cost for more than several years are recognized as an intangible asset. The direct costs include the cost of the staff involved in the software development, in addition to an appropriate portion of the related general expenses.

Expenses leading to an increase or expansion in the computer software more than the original specifications are recognized as development cost and these expenses are added to the cost of the original software.

Cost of computer software recognized as an asset over the years in which it's expected to be used, no later than 7 years, is depreciated.

Other Intangible Assets

These are intangible assets other than goodwill and computer software (including but not limited to trademarks, licenses, lease benefits).

Other intangible assets are recognized at their acquisition cost and are depreciated using the straight-line method or on the basis of the economic benefits expected to be realized from them, over their estimated useful lives, and for assets that do not have a specific useful life, they are not depreciated, but they are tested for impairment in their value annually, and the impairment value (if any) is charged to the statement of profit or loss.

2.13. Fixed Assets

Fixed assets are represented mainly in the main offices, branches, and offices. All assets are shown at historical cost less depreciation and impairment losses. The historical cost includes the expenses related directly to the acquisition of fixed assets.

The subsequent expenses are recognized at fair value of the underlying asset, considering them as a separate asset, when appropriate, when the flow of future economic benefits relating to the financial asset to the Bank is probable and the cost can be reliably determined. Maintenance and repair expenses in the period they are charged are expensed under other operating expenses.

Expenses on leasehold improvements are treated annually as an expense in the statement of profit or loss.

Lands are not depreciated. Depreciation of a fixed asset is accounted on straight line bases for cost allocation so that the residual value over the useful lifetime is estimated as following:

<u>Asset Type</u>	<u>Depreciation Period</u>
Buildings and Construction	20 Years
Office Furniture and Cabinets	10 Years
Machinery and equipments	8 Years
Vehicles	5 Years
Integrated Automated Systems (Computers)	5 Years
Owned Fixtures and Fittings	5 Years
Leased Fixtures and Fittings	3 Years

The residual value and useful lives of fixed assets are reviewed at the date of each financial position and adjusted whenever necessary. The assets that are depreciated are reviewed for the purpose of determining impairment when events or changes in circumstances occur that indicate that the carrying amount may not be recoverable. The carrying amount of the asset is immediately reduced to the recoverable amount if the carrying amount exceeds the recoverable amount. The recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. Profits and losses on disposals from fixed assets are determined by comparing the net proceeds to the carrying amount. Profits (losses) are included within other operating income (expenses) in the statement of profit and loss.

2.14. Impairment of non-financial assets.

Assets that do not have a definite useful life are not depreciated, and its impairment is tested annually. The impairment of assets that are depreciated is examined whenever there are events or changes in circumstances that indicate that the carrying amount may not be recoverable. The impairment loss is recognized, and the value of the asset is reduced by the amount by which the carrying amount of the asset exceeds the recoverable amount, and the recoverable amount represents the net selling value of the asset or the value in use of the asset, whichever is higher. For estimating impairment, the asset is added to the smallest possible cash-generating unit, and the financial assets in which impairment was found are reviewed to examine whether there is a reversal to the impairment in the statement of profit and loss on each reporting date.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

2. Significant accounting policies - Continued**2.15. Rental**

Payments under operating lease account, less any discounts obtained from the lessor, are recognized as expenses in the statement of profit or loss on a straight-line basis over the period of the contract.

2.16. Cash and cash equivalents.

For statement of cash flow purposes, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and balances with Central Bank of Egypt other than for mandatory reserve, bank balances, treasury bills and other government securities.

2.17. Other provisions

Provisions made to meet obligations that fall due after twelve months from the date of the financial statements (other than those to meet credit risk or employee benefits) are measured on the basis of the present value of the best estimate of payments to be satisfied to settle the current obligations at the date of the financial statements, and to estimate the present value of those provisions an appropriate discount rate is used that reflects the time value of money before the effect of tax. As for obligations that are due to be paid up to twelve months from the date of the financial statements, the obligation is measured at the estimated undiscounted value, unless the effect of the time value of money is material, so it is calculated at the present value. Reversals of provisions no longer required (whether fully or partially) are presented under other operating income (expenses).

2.18. Financial guarantee contracts

Financial guarantee contracts are the contracts issued by the Bank as a collateral for loans or debit current accounts presented to its customers from other parties and it is required from the Bank to pay certain payments to compensate the beneficiaries of any incurred loss due to the debtor's default on payment in the due date according to the debt instrument's conditions. These financial collaterals are presented to banks, financial institutions, and other parties on behalf of the Bank's customers.

Initial recognition in the financial statements is made at the fair value at the date of granting the collateral which may reflect the collateral fees. Later on, the Bank's liability is measured by the virtue of the collateral on the basis of the initial recognition amount less the depreciation to recognize the collateral fees in the statement of profit or loss on a straight-line basis over the collateral lifetime, or the best estimation of the needed payments to adjust any financial liability resulted from the financial collaterals on the balance sheet date which is higher. These estimations are specified according to the experience in similar transactions and historical losses and also by the management's judgment.

Any increase in the liabilities resulting from financial collaterals, is recognized in the statement of profit or loss as other operating income (expenses).

2.19. Borrowing

Loans obtained by the Bank are initially recognized at fair value net of the cost incurred in obtaining the loan. Borrowings are subsequently measured at amortized cost with the difference between net proceeds and the value to be paid over the borrowing period, recognized in the statement of profit or loss using the effective interest rate method.

2.20. Capital**Cost of capital**

The issuance expenses that are related directly with issuing new shares or units for acquiring an entity or issuing options are presented as a deduction from equity and net of proceeds after tax.

Dividends

Dividends are recognized as a deduction from equity when the general assembly of shareholders approves the dividends. Dividends include the employees' share in profits and the Board of Directors' remuneration as prescribed by the Bank's articles of association and the law.

2.21. Employees benefits

All forms of material and in-kind benefits granted by the Bank for service provided by employees.

Short-term employee benefits:

Short-term employee benefits represented in wages, salaries, social security contributions, annual paid leaves and bonus (if accrued within twelve months from the end of the year), non-cash benefits (such as medical care, housing, transportation, free or subsidized services for existing employees) and short-term employee benefits are charged as a expenses in the statement of profit or loss for the year in which this service is provided to the Bank's employees, according to which they are entitled to these benefits.

Arab Investment - Formerly**Notes to the Financial Statements****For The Financial Year Ended 31 December 2024****2. Significant accounting policies - Continued****2.21 Employees benefits - Continued****Social insurance:**

The pension benefits are the Bank's share in its employees' social security, which it pays to the General Authority for Social Insurance in accordance with the Social Security Law No. 79 of 1975 and its amendments, whereas the Bank pays its share to the General Authority for Social Insurance for each period and that share is charged to the statement of profit or loss within wages and salaries in the item of general and administrative expenses for the year in which the Bank employees provide their services. The Bank's obligations to pay pension benefits are accounted for as specific schemes and therefore do not lead to an additional obligation on the Bank related to the pension benefits for its employees other than its share in the social security payable by the bank on their behalf to the Authority.

The Bank has a special insurance fund for the Bank's employees. It was established on 26 January 1979 and is subject to the provisions of Law 45 of 1975 and its executive regulations for the purpose of granting insurance and compensatory benefits to the members. The provisions of this fund and its amendments apply to all employees of the Bank's head office and its branches.

The Bank is obligated to pay monthly and annual contributions to the fund in accordance with the fund's regulations and its amendments, and the Bank does not have any additional obligations following the payment of contributions. The contributions are recognized in the administrative expenses when due. Prepaid contributions are recognized in assets to the extent that the advance payment reduces future payments or results in a cashback.

3. Segments reports

The activity segment is a group of assets and operations associated with providing products or services which have risks and benefits that are different from those associated with other business sectors. The geographical sector is associated with providing products or services within a single economic environment with risks and benefits that are specific to them other than those associated with geographical sectors operating in a different economic environment.

4. Financial risk management

The Bank, as a result of its activities, is exposed to various financial risks, considering the risk acceptance is the basis of the financial activity. Some risks or a group of risks are analyzed, assessed, and managed collectively, and therefore the Bank intends to achieve an appropriate balance between risk and interest and to reduce the potential negative effects on the financial performance of the Bank. The most significant types of financial risks are credit risk, market risk and liquidity risk and other operating risks. Market risk includes foreign exchange rate risk, and interest rate risk.

Risk management policies are adopted to determine and analyze risks to limit, control and monitor the risks and commit to limits through reliable techniques and updated information systems. The Bank periodically reviews and modifies the risk management policies and systems to reflect changes in markets, products, services, and the best recent applications.

Risks are managed by Risk Function in terms of the policies approved by the Board of Directors. Risk Function determines, assesses, and covers the financial risks in close cooperation with the various operating units of the Bank. The Board of Directors provides written principles for managing the risks as a whole, in addition to written policies covering specific risk areas such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative instruments. In addition, the Risk Function is independently responsible for periodic review of the risk management and control environment.

4.1 Credit risk.

The Bank is exposed to credit risk which is the risk resulting from a party's failure to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. Credit risk is mainly represented in lending activities that give rise to loans, facilities and investment activities that result in the Bank's assets including debt instruments. Credit risk exists also in financial instruments outside the financial position such as loan commitments. The financial risk management and control are centralized in a financial risk management team in the bank's risk management department which reports to the board of directors and head of each business unit regularly.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Credit risk measurement.

Loans and facilities to banks and customers (including commitments and financial guarantee contracts)

In measuring credit risk of loans and facilities to customers and to banks, the Bank's rating system is based on three key pillars:

- Current exposures to the counterparty and its likely future development, from which the Bank derive the (exposure at default).
- The risk of default failure (Loss given default).
- The probability of default by the customer or counterparty on its contractual obligations.

These credit risk measurements, are embedded in the Bank's daily operations which reflect expected loss through the expected loss model required by the Banking Supervision Committee, and the operational measures can contradict with the burden of impairment in accordance with the previous standards that depend on the losses that have realized on the date of the financial statements (realized loss model) and not the expected losses as will come after.

The Bank assesses the probability of default per each customer using internal rating techniques tailored to the various categories of customers. These techniques have been developed internally and the statistical analyses combine credit officers' personal judgment to reach the appropriate viability rating.

Customers of the Bank are segmented into four viability rating classes. The Bank's viability rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, credit positions migrate between classes as the assessment of their probability of default changes. The rating techniques are kept under review and are upgraded as necessary. The Bank regularly validates the performance of the viability rating techniques and their ability to predict cases of default.

Bank's internal rating classes

Bank's rating	Rating description
1	Performing Debts
2	Standard Monitoring
3	Special Monitoring
4	Non- Performing Debts

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

The position exposed to default depends on the amounts expected by the bank to be outstanding when default occurs. For example, for a loan, this position is the nominal value and for commitments, the bank recognizes all amounts actually withdrawn in addition to other amounts that are expected to have been withdrawn up to the date of the delay if it occurs.

Loss given default or loss severity represents the bank's expectation of the extent of loss on a claim should a default occur. It is expressed as percentage of loss to debt and typically varies by type of the debtor, seniority of claim and availability of collateral or other credit coverages.

Estimation of exposure to credit risks to manage the credit risks is a complex matter that requires the use of statistical and electronic models, as the level of exposure to credit risks changes depending on the changes in market conditions and other economic areas in a complex and rapid degree.

The exposure to credit risk changes depending on the changes in the level, value and timing of expected cash flows and the passage of time. Accordingly, assessment of the credit risk of the assets portfolio requires further estimations of the probability of default and the related loss rates.

The bank measures credit risk losses by using the probability of default (default in contractual liabilities) based on the carrying amount balance of the financial instrument at the date of exposure at default and loss given default.

Credit risk classification.

The Bank assesses the probability of default at the level of each customer / related group / credit product, by using techniques to classify the customers into different categories, taking into account the minimum rating in accordance with the CBE instructions in terms of determining the creditworthiness of the customers and making the provisions issued during the year 2005. Therefore, the Bank uses a group of internally developed models and evaluation techniques for the categories of counterparties, customers and the nature of various loans in light of the available information that is collected on the date of adoption of the used model (such as: level of income, level of disposable income and guarantees for individual clients, revenues, type of industry, and other financial and non-financial indicators of the institutions). The Bank completes such indicators with a set of external data, such as the inquiry reports issued by both CBE and credit reporting companies on borrowers and the reports issued by the other local and external credit rating agencies. Moreover, the models used by the Bank allow the systematic exercise of expert assessment by credit risk officials in the final internal credit rating. Therefore, this allows to consider other matters and indicators that may not have been taken as part of other data inputs in the internally or externally developed assessment models and techniques or through external sources.

Credit grades are assessed so that the risk of default increases incrementally at each higher risk grade, namely the difference in default rates between the rating grade A and A- is less than the difference in default rates between rating grade B and B-. Additional considerations for each type of credit portfolio held by the Bank are set out below:

Individuals, retail banking products and small & micro enterprises

After the date of initial recognition, the borrower's payment behavior is monitored periodically to calculate a measurement of the payment pattern. Any other information known about the borrower, supposed to be determined by the Bank, may have an impact the creditworthiness, such as unemployment rates and non-payment precedents, as they are included to measure the payment pattern and default rates are, accordingly, determined for each payment pattern measurement.

(Large & Medium) Enterprises and Companies

The rating is determined at the level of the borrower / groups with similar credit risks. Any updated or new credit information or assessments are included in the credit system constantly and periodically. In addition, information about the creditworthiness of the borrower / groups with similar credit risks is also updated periodically from other sources such as financial statements and other published financial and non-financial statements.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Debt Instruments, Treasury Bills and Government Bonds

The Bank uses the external ratings issued by the institutions mentioned in the CBE's instructions to manage the credit risk in terms of the debt instruments in the investment portfolio. These published classifications are monitored and updated regularly and periodically. The default rates associated with each rating are determined based on the rates realized over the previous twelve months, as published by the aforementioned rating agencies. The loss rate of the government and CBE debt instruments dominated in local currency is zero.

Future data used in the expected loss model.

Future data is used in assessing whether there is a significant increase in the credit risk of financial instruments and estimating the expected credit losses (ECL). The management of Bank determines the main economic variables that affect credit risk and expected credit losses for each credit portfolio by carrying out an analysis of historical data. The economic variables and the related effect on both Probability of Default "PD" and the Exposure at Default "EAD" and Loss Given Default "LGD" are different depending on the financial asset. The Bank will use expert opinions regarding these assumptions and estimates, if necessary.

To determine the impact of such economic variables on both Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD), the management of the Bank carries out the "regression analysis" to understand the historical effects arising from such variables on the default rates and the inputs used in calculating both Exposure at Default (EAD) and Loss Given Default (LGD).

Further to the key economic scenarios, the management of Bank establishes other potential scenarios in addition to assumptions relating to each scenario separately.

The lifetime probability of default (PD) relating to the key assumption and other assumptions are used, as the outcome of multiplication is determined for each assumption with the related probabilities of each, in addition to the supporting indicators and qualitative indicators. Based on the results of such study, it is assessed whether this financial asset is located at the first, second or third level, on the basis of which it is determined whether the expected credit losses "ECL" will be computed on 12-month bases "12-month ECL" or over lifetime of the financial instrument "Lifetime ECL".

The expectations and probabilities of occurrence are subject to a high degree of uncertainty, as it is known to any economic forecasts, therefore the actual results may be significantly different from those anticipated. The Bank makes the best estimate of these potential expectations and carries out an analytical study of the irrelevant and non-similar factors for the different credit portfolios to conclude appropriate assumptions for all possible scenarios.

Variable Economic Assumptions

The most significant assumptions that have an impact on the expected credit losses "ECL" are:

- a) Consumption pricing indicators (CPI)
- b) Unemployment rate
- c) Gross domestic product (GDP)
- d) Gross national saving/investment
- e) Real available income

Classification of the instruments relating to the losses measured on basis of the similar groups

For ECL provisions, groups are classified on the basis of similar credit risk characteristics, as risk exposure within the Bank is homogeneous. When carrying out this classification, it is taken into consideration that there is sufficient information that enables the Bank to classify the Bank with statistical reliability. When sufficient information is not available, the Bank takes into consideration the complementary internal / external reference data.

Corporate loans

Probability of default model (S & P) is used .

A conciliation was made between "S&P" and "ORR ."

The model was updated by some economic indicators to keep the probability of default in line with the clients existing in Egypt .

The model was updated by the ratios of change in the low credit rating of the other clients of the Bank for two years to keep the ratios of model default in line with the clients of the Bank.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Credit risk classification – Continued

Maximum exposure to credit risks – impaired financial instruments

The following table represents the total carrying amount of the financial assets and the maximum exposure to credit risk on these financial assets.

				<u>EGP Thousands</u>
Retail				
31 December 2024				
Order of Expected Credit Losses				
Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring				
Overdraft	61,700	95	467	62,262
Personal loans	7,684,007	229,312	20,927	7,934,246
Credit cards	387,902	1,661	231	389,794
Mortgage Loans	1,784,129	13,473	6,298	1,803,900
Special monitoring				
Overdraft	-	-	147	147
Personal loans	6,945	285	120,315	127,545
Credit cards	2,300	70	467	2,837
Mortgage Loans	-	-	563	563
Total carrying amount	9,926,983	244,896	149,415	10,321,294
Expected credit losses	(40,232)	(9,388)	(148,911)	(198,531)
Net carrying amount	9,886,751	235,508	504	10,122,763
Collaterals	2,911,374	26,335	1,706	2,939,415

				<u>EGP Thousands</u>
Retail				
31 December 2023				
Order of Expected Credit Losses				
Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring				
Overdraft	227,380	1,996	261	229,637
Personal loans	5,534,145	218,152	12,711	5,765,008
Credit cards	73,907	1,653	15	75,575
Mortgage Loans	1,048,884	4,410	6,809	1,060,103
Special monitoring				
Overdraft	-	99	-	99
Personal loans	27,008	205,669	13,819	246,496
Credit cards	2,936	728	35	3,699
Mortgage Loans	-	1,758	771	2,529
Default				
Overdraft	-	-	867	867
Personal loans	7,836	-	123,060	130,896
Credit cards	562	121	593	1,276
Mortgage Loans	-	-	417	417
Total carrying amount	6,922,658	434,586	159,358	7,516,602
Expected credit losses	(20,775)	(14,831)	(153,956)	(189,562)
Net carrying amount	6,901,883	419,755	5,402	7,327,040
Collaterals	2,810,872	321,585	107,631	3,240,088

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

EGP Thous ands

Corporate

31 December 2024 Order of Expected Credit Losses

Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring				
Overdraft	263,840	19	-	263,859
Direct loans	14,871,233	322,318	-	15,193,551
Syndicated Loans	4,816,629	304,567	-	5,121,196
Special monitoring				
Overdraft	-	493	-	493
Direct loans	-	34,693	-	34,693
Syndicated Loans	-	459,330	-	459,330
Default				
Overdraft	-	-	2,916	2,916
Direct loans	-	-	913,201	913,201
Syndicated Loans	-	-	202,134	202,134
Total carrying amount	19,951,702	1,121,420	1,118,251	22,191,373
Expected credit losses	(525,427)	(468,763)	(1,054,238)	(2,048,428)
Net carrying amount	19,426,275	652,657	64,013	20,142,945
Collaterals	2,379,740	302,803	70,200	2,752,743

EGP Thous ands

Corporate

31 December 2023 Order of Expected Credit Losses

Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring				
Overdraft	457,021	1	-	457,022
Direct loans	10,099,457	271,204	2,777	10,373,438
Syndicated Loans	2,591,978	538,795	-	3,130,773
Special monitoring				
Overdraft	-	1,354	-	1,354
Direct loans	-	170,176	-	170,176
Default				
Overdraft	-	-	15,765	15,765
Direct loans	-	-	929,568	929,568
Syndicated Loans	-	-	202,134	202,134
Total carrying amount	13,148,456	981,530	1,150,244	15,280,230
Expected credit losses	(347,350)	(167,724)	(917,827)	(1,432,901)
Net carrying amount	12,801,106	813,806	232,417	13,847,329
Collaterals	2,439,021	101,929	117,186	2,658,136

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

				<u>EGP Thousands</u>
Due From Banks				
31 December 2024				
Order of Expected Credit Losses				
Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	11,997,888	-	-	11,997,888
Total carrying amount	11,997,888	-	-	11,997,888
Expected credit losses	(4,012)	-	-	(4,012)
Net carrying amount	11,993,876	-	-	11,993,876

				<u>EGP Thousands</u>
Financial Investments				
31 December 2024				
Order of Expected Credit Losses				
Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	23,805,831	-	-	23,805,831
Total carrying amount	23,805,831	-	-	23,805,831
Expected credit losses	(96,781)	-	-	(96,781)
Net carrying amount	23,709,050	-	-	23,709,050

				<u>EGP Thousands</u>
Other Assets				
31 December 2024				
Order of Expected Credit Losses				
Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	2,817,086	-	-	2,817,086
Total carrying amount	2,817,086	-	-	2,817,086
Expected credit losses	(13,293)	-	-	(13,293)
Net carrying amount	2,803,793	-	-	2,803,793

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Maximum exposure to credit risks – impaired financial instruments – Continued

EGP Thousands

Due From Banks

31 December 2023 Order of Expected Credit Losses

Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	11,529,087	-	-	11,529,087
Total carrying amount	11,529,087	-	-	11,529,087
Expected credit losses	(2,716)	-	-	(2,716)
Net carrying amount	11,526,371	-	-	11,526,371

EGP Thousands

Financial Investments

31 December 2023 Order of Expected Credit Losses

Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	21,061,329	-	-	21,061,329
Total carrying amount	21,061,329	-	-	21,061,329
Expected credit losses	(70,434)	-	-	(70,434)
Net carrying amount	20,990,895	-	-	20,990,895

EGP Thousands

Other Assets

31 December 2023 Order of Expected Credit Losses

Credit Rating	Stage 1 12 Month	Stage 2 Lifetime	Stage 3 Lifetime	Total
Standard monitoring	2,339,586	-	-	2,339,586
Total carrying amount	2,339,586	-	-	2,339,586
Expected credit losses	-	-	-	-
Net carrying amount	2,339,586	-	-	2,339,586

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

The following table displays changes in balances and ECL between the beginning and end of the year:

Corporate Loans	31 December 2024						EGP Thousands	
	Stage 1		Stage 2		Stage 3		Total	
	12 months		Life time		Life time			
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2024	347,350	13,148,456	167,724	981,530	917,827	1,150,244	1,432,901	15,280,230
New financial assets purchased or issued	474,823	21,945,150	-	-	-	-	474,823	21,945,150
Financial assets matured or derecognised	(77,477)	(9,843,037)	(2,404)	(276,329)	(64,509)	(232,924)	(144,390)	(10,352,290)
Transfer to stage 1	5,086	706,154	(6,077)	(740,851)	-	-	(991)	(34,697)
Transfer to stage 2	(6,486)	(1,035,689)	7,643	1,034,611	(617)	(4,857)	540	(5,935)
Transfer to stage 3	(493)	(30,767)	(6,729)	(101,244)	68,585	133,334	61,363	1,323
Changes in the probability of default and Write-off during the Year	(270,312)	(6,334,395)	267,003	101,550	(125,425)	(72,325)	(128,734)	(6,305,170)
Proceeds from previously written off debts	-	-	-	-	(94,670)	(94,670)	(94,670)	(94,670)
Foreign exchange differences	52,936	1,395,830	41,603	122,153	100,154	-	100,154	-
Balance as of 31 December 2024	525,427	19,951,702	468,763	1,121,420	1,054,238	1,118,251	2,048,428	22,191,373

Corporate Loans	31 December 2023						EGP Thousands	
	Stage 1		Stage 2		Stage 3		Total	
	12 months		Life time		Life time			
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2023	328,657	13,163,840	142,610	938,285	742,871	1,420,556	1,214,138	15,522,681
New financial assets purchased or issued	153,495	7,181,481	-	-	-	-	153,495	7,181,481
Financial assets matured or derecognised	(74,163)	(7,073,606)	(22,811)	(346,849)	(24,564)	(324,431)	(121,538)	(7,744,886)
Transfer to stage 1	4,354	109,809	(16,235)	(151,573)	(3,886)	(4)	(15,767)	(41,768)
Transfer to stage 2	(147)	(136,528)	705	125,196	-	-	558	(11,332)
Transfer to stage 3	(251)	(19,179)	(79,354)	(256,718)	252,987	293,667	173,382	17,770
Changes in the probability of default and Write-off during the year	(77,040)	(365,853)	142,808	673,105	308,386	68,140	374,154	375,392
Proceeds from previously written off debts	-	-	-	-	(503,260)	(503,260)	(503,260)	(503,260)
Foreign exchange differences	12,445	288,492	1	84	49,035	-	49,035	-
Balance as of 31 December 2023	347,350	13,148,456	167,724	981,530	917,827	1,150,244	1,432,901	15,280,230

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1. Credit risk – Continued

Retail Loans	31 December 2024						EGP Thousands	
	Stage 1		Stage 2		Stage 3		Total	
	12 months		Life time		Life time			
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2024	20,775	6,922,658	14,831	434,586	153,956	159,358	189,562	7,516,602
New financial assets purchased or issued	29,605	6,585,765	-	-	-	-	29,605	6,585,765
Financial assets matured or derecognised	(11,792)	(1,450,554)	(678)	(37,511)	(29,067)	(68,746)	(41,537)	(1,556,811)
Transfer to stage 1	5,124	1,092,435	(10,655)	(1,094,444)	(22,053)	0	(27,584)	(2,009)
Transfer to stage 2	(5,056)	(1,150,385)	38,795	1,155,182	(22,122)	(33,827)	11,617	(29,030)
Transfer to stage 3	(5,459)	(46,006)	(17,417)	(189,853)	188,154	226,038	165,278	(9,821)
Changes in the probability of default and Write- off during the Year	6,925	(2,135,502)	(15,488)	(23,327)	(87,653)	(32,027)	(96,216)	(2,190,856)
Proceeds from previously written off debts	-	-	-	-	(101,425)	(101,425)	(101,425)	(101,425)
Foreign exchange differences	110	108,572	-	263	69,104	-	69,104	-
Balance as of 31 December 2024	40,232	9,926,983	9,388	244,896	148,911	149,415	198,531	10,321,294

Retail Loans	31 December 2023						EGP Thousands	
	Stage 1		Stage 2		Stage 3		Total	
	12 months		Life time		Life time			
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2023	38,030	4,963,887	13,799	196,071	146,449	190,006	198,278	5,349,964
New financial assets purchased or issued	10,311	4,070,685	-	-	-	-	10,311	4,070,685
Financial assets matured or derecognised	(4,686)	(1,049,410)	(936)	(57,348)	(9,108)	(30,759)	(14,730)	(1,137,517)
Transfer to stage 1	37	56,543	(2,219)	(36,192)	(1,489)	(17,266)	(3,671)	3,085
Transfer to stage 2	(3,184)	(272,686)	9,618	221,621	(1,970)	(1,939)	4,464	(53,004)
Transfer to stage 3	(3,182)	(111,305)	(4,689)	(26,493)	92,424	136,169	84,553	(1,629)
Changes in the probability of default and Write- off during the year	(16,551)	(749,868)	(742)	134,662	3,470	3,554	(13,823)	(611,652)
Proceeds from previously written off debts	-	-	-	-	(120,418)	(120,418)	(120,418)	(120,418)
Foreign exchange differences	-	14,812	-	2,265	44,593	-	44,593	-
Balance as of 31 December 2023	20,775	6,922,658	14,831	434,586	153,956	159,358	189,562	7,516,602

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Due From Banks	31 December 2024						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2024	2,716	1,300,709	-	-	-	-	2,716	1,300,709
New financial assets purchased or issued	23,137	7,063,442	-	-	-	-	23,137	7,063,442
Financial assets matured or derecognised	(13,995)	(7,137,612)	-	-	-	-	(13,995)	(7,137,612)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write-off during the Year	(8,159)	-	-	-	-	-	(8,159)	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	313	783,322	-	-	-	-	313	783,322
Balance as of 31 December 2024	4,012	2,009,861	-	-	-	-	4,012	2,009,861

Due From Banks	31 December 2023						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2023	1,582	798,173	-	-	-	-	1,582	798,173
New financial assets purchased or issued	2,716	1,300,709	-	-	-	-	2,716	1,300,709
Financial assets matured or derecognised	(2,222)	(975,224)	-	-	-	-	(2,222)	(975,224)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write-off during the year	-	-	-	-	-	-	-	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	640	177,051	-	-	-	-	640	177,051
Balance as of 31 December 2023	2,716	1,300,709	-	-	-	-	2,716	1,300,709

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Financial Investments at fair value through Other Comprehensive income	31 December 2024						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outs tanding	ECL	Outs tanding	ECL	Outs tanding	ECL	Outs tanding
Balance as of 1 January 2024	30,314	3,880,036	-	-	-	-	30,314	3,880,036
New financial assets purchased or issued	13,872	2,167,796	-	-	-	-	13,872	2,167,796
Financial assets matured or derecognised	(13,770)	(1,999,649)	-	-	-	-	(13,770)	(1,999,649)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write- off during the Year	(410)	-	-	-	-	-	(410)	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	3,741	326,182	-	-	-	-	3,741	326,182
Balance as of 31 December 2024	33,747	4,374,365	-	-	-	-	33,747	4,374,365

Financial Investments at fair value through Other Comprehensive income	31 December 2023						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outs tanding	ECL	Outs tanding	ECL	Outs tanding	ECL	Outs tanding
Balance as of 1 January 2023	41,331	4,376,940	-	-	-	-	41,331	4,376,940
New financial assets purchased or issued	-	897,945	-	-	-	-	-	897,945
Financial assets matured or derecognised	(13,315)	(1,867,453)	-	-	-	-	(13,315)	(1,867,453)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write- off during the year	435	-	-	-	-	-	435	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	1,863	472,604	-	-	-	-	1,863	472,604
Balance as of 31 December 2023	30,314	3,880,036	-	-	-	-	30,314	3,880,036

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Financial Investments at AC	31 December 2024						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2024	40,120	6,313,108	-	-	-	-	40,120	6,313,108
New financial assets purchased or issued	65,296	3,364,389	-	-	-	-	65,296	3,364,389
Financial assets matured or derecognised	(3,626)	(4,609,940)	-	-	-	-	(3,626)	(4,609,940)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write- off during the Year	(62,459)	-	-	-	-	-	(62,459)	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	23,703	4,068,707	-	-	-	-	23,703	4,068,707
Balance as of 31 December 2024	63,034	9,136,264	-	-	-	-	63,034	9,136,264

Financial Investments at AC	31 December 2023						EGP Thousands	
	Stage 1 12 months		Stage 2 Life time		Stage 3 Life time		Total	
	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding	ECL	Outstanding
Balance as of 1 January 2023	27,406	3,564,782	-	-	-	-	27,406	3,564,782
New financial assets purchased or issued	38,353	6,029,818	-	-	-	-	38,353	6,029,818
Financial assets matured or derecognised	(31,261)	(4,167,479)	-	-	-	-	(31,261)	(4,167,479)
Transfer to stage 1	-	-	-	-	-	-	-	-
Transfer to stage 2	-	-	-	-	-	-	-	-
Transfer to stage 3	-	-	-	-	-	-	-	-
Changes in the probability of default and Write- off during the year	242	-	-	-	-	-	242	-
Proceeds from previously written off debts	-	-	-	-	-	-	-	-
Foreign exchange differences	5,380	885,987	-	-	-	-	5,380	885,987
Balance as of 31 December 2023	40,120	6,313,108	-	-	-	-	40,120	6,313,108

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued**4.1 Credit risk – Continued****Credit Guarantees**

The Bank uses many policies and practices to limit the credit risks. The most widely adopted of these is the acceptability of collateral for debt instruments and loan commitments. The Bank has internal policies regarding classes of collateral that can be accepted to limit or decrease the credit risk.

The Bank accrues out an assessment of the guarantees that have been obtained when establishing these loans. This assessment is regularly assessed. The key types of guarantees are :

- Cash and cash equivalent.
- Real estate mortgage
- Derivatives margin agreement that has been signed with the Bank as a part of main offsetting agreements .
- Commercial mortgages
- Financial assets pledge such as debt instruments and equity instruments.

The guarantees held as collateral against the financial assets other than loans and facilities depend on the nature of the instrument, as debt securities, government bonds and other qualified bills are generally not secured, except for the asset-backed securities and similar instruments secured by portfolios of financial instruments. The derivatives are often secured.

The policies adopted by the Bank have not been changed significantly in terms of obtaining guarantees during the financial year, and there has been no change in the quality of those guarantees held by the Bank compared to the previous financial year.

The Bank closely monitors the guarantees held against the low – credit financial assets, as it is likely that the Bank will hold collateral to mitigate potential credit losses.

Written-off financial instruments (loans)

The Bank excludes the financial assets that are still under compulsory collection for unpaid contractual amounts of the bad assets. The Bank seeks to fully recover some amounts legally due that were partially or fully written off due to the lack of a possibility of a full recovery.

Modifications of loans terms and rescheduling

The Bank sometimes modifies terms of the loans granted to the customers due to commercial renegotiation or non-performing to increase the chances of recovery. The activities of restructuring include arrangements of extension of repayment terms, grace periods, exemption from repayment or some or full interests. Restructuring policies and practices are based on indicators or criteria that indicate – based on the discretion of management - that repayment is likely to continue. These policies are constantly reviewed.

Reduction and risk avoidance policies

The Bank manages, limits, and controls the concentration of credit risks at the debtor level, groups, industries, and countries. The Bank regulates the levels of acceptable credit risks by setting limits to the amount of risk that will be accepted at the level of each borrower, or group of borrowers, and at the level of economic activities and geographical sectors. These risks are monitored constantly and are reviewed annually or on a recurring basis, when necessary. Limits of the credit risks at the level of the borrower / bank, producer, sector, and country are quarterly approved by the Board of Directors.

Reduction and risk avoidance policies – Continued

Credit limits for any borrower, including banks, are divided into sub-limits that include the amounts on- and off- balance sheet, and the daily risk limit relating to trading items such as forward foreign exchange contracts. Actual amounts are compared with the daily limits. Exposure to credit risks is also managed through periodic analysis of the ability of borrowers and potential borrowers to meet the repayment of their liabilities and by amending lending limits, if appropriate.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Means of setting limits of to the risks are shown as follows:

Guarantees

The Bank adopts many policies and controls to limit the credit risks. These means include the guarantees obtained against borrowed funds. The Bank sets guiding rules for specific acceptable classes of guarantees. The key types of guarantees of loans and facilities are:

- Real estate mortgages
- Mortgage of activity assets such as machinery and merchandise
- Mortgage of financial instruments such as debt instruments and equity.

The financing is often granted in the longer term and loans to the companies are secured. In order to reduce the credit loss to a minimum, the Bank seeks to get additional guarantees from the parties concerned and when indicators of impairment are shown for a loan or facilities. The guarantees taken as collateral for assets other than loans and facilities are determined based on the nature of the instrument. Generally, the debt instruments and treasury bills are not secured, except for groups of financial instruments covered by Asset-Backed Securities and similar instruments that are secured by a portfolio of financial instruments.

Derivatives

The Bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts) by both amount and term. The amount exposed to credit risk, at any time, is determined at the fair value of the instrument that provides a benefit for the Bank, i.e. an asset with a positive fair value that represents a portion of the contractual / notional value used to express the size of the existing instruments. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the Bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made against the expectation of a corresponding receipt in cash, securities, or equities. Daily settlement limits are established for each counter party to cover the aggregate of all settlement risk arising from the Bank's market transactions on any single day.

Master netting arrangements

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

Credit related commitments.

The main purpose of credit-related commitments is to ensure that funds are available to the customer on demand, and financial guarantee contracts carry a credit risk related to loans, and documentary and commercial credits issued by the Bank on behalf of the customer to grant a third party the right to withdraw from the Bank within certain amounts and under specific terms and conditions often secured against the goods being shipped and therefore carries a lower degree of risk than a direct loan.

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

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Expected credit loss measurement policy.

The Bank's policy requires defining three stages for classifying financial assets that are measured at amortized cost, loan commitments and financial guarantees, as well as debt instruments at fair value through other comprehensive income, according to changes in credit quality since the initial recognition, and then measuring (expected credit losses) in the value related to these instruments as follows:

The unimpaired financial asset is classified upon initial recognition in Stage 1 and credit risk is monitored on an ongoing basis by the Bank's credit risk department.

If there has been a significant increase in credit risk since initial recognition, the financial asset is transferred to Stage 2 and the financial asset is not considered impaired at this stage (lifetime expected credit loss in the absence of credit impairment).

If there are indications of impairment in the value of the financial asset, it is transferred to Stage 3, and the Bank relies on the following indicators to determine whether there are objective evidence indicating :

- A significant increase in the rate of interest on the financial asset as a result of the increase in credit risk.
- Negative material changes in the activity and financial or economic conditions in which the borrower operates.
- A scheduling request as a result of difficulties facing the borrower.
- Negative material changes in actual or expected operating results or cash flows.
- Early signs of cash flow/liquidity problems such as delays in servicing creditors/business loans.
- Cancellation of a direct facility by the Bank due to the borrower's high credit risk.

General Banking Risk Measurement Model

The management performs classifications in the form of a more detailed subgroup to comply with the requirements of the central bank of Egypt, and the assets exposed to credit risk are classified according to detailed rules and conditions that depend largely on the information related to the customer, his activity, his financial status, and the extent of his regularity of payment.

The bank calculates the required provisions in accordance with the instructions of creditworthiness, on the basis of specific ratios by the Central Bank of Egypt, and in the event that the required provisions in accordance with the rules of the central bank of Egypt exceed the expected credit losses calculated for the purposes of preparing the financial statements, the general bank risk reserve is set aside within rights ownership with a discount on the distributable profits by the amount of that increase, and this reserve is periodically adjusted by increase or decrease so that it is always equal to the amount of the increase between the two provisions, and this reserve is not distributable.

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

CBE Rating	Rating description	Provision%	Internal rating description
1	Low Risk	0%	Good debts
2	Moderate Risk	1%	Good debts
3	Satisfactory Risk	1%	Good debts
4	Reasonable Risk	2%	Good debts
5	Acceptable Risk	2%	Good debts
6	Marginally Acceptable Risk	3%	Standard monitoring
7	Watch List	5%	Special monitoring
8	Substandard	20%	Non-performing debts
9	Doubtful	50%	Non-performing debts
10	Bad Debt	100%	Non-performing debts

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Maximum limits for credit risk before collateral - items exposed to credit risk (on-balance sheet)

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Treasury Bills and other Government Securities	13,042,703	9,849,828
Due from banks	11,993,876	11,526,371
Loans and facilities to customers		
Retail Loans		
Personal loans	7,890,500	5,969,104
Credit cards	375,008	76,961
Overdraft	62,322	229,280
Mortgage loans	1,794,933	1,051,695
Corporate Loans		
Overdraft	263,166	458,696
Direct loans	14,945,541	10,519,440
Syndicated loans	4,934,238	2,869,193
Suspended interest	(643)	(643)
Unearned interest	(171,488)	(66,831)
Financial Investment		
Debt instruments	10,700,094	11,171,381
Other assets - accrued revenue	989,741	738,563
	66,819,991	54,393,038

Off-balance sheet items exposed to Credit risk :

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Loan Commitment	14,182,263	933,981
Letters of guarantee	3,611,737	3,310,132
Letters of credit	1,017,394	135,397
Acceptances on supplier facilities	357,051	649,754
	19,168,445	5,029,264

The above table represents the maximum bank exposure to credit risk 31 December 2024 and 31 December 2023, without taking in consideration any collateral held for in-balance sheet items, the balances included are based on net carrying amounts as reported in the balance sheet and as shown above, 45.04% of the maximum exposure arising from loans and facilities to customers against 38.80% at 31 December 2023; While investments in debt tools represent 35.53%, compared to 38.65% on December 31, 2023.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the Bank resulting from both its loan and facility portfolio and debt Instruments based on the following:

- 96.56% of the loans and facility portfolio is categorized in the top two grades of the internal rating system against 94.38% on 31 December 2023.
- 90.59% of the loans and facility portfolio without accruals or impairment indicators against 84.41% on 31 December 2023.
- 89.52 % of the investments in debt instruments and treasury bills represent the debt instruments on Egyptian Government against 83% on 31 December 2023.

Loans and facilities

Balances of loans and facilities on 31 December 2024 are set out below:

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Stage 1	29,878,685	20,071,114
Stage 2	1,366,316	1,416,116
Stage 3	1,267,666	1,309,602
Total	32,512,667	22,796,832
Less:		
Expected credit losses	(2,246,959)	(1,622,463)
Suspended interest	(643)	(643)
Unearned interest	(171,488)	(66,831)
Net	30,093,577	21,106,895

Note 17 includes additional information about the expected credit losses for loans and facilities.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Loans and facilities according to past due periods

31 December 2024								EGP Thousands
	Retail				Corporate			Total loans and facilities to customers
	Overdraft	Credit cards	Personal loans	Mortgage loans	Overdraft	Direct loans	Syndicated loans	
Rating								
Performing /No Dues	62,200	341,221	7,191,045	1,795,038	267,207	14,216,338	5,580,526	29,453,575
Past due up to 30 days	-	40,297	500,736	6,736	-	962,623	-	1,510,392
Past dues 30-60 days	62	5,989	146,353	1,864	9	24,480	-	178,757
Past dues 60 -90 days	-	2,286	96,468	262	-	11,714	-	110,730
Impaired	147	2,838	127,189	563	52	926,290	202,134	1,259,213
Total	62,409	392,631	8,061,791	1,804,463	267,268	16,141,445	5,782,660	32,512,667
Expected Credit Losses	(87)	(17,623)	(171,291)	(9,530)	(4,102)	(1,195,904)	(848,422)	(2,246,959)
Suspended interest	-	-	(5)	-	-	(638)	-	(643)
Unearned interest	-	-	(149,209)	-	-	(22,279)	-	(171,488)
Total	62,322	375,008	7,741,286	1,794,933	263,166	14,922,624	4,934,238	30,093,577

31 December 2023								EGP Thousands
	Retail				Corporate			Total loans and facilities to customers
	Overdraft	Credit cards	Personal loans	Mortgage loans	Overdraft	Direct loans	Syndicated loans	
Rating								
Performing /No Dues	229,637	66,187	5,324,833	1,049,905	457,150	9,172,630	2,941,754	19,242,096
Past due up to 30 days	99	9,387	440,175	10,197	1,344	1,130,307	189,019	1,780,528
Past dues 30-60 days	-	1,812	156,432	2,279	-	73,671	-	234,194
Past dues 60 -90 days	-	1,888	90,064	251	-	168,966	-	261,169
Impaired	867	1,276	130,896	417	15,647	927,608	202,134	1,278,845
Total	230,603	80,550	6,142,400	1,063,049	474,141	11,473,182	3,332,907	22,796,832
Expected Credit Losses	(1,323)	(3,589)	(173,296)	(11,354)	(15,445)	(953,742)	(463,714)	(1,622,463)
Suspended interest	-	-	(5)	-	-	(638)	-	(643)
Unearned interest	-	-	(48,793)	-	-	(18,038)	-	(66,831)
Total	229,280	76,961	5,920,306	1,051,695	458,696	10,500,764	2,869,193	21,106,895

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Restructured loans and facilities.

Restructuring activities include extending payment arrangements, implementing forced management programs, modifying, and postponing payments. Policies for implementing restructuring depend on indicators or criteria that indicate that there is a high probability of Continued payments, based on the personal judgment of management. These policies are subject to continuous review. It is usual to apply restructuring to long-term loans, especially customer financing loans, The restructured loans on 31 December 2024 amounted to 2,295,910 EGP thousands compared to 1,933,996 EGP thousand on 31 December 2023.

Written-off loans.

In accordance with the Board of Directors' decision or its specialized committees, the written-off loans from the non-performing loans are written-off against its related loan loss provisions and that step is made after exhausting all the possible recovery processes.

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Loans and facilities to customers		
Direct loans	196,095	623,678
Total	196,095	623,678

Debt Instruments and Treasury Bills

The table below presents an analysis of debt instruments, and other treasury bills according to the rating agencies on 31 December 2024.

	<u>EGP Thousands</u>		
31 December 2024	<u>Treasury bills & other Governmental securities</u>	<u>Debt Instruments</u>	<u>Total</u>
B-	13,065,489	10,740,342	23,805,831
31 December 2023	<u>Treasury bills & other Governmental securities</u>	<u>Debt Instruments</u>	<u>Total</u>
B-	9,863,355	11,197,974	21,061,329

Acquisition Of Collaterals

Assets Acquired are classified under the other Assets item on the Balance Sheet. These assets are sold or used for the purposes of the Bank whenever practicable,

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Geographical sectors

	31 December 2024			<u>EGP Thousands</u>
	Arab Republic of Egypt			
	Cairo	Alexandria/Canal/ Red Sea/ Sinai	Upper Egypt	Total
Due from banks	11,993,876	-	-	11,993,876
Loans and facilities to customers				
Retail loans				
Overdraft	55,237	6,832	340	62,409
Personal loans	7,122,304	928,200	11,287	8,061,791
Credit Cards	368,351	23,324	956	392,631
Mortgage loans	1,762,940	27,857	13,666	1,804,463
Corporate loans				
Overdraft	245,648	21,480	140	267,268
Direct loans	12,615,473	3,406,832	119,140	16,141,445
Syndicated loans	5,782,660	-	-	5,782,660
Expected Credit Losses	(1,900,471)	(312,610)	(33,878)	(2,246,959)
Suspended interest	(643)	-	-	(643)
Unearned interest	(171,488)	-	-	(171,488)
Financial Investments				
Debt instruments	23,742,797	-	-	23,742,797
Other assets	941,054	48,273	414	989,741
Total at 31 December 2024	62,557,738	4,150,188	112,065	66,819,991
Total at 31 December 2023	51,339,482	2,944,505	138,469	54,422,456

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.1 Credit risk – Continued

Activity segments

The following table represents the analysis of the Bank's main credit exposure at carrying value categorized by the activities practiced by the bank's customers.

	EGP Thousands							
	Commercial activity	Industrial activity	Financial institutions	Real estate companies	Governmental sector	Other Activities	Individuals	Total
Due from banks	-	-	11,993,876	-	-	-	-	11,993,876
Loans and facilities to customers								
Retail loans								
Overdraft	-	-	-	-	-	-	62,409	62,409
Personal loans	-	-	-	-	-	-	8,061,791	8,061,791
Credit Cards	-	-	-	-	-	-	392,631	392,631
Mortgage loans	-	-	-	-	-	-	1,804,463	1,804,463
Corporate loans								
Overdraft	188	10,042	34	41	771	256,192	-	267,268
Direct loans	238,323	9,033,158	2,155,526	769,112	-	3,945,326	-	16,141,445
Syndicated loans	-	918,895	-	2,152,667	233,819	2,477,279	-	5,782,660
Expected Credit Losses	(9,245)	(1,224,048)	(71,859)	(254,797)	(694)	(487,785)	(198,531)	(2,246,959)
Suspended interest	-	-	-	-	-	(638)	(5)	(643)
Unearned interest	-	-	-	-	-	(22,279)	(149,209)	(171,488)
Financial Investments								
Debt instruments	-	-	23,742,797	-	-	-	-	23,742,797
Other assets	-	-	989,741	-	-	-	-	989,741
Total at 31 December 2024	229,266	8,738,047	38,810,115	2,667,023	233,896	6,168,095	9,973,549	66,819,991
Total at 31 December 2023	284,584	6,506,126	33,142,961	2,261,152	264,653	4,446,378	7,516,602	54,422,456

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued**4.2. Market risk**

Market and liquidity risks are defined as the risks to which the bank is exposed because of maintaining certain positions considering changes or fluctuations in the markets in which the bank operates and not necessarily in which the bank is geographically located.

Market risks result from open positions for the purpose of trading, whether currency positions or investments that are sensitive to changes in interest rates, which affects the market value of those investments, and these effects are reflected in the income statement daily.

As for positions held for non-trading purposes that are sensitive to changes in interest rates, the effect of changes on the bank's capital is reflected.

Trading portfolios arise because of the bank's direct dealings with clients or with the market. While portfolios are created for non-trading purposes because of the bank's management of assets and liabilities and are primarily created through investments classified at amortized cost or through other comprehensive income.

Types of market risks:

These include interest rate risks, exchange rate risks, and liquidity risks. Below is an explanation of each category of market risk:

Interest rate risk: The risks that arise from unfavorable movements in the prevailing interest rates in the market during a certain period, which may negatively affect the bank's profitability or the economic value of its property rights, and thus its financial position.

Exchange rate risk: It is the risk of a change in the value of the investment due to change in the exchange rate. This also refers to the risks that the bank faces when it needs to close a long or short position in a foreign currency at a loss, due to the adverse movement in exchange rates.

Liquidity risk: It is a type of financial risk that involves the inability to trade financial assets on the market fast enough to influence the price of the market within a given time frame. This happens when there is insufficient market liquidity to make it simple to purchase or sell assets without having a big impact on their price.

Methods for measuring market risk:

Measuring Interest rate risk: Interest rate risks are divided into two types:

- Interest rate risks for positions held for non-trading purposes in the Banking Book, which result from the main activities of the bank that are not carried out for the purpose of trading.
- Additionally, interest rate risk in the trading portfolio, which arises from positions taken with the intention of trading in financial markets, is included in the guidelines for the minimum capital adequacy level under the market risk framework.

The sensitivity of the bank's profitability to interest rate movements in the short term is measured specifically through its impact on net interest income, although interest rate risks have an increasing impact on all of the bank's revenues, including revenues Other than net income from returns (such as commissions), the focus is It will be mainly based on net income from earnings (EAR).

The process of calculating the value of the capital required to meet the interest rate risk for positions held for non-trading purposes is carried out according to the standard method by following the following steps for each currency separately:

- A netting is made between assets and liabilities - including derivative contracts - that are sensitive to return rates in each period to reach the net position (assets - liabilities).
- The net position for each time period is multiplied by the discount factor for each period, which is calculated according to the interest rates for each time period based on the yield curve for each currency.
- To determine the economic value of the bank's equity prior to any shocks, a forced summation procedure is carried out (considering the signal to make a clearing between the surplus and deficit positions) of the weighted positions for the various time periods for each currency separately.
- The previous steps are repeated by the following 6 scenarios for the rise and fall of interest rates (according to the various changes in the interest curve) for each currency to arrive at the economic value of the bank's equity aftershocks.

Measuring Exchange rate risk:

- The bank applies the value at risk (parametric VAR) method to estimate the market risk of existing positions and the maximum expected loss, based on several assumptions for various changes in market conditions. The value at risk (VAR) is a statistical prediction of the potential loss resulting from adverse market movements and expresses the maximum value that the bank can lose using a 99% confidence coefficient, meaning that there is a 1% probability that the actual loss will be greater than the value of the expected loss.
- The VAR model assumes a ten-day holding period before closing open positions.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.2 Market risk – Continued

Measuring Exchange rate risk – Continuing

- Three steps to apply VAR as a measurement approach for foreign exchange risk and cost of capital:
- 1- The bank is expected to calculate its expected losses daily.
- 2- The bank compares the VAR value at the end of the month with the average daily VAR for 60 days and calculates the capital charge based on the larger value of the two.
- 3- To adequately calculate the cost of capital, the bank must conduct a back test by comparing actual daily losses with the calculated value of risk.

Value at risk according to risk type

	<u>EGP Thousands</u>					
	31 December 2024			31 December 2023		
	<u>Average</u>	<u>Higher</u>	<u>Lower</u>	<u>Average</u>	<u>Higher</u>	<u>Lower</u>
Foreign Currency Exchange risk	1,597	4,035	108	4,479	12,267	1,136

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.2. Market risk – Continued

Foreign exchange fluctuation risk

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

31 December 2024	EGP Thousands					
	EGP	USD	EUR	GBP	Other Currencies	Total
Financial Assets						
Cash and balances with Central Bank	8,829,407	82,558	14,941	2,534	4,685	8,934,125
Due from banks	6,319,999	5,169,410	372,393	126,607	5,467	11,993,876
Loans and facilities to customers	26,758,322	3,319,414	15,541	236	64	30,093,577
Financial Investments						
Financial Investments at fair value through other comprehensive income	9,672,771	1,833,122	5,194	-	-	11,511,087
Financial Investments at amortized cost	3,375,762	8,994,407	117,376	-	-	12,487,545
Financial Investments in Subsidiaries and Associates	380,728	-	-	-	-	380,728
Non-Current Asset Held for Sale	92,596	-	-	-	-	92,596
Other Financial Assets	792,161	192,580	4,756	244	-	989,741
Total financial assets at 31 December 2024	56,221,746	19,591,491	530,201	129,621	10,216	76,483,275
Financial liabilities						
Due to banks	5,129	471,762	43,598	-	21,620	542,109
Customers' deposits	48,172,710	19,199,727	500,062	129,505	8,986	68,010,990
Other loans	119,673	-	-	-	-	119,673
Other financial liabilities	1,158,122	57,811	48	9	-	1,215,990
Total financial liabilities at 31 December 2024	49,455,634	19,729,300	543,708	129,514	30,606	69,888,762
Net Financial Position at 31 December 2024	6,766,112	(137,809)	(13,507)	107	(20,390)	6,594,513
Net Financial Position at 31 December 2023	4,992,642	(379)	(1,669)	(230)	(17,168)	4,973,196

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.2. Market risk – Continued

Interest rate risk

The risk that arises from unfavorable movements in the prevailing interest rates in the market during a certain period, which may negatively affect the bank's profitability or the economic value of its property rights and thus its financial position.

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

31 December 2024	EGP Thousands						Total
	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	
Financial Assets							
Cash and balances with Central Bank	-	-	-	-	-	8,934,125	8,934,125
Due from banks	9,887,262	1,955,616	54,245	-	-	96,753	11,993,876
Loans and facilities to customers	3,024,777	14,260,978	3,112,684	9,514,310	2,599,918	*(2,419,090)	30,093,577
Financial Investments							
Financial Investments at fair value through other comprehensive income	298,274	7,599,419	2,317,897	1,039,662	-	255,835	11,511,087
Financial Investments at amortized cost	129,403	5,658,271	686,513	6,076,392	-	(63,034)	12,487,545
Financial Investments in Subsidiaries and Associates	-	-	-	-	-	380,728	380,728
Non-current assets held for sale	-	-	-	-	-	92,596	92,596
Other Financial Assets	-	-	-	-	-	989,741	989,741
Total financial assets at 31 December 2024	13,339,716	29,474,284	6,171,339	16,630,364	2,599,918	8,267,654	76,483,275
Financial liabilities							
Due to banks	10,577	-	-	-	-	531,532	542,109
Customers' deposits	21,027,446	12,071,031	10,872,502	18,009,556	7,841	6,022,614	68,010,990
Other loans	-	-	-	-	119,673	-	119,673
Other financial liabilities	-	-	-	-	-	1,215,990	1,215,990
Total financial liabilities at 31 December 2024	21,038,023	12,071,031	10,872,502	18,009,556	127,514	7,770,136	69,888,762
31 December 2024	(7,698,307)	17,403,253	(4,701,163)	(1,379,192)	2,472,404	497,518	6,594,513
31 December 2023	(4,812,575)	13,244,471	(5,760,495)	(2,402,978)	2,411,578	2,293,195	4,973,196

*It represents credit losses amounting to EGP 2,246,959 thousand, Interest in suspense amounting to EGP 643 thousand, and unearned interest amounting to EGP 171,488 thousand.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued**4.3. Liquidity risk**

It is a type of financial risk that involves the inability to trade financial assets on the market fast enough to influence the price of the market within a given time frame. This happens when there is insufficient market liquidity to make it simple to purchase or sell assets without having a big impact on their price.

Measuring Liquidity Risk:

- The bank prepares the Liquidity Coverage Ratio (LCR), which aims to ensure that the bank maintains a sufficient amount of high-quality, unencumbered liquid assets to meet net cash outflows within 30 days.
- Net Stable Funding Ratio (NSFR): The Net Stable Funding Ratio represents the relationship between the available stable financing (ASF - Funding Stable Funding Required) (the numerator of the ratio) and the stable financing required (RSF - Funding Stable Required) (the denominator of the ratio), as the ratio works to confront the incompatibility of the financing structure. Long-term by urging the use of stable, long-term sources of funds for a period extending for at least one year in order to cover investments in assets and any financing claims resulting from obligations outside the budget, which helps the bank to structure its sources of funds.
- On an individual basis (the bank's branches at home country and abroad) and on a combined basis (the banking group includes the bank and all its branches at its home country and abroad and all affiliated financial companies with the exception of insurance companies) on a monthly basis gradually for both the local currency and foreign currencies separately, and 100% must be adhered to as a limit Lowest LCR & NSFR ratios.
- In case of having a deficit in the Liquidity Coverage Ratio (LCR), sources of funds are provided equivalent to the amount of the deficit in the level of high-quality liquid assets, and they are invested within those assets.
- In case of a deficit in the Net Stable Financing Ratio (NSFR), the bank creates capital equivalent to the amount of the deficit in the ratio as additional capital in the capital base, which leads to compliance with the specified limit for the Net Stable Financing Ratio.

The bank calculates the liquidity ratio for both local currency and foreign currencies (keeping the minimum for each of them at 20% and 25%, respectively), where the ratio is calculated on the basis of the daily average of the actual working days during the month.

Liquidity Gap:

The liquidity risk control processes implemented by the bank's Asset and Liabilities Department include the following:

- The liquidity gap occurs when there are differences between the maturity dates and the maturity scale for assets and liabilities. Gap analysis includes evaluating the difference between the maturity dates of assets and liabilities (Liquidity Mismatch).
- The bank prepares a monthly report to monitor market risks and prepare reports on net liquidity gap positions, liquidity gap limits, and liquidity ratio limits.

The following table represent the analysis of the Bank's liquidity coverage ratio:

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Total amount of high-quality liquid assets (1)	22,539,597	16,081,143
Total Cash outflows	18,080,788	10,601,212
Considerable total cash inflows within the set limit (value less than: total cash inflows, 75% of total cash outflows)	(11,420,652)	(7,950,909)
Net cash outflows (2)	6,660,136	2,650,303
Liquidity coverage ratio (1/2)	338.43%	606.77%

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4. Financial risk management – Continued

4.3. Liquidity risk – Continued

Financing approach

The following table represent the analysis of the net stable financing ratio:

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Liabilities & equity with weighted average 100%	18,079,799	29,841,850
Individual and small and micro enterprises deposits (which don't have maturity date & deposits with maturity less than one year)	13,297,417	7,895,164
Liabilities with weighted average 50%	22,984,271	8,901,075
Total available stable fund (A)	54,361,487	46,638,089
Assets with weighted average 5%	1,012,096	817,338
Assets with weighted average 10%	-	3,726
Assets with weighted average 15%	1,853,840	636,822
Assets with weighted average 50%	2,962,047	713,448
Assets with weighted average 65%	-	11,021,822
Assets with weighted average 85%	24,121,875	-
Assets with weighted average 100%	4,197,619	3,349,247
Contingent liabilities or commitments	161,080	204,840
Total required stable fund (B)	34,308,557	16,747,243
Net stable fund ratio (A/B)	158.45%	278.48%

Cash Flows Risk Hedge

The quality of the value at risk model is continuously monitored through enhancement tests of the value at risk results of the trading portfolio. The results of these tests are submitted to the higher management of the Bank and the Board of Directors.

- **Derivatives that are net-settled**

Net-settled Bank derivatives include:

- Foreign exchange derivatives: on and off-exchange currency options, and currency futures contracts.
- Rate of interest derivatives: Interest swaps, forward interest agreements, Over-the-Counter Interest Rate options, future interest contracts and other interest contracts.

- **Derivatives to be settled, gross.**

The Bank's gross-settled derivatives include:

- Foreign exchange derivatives: currency forward contracts and currency exchange contracts.
- Rate of interest derivatives: Swap contracts for both interest and currency.

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Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.3. Liquidity risk – Continued

Cash Flows Risk Hedge – Continued

EGP Thousands

31 December 2024

Description/ Maturity Date	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	Total
Due to banks	10,578	-	-	-	-	531,532	542,110
Customers' deposits	10,964,811	12,160,111	10,796,304	7,794,504	21,726	31,203,389	72,940,845
Other Loans	-	-	-	-	119,673	-	119,673
Other liabilities	-	-	-	-	-	1,215,990	1,215,990
Total financial liabilities according to the contractual maturity date	10,975,389	12,160,111	10,796,304	7,794,504	141,399	32,950,911	74,818,618
Total financial assets according to the contractual maturity date *	12,274,720	18,635,742	16,740,790	29,859,110	10,479,175	8,597,329	96,586,866

EGP Thousands

31 December 2023

Description/ Maturity Date	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without interest	Total
Due to banks	2,679,176	-	-	-	-	297,324	2,976,500
Customers' deposits	5,364,983	10,686,134	10,951,669	5,711,744	67,610	22,160,069	54,942,209
Other Loans	-	-	-	-	126,684	-	126,684
Other liabilities	-	-	-	-	-	591,026	591,026
Total financial liabilities according to the contractual maturity date	8,044,159	10,686,134	10,951,669	5,711,744	194,294	23,048,419	58,636,419
Total financial assets according to the contractual maturity date *	12,972,196	13,802,798	12,158,856	13,322,134	10,449,274	5,257,258	67,962,516

Assets available to satisfy all liabilities and cover loan-associated commitments include cash balances with the Central Bank, Due from banks, treasury bills and other governmental securities, loans and facilities to banks and customers. A percentage of loans to customers that are due to be repaid within a year are extended during the normal activity of the Bank, in addition to that, there is a mortgage of some debt instruments, treasury bills and other government securities to guarantee obligations and the Bank has the ability to satisfy the unexpected net cash flows by selling securities and finding other financing sources.

* Assets shown in the table represent the undiscounted cash flows in accordance with the contractual maturity date.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.4. Fair value of financial assets and liabilities

4.4.1. Financial instruments measured at fair value.

- Financial assets classified as trading financial assets at fair value with changes in fair value are measured in the statement of income under 'Net trading income'.
- Debt instruments classified as financial assets at fair value through other comprehensive income are measured at fair value with changes in fair value recognized in the other comprehensive income statement under "fair value reserve".
- For investments in equity instruments, equity securities listed on the stock exchange are measured at fair value in accordance with quoted market prices on the date of the separate financial statements.
- For non-listed shares, they are evaluated in one of the accepted techniques: discounted cash flow method multiples of value "and the inclusion of the valuation differences in other comprehensive income within the" fair value reserve" and in limited cases the cost may be an appropriate estimate of the fair value for some of the bank's strategic investments.
- The table below shows the financial assets and liabilities at fair value in the separate financial statements within the fair value hierarchy, based on the levels of inputs that are essential for measuring the fair value as a whole:

Level 1:

The first level inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access on the measurement date.

Level 2:

The inputs of the second level are all inputs other than quoted prices within the first level and these inputs are observable for the asset or liability, directly or indirectly.

Level 3:

The third level inputs are the unobservable inputs of the asset or liability.

31 December 2024

	Level 1	Level 2	Level 3	Total
Financial Investments				
Treasury Bills	975,342	6,590,734	-	7,566,076
Treasury Bonds	711,398	196,305	-	907,703
Corporate Bonds	-	2,781,473	-	2,781,473
Equity Instruments - Shares	2,662	-	227,294	229,956
Equity Instruments - Mutual Funds	-	25,879	-	25,879
	<u>1,689,402</u>	<u>9,594,391</u>	<u>227,294</u>	<u>11,511,087</u>

31 December 2023

	Level 1	Level 2	Level 3	Total
Financial Investments				
Treasury Bills	-	5,799,234	-	5,799,234
Treasury Bonds	414,497	140,530	-	555,027
Corporate Bonds	-	3,433,087	-	3,433,087
Equity Instruments - Shares	1,546	-	136,247	137,793
Equity Instruments - Mutual Funds	-	32,155	-	32,155
	<u>416,043</u>	<u>9,405,006</u>	<u>136,247</u>	<u>9,957,296</u>

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.4 Fair value of financial assets and liabilities

4.4.2. Financial instruments not measured at fair value.

Financial investments at amortized cost

They include held-to-maturity financial assets that are listed in the market and are measured at amortized cost in case of bonds, and with respect to investment funds, the evaluation is done at the recoverable amount (fair value).

Management believes that the fair value is not materially different from the carrying amount of these assets.

Due from banks

The fair value of one-day variable-rate placements and deposits represent their present value, and the expected fair value of variable-rate deposits is estimated based on the discounted cash flows using the interest rate prevailing in the capital markets for debts that have similar credit risk and maturity date.

Loans and facilities to banks

Loans and facilities to banks represent loans other than bank deposits. The expected fair value of loans and facilities is the discounted value of future cash flows expected to be collected, and the cash flows are discounted using the current market interest rate for determining the fair value. Loans and facilities are presented net of provision for impairment losses.

Investments in securities

Investments in securities include only financial assets that have a fixed or determinable maturity date, and the business model aims to hold them to obtain only the investment principal and the return thereon. The fair value of these financial assets held to maturity is determined based on market prices or prices obtained from brokers. If this data is not available, the fair value is estimated using financial market prices for tradable securities with similar credit characteristics, maturity dates and rates.

Due to other banks and customers

The estimated fair value of deposits with an indefinite maturity date, that include non-interest-bearing deposits, is the amount that would be repaid on demand.

The fair value of fixed interest-bearing deposits and other loans that are not traded in an active market is determined based on the discounted cash flows using the rate of return on new debts with a similar maturity date.

Issued debt instruments.

The total fair value is calculated based on current capital market prices. For securities that have no active markets, the discounted cash flow model is used for the first time based on the current rate that fits the remaining period till the maturity date.

4.5. Capital management.

The Bank's objectives on managing capital, which include other elements in addition to the equity shown in the balance sheet, are as follows:

- Compliance with the legal requirements of capital in the Arab Republic of Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to continue generating income for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base that supports the growth of activity.

The capital adequacy and capital uses are daily reviewed according to the requirements of the Central Bank of Egypt by the Bank's management, through forms based on the guidelines of the Basel Committee on Banking Supervision. The required data are submitted and provided to the Central Bank of Egypt on a quarterly basis.

The Central Bank of Egypt requires the Bank to do the following:

- Maintain 5 billion Egyptian pounds as a minimum for issued and paid-up capital.
- Maintain a ratio equal to or more than 12.5% between the elements of capital and the elements of assets and contingent liabilities weighted by risk weights.

In accordance with the requirements of the Central Bank of Egypt to update the position of the banking sector with regard to the capital adequacy ratio according to Basel II decisions.

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Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued Capital Management – Continued

The numerator of the capital adequacy ratio consists of the following two tiers:

Tier I after disposals includes the following:

Some of the items that will be deducted/ will not be considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base will be dealt with later as stated in the instructions.

- Continuing core capital after disposals (CET1-Common Equity).
- Additional core capital

There are some items that will be deducted/ not considered and mentioned in the "supervisory instructions on the minimum ratio of capital adequacy", Chapter II on the capital base. These items are deducted from the continuous core capital if the balance is negative, while they are not considered if it is positive.

Tier II after disposals

It includes 45% of the special reserve, loans, and subordinated deposits within the limits of the prescribed percentage, as well as the considerable provisions required against the debt instruments, loans, credit facilities and contingent liabilities included in the first stage (Stage 1).

The capital adequacy ratio model includes some important notes and points which are as follows:

- 1- Reserves: include legal, general, statutory, supportive, and capital reserves only.
 - 2- The "general risk reserve" is formed in accordance with the supervisory instructions issued to banks on 26 January 2019. It includes the special reserve – credit, the general bank risk reserve - credit and the reserve risk of standard (9), considering that in the subsequent periods of application, the Bank shall abide by what is stated within the instructions on minimum capital adequacy ratio "which is not to consider the bank risk reserve when calculating the ratio."
 - 3- The values of accumulated other comprehensive income items, whether they are positive or negative, are considered.
 - 4- Interim profits/ (losses): It is allowed to record the net interim profits within the capital base after the limited inspection report prepared by the auditor on the Bank's financial statements on a quarterly basis. As for the interim losses, they are presented without any conditions.
 - 5- It does not include the part related to credit, and the explanatory instructions of the rules on the preparation and presentation of the financial statements issued by the Central Bank in April 2009, page 7, item (9) must be perused.
 - 6- It should not exceed 1.25% of total assets and contingent liabilities weighted for credit risk, provided that the required provision against debt instruments, loans, credit facilities and contingent liabilities included in the Stage 2 and Stage 3 are sufficient to meet the obligations for which the provision is formed.
 - 7- "The value of exceeding the limits set for investments in countries, weighted by risk weights."
 - 8- This value must be included in accordance with Form No. 720 related to investments in countries abroad, taking into account that the value of the capital base listed in the aforementioned statement must be adjusted according to the calculated value.
- The continuing core capital after the regulatory adjustments is Clause 1.1 before excluding contributions to financial companies (shares or investment funds) represented in Clause 1.3.1.1.
 - Continuing core capital before regulatory adjustments means paid-up capital, reserves, retained earnings, general risk reserve, and accumulated other comprehensive income items net of goodwill and treasury shares.
 - Subordinated loans (deposits): provided that they do not exceed 50% of Tier I after disposals and that 20% of its value is consumed in each of the last five years.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued

4.5. Capital management – Continued

The following table summarizes the components of the capital base on 31 December 2024, according to these decisions:

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Capital		
Tier 1 (Basic Capital)		
Issued and paid-up capital	5,400,000	5,000,000
General reserve	-	117,798
Legal reserve	123,045	65,596
Capital reserve	29,176	27,821
General banking risk reserve	22,900	-
Retained earnings	1,976,360	843,749
Total balance of accumulated other comprehensive income items in the balance sheet	252,736	65,737
Total disposals from continuing core capital	(361,947)	(179,414)
Tier I after disposals	7,442,270	5,941,287
Tier II (subordinated capital)		
Provision for impairment losses on regular loans, facilities, debt instruments and contingent liabilities	547,695	406,531
45% of foreign currency exchange difference reserve	-	113
45% of increase in the fair value over the carrying amount of financial assets in subsidiaries and associates	122,623	200,265
Tier II after disposals	670,318	606,909
Total capital base after disposals	8,112,588	6,548,196
Total assets and contingent liabilities weighted by credit/ market/ operational risk weights	50,349,899	35,138,552
Capital base/ total assets and contingent liabilities weighted by credit, market, and operational risk weights (%)	16.11%	18.64%

4.6. Financial leverage ratio

The Board of Directors of the Central Bank of Egypt, in its session held on 7 July, issued a decision approving the supervisory instructions related to the financial leverage, besides the banks' compliance with the stipulated minimum percentage (3%) on a quarterly basis, as follows:

- As an indicative percentage as of the end of September 2015 until the year 2017.
- As a compulsory supervisory percentage as of 2018.

This is in preparation for the consideration of it within the first pillar of Basel decisions (the minimum capital adequacy ratio) for maintaining the strength and integrity of the banking sector and keeping pace with the best international control practices in this regard.

The financial leverage reflects the relationship between Tier I of capital used in capital adequacy ratio (after disposals) and the Bank's assets (inside and outside the balance sheet) unweighted with risk weights.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

4. Financial risk management – Continued**4.6 Financial leverage ratio - Continued****Ratio components****A- Numerator components**

The numerator of the ratio consists of Tier I of capital (after disposals) used in the numerator of the capital adequacy ratio currently applied in accordance with the instructions of the Central Bank of Egypt.

B- Denominator Components

The denominator of the ratio consists of all the Bank's assets on- and off- balance sheet according to the financial statements, which is what is called the Bank's exposures, and it includes the total of the following:

- 1- The exposures of items within the balance sheet after deducting some of the disposals of Tier I of the capital base.
- 2- The exposures arising from derivative contracts.
- 3- The exposures resulting from security financing operations.
- 4- Off-balance sheet exposures (weighted by transfer transactions).

The following table summarizes the financial leverage ratio as of 31 December 2024:

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Tier I of capital after disposals	7,442,271	5,941,287
Cash and balances with Central Bank	15,799,171	11,677,815
Due from banks	5,132,842	4,091,789
Financial Investments through other comprehensive income	11,511,087	9,957,296
Financial Investments at amortized cost	12,430,906	11,147,297
Financial Investments in subsidiaries and associates	380,728	434,687
Customer loans and facilities	32,512,667	22,762,455
Property, Plant and Equipment	841,021	520,885
Other assets	3,189,118	2,464,875
Deducted from exposures	(2,043,270)	(1,433,752)
Total exposures within the balance sheet	79,754,270	61,623,347
Import credits	185,830	2,763
Letters of guarantee	1,132,727	1,380,879
Letters of guarantee at the request of foreign banks	-	1,696
Accepted bills of exchange	272,907	649,754
Capital commitments	467,230	160,442
Cancellable without conditions at any time by the Bank and without prior notice or which includes provisions for auto-cancellation due to the deterioration of the borrower's creditworthiness	750,014	83,665
Total off-balance sheet exposures	2,808,708	2,279,199
Total exposures on- and off- the balance sheet	82,562,978	63,902,546
Financial leverage ratio	9.01%	9.30%

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

5. Segment analysis.

Geographical analysis

EGP Thousands

Geographical Segments Analysis

31 December 2024

Income and expenses per geographical sector

	Cairo	Alexandria and the Delta	Upper Egypt	Total
Geographical sector revenue	12,571,260	924,706	25,347	13,521,313
Geographical sector expenses	(9,420,915)	(1,436,515)	(20,402)	(10,877,832)
Segment business outcome	3,150,345	(511,809)	4,945	2,643,481
Tax	-	-	-	(873,121)
Net Profit for the Year	3,150,345	(511,809)	4,945	1,770,360

Assets and liabilities per geographical sectors

Geographical sector assets	74,583,927	4,659,136	178,960	79,422,023
Total assets	74,583,927	4,659,136	178,960	79,422,023
Geographical sector liabilities	57,736,236	12,511,974	123,492	70,371,702
Unclassified liabilities	-	-	-	805,959
Total liabilities	57,736,236	12,511,974	123,492	71,177,661

EGP Thousands

Geographical Segments Analysis

31 December 2023

Income and expenses per geographical sector

	Cairo	Alexandria and the Delta	Upper Egypt	Total
Geographical sector revenue	7,992,377	907,124	16,019	8,915,520
Geographical sector expenses	(6,632,707)	(709,168)	(14,526)	(7,356,401)
Segment business outcome	1,359,670	197,956	1,493	1,559,119
Tax	-	-	-	(408,796)
Net Profit for the Year	1,359,670	197,956	1,493	1,150,323

31 December 2023

Assets and liabilities per geographical sectors

Geographical sector assets	57,406,884	3,867,422	135,741	61,410,047
Unclassified Assets	-	-	-	35,849
Total assets	57,406,884	3,867,422	135,741	61,445,896
Geographical sector liabilities	47,019,202	7,444,643	127,578	54,591,423
Unclassified liabilities	-	-	-	384,465
Total liabilities	47,019,202	7,444,643	127,578	54,975,888

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

6. Net interest income

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Interest on loans and similar income		
Loans and facilities to customers	5,501,514	3,826,969
Treasury bills	2,101,392	1,154,363
Deposits and current accounts	3,174,940	1,119,392
Debt instruments at amortized cost and through other comprehensive income	1,591,602	1,568,240
	12,369,448	7,668,964
Interest expense and similar costs		
Deposits and current accounts		
To banks	(175,483)	(274,129)
To customers	(8,280,116)	(4,851,943)
Other loans	(2,970)	(3,434)
	(8,458,569)	(5,129,506)
Net	3,910,879	2,539,458

7. Net fees and commission income

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Fees and commission income		
Fees and commissions related to credit	764,233	827,325
Other fees	170,044	188,498
	934,277	1,015,823
Fees and commission expenses		
Custody and brokerage fees	(1,637)	(1,384)
Other fees	(251,425)	(106,815)
	(253,062)	(108,199)
Net	681,215	907,624

8. Dividends income

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Securities at fair value through other comprehensive income	31,812	13,491
	31,812	13,491

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

9. Net trading income

	31 December 2024 EGP Thous ands	31 December 2023 EGP Thous ands
Gains on sale of investment through profit or loss	11,427	25,633
Interests from investments through profit and loss	203	73
Foreign exchange gains	90,427	129,628
	102,057	155,334

10. Administrative expenses

	31 December 2024 EGP Thous ands	31 December 2023 EGP Thous ands
Staff costs		
Wages and salaries	(868,940)	(697,821)
Social insurance	(31,889)	(26,117)
Defined contribution scheme	(40,856)	(36,602)
Total Staff cost	(941,685)	(760,540)
Other administrative expenses	(775,583)	(459,377)
Depreciation expenses (Note no. 22)	(90,412)	(66,937)
Amortization expenses (Note no. 20)	(41,568)	(18,182)
	(1,849,248)	(1,305,036)

11. Other operating revenues (expenses)

	31 December 2024 EGP Thous ands	31 December 2023 EGP Thous ands
(Losses) Gains on valuation of monetary asset and liability balances in foreign currencies other than those at fair value through profit or loss	88,299	(87,474)
Gains on the sale of fixed assets	14,863	1,354
Gains on sale of Assets reverted to the bank	17,398	9,530
Gains on sale of other assets	7,348	-
(charge) of other provisions	(115,972)	(112,298)
Other revenues	11,937	7,630
Total	23,873	(181,258)

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

12. Expected credit losses (ECL)

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Loans and Credit facilities to customers (Note. No. 17)	(303,774)	(631,388)
Due from banks (Note No. 16)	(983)	(494)
Debt instruments - at amortized cost (Note No. 18)	789	(7,334)
Debt instruments - at fair value through OCI	308	13,196
Other assets (Note No. 21)	(13,293)	-
Total	(316,953)	(626,020)

13. Income tax expense

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Deferred taxes	(115,575)	29,368
Current income taxes	(757,546)	(438,164)
	(873,121)	(408,796)

Further information presented about Deferred tax in Note (23), Bank's income tax varies from the amount resulted from Current tax rates application as follows:

Adjustments to calculate Effective income tax rate:

Net profit before income tax	2,643,481	1,559,119
Income tax calculated at 22.5 % tax rate	594,783	350,802
Add/ (Deduct)		
Non-taxable revenues	(1,096,524)	(828,263)
Non-deductible expenses	914,266	656,295
Treasury bills and bonds taxes	458,709	319,358
Tax deductible on dividends income	1,887	1,504
Usage of previously unrecognized Tax losses	-	(90,900)
Income Tax Expenses	873,121	408,796
	33%	26%

14. Earnings per share

Earnings per share calculated by dividing net profit for the Year into issued shares.

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Profit for the Year	1,770,360	1,150,323
Dividends for employees	(203,260)	(140,000)
Board member's Bonus	(56,934)	(33,000)
Net profit for the Year after dividends for Employees	1,510,166	977,323
Weighted average number of shares	895,522	895,522
Earning per share	1.69	1.09

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

15. Cash and balances with central bank.

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Cash	240,745	210,484
Mandatory reserve balance with Central Bank	8,693,380	4,030,033
	8,934,125	4,240,517
Non-interest-bearing balances	8,934,125	4,240,517

16. Due from banks

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Current Accounts	100,765	77,517
Deposits	11,897,123	11,451,570
Balance	11,997,888	11,529,087
Expected credit losses	(4,012)	(2,716)
	11,993,876	11,526,371
Central bank	6,865,046	7,437,298
Local banks	4,063,007	3,500,328
Foreign banks	1,069,835	591,461
Balance	11,997,888	11,529,087
Expected credit losses	(4,012)	(2,716)
	11,993,876	11,526,371
Non-bearing Interest	100,765	77,517
Fixed interest balances	11,897,123	11,451,570
Balance	11,997,888	11,529,087
Expected credit losses	(4,012)	(2,716)
	11,993,876	11,526,371
Current balances	11,997,888	11,529,087
Balance	11,997,888	11,529,087
Expected Credit Losses	(4,012)	(2,716)
	11,993,876	11,526,371

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

16. Due from banks - Continued

Expected Credit Losses movement include the following: -

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Balance at the beginning of the year	2,716	1,582
Expected credit losses during the year	983	494
Foreign Exchange Differences	313	640
Balance at the end of the year	4,012	2,716

17. Loans and facilities to customers

	31 December 2024	31 December 2023
	EGP Thousands	EGP Thousands
Retail		
Overdraft	62,409	230,603
Credit cards	392,631	80,550
Personal loans	8,061,791	6,142,400
Mortgage loans	1,804,463	1,063,049
Total	10,321,294	7,516,602
Corporate loans including small loans for economic activities		
Overdraft	267,268	474,141
Direct loans	16,141,445	11,473,182
Syndicated loans	5,782,660	3,332,907
Total	22,191,373	15,280,230
Total loans and facilities to customers	32,512,667	22,796,832
Less:		
Expected credit losses	(2,246,959)	(1,622,463)
Suspended interest	(643)	(643)
Unearned interest	(171,488)	(66,831)
Total	30,093,577	21,106,895
Distributed to:		
Current balances	12,315,868	7,196,187
Non-current balances	20,196,799	15,600,645
Total	32,512,667	22,796,832

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

17. Loans and facilities to customers – Continued**Expected credit losses.**

	31 December 2024							
	Retail				Corporate			
	Overdraft	Credit Cards	Personal loans	Mortgage loans	Overdraft	Direct Loan	Syndicated Loans	Total
Balance at the beginning of the Year	1,323	3,589	173,296	11,354	15,445	953,742	463,714	1,622,463
Expected Credit losses	3,675	16,942	22,375	(1,829)	(11,236)	(33,691)	307,538	303,774
written off during the Year	(5,038)	(3,400)	(92,987)	-	(2,952)	(91,718)	-	(196,095)
Foreign exchange differences	127	-	-	-	2,845	267,417	77,170	347,559
Proceeds from previously written off debts	-	492	68,607	5	-	100,154	-	169,258
Balance at the end of the Year	87	17,623	171,291	9,530	4,102	1,195,904	848,422	2,246,959

	31 December 2023							
	Retail				Corporate			
	Overdraft	Credit Cards	Personal loans	Mortgage loans	Overdraft	Direct Loan	Syndicated Loans	Total
Balance at the beginning of the year	763	103	186,741	10,671	15,256	1,030,881	168,001	1,412,416
Expected Credit losses	1,196	4,187	61,506	215	(813)	284,927	280,170	631,388
Write- off during the year	(641)	(978)	(118,799)	-	(134)	(503,126)	-	(623,678)
Foreign exchange differences	5	-	-	-	1,136	92,025	15,543	108,709
Proceeds from previously written off debts	-	277	43,848	468	-	49,035	-	93,628
Balance at the end of the year	1,323	3,589	173,296	11,354	15,445	953,742	463,714	1,622,463

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

18. Financial investments

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
<u>Financial investments at fair value through other comprehensive income</u>		
Debt instruments - at fair value		
Listed	2,635,142	3,518,826
Not listed	1,054,034	469,288
Treasury bills, net*	7,566,076	5,799,234
Total debt instruments - at fair value	11,255,252	9,787,348
Equity instruments- at fair value		
listed	2,662	1,546
Not listed	227,294	136,247
Mutual funds	25,879	32,155
	255,835	169,948
Total financial investments at fair value through other comprehensive income	11,511,087	9,957,296
<u>Financial investments at amortized cost</u>		
Debt instruments at amortized cost		
Listed	7,051,166	7,209,860
Treasury bills, net*	5,499,413	4,064,121
Balance	12,550,579	11,273,981
Expected credit loss	(63,034)	(40,120)
Total financial investment at amortized cost	12,487,545	11,233,861
Total financial investment	23,998,632	21,191,157
Fixed interest debt instruments	21,279,652	19,053,255
Variable interest debt instruments	2,526,179	2,008,074
	23,805,831	21,061,329

Expected Credit Losses movement include the following:-

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the Year	40,120	27,406
Expected credit losses during the Year	(789)	7,334
Foreign Exchange Differences	23,703	5,380
Balance at the end of the Year	63,034	40,120

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

18. Financial investments – Continued

	<u>EGP Thousands</u>	
	Financial Investments through other comprehensive income	Financial Investments Amortized Cost Total
Balance as of 1 January 2024	9,957,296	11,273,981
Additions	22,515,058	4,244,112
Disposals	(23,334,849)	(7,307,592)
Valuation differences of monetary assets in foreign currencies	342,476	3,975,414
Profit from fair value change	224,689	-
Amortization of (premium) discount	1,806,417	364,664
	11,511,087	12,550,579
Expected credit losses	-	(63,034)
Balance at 31 December 2024	11,511,087	12,487,545
Balance as of 1 January 2023	11,195,383	11,546,099
Additions	10,064,646	9,639,206
Disposals	(12,503,086)	(11,435,981)
Valuation differences of monetary assets in foreign currencies	451,359	902,580
Profit from fair value change	100,285	-
Amortization of (premium) discount	648,709	622,077
	9,957,296	11,273,981
Expected credit losses	-	(40,120)
Balance at 31 December 2023	9,957,296	11,233,861

	31 December 2024 EGP Thous ands	31 December 2023 EGP Thous ands
Debt Instruments - At Fair Value		
Treasury bills, Net		
Treasury bills, maturity 91 days	1,074,350	3,443,175
Treasury bills, maturity 182 days	3,250,000	1,627,450
Treasury bills, maturity 273 days	2,110,250	100,000
Treasury bills, maturity 364 days	1,666,776	862,275
	8,101,376	6,032,900
Unearned interest	(499,768)	(223,085)
Fair value changes	(35,532)	(10,581)
Total	7,566,076	5,799,234

Debt Instruments - At Amortized Cost		
Treasury bills, Net		
Treasury bills, maturity 364 days	5,536,345	4,121,140
	5,536,345	4,121,140
Unearned interest	(36,932)	(57,019)
Total	5,499,413	4,064,121

- The value of the treasury bills secured by an insurance pledge with the Central Bank amounts to EGP 135,125 thousand on 31 December 2024 (EGP 160,400 thousand on 31 December 2023).

	31 December 2024 EGP Thous ands	31 December 2023 EGP Thous ands
Gain (Losses) on sale of OCI financial investments	5,024	(6,382)
Total	5,024	(6,382)

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

19. Investments in Subsidiaries and Associates

A- Investments in associates

							<u>EGP Thousands</u>
31 December 2024							
Company	Company's Headquarter	Company's Assets	Company's Liabilities (without equity)	Company's Net Profits (Losses)	Company's Total Profits	Shareholding Percentage	Shareholding Value
Zahraa El Maadi Company	Cairo	2,668,051	798,153	343,780	451,075	20.33%	380,225
Prime for investment fund Management Services Company	Cairo	3,042	209	534	354	20.00%	503
							<u>380,728</u>

							<u>EGP Thousands</u>
31 December 2023							
Company	Company's headquarter	Company's assets	Company's liabilities (without equity)	Company's net profits (losses)	Company's Total profits	Shareholding percentage	Shareholding value
Zahraa El Maadi Company	Cairo	2,531,888	871,390	219,016	311,089	20.33%	337,646
Prime for investment fund Management Services Company	Cairo	2,637	159	297	79	20.00%	512
Enmaa Finance Company	Cairo	1,701,904	1,394,764	56,155	108,973	31.43%	96,529
							<u>434,687</u>

- The market value of financial investments in associates listed in the stock exchange is EGP 652,721 thousand on 31 December 2024, compared to EGP 782,680 thousand on 31 December 2023.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

19. Investments in Subsidiaries and Associates– Continued

The equity method is used in the accounting treatment of associates as shown below:

31 December 2024						EGP Thousands
Company	Company's headquarter	Balance at the beginning of the year	Bank Share of investments in associates	Collected Distributions	Non-Current Asset Held for sale	Balance the end of the Year
Zahraa El Maadi Company	Cairo	337,646	58,684	(16,105)	-	380,225
Prime for investment fund Management Services Company	Cairo	512	71	(80)	-	503
Enmaa Finance Company	Cairo	96,529	(3,933)	-	(92,596)	-
		434,687	54,822	(16,185)	(92,596)	380,728

31 December 2023						EGP Thousands
Company	Company's headquarter	Balance at the beginning of the year	Bank Share of investments in associates	Collected Distributions	Non-Current Asset Held for sale	Balance the end of the Year
Zahraa El Maadi Company	Cairo	311,285	42,466	(16,105)	-	337,646
Prime for investment fund Management Services Company	Cairo	511	81	(80)	-	512
Enmaa Finance Company	Cairo	77,168	19,361	-	-	96,529
		388,964	61,908	(16,185)	-	434,687

B- Impaired investments:

Investments in subsidiaries and associates includes fully impaired investments with 19,442 thousand Egyptian Pounds.

C- Non-current Asset Held for Sale:

The bank reclassified the value of its direct contribution to the capital of Enmaa Finance Company with value of 92,596 thousand pounds to the item of non-current assets held for the purpose of sale, based on the decision of the Board of Directors on April 21, 2024, to begin the procedures for selling the company, and selling is being finalized with the competent authorities and bodies. On December 27, 2024, the Board of Directors agreed to extend the deadline for implementing the sale deal until March 31, 2025, instead of December 31. 2025.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

20. Intangible assets

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Cost		
Balance at the beginning of the year	126,702	118,182
Additions	275,908	8,520
Disposals	(908)	-
Balance at the end of the Year	401,702	126,702
Accumulated Amortization		
Balance at the beginning of the year	(76,753)	(58,571)
Disposals	292	-
Amortization cost	(41,568)	(18,182)
Balance at the end of the year	(118,029)	(76,753)
Net book value at the end of the year	283,673	49,949

21. Other assets

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Accrued revenues	951,386	738,563
Prepaid expenses	137,216	107,046
Assets reverted to the bank	437,363	325,448
deposits held with others and custody	136,506	55,438
Advance payments for acquisition of property, plant and equipment	996,810	961,020
Others	157,806	152,071
Total	2,817,087	2,339,586
Expected Credit Losses	(13,293)	-
Total	2,803,794	2,339,586

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

22. Fixed assets

	EGP Thousands				
	Lands & buildings	Leasehold improvements	Machinery and equipment	Others	Total
Cost					
Balance at 1 January 2023	338,954	173,501	41,748	204,931	759,134
Additions	159,964	29,296	4,381	32,795	226,436
Disposals	(46)	(6,432)	-	(7,495)	(13,973)
Adjustments	-	-	(489)	(17)	(506)
Balance at 31 December 2023	498,872	196,365	45,640	230,214	971,091
Accumulated Depreciation					
Balance at 1 January 2023	(98,290)	(152,522)	(21,682)	(124,228)	(396,722)
Disposals	46	6,432	-	6,975	13,453
Depreciation	(19,754)	(11,746)	(4,281)	(31,156)	(66,937)
Accumulated Depreciation at 31 December 2023	(117,998)	(157,836)	(25,963)	(148,409)	(450,206)
Net carrying amount at 31 December 2023	380,874	38,529	19,677	81,805	520,885
Cost					
Balance at 1 January 2024	498,872	196,365	45,640	230,214	971,091
Additions	110,543	55,882	40,296	203,828	410,549
Disposals	(458)	-	-	(18,178)	(18,636)
Balance at 31 December 2024	608,957	252,247	85,936	415,864	1,363,004
Accumulated Depreciation					
Balance at 1 January 2024	(117,998)	(157,836)	(25,963)	(148,409)	(450,206)
Disposals	458	-	-	18,178	18,636
Depreciation	(26,095)	(21,971)	(6,066)	(36,280)	(90,412)
Accumulated Depreciation at 31 December 2024	(143,635)	(179,807)	(32,029)	(166,511)	(521,982)
Net carrying amount at 31 December 2024	465,322	72,440	53,907	249,353	841,022

- The fixed assets include an amount of EGP 23,370 thousand that represents assets not yet registered in the name of the Bank, and the necessary legal procedures are currently being taken to register these properties in the name of the bank.

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

23. Deferred tax

Deferred income taxes were calculated entirely on deferred tax differences under the liability method using the effective tax rate 22.5% for the current financial year.

Deferred tax assets resulting from Accumulated tax losses not recognized unless if there a probability of the presence of future tax profits, then Accumulated tax losses would be useful.

An offset is made between deferred tax assets and liabilities, and if there is a legal justification for an offset between the current tax on assets versus the current tax on liabilities and when the deferred tax belongs to the same tax jurisdiction.

	EGP Thousands			
	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Fixed Assets	-	-	(29,642)	(13,045)
Provisions (Other than Expected Credit losses for loans)	64,862	40,804	-	-
Fair Value Revaluation differences for Financial Investments at fair value through OCI	-	-	(42,305)	-
Others	-	19,682	(114,946)	(11,592)
Total Deferred Tax Assets (Liabilities)	64,862	60,486	(186,893)	(24,637)
Net Deferred Tax Assets (Liabilities)	(122,031)	35,849		

	<u>EGP Thous ands</u>			
	<u>Deferred Tax Assets</u>		<u>Deferred Tax Liabilities</u>	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
Balances at the beginning of the Year	60,486	14,991	(24,637)	(8,510)
Additions	24,058	60,486	(163,105)	(17,420)
Disposals	(19,682)	(14,991)	849	1,293
Balances at the end of the Year	64,862	60,486	(186,893)	(24,637)

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

24. Due to banks

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Current accounts	531,532	297,324
Deposits	10,577	2,378,769
	542,109	2,676,093
local banks	10,577	375,942
Foreign banks	531,532	2,300,151
	542,109	2,676,093
Non-interest-bearing balances	531,532	297,324
Fixed interest balances	10,577	2,378,769
Current balances	542,109	2,676,093

25. Customers deposits

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Demand Deposits	28,248,091	20,626,303
Time deposits	28,625,672	20,316,818
Saving and deposit certificates	8,181,929	8,354,273
Saving deposits	1,892,984	870,021
Other deposits	1,062,314	733,195
	68,010,990	50,900,610
Corporate deposits	46,556,786	35,772,223
Retail deposits	21,454,204	15,128,387
	68,010,990	50,900,610
Non-interest-bearing balances	6,022,614	6,799,223
Variable interest balances	1,053,317	193,414
Fixed interest balances	60,935,059	43,907,973
	68,010,990	50,900,610
Current balances	61,603,451	45,760,421
Non-current balances	6,407,539	5,140,189
	68,010,990	50,900,610

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

26. Other loans

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Housing loan for low, middle and upper middle income	119,673	126,684
Total	119,673	126,684

27. Other liabilities

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Accrued interest payable	1,215,990	591,026
Unearned revenues	35,023	36,710
Accrued expenses	228,875	172,708
Accounts payable	108,619	70,290
Other credit balances	110,423	17,302
Total	1,698,930	888,036

28. Other provisions

	31 December 2024					EGP Thousands
	Balance at the beginning of the Year	Charged during the Year	Foreign currency differences	No longer required during the Year	Used during the Year	Balance at the end of the Year
Tax	88,923	40,434	-	-	(25,130)	104,227
Legal	7,750	25,633	744	-	(2,725)	31,402
Contingent liabilities	66,276	74,029	1,882	-	-	142,187
Others	24,724	-	-	(24,124)	-	600
Total	187,673	140,096	2,626	(24,124)	(27,855)	278,416

	31 December 2023					EGP Thousands
	Balance at the beginning of the year	Charged during the year	Foreign currency differences	No longer required during the year	Used during the year	Balance at the end of the year
Tax	24,527	80,581	-	-	(16,185)	88,923
Legal	6,286	1,744	280	-	(560)	7,750
Contingent liabilities	55,413	9,249	1,614	-	-	66,276
Others	4,000	20,724	-	-	-	24,724
Total	90,226	112,298	1,894	-	(16,745)	187,673

Arab Investment - Formerly

Notes to the Financial Statements

For The Financial Year Ended 31 December 2024

29. Paid up capital.

Number of Shares	Ordinary shares EGP Thousands	Total EGP Thousands
895,522,389	5,400,000	5,400,000

- Based on the decision of the bank's extraordinary general assembly held on 7/7/2014, the issued share capital of the Bank was increased from EGP 500 million (distributed over 50 million shares, the nominal value per share is EGP 10) to EGP 1 billion (distributed over one hundred million shares, the nominal value per share is EGP 10). An amount of EGP 100 million was paid in 2014 from the bank's reserves account, in the form of bonus shares, with the value of the share is EGP 10 to be distributed among the shareholders according to the shareholding percentage of each shareholder.
- Based on the decision of the bank's extraordinary general Assembly held on 7/7/2015, an amount of EGP 200 million was called being the value of Tier II of the capital increase.
- The rest of the increase, amounting to EGP 200 million will be paid during the year 2016, based on the decision of the aforementioned extraordinary general assembly.
- On 30/11/2016, the shareholders paid the rest of the increase amounting to EGP 200 million.
- Based on the decision of the ordinary general assembly held on 25/7/2018, the share capital was increased by EGP 40,000 thousand from the profits distributed to shareholders through bonus shares, at 4 shares per each hundred shares.
- Based on the decision of the extraordinary general assembly dated 1 December 2020, the authorized capital of the bank amounts to EGP five billion and the paid-up capital amounts to EGP 1,987,458,360 distributed over 198,7 million shares, at a nominal value per share of EGP 10.
- Based on the decision of the extraordinary general assembly dated 30 August 2021, the ownership of all shares owned by the Union of Arab Republics is approved to be transferred to National Investment Bank, and the acquisition deal was approved, and the subscription contract was approved.
- Based on the decision of the extraordinary general assembly dated 10 October 2021, the approved amount of the Bank's authorized share capital is EGP 10 billion and the issued share capital is EGP 1,198,437,391 Egyptian pounds, divided into 198,745,836 nominal cash shares, the value of each share is (EGP 6.03). It was also unanimously approved to increase the bank's authorized capital from EGP 10 billion to EGP 20 billion, and to increase the issued capital from EGP 1,198,437,391 to EGP 5,000,000,003 distributed over 829,187,397 nominal cash shares, the value of the share is (EGP 6.03), with an increase of EGP 3,801,562,612 to be as follows:
- Based on the decision of general assembly dated 24 March 2024, The issued and paid up capital increase of EGP 400,000,002 was approved divided as follows: Amount of EGP 281,951,256 from retained earnings, EGP 117,797,396 from the general reserve and EGP 251,350 from the special reserve by issuing 66,334,992 bonus shares distributed to the shareholders in proportion to their respective shares, this increase was noted in the commercial registry on 12 September 2024, so that the capital structure became as follows:

Shareholder's Name/ nationality	Number of Shares	Nominal Value	Percentage
EFG Holding S.A.E.	456,904,227	2,755,132,489	51%
Egypt Sub-Fund for Financial Services and Digital Transformation	223,972,659	1,350,555,134	25%
National Investment Bank	214,645,503	1,294,312,383	24%
Total	895,522,389	5,400,000,006	100%

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

30. Reserves

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
A- Legal reserve	123,045	65,596
B- Fair value reserve for financial assets through other comprehensive income	252,736	65,737
C- Special reserve	-	251
D- Capital reserve	29,176	27,821
E- General reserve	-	117,798
F- General Banking Risk Reserve	22,900	-
	427,857	277,203

The movement of reserves is as follows:

A- Legal Reserve

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	65,596	39,415
Transferred from retained earnings	57,449	26,181
Balance at the end of the Year	123,045	65,596

B- Fair value reserve for financial investments through other comprehensive income

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	65,737	(23,531)
Net change in fair value	222,151	97,046
Reserve of financial investments transferred from financial investments at fair value through other comprehensive income to financial investments at amortized cost	(1,304)	(1,133)
Net profits transferred to the statement of profit or loss due to disposal	5,024	4,372
Expected credit Losses	3,433	(11,017)
Deferred tax recognized during the year	(42,305)	-
Balance at the end of the year	252,736	65,737

C- Special reserve

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	251	251
Transferred to the capital	(251)	-
Balance at the end of the year	-	251

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

30. Reserves – Continued

D- Capital reserve

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	27,821	25,836
Transferred from retained earnings	1,355	1,985
Balance at the end of the year	29,176	27,821

E- General Reserve

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	117,798	117,798
Transferred to the capital	(117,798)	-
Balance at the end of the year	-	117,798

F- General Banking Risk Reserve

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	-	-
Transferred from retained earnings	22,900	-
Balance at the end of the year	22,900	-

31. Retained Earnings

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Balance at the beginning of the year	1,192,805	167,302
Transferred to capital	(281,951)	-
Transferred to capital reserve	(1,355)	(1,985)
Transferred to legal reserve	(57,449)	(26,181)
Transferred to General Banking Risk Reserve	(22,900)	-
Gain on sale of equity investments through OCI	1,484	-
Financing of banking development fund	(11,490)	(1,653)
Employees' profit share	(172,999)	(95,001)
Net profit for the Year	1,770,360	1,150,323
Balance at the end of the Year	2,416,505	1,192,805

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

32. Cash and cash equivalents.

For the purposes of presenting the statement of cash flows, cash and cash equivalents include the following balances whose maturity dates do not exceed three months from the date of acquisition:

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Cash and balances with Central Bank	240,745	210,484
Due from banks	11,943,643	11,510,551
Treasury bills, maturity 91 days	1,034,878	3,395,921
	<u>13,219,266</u>	<u>15,116,956</u>

33. Contingent liabilities and commitments

A- Legal Requirements

There are several existing cases against the bank till 31 December 2024, and while there's no losses expected, so there is no provision required for these cases.

B- Capital commitments.

Financial investments

The value of commitments related to financial assets for which payment was not requested until the date of the financial position on 31 December 2024 are as follows:

	<u>USD Thousands</u>		
	<u>Contribution Amount</u>	<u>Amount Paid</u>	<u>Residual Amount</u>
African Export-Import Bank	5,336	2,294	3,042
 Long term assets			
	<u>Asset Amount</u>	<u>Amount Paid</u>	<u>EGP Thousands</u> <u>Residual Amount</u>
Long Term Assets	1,097,003	784,425	312,578

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

C- Commitments on loans, guarantees and facilities.

The bank's commitments on loans and facilities are as follows:

	31 December 2024 EGP Thousands	31 December 2023 EGP Thousands
Loan Commitment	14,182,263	933,981
Letters of guarantee	2,282,896	2,798,308
Letters of credit	938,697	13,816
Acceptances on supplier facilities	356,037	649,754
	17,759,893	4,395,859

Contingent liabilities and commitments maturities: -

	31 December 2024		EGP Thousands	
	one year	more than 1 year to 5 years	More than 5 years	Total
Commitments on loans, guarantees and facilities				
Loan Commitment	14,178,689	-	3,574	14,182,263
Letters of guarantee	2,131,527	151,222	147	2,282,896
Letters of credit	938,697	-	-	938,697
Acceptances on supplier facilities	288,319	67,718	-	356,037
	17,537,232	218,940	3,721	17,759,893

Capital Commitments

				EGP Thousands
Long Term Assets	25,710	286,868	-	312,578

				USD Thousands
African Export-Import Bank	-	1,521	1,521	3,042

	31 December 2023		EGP Thousands	
	one year	more than 1 year to 5 years	More than 5 years	Total
Commitments on loans, guarantees and facilities				
Loan Commitment	622,672	32,710	278,599	933,981
Letters of guarantee	2,591,720	198,028	8,560	2,798,308
Letters of credit	13,816	-	-	13,816
Acceptances on supplier facilities	585,089	64,665	-	649,754
	3,813,297	295,403	287,159	4,395,859

				EGP Thousands
Long Term Assets	32,567	178,865	-	211,432

				USD Thousands
African Export-Import Bank	-	1,388	1,387	2,775

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

34. Transactions with related parties

Numerous transactions were made with related parties through the normal activity of the bank, including loans, deposits, buying and selling of financial investments and foreign currency swaps and the transactions and balances of related parties at the end of the financial year are as follows:

EGP Thousands

	<u>31 December 2024</u>		<u>31 December 2023</u>	
	<u>Main Shareholders</u>	<u>Associates</u>	<u>Main Shareholders</u>	<u>Associates</u>
Loans and facilities	-	1,165	-	39,251
Deposits, current accounts	214,249	611,764	76,818	225,524
Corporate Bonds	-	520,491	-	1,122,423
Contingent liabilities	-	2,464	-	7,685
Other Assets	-	-	-	17,770

EGP Thousands

	<u>31 December 2024</u>		<u>31 December 2023</u>	
	<u>Main Shareholders</u>	<u>Associates</u>	<u>Main Shareholders</u>	<u>Associates</u>
Interest revenue and similar income	-	182,874	-	240,202
Cost of deposits and similar costs	4,543	32,979	3,853	9,067
Fee and Commission Income	83	2,485	3	2,494
Fee and Commission Expense	-	37,027	-	2,986

-The monthly average of the total annual net income of the twenty persons who receive the largest bonuses and salaries in the bank collectively amounted to EGP 3,639 thousand for the financial Year ended 31 December 2024 compared EGP 3,445 thousand for the financial period ended 31 December 2024.

- EFG Hermes for Portfolio Management and Investment Funds Company plays the role of investment manager for Bank NXT first investment fund (monetary) and Second investment fund (Helal).

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

35. Investment funds

They are one of the banking activities licensed to the Bank under Capital Market Law No. 95 of 1992 and its executive regulation:

1- Bank NXT Monetary Fund (with daily interest in Egyptian pounds)

The fund is managed by EFG Hermes Investment Funds Management Company. The number of investment certificates of this fund is 11,959,161 and the value of which is EGP 119,591,610. The Bank allocated 500 thousand units out of them (its nominal value is EGP 5 million) to practice the fund's activity.

The redemption value of the certificate on 31 December 2024 was about EGP 19.25 after dividends paid amounted of EGP 11.39 in form of free certificates from fund establishment till December 2019 and the number of the fund's certificate on the same date was 47,322,363 certificates.

In accordance with the fund management contract as well as the subscription prospectus, Bank NXT receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 2,221 thousand for the financial position ended on 31 December 2024, and they were included under "fee and commissions income/ other fees" in the statement of profit or loss.

2- Bank NXT second investment fund (Helal)

The fund is managed by EFG Hermes for mutual funds management. The number of investment certificates of this fund is 26,954 certificates when subscription closes on 24 May 2011 with value of EGP 26,954,900. Also, 50,000 certificates of these were allocated to the Bank (with a nominal value of EGP 5 million) to carry out the fund's activity.

The redemption value of the certificate on 31 December 2024 was about EGP 191.71 after dividends paid amounted of EGP 20.88 in form of free certificates from fund establishment till December 2014 and the number of the Fund's certificates on the same date was 76,137 certificates.

According to the fund management contract as well as the subscription prospectus, Bank NXT receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 72,000 for the financial position ended 31 December 2024, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

3- Bank NXT third Balanced investment fund (Sanady)

The fund is managed by (Azimut Egypt Asset Management). The number of investment certificates of this fund is 5,206,672 certificates when subscription closes on 17 Nov 2011 with value of EGP 52,066,720 Also, 500,000 of these were allocated to the Bank (with a nominal value of EGP 5 million) to practice the fund's activity.

The redemption value of the certificate on 31 December 2024 was about EGP 16.17 after dividends paid amounted of EGP 4.23 in form of free certificates from fund establishment till Dec-2015 and the number of the Fund's certificates on the same date was 662,607 certificates.

In accordance with the fund management contract as well as the subscription prospectus, Bank NXT receives fees and commissions in return for its supervision over the fund, as well as the other administrative services it performs. The total commissions amounted to EGP 36,000 for the financial position ended 31 December 2024, and they were included under "fee and commission income/other fees income" in the statement of profit or loss.

36. Tax position.

Corporate income tax

- Years till 2017

The examination was carried out until 2017, the tax disputes for that period were settled, and all due taxes were paid.

- Years 2018-2019

Tax examination has been completed and the examination result is approved, and the tax payment is being settled.

- Years 2020-2021-2022-2023-2024

The declaration has been submitted to the tax authority and has not been examined yet.

Salary tax

- Inspection was conducted and disputes were resolved by re-inspection and payment of tax differences until 2022.

- Years 2023-2024

They have not been inspected yet, and the Bank pays the tax payable by the employees monthly on the legal date, and tax settlement proposed on legal dates.

Arab Investment - Formerly
Notes to the Financial Statements
For The Financial Year Ended 31 December 2024

36. Tax position - Continued

Stamp duty tax.

- The examination was carried out until the fiscal year on December 31, 2020, and the tax differences that resulted in the examination were settled and paid.
- The examination was not done for the period from January 1, 2021, to December 31, 2024, and the bank submits declarations and pays the stamp tax on the legal dates.

Real estate tax

- The assessments sent to the Bank for all branches were appealed against, and the Bank has paid all the amounts due to avoid being subjected to a delay penalty till adjudicating on the submitted appeals.

37. Important and Subsequent events

- During the period, Rating Agencies Lowered Egypt's Sovereign rating in foreign and local currencies to "B- "from "B "with a stable outlook, in addition Moody's Credit rating agency Lowered Egypt's rating from B3 to Caa1, with a stable outlook. the bank has reviewed the potential impacts resulted from lowered Egypt's rating, and the effects on Bank Financial statements, and the bank's management believes that there is no potential material impact on financial statements.
- The impact of the current uncertain economic environment is judgmental, and management will keep assessing the current position and its related impact. It should also be considered that the assumptions used about economic forecasts are subject to a high degree of inherent uncertainty and therefore the actual outcome may significantly be different from the forecasted information. The Bank has considered the potential impacts of the current economic volatility in determination of the reported amounts offered for the Bank's financial and non-financial assets, and these considered to represent the management's best assessment based on the observable information. However, markets remain volatile, and the recorded amounts remain sensitive to market fluctuations.
- The monetary policy of the Central Bank of Egypt decided to set the basic trends at 200 basis points in its meeting on February 1, 2024, to reach the overnight deposit rate and the Central Bank's home page rate of 21.25%, 22.25%, and 21.75%, respectively. The credit and discount rates were also raised by 200 basis points to reach 21.75%.
- The monetary policy of the Central Bank of Egypt decided to set the basic trends at 600 basis points in its meeting on March 6, 2024, to reach the overnight deposit rate and the Central Bank's home page rate of 27.25%, 28.25%, and 27.75%, respectively. The credit and discount rates were also raised by 600 basis points to reach 27.75% in addition to, Central Bank of Egypt allowed Exchange rates determination to be according to market mechanisms.
- The bank Execute Enmaa Finance Company selling process on 30 January 2025

38. Comparative Figures

- The comparative figures have been reclassified to be consistent with the figures for the current period, and the following is a statement of the items that have been amended:

Balance Sheet	Balance Before Adjustments	Adjustments	Balance After Adjustments
Loans and credit facilities to customers	21,081,969	24,926	21,106,895
Other Assets	2,364,512	(24,926)	2,339,586
Profit & Losses	Balance Before Adjustments	Adjustments	Balance After Adjustments
Gains (losses) financial investment	55,526	(61,908)	(6,382)
Bank Share on investments in associates	-	61,908	61,908