ADIB مصرف أبوظبي الإسلامي

ANNUAL REPORT 2021

WE KEEP IT
SIMPLE

AND
SENSIBLE

Bank Mission, Vision and Values

Our Mission

Shari'a-compliant financial solutions for the Egyptian community.

Our Vision

To be a leading universal bank focused on service excellence and product-and-solution innovation.

Our Values

- We keep it simple and sensible
- We are transparent
- We work for mutual benefit
- We nurture hospitality and tolerance
- We are shari'a-inspired

2021 at a Glance

EGP 4.38

(billion) Total Revenue in 2021

70

Egypt-based branches

EGP 1.45

(billion) Net Income in 2021

2000+

Experts on our dynamic team

EGP 45.23

(billion) Net Customer Financing as of 31 December 2021

13%

Year-on-year Revenue Growth

Growing Portfolio of Fully Shari'a-Compliant Banking Products and Services

Retail Banking

Our Retail division offers individual clients the means to achieve their goals via ADIB's Shari'a-inspired financial products and services, including personal banking, business banking, and wealth management

Wholesale Banking

Our Wholesale business offers the full array of Shari'a-compliant corporate banking services, financing organizations ranging from large corporations to small- and medium-sized enterprises, including financial and non-financial institutions

Welcome from the Chief Executive Officer & Managing Director

On behalf of the board of ADIB Egypt, I am proud to present the outstanding achievements of the bank throughout 2021 in this report. With the great efforts exerted by our team, we have achieved many of our strategic goals for the year, which has positively reflected on our balance sheet and market position, and that is what we have eyed since the beginning of the year, being the leading digital services and integrated Islamic banking products provider in Egypt.

I am more than glad to share the following performance highlights.

Thriving Growth

Abu Dhabi Islamic Bank – Egypt (ADIB-Egypt) developed a strategic plan four years ago aimed to increase the growth rates and the bank has already succeeded in achieving this targeted increase. Although the year 2021 had many challenges, especially the repercussions of the Coronavirus pandemic which impacted the global economy in general, we were able to successfully overcome these challenges, achieving the targeted growth by introducing a diverse portfolio of digital and financial shari'a-compliant solutions to all our business segments including retail and corporate customers, leading to increasing the volume of the assets, reaching 90.6 in an increase of EGP 17 bn than 2020, as the net financing volume exceeded EGP 45 bn, with a surplus of EGP 5 bn compared to the previous year, while the deposits reached EGP 78 bn, with an increase of EGP 15 bn.

Rising Profit

The growth rate of the bank's profits increased than the last year, as the operating profits increased by EGP 401 mn, reaching EGP 2.9 bn, and the net earnings on the consolidated results reached EGP 1.451 bn, achieving an increase of EGP 255 mn over 2020, which are all considered excellent results.

Our subsidiaries such as Abu Dhabi Islamic Finance (ADI-Finance) - previously "ADI-Lease" – also contributed to this growth, as we have provided additional services such as factoring and real estate finance, which increased profits by EGP 32 mn, reaching EGP 54 mn in 2021, while Abu Dhabi Islamic Capital (ADI-Capital) achieved remarkable advances in the size of its activity and performance, achieving a total funding of EGP 3 bn. In general, the financial results are outstanding and represent the great exerted efforts throughout the year.

We have a plan to complete the structure of ADI-Microfinance as this will have a positive impact on the integration of our banking activities. Through ADI-Consumer Microfinance, we will provide more diversity to our financing products and expand our services catering this segment.

Another achievement worth mentioning is our collaboration with the Ministry of Finance for the past three years to establish the Sukuk Law. ADIB-Egypt has played a major role in drafting the legislation of sovereign Sukuk since its initiation, functioning as a consultant to the Egyptian government throughout the full cycle from drafting stage to issuance.

Sukuks are one of the widely used shari'a-compliant financial tools as they are appealing to a diverse client base with their low risk nature, and being an innovative investment tool in contrast with the traditional financial solutions. Sukuks will also attract new business segments to the

Welcome from the Chief Executive Officer & Managing Director(continued)

domestic market, which increases local and foreign investments whether in local or foreign currency. Accordingly, this will have a direct effect in boosting the primary market in terms of issuance, and the secondary market with trading. Potential clients have been eagerly waiting for the issuance of Sukuks since this has been announced, so we expect very high interest from Arab and international markets from both individuals and corporates.

The results we achieved in 2021 are a natural result of our exerted effort and dedication in serving our customers in the best way despite the unforeseen challenges. These challenges still exist, whether local or global, but we are capable of tackling them, and we are working to create positive developments during the coming period.

Strategic Goals

We need to restore our normal growth rates during the ongoing year, as we aim to surpass the EGP 100 bn mark before the end of the year while keeping sustainability as a top priority, and we will maintain our sustainable development with the utmost seriousness and promptness to be able to keep up with the current circumstances.

Moreover, the continuous expansion of our retail banking segment in the Egyptian market remains one of our main strategic goals; we are aiming for a bigger portfolio and customer base as well as more diversity and uniqueness in our innovative products to be an integrated shari'a-compliant financial solutions provider, offering a vast array of smart and digital banking solutions to have our customers' transactions completed easily from anywhere they are without the need to visit a branch, thus fulfilling our customers' needs and achieving full integration in the banking services we offer.

A Talented Team

It is worth mentioning that last year we received 15 awards from international institutions as the best Islamic bank in Egypt, which of course is a natural result of the efforts exerted by all the bank's employees. Despite all the circumstances that surrounded us from the repercussions of the Coronavirus, we have followed all the precautionary measures and also increased the number of training hours, reaching 44,000 hours for all employees. I would like to thank everyone for all their results for 2021. All these results could only have been achieved with great effort and ultimate dedication to work.

Banking on Values

With our unique position in the field of Islamic banking services, we have a big responsibility towards our society, to which we have committed during the past years. There is a section of this report that presents the projects we have implemented to support Egyptian families, especially freelance workers affected by difficult economic conditions, with the aim of community development for the people of our beloved country. As the Bank's Chief Executive Officer, I am proud that the three pillars of our corporate social responsibility philosophy, namely health, education and community development, have become a fundamental part of the Bank's culture and are clearly evident both inside and outside the organization. During the past period, we have made a lot of contributions, and will continue during the coming period. Sustainability is the provision of results and performance on the long-term, and we are confident that our work and future plans will achieve the desired and required results.

We have an important advantage, which is the ability to meet the requirements of all corporate and social segments, including companies (micro, medium, small, and large) and individuals, offering diverse products to meet all their needs, through appropriate channels. We also have enough flexibility to be constantly evolving; for example, ADI-Consumer Finance will meet the demands and developments of the market of today.

The next stage is where we need to evolve further, so that we can face the expected competition from non-bank financial companies, fintech enterprises, and startups, dealing and cooperating with them so that we can be fully integrated with the future banking era.

Finally, I am deeply thankful, as we all witness the development of our work and effort turning ADIB-Egypt into a remarkable success story.

I, the Board of Directors of ADIB, and all members of staff would like to express our gratitude to all the stakeholders of ADIB-Egypt for their endless effort and support. We appreciate your endeavors and endorsement of our vision of being a modern and comprehensive digital services and Islamic banking products provider – to be a bank that provides comprehensive and high-quality solutions for both individuals and businesses.

We thank you for choosing to be served by ADIB-Egypt in 2021 and look forward to achieving more progress together in the next years.

Sincerely regards and appreciation,

Mohamed Aly

CEO & Managing Director
Abu Dhabi Islamic Bank – Egypt

WE WORK FOR
MUTUAL BENEFIT

About ADIB Egypt

ADIB Profile

Abu Dhabi Islamic Bank (ADIB) Egypt is an award-winning bank that started its operations after the acquisition of the National Bank for Development (NBD) in 2007 by a consortium between Abu Dhabi Islamic Bank and Emirates International Investment Company. With the goal of becoming one of Egypt's leading universal banks, ADIB Egypt offers a broad range of banking solutions that cater to the needs of corporate and retail customers. It is developing a state-of the-art banking infrastructure and revamping its 70-branch network. In order to integrate further services, the Bank established an Investment Banking arm, ADIB Capital Egypt; a leasing and financing company, ADIFinance. ADIB Egypt employs a dynamic team of over 2,000 experts to deliver its client-centric products and services.

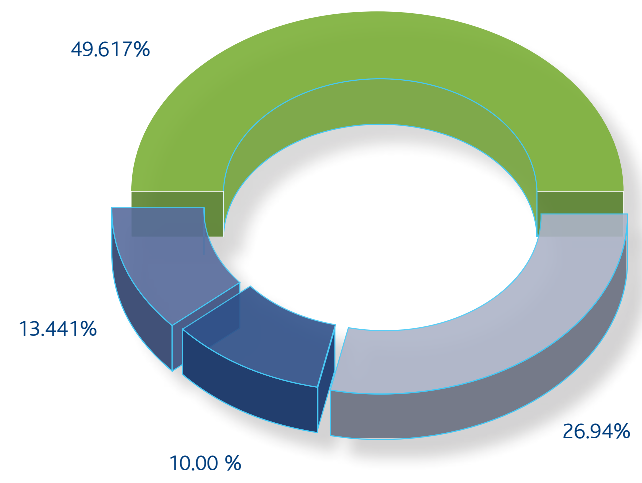
Following NBD's acquisition, the paid-up capital of ADIB Egypt increased almost sevenfold, from EGP 281 million to EGP 2 billion and EGP 4 billion in authorized capital. In 2021, the Bank posted net income of EGP 1.451 billion. The Bank succeeded in establishing a platform to serve retail, SME and corporate customers with both short- and long- term financing solutions. As a result, it has attracted a broad portfolio of leading local and international companies operating in the Egyptian market.

With 15 international awards in 2021, the bank's efforts have been heavily rewarded from globally-renowned financial brands in the past year. The awards include: Best Islamic Bank in Egypt, Best Retail Bank in Egypt, Best Digital Bank in Egypt, Best Digital Banking Brand in Egypt, Best Shari'a-Compliant Leasing Service Provider in Egypt, Most Innovative New Contactless Payment Device - "Beat", Best Islamic Financial Institution and Islamic Bank of the Year.

ADIB Egypt has partnered with leading Egyptian NGOs to contribute to nationwide projects that support underprivileged segments of society, helping build bridges to a brighter and healthier future.

In 2022, the Bank aims to surpass the EGP 100 billion mark in total assets, which is a major milestone. Maintaining sustainability, the bank will also work further on the agile development of its products and services, while launching two new subsidiaries; ADIB Consumer Finance and ADIB Microfinance. ADIB-Egypt will also target the startup ecosystem and fintech companies in its offerings, to ensure the bank's involvement in the evolution of the financial sector. With the issuance of Sukuks in LCY and FCY, and a capital increase in compliance with the Central Bank of Egypt, ADIB-Egypt has a big year planned ahead.

ADIB Egypt Ownership Structure



Abu Dhabi Islamic Bank	49.617%
National Investment Bank	10.00%
Emirates International Investment Company (EIIC)	13.441%
Others	26.94%

ADIB Egypt Subsidiaries

Company Name	Purpose	Bank Ownership Direct & Indirect
ADIB Holding	Financial	99.93%
ADIB Capital	Securities	99.95%
ADIB Properties	Real Estate Investments	44.24%
ADILease	Leasing	99.00%
ADIB Invest	Financial	99.92%
ADI Consumer Finance	Financial	99.92%
ADI Micro Finance	Financial	99.92%
National Co. For Glass & Crystal	Manufacturing	86.16%
Cairo National Company for Investment & Securities	Financial	74.85%
National Company for Trading & Development (INTAD)	Trading	73.16%
Cairo National Company for Brokerage and Securities	Brokerage	51.25%

ADIB Egypt Subsidiaries

ADIFinance

In the beginning of 2019, ADIB Egypt appointed a new management team at ADILease. With the COVID-19 pandemic outbreak shortly after, ADILease was up to the challenge of offering the basic financing services, as well as providing our customers with unique non-stop leasing services. The bank reaped the success in 2021 by achieving the following:

- Acquiring the license to operate in the field of real estate finance, in addition to leasing, which resulted in a name change for the company to be ADIFinance
- Taking the 4th position among real estate leasing companies within less than five months, with a market share of 9% of the total real estate leasing market in November 2021, and having leasing contracts with the total of EGP 120 million
- Getting ranked 5th in the leasing market in October and November 2021, with total contracts of EGP 266 million and EGP 284 million respectively, according to the Financial Regulatory Authority

Adding to the outstanding performance, the company has also achieved noteworthy financial results;

- Increasing the financing portfolio by 119% to reach EGP 2.475 billion in 2021, compared to EGP 1.131 billion in 2020,
- Increasing the operating income by 54% to reach EGP 138 million in 2021 from EGP 90 million in 2020,
- Increasing the net profits after taxes by 140% to reach EGP 54 million in 2021 compared to EGP 22 million in 2020, and
- Increasing dividends per share by 29%, from EGP 1.25 in 2020 to EGP 1.61 in 2021.

ADIB Capital Egypt

Our investment banking arm continues to make long strides in its achievements...

Since its establishment in 2012, ADIB Capital's offered services have expanded to become a full-fledged DCM advisory; this includes advising and arranging Sukuk issuance and placement, syndications, club deals and structured finance, as well as M&A and Equity Capital Market advisory. The ADIB Capital team have been delivering tailored financial solutions to its unique client portfolio that includes clients from the private sector, government entities, and medium size enterprises.

In 2021, ADIB Capital Egypt executed DCM transactions worth EGP 3.2 bn, and also successfully executed the first M&A advisory transaction and has built a solid DCM and M&A pipeline with several leading private sector companies.

ADIB UAE: An Overview

Profile

ADIB is a leading Islamic bank with more than AED 142 billion in assets that was established in 1997 with its shares traded on the Abu Dhabi Securities Exchange (ADX).

Over 1 million customers benefit from its large distribution network of 62 branches and more than 379 ATMs. The bank also offers world-class online, mobile and phone banking services, providing clients with seamless digital access to their accounts 24 hours a day. ADIB provides retail, corporate, business, private banking and wealth management solutions.

ADIB remains one of the leading banks in the recruitment, development and promotion of local talent. The bank has one of the highest Emiratisation ratios with more than 40 percent of the bank's workforce being UAE Nationals.

ADIB has presence in six strategic markets: Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Sudan, Iraq and Qatar. Named "Best Islamic Bank globally" by The Financial Times' The Banker publication and Best Bank in the UAE by Forbes, ADIB has a rich track record of innovation, including introducing the world's first digital Islamic bank for youth and being the first bank in the UAE to enable account opening through facial recognition.

Overview

A Leading Islamic bank with a Strong Customer Franchise

ADIB is a leading bank in the UAE and the 4th largest Islamic bank globally by assets. Headquartered and listed in Abu Dhabi, ADIB was incorporated in 1997 to serve as the first Islamic bank in the Emirate of Abu Dhabi.

Over the last two decades, ADIB has demonstrated a consistent track record of growth with assets now totaling USD 39 billion. The bank currently serves more than 1 million customers through a balanced proposition that combines a highly-personalized customer experience with world-class digital banking services.

A Strong Board & Management Team Guided by Islamic Values

ADIB has embedded robust corporate governance principles overseen by an eminent board that supports a strong and experienced management team. The bank is guided by Islamic finance values, principles of responsible corporate citizenship, and a strong belief that banking solutions should always be simple, fair, and transparent.

A Universal Bank

ADIB is a full-fledged financial service provider that offers banking solutions for individuals, corporates and affluent customers. In addition, the wider ADIB Group provides brokerage, real estate and property management, payments and insurance services.

A Large Regional Presence

ADIB has one of the largest distribution networks in the UAE with 62 branches and 379 ATMs. Internationally, the bank has a presence in six strategic markets - Egypt, where it has 70 branches, the Kingdom of Saudi Arabia, the United Kingdom, Qatar, Sudan and Iraq.

An Internationally Recognized Bank

ADIB has received numerous awards from leading global organizations, having been ranked number one bank in the UAE by Forbes and named "World's Best Islamic Bank" by IFN and the FT's The Banker magazine, "Best Islamic Digital Bank" by Global Finance, and "Most Innovative Bank in the Middle East" by EMEA Finance.

A Digital Focus

ADIB's digital transformation journey, which began more than two years ago, is centered around customers, ensuring that the bank's digital solutions always deliver the best possible banking experience. The bank has seen a substantial rise in customer demand for its digital banking services with 70% of customers now enrolled through the bank's digital channels and 94% of ADIB's banking transactions conducted digitally.

ADIB-EGYPT

We Take Pride in our Achievements
15 International Awards in Year 2021

Banking as it should be.

adib.eg

ADIBEgypt

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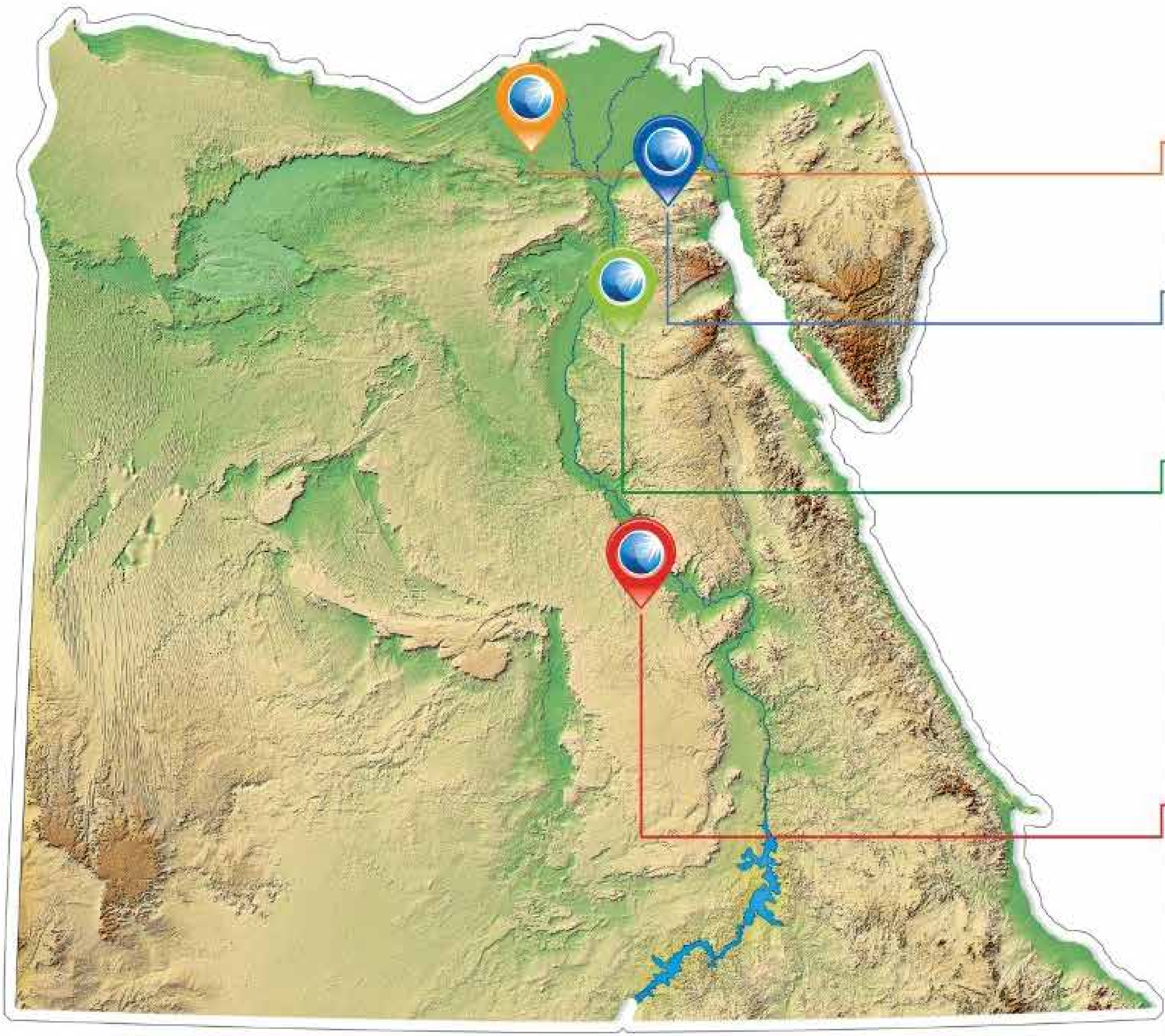
مصرف أبوظبي الإسلامي
ADIB



WEST DELTA & ALEX

Fouad (Alex)	Miami (Alex)	Damanhour
Roushdy (Alex)	Lagoon Club (Alex)	Kafr Al-Sheikh
Smouha (Alex)	Al-Mansoura	Tanta
Louran (Alex)	Al-Mahala Al-Kobra	

EAST DELTA

Qalioub	Shebin Al-Koam	Kafr Sakr
Banha	Belbeis	Dammietta
Zagazig Al-Galaa	Fakouss	Ismalia
Zagazig Al-Awkaf	Faraskour	Port Said

EAST CAIRO	WEST CAIRO	CAIRO DOWN TOWN	NEW CAIRO REGION
Heliopolis Al Andalous	Al-Mohandessen	Emad Al-Din	Makram Ebeid
Heliopolis Al -Maryland	Al-Dokki	Al-Borsa	Moustafa Al-Nahas
Salah Salem St.	Lebanon Sq.	Al-Opera	New Cairo
Sheraton Heliopolis	Shooting Club	Al-Azhar	Cairo Festival City
Al-Korba	Al-Haram	Garden City	Arabella Plaza Mall
Al-Thawra St.	Al-Sheikh Zayed	Al-Manial	Al-Obour Golf City
Al-Shams club	Sodic Strip Mall	Al-Zamalek	Al-Rehab
Al-Sawah	6th of October		
Shobra Al-Khema	Al-Maadi		
Shobra	Al-Maadi 9St.		
10th of Ramadan City	Helwan		

UPPER EGYPT

Al-Fayoum	Assiut - Saad Zaghloul	Hurghada
Minia	Sohag - Nasser	Luxor
Bani Swaif	Sohag - Al-Nile	Aswan
Assiut - Gomhouria	Qena	

TOTAL 70 Branches in EGYPT

Work Centers

- Alex - Azarita
- Cairo - Omar Makram
- Cairo - Elshawarby St.
- Cairo - Emirates Tower
- Cairo - Garden City

WE NUTURE HOSPITALITY

AND TOLERANCE

Consumer Banking

Overview of the business

The Consumer Banking division offers personal solutions, helping clients achieve their goals via its easy-to-use, shari'a-inspired financial products and services. The division offers a wide range of tailored services for personal and business banking. The year 2021 witnessed an excellent performance across the Retail Banking division. This is achieved through the core values of our business which include transparency and cooperating to achieve our mutual benefits. ADIB Egypt enshrines hospitality and tolerance in providing services to our clients to best maintain the relationship with them.

Highlights of 2021

Assets & Liabilities

ADIB's assets and liabilities have far exceeded expectations for the year, given how difficult it was for the recovery road post the COVID Pandemic. Part of the attraction to ADIB is the auto finance that have been a standard in ADIB Egypt since its inception. ADIB is still the leading Auto Finance Bank in Egypt with its Mega Auto Campaign attracting well over EGP 1 billion. The campaign includes an insurance policy for free in the first year as well as zero admin fees. ADIB is also running the KIA and Renault Campaigns with over 600 customers generating over EGP 124 million as a result. The combined total of both campaigns was EGP 1.4 billion in the year 2021 alone.

ADIB Youth Accounts

ADIB is also keen to give Egyptian youth their access to their own finances and to develop their own skills in learning and dealing with banks. This is in line with ADIB's policy to allow youth the need and opportunity to innovate and be the best at what they can do. Giving the youth their own accounts help in serving their own needs and builds trust and confidence in dealing with whatever adversity there is. This has generated over EGP 6.3 million in revenue for ADIB.

Hatetrayesh

The campaign was targeting fresh funds from customers, either existing or NTBs, offering instant cashback up to 6% of the amounts starting from EGP 100k. A mega draw for 1 kg of gold was done at the end of each month with 6 winners over 6 months. A 1-million mega prize at the end of the 6-month campaign was the lucky draw for 1 winner. This campaign alone generated over EGP 1.2 billion in revenue.

Cards

ADIB cards business has officially launched the OTP security services over cards to secure online transactions for its customers. ADIB acquired the approval from CBE to launch Jumia Pre-paid card with a partnership with Jumia-Egypt. The CBE also approved the launch of Khazna pre-paid card in a partnership with Khazna and Mdp. One of the incredible statistics for the year 2021 was an increase of more than 25% over 2020 in new acquisitions which is one of the highest numbers achieved by ADIB Egypt. This is has led to an increase in the share of the cards market in ADIB from 3.3% to 3.6%. ADIB Egypt launched several successful campaigns in the Egyptian market such as Jumia black Friday, Tradeline, shopping festival and Al Hayah Academy campaigns.

Mortgage Finance

ADIB Egypt launched the mortgage finance product offering Ijarah, a lease-to-own system of immediate delivery residential and non-residential units, with the options to lease and finance as part of the deal. The campaign is called Tamleek and has launched in Q4 2021.

E-Channels

ADIB Egypt aims to improve our Digital Banking services for our customers. The bank has added the following new services on our Internet and \Mobile Banking channels:

- Activate Covered Card [Primary / Supplementary Card]
- Block Covered Card [Primary / Supplementary Card]
- Replace Covered Card [Primary / Supplementary Card]
- Registration in e-Statement services for Covered Card
- Limit Increase / Decrease for Supplementary Covered Card

The number of registered customers to ADIB Egypt Internet and Mobile Banking has increased by 26% compared with 2020.

Self-Service Channels

ADIB Egypt fully upgraded the ATM network all over Egypt and replaced all ATM machines with the latest technology in the market to avail new services in addition to the current available services such as cash withdrawal and deposit-.

Wholesale Banking

Double-Digit Growth for ADIB Wholesale Banking

The value of world class products paired with exceptional service is evident in 2021's pacesetting growth.

ADIB Egypt grew its wholesale portfolio by one of the fastest rates among peer banks in 2019. Wholesale assets grew 9.3% to EGP 29.8 billion, while wholesale deposits surged 22.4% to EGP 23.88 billion. Enhancements to our banking infrastructure gave corporate clients yet another good reason to do business with us. Our wholesale Internet Banking Platform equips our clients with always-on functionality, payment efficiency both domestically and across borders, and robust reporting, in addition to new features recently added i.e. Trade Online Banking; issuing/amending & monitoring Export/Import Letter or Credit (LCs) , Letter of Guarantees (LGs) Documentary Collection), all is backed by one-to-one Support platform & Tailored Training sessions, Additionally, we, have newly launched various Cash Mgt & Trade products e.g. CM; Daily Profit Accounts (DPA), 3 Years Sukuk, 1.5 Years Wekala's & Full Fledge ESCROW Accounts Services & TF; Export LC Post Shipment Finance Product.

The division's team of experts specializes in tailoring banking solutions to the specific needs of each client, whether they're a large- or midcap company, an SME, a public sector institution or operating across borders or market sectors. Going forward, ADIB Egypt's wholesale division will pursue further investment in automation and technological interfaces that support our clients' needs, while preserving the high-touch service that is key to rewarding corporate banking relationships.

Treasury

Overview of the business

The Treasury division is responsible for the creation, formulation, and oversight of ADIB Egypt's overall strategy.

The Treasury division manages critical issues such as liquidity, market risk, as well as providing different types of support and services to our customers. These services range from expert financial advice, market analysis, and updates on our new products and services.

Highlights of 2021

Over the course of the year 2021, the bank's Treasury division kept its course and continued to lead operations amid challenging economic headwinds. The division successfully navigated the excess liquidity, as well as Foreign Exchange (FX) activity, whilst maintaining its focus on growing customer sales and the marketing of the bank.

As the market started to show signs of recovery from COVID-19 Pandemic, the Treasury managed to cover FX volumes representing almost 3.5% of country trade balance as the market gradually restored back to normality. The Treasury continues to have a healthy liquidity in both LCY and FCY to support the balance sheet of ADIB and its future growth plans.

2021 Financial Highlights

13% — Total Revenue increased y-o-y

21% — Deposits expanded y-o-y

21% — Net Income grew y-o-y

13% — Net Financing increased y-o-y

WE ARE TRANSPARENT

TRANSPARENT

TRANSPARENT

TRANSPARENT

TRANSPARENT

TRANSPARENT

Corporate Governance Report 2021

Abu Dhabi Islamic Bank - Egypt ("ADIB Egypt") recognizes the importance of applying Governance principles since they are in line with the principles of Islamic law and are the keys to the success of any corporation.

The Bank also recognizes the importance to its commitment to improve the corporate governance legislative system gradually and objectively, to allow the application of governance rules fully and raise awareness on the culture of governance and best practices. These all underscore the bank's aim to enhance the application of governance rules that enable all stakeholders to reap the benefits. The establishment of these concepts benefit the business,by scaling up transparency and disclosure, reducing corruption opportunities and adopting equitable treatment with all investors, particularly protecting rights of small investors. The application of corporate governance is not only through the statutes of corporations and their structures, but also in the professional and ethical standards in all transactions of the corporation, thus, ensuring accurate and timely information disclosure and transparency. The Bank is committed to providing accurate and updated information to shareholders in conformity with corporate governance principles as well as legal and regulatory requirements. This ensures the improvement of the efficiency of the bank's performance, increasing the trust shareholders and other stakeholders' in the bank and its performance.

ADIB – Egypt has developed and maintained a Governance Manual, which is updated periodically in line with the Bank's changing needs, regulatory requirements and international best practices. The Bank's governance manual contains the key principles of governance, including CBE regulations and Governance best practice.

The Bank's General Assembly

The General Assembly is the highest authority in the bank's organization and includes all shareholders and their percentage of ownership. The bank's management encourages all shareholders to attend the General Assembly meeting, which allows each shareholder to express their opinion and discuss all topics in complete transparency. The secretary of the General Assembly and vote tellers are appointed from persons who are non- members of the General Assembly or the Board of Directors. The assembly is managed in a manner that enables all shareholders to express their opinion, as stipulated by law and the bank's Articles of Association, as well as the bank's management announcing all the topics on the assembly's agenda. The assembly considers each topic listed on the agenda of an ordinary or extraordinary general assembly, accompanied by the necessary data and information necessary to enable shareholders to make decisions. ADIB Egypt takes into consideration the purpose for providing such information is to empower shareholders to take informed decisions on topics and subjects that concern the Bank's performance and is not limited to just attend meetings. In every meeting, all shareholders' questions are answered, whether by answering inquiries sent before the meeting and listed on the agenda or those for which a sufficient time is alotted during the meeting to respond. The bank adopts a cumulative voting procedure to better represent all shareholders in the process of electing Board members enabling a proportional representation of all shareholders. A brief curriculum vitae of each board nominee is provided to the shareholders when they are invited to elect the Board.

The Bank is committed to provide to the Financial Regulatory Authority and the Egyptian Stock Exchange with all the resolutions of ordinary and extraordinary general assemblies upon conclusion, within a time not exceeding the start of the first trading session following the meeting, thus ensuring that information is readily available and accessible to all.

The Bank's Board of Directors

The Bank's Board of Directors consists of an appropriate number of members in a manner that enables the Board to undertake its functions and duties, including constituting its committees. The Bank takes into consideration that the majority of members are nonexecutives, among whom at least two are independent members with technical and analytical skills, without bias to any gender or religion. In compliance with the principle of "Comply or Explain", the Bank discloses that it only has one independent member and that a process of appointing another independent member is underway. Sufficient information, data and explanations about the Bank are provided to the new members of the Board upon their appointment to make them aware of all the general aspects, strengths, weaknesses, administrative structure and anything that enables the Board to effectively and properly perform their duties. The Board Secretary acts as an important link between the members of the Board, the Board of Directors and the Bank's C-Suite.

Board Committees

Committees established under the Board of Directors are formed based on the charter approved by the Board and contains the committee's tasks, period of operation, authorities granted thereto during this period, as well as the way it is controlled by the Board and the committee's financial arrangements. Each committee provides periodic reports to the Board of Directors on the work they have accomplished and the outcomes and impacts the Board has achieved as well as all recommendations made. The Board periodically monitors the work of committees to assess how well they have performed the tasks assigned to them.

Board Committees include:

- Audit Committee;
- Risk Management Committee;
- Governance and Nominations Committee;
- Salaries and Remunerations Committee;

Board of Directors

Khalifa Matar Almheiri
Non-Executive Chairman

Non-Executive Chairman Mr. Almheiri joined the Abu Dhabi Investment Authority in 1995 as a member of the Far East Department. From 1997 to 2007, he operated out of ADIA's London office, wherein, his responsibilities included investment analysis, portfolio management and managerial responsibilities. In 2008, Mr. Almheiri was promoted to the position of Executive Director of the Information Technology Department. Mr. Almheiri is a member of ADIA's Investment Committee. He is a member of the Board of Directors of ADIA (Hong Kong) Limited. Mr. Almheiri earned a Bachelor's Degree in Business Administration focusing on Management Information Systems from the University of Arizona (1992). He is a CFA charterholder from the CFA Institute (1998). Mr. Almheiri earned his Master's Degree in Finance from the London Business School (2000). Mr. Almheiri has been a board member of the Abu Dhabi Islamic Bank (ADIB) since April 2016.

Mohamed Aly
CEO & Managing Director

Mr. Mohamed Aly has over 30 years of international expertise in the financial services and banking industry, having held senior leadership roles at several banks across MENA region. Prior to joining ADIB, Mr. Mohamed was the CEO of Mashreq Bank's Egypt business. He has also held senior positions at Credit Agricole, National Bank of Abu Dhabi and American Express, bringing ADIB extensive experience from working across corporate, retail and private banking, as well as an in-depth knowledge of the Egyptian market.

Heidi Kamal
Executive Board Member

Mrs. Heidi Kamal joined ADIB Egypt as the Chief Risk Officer in 2009. She is responsible for Wholesale Bank Credit Risk as well as Operations, Market, ADIB Capital, ADILease risks and ADIB Holding. Her banking career began in 1989 as an Officer at the Bank of Credit and Commerce - Misr's Corporate Bank, trade and customer service departments. Her professional journey then led her to join Citibank where she held a variety of progressively responsible roles over the course of nearly 15 years before joining the NBD Bank of Dubai/ ADIB Egypt. Her expertise lies in planning business and portfolio strategies based on clear analyses of market conditions and risk assessments. Never resting on her laurels, Kamal firmly believes in the ongoing, professional self development with training, workshops and seminars as a top priority for her. She holds an MBA from the Maastricht School of Management, Cairo and a BSc. in Commerce from Ain Shams University in Cairo.

Fareed Bilbeisi
Non-Executive Board Member

Mr. Fareed held the position of Group CFO of National Holding and currently holds the position of the Chief Executive Officer of Scope Investment, as well as other board memberships in the group. With over two decades of experience, Mr. Fareed has a wealth of knowledge in the banking industry, hospitality, and manufacturing among others. His expertise spans across the areas of strategy development, finance, financial planning, budget management, MNAs, investment, business banking operations, strategic project management and main organizational change projects, mergers and acquisitions and joint ventures, in addition to risk management and auditing through his work with firms such as Arthur Andersen. Prior to joining the National Holding Group in 2011, Mr. Fareed was the Chief Financial Officer of Emaar Industries and Investments from 2009 to 2011, Vice President in the Kingdom Hotel Investments from 2005 to 2009, and Director at Ernst & Young from 1996 to 2005.

Board of Directors (continued)

Mohamed Ismail ElDahan
Non-Executive Board Member

Mr. Mohamed holds 27 years of experience providing fiscal, strategic and operations leadership in uniquely challenging situations. A member of the Board of Directors of Emaar Misr and Emaar Syria, having previously served as the Chief Executive Officer of Emaar Misr and has been with Emaar Properties since 2005, he previously held the position of head of internal audit, risk management and compliance. His background experience is in real estate, construction, financial and banking industries worldwide. Moreover, He was also the Executive Officer, Group Business Development & Operations at Emaar Properties PJSC and serves as a member of the Board of Directors of Emaar Industries and the Chairman of its Executive Committee. Prior to joining Emaar, He held various internal and external Audit Management positions within H.H. the Ruler's Court Financial Audit Department in the UAE and The Central Auditing Organization (CAO) in Egypt. He holds a bachelor's degree from Faculty of Commerce, Accounting major and a Post Graduate Diploma in Business and Accounting from the American University in Cairo. He holds professional designations in the fields of internal auditing, accounting, fraud and management. He has a CIA from the institute of Internal Audit, a CFE from the Association of Certified Fraud Examiners and a CPA designation, from Montana Society of Certified Public Accountants in the United States. Additionally, he has completed the Advanced Management Program for Senior Management by INSEAD in France.

Joseph Iskander
Head of Investments EIIC
& Chief Executive Officer Entrust Capital

Head of Investments EIIC & Chief Executive Officer Entrust Capital Mr. Joseph has over two decades' experience in the financial services industry, covering asset management, private equity, portfolio management, financial restructuring, research, banking, and audit. Prior to assuming his role as Entrust Capital CEO, Mr. Joseph joined Emirates International Investment Company (EIIC) in July 2017 as Head of Investments where he is responsible for spearheading and managing EIIC's investments. Mr. Joseph began his career at Deloitte & Touche (Egypt) as an Auditor, before working as an Investment Advisor for Egypt's Commercial International Bank (CIB) and then as Head of Research for Egypt's Prime Investments. In 2004, he joined Dubai Group as an Investment Manager working on a range of M&A transactions, advisory services, asset management, and private equity transactions with a collective value in excess of USD 8 billion. He then moved on to work as Head of Research for Dubai Capital Group, until 2009 when he joined Dubai Group as their Managing Director of Asset Management. Mr. Joseph served as Non-Executive Director on the boards of EFG Hermes in Egypt, Oasis Capital Bank in Bahrain, Sun Hung Kai & Co in Hong Kong, Qalaa Holdings in Egypt, Emirates Retakaful in UAE, Marfin Laiki Bank in Cyprus, and Marfin Investment Group in Greece. He holds a Degree in Accounting and Finance Helwan University, Egypt.

Bassam El Hage
Member of the Board of Directors

Mr. Bassam has been a member of the International Monetary Fund (IMF) External Audit Committee since November 2019. He is also a nonexecutive board member of Saraya Holding Company PLC, registered in DIFC Dubai, UAE and an advisor to the audit committee of Abu Dhabi Islamic Bank PJSC UAE. Mr. Bassam retired from Ernst and Young (EY) in July 2019, where he had served for the last previous eight years as the Managing Partner, Markets for the Middle East and North Africa (MENA) and was based in Abu Dhabi, UAE. He has over four decades of experience across the accounting, finance, corporate governance and business transformation fields. During his tenure at EY, Mr. Bassam's roles spanned various capacities and sectors, including financial services, energy, utilities, real estate, government and public sector. He led the transformation of the operating, delivery and teaming model at EY to bring a sector focus approach along with driving digital, innovation and technology solutions to proactively respond to the governments' transformation and modernization agendas and the transformation agenda of the major industries in the MENA region. Mr. Bassam has also served as a member of the Middle East International Financial Reporting Standards (IFRS) desk at EY and was responsible for advising clients on technical IFRS related matters. He was the engagement partner for the audit of several major banks and financial institutions in the United Arab Emirates.


WE ARE
SHARI'A
INSPIRED

Fatwa and Shari'a Supervisory Board

The Fatwa and Shari'a Supervisory Board ("Shari'a Board") is an independent body that validates ADIB Egypt's adherence to Islamic principles and values, complementing the governance principles provided by the Board of Directors.

The Shari'a Board issues its resolutions and reports regarding the compliance of ADIB Egypt's products, services, operations and decision making in line with the principles of shari'a. To fulfill its mandate, the Shari'a Board has full access to all records, documents and data, providing strong confidence to the Bank's customers that their Islamic finance values are reflected and respected.

The Shari'a Board had played an essential role in the Bank's transformation into a Shari'a compliant institution by:

- Reviewing all financing structures, investment formulas and liquidity management processes;
- Attesting to the compliance of forms, contracts and agreements;
- Approving operational policies and accounting principles;
- Reviewing workplace policies and practices to ensure an Islamic work environment;
- Issuing Fatwa resolutions and Shari'a decisions for all of the Bank's operations and transactions.

The Shari'a Board held numerous meetings in 2021 issuing its resolutions, and,discussing strategic matters regarding new products.

Corporate Social Responsibility

At ADIB-Egypt we believe that financial institutions play a key role in improving the societies we live and work in, hence why we are committed to providing opportunities for the continued growth and development of Egypt's economy and its people.

In line with the bank's dedication to serve its community and its efforts to play a leading role in the field of Corporate Social Responsibility (CSR), ADIB-Egypt has made donations to support numerous initiatives in the fields of healthcare, education, and community development throughout the past years.

The bank works with several partners, including NGOs, hospitals and universities to help address society's most pressing needs.

ADIB-Egypt has also succeeded in consolidating the principles of community responsibility within its own culture, making it a daily activity in line with the bank's support system. Over the last decade, ADIB-Egypt allocated significant resources to support and participate in existing programs and launch charitable initiatives of its own.

Healthcare

- COVID-19 caused an unprecedented worldwide catastrophe. ADIB-Egypt played a leading role in informing, educating and protecting not only our own customers, but the population as a whole. We recognized our responsibility to advise on the wellbeing of the people of Egypt going about their everyday lives in the most effective ways to avoid contracting coronavirus.
- COVID-19 was one of the most devastating challenges for generations having a disastrous effect on individuals, families, and small businesses. We ensured that hardships were reduced as much as possible both personally and financially.
- ADIB is proud to say that by donating to the Tahia Misr fund, we directly supported the welfare of Egypt's communities by providing free COVID-19 vaccines. This may be part of corporate responsibility, but ADIB also sees this as humanitarian responsibility.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

AND INDEPENDENT AUDITOR'S REPORT.

Contents

MAZARS MOSTAFA SHAWKI
Public Accountants and consultants

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Auditors' report

To : The Shareholders of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."

Report on the Separate Financial Statements

We have audited the accompanying separate financial statements of Abu Dhabi Islamic Bank (ADIB) – Egypt (S.A.E), which comprise the separate financial position as of December 31, 2021 and the related separate statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the separate financial statements

These separate financial statements are the responsibility of the bank's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by the Central bank of Egypt on 16 December 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of Abu Dhabi Islamic Bank (ADIB) – Egypt (S.A.E) as of December 31, 2021 and of its separate financial performance and its sperate cash flows for the year then ended, in accordance with Central Bank of Egypt's rules, pertaining to the preparation and presentation of the banks' financial statements, issued on December16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these separate financial statements.

MAZARS MOSTAFA SHAWKI
Public Accountants and consultants

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Emphasis of Matter

Without qualifying our opinion, we draw your attention to as indicated in note (30) of the separate financial statements, the bank's management formed a provision whose balance on December 31, 2021 amounted to LE 1,278million (December 31, 2020: 1,229 million Egyptian pounds) based on the bank's external legal advisor opinion to cover potential claims by Abu Dhabi Islamic Bank - UAE.

Report on Legal and Other Regulatory Requirements

According to Article No. (64) of the Central Bank of Egypt and the Banking and Monetary System No. 194 of 2020, the issued and paid-up capital of Egyptian banks will be 5 billion Egyptian pounds in September 2021. The bank has sent the time plan to increase the capital of Abu Dhabi Islamic Bank - Egypt, on July 29, 2021, to the Central Bank of Egypt, explaining the procedures expected to be implemented to complete the capital increase, so that the paid-up capital reaches 5 billion pounds in August 2022. The Board of Directors of Abu Dhabi Islamic Bank - Egypt, in its session held on January 26, 2022, approved the proposed measures to increase the issued and paid-up capital to reach 5 billion Egyptian pounds, as stated in a note in Explanation No. (32/2). Except for what was mentioned above, it was not clear to us that the bank's violation during the fiscal year ending on December 31, 2021 was material to the provisions of the Central Bank of Egypt, Banking System and Cash Law No. 193 of 2020.

The bank maintains proper books of accounts, which include all that is required by law and by the statues of the bank, the separate financial statements are in agreement thereto.

The separate financial information included in the Board of Directors' report, prepared in accordance with law no. 159 of 1981 and its executive regulations, is in agreement with the bank's books of account.

Auditors

Hoda Mostafa Shawky
Accountants and Auditors Register No. (3451)
Financial Regulatory Authority Register No. (7)
CBE Register No. (92)
Fellow of Egyptian Society of Accountants and Auditors
Fellow of Egyptian Tax Society
MAZARS MOSTAFA SHAWKI
Public Accountants and consultants
153 Mohamed Farid St., Bank Misr Tower, Cairo

Tamer Abdel Tawab
Accountants And Auditors Register No. (17996)
Financial Regulatory Authority Register No. (235)
CBE Register No. (388)
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants
Plot No 211, Second Sector, City Center
New Cairo 11835, Egypt

20 February 2022
Cairo

Separate statement of financial position - at 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
Assets			
Cash and due from Central Bank of Egypt	16	6,068,337	4,630,304
Due from banks	17	4,675,137	3,713,519
Financing and facilities to banks (net of impairment losses)	18	59,107	118,206
Conventional financing to customers (net of impairment losses)	19	12,172	10,434
Financing and facilities to customers (net of impairment losses)	19	45,354,797	40,224,934
Non current asset held for sale		2,021	-
Islamic forward exchange contracts		-	3
Financial investments			
- Financial investments at FVOCI	20	9,393,231	8,085,902
- Financial investments at amortized cost	20	20,962,309	13,548,163
Investments in subsidiaries and associates (net)	21	310,922	314,450
Intangible assets (net of accumulated amortization)	22	44,546	25,646
Other assets	23	2,002,531	1,559,327
Fixed assets (net of accumulated depreciation)	24	506,318	531,576
Deferred tax assets	31	58,827	6,908
Total assets		**89,450,255**	**72,769,372**
Liabilities and equity			
Liabilities			
Due to banks	25	2,352,263	686,738
Customers' deposits	26	75,803,423	62,825,027
Islamic forward / Islamic currency swap contracts	27	15,084	1,296
Subordinated Financing / Other Islamic financing	28	1,288,823	1,307,117
Other liabilities	29	1,187,282	1,027,684
Current income tax liability		434,201	101,221
Other provisions	30	1,722,688	1,523,461
Defined benefits obligations		183,137	137,966
Total liabilities		**82,986,901**	**67,610,510**
Equity			
Paid up Capital	2/32	2,000,000	2,000,000
Paid under capital increase	3/32	1,861,418	1,861,418
Reserves	33	822,231	345,869
Difference between face value and present value for non-interest subordinated financing		30,864	44,767
Retained earnings /(Retained Losses)	34	1,748,841	906,808
Total equity		**6,463,354**	**5,158,862**
Total liabilities and equity		**89,450,255**	**72,769,372**

Independent auditor's report "attached"

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Jamal Abu Sana	Mohamed Ali
Chief financial officer	CEO and Managing Director

Cairo on 17 February 2022

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Separate Income Statement

For the year ended 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
Income from Murabaha, Musharaka, Mudaraba and similar income	7	8,094,270	7,167,609
Cost of deposits and similar costs	7	(4,540,361)	(4,029,245)
Net income from funds	7	**3,553,909**	**3,138,364**
Fees and commissions income	8	689,960	603,206
Fees and commissions expenses	8	(175,852)	(145,423)
Net fees and commission income	8	**514,108**	**457,783**
Dividend Income	9	21,080	13,873
Net trading income	10	80,159	180,323
Administrative expenses	11	(1,387,113)	(1,259,368)
Other operating expenses	12	(484,385)	(409,886)
Impairment charges on credit losses	13	(166,019)	(433,876)
Gain on sale of Subsidiaries	2/21	52,937	-
Gain on financial investments	3/20	(10,756)	11,301
Net profit for the year before tax		**2,173,920**	**1,698,514**
Income tax expense	14	(793,998)	(547,162)
Net profit for the year		**1,379,922**	**1,151,352**
Basic earning per share in net profit for the year	15	**6.07**	**5.106**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of comprehensive income

For the year ended 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
Net profit for the Year		**1,379,922**	**1,151,352**
Items that are not reclassified to the profit and losses:			
Change in fair value reserve of equity instruments at fair value through other comprehensive income		25,358	920
Income tax related to items that are not reclassified to the profit or loss		(5,706)	(207)
Items that are reclassified to profits and losses:			
Changes in fair value reserve of investments in debt instruments		(7,728)	(4,503)
Income tax related to items that are reclassified to the profits and losses		1,739	1,013
Total other comprehensive income for the year, net of tax		**13,663**	**(2,777)**
Total comprehensive income for the year, net of tax		**1,393,585**	**1,148,575**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of cash flows

For the year ended 31 December 2021

	Note No.	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash flows from operating activities			
Net profit for the year before tax		**2,173,920**	**1,698,514**
Adjustments to reconcile profits with cash flows from operating activities			
Depreciation and Amortization of fixed and intangible assets	24/22	108.093	120.946
Charge / (release) impairment losses of financing and facilities to customers	9	165.939	433.455
Used financing provision	19	(66.770)	(298.440)
Charge / (release) of other provisions	30	258.431	234.391
Provisions no longer required other than financing provision	30	(45.115)	(146.627)
Provisions used other than financing provision	30	(11.135)	(6.339)
Bonds' premium and discount amortization		55.998	(420.301)
Foreign currency valuation differences of financing provisions in foreign currencies	19	(1.252)	(4.874)
Foreign currency valuation differences of provisions in foreign currencies other than financing provisions	30	(2.953)	3.585
Foreign currency valuation differences of due from banks provisions in foreign currencies		(7)	(44)
Foreign currency valuation differences of financial investments at FVOCI in foreign currencies		159	560
Valuation differences for financial assets balances in foreign currencies at AC		174	3.671
Foreign currency valuation differences of financial instrument at AC's provisions		(73)	(290)
Foreign currency valuation differences of subordinated financing - With coupon	28	(739)	(14.851)
Foreign currency valuation differences of subordinated financing - Zero coupon	28	(463)	(9.414)
Foreign currency valuation differences of subordinated financing - Zero coupon - Equity		21.445	20.309
Gain / (Losses) from valuation of forward exchange contracts		15.076	1.296
Charge /(release) of impairment losses of due from banks	9	80	75
Charge /(release) of impairment losses of financial investments at AC		-	345
Charge /(release) of impairment losses of investments in subsidiaries and associates		10.756	-
Charge /(release) of impairment losses of other assets		2.045	7.601
(Losses) / Gains on sale of debt instruments at FVOCI		-	(11.301)
Gains / (Losses) on sale of investments in subsidiaries and associates	3/20	(52.937)	-
(Losses) / Gains on sale of fixed assets	11	(365)	(3.698)
Gain / (Losses) on sale of assets reverted to bank	12	(9.450)	(404)
Dividends on equity instruments at FVOCI		(4.644)	(1.393)
Dividends on financial investments in subsidiaries and associates		(16.436)	(12.480)
Amortization of subordinated financing cost using effective interest rate method	28	35.348	33.283
Operating profits before changes in assets and liabilities resulting from operating activities		**2,635,125**	**1,627,575**
Net decrease (increase) in assets and liabilities			
Due from banks with maturity more than 90 days	13	(1.269.250)	(2.206.685)
Treasury bills with maturity more than 90 days		587.767	335.025
Financing and facilities to customers and banks	19	(5.159.139)	(9.342.194)
Other assets		(439.560)	(476.569)
Due to banks	25	1.665.525	403.845
Customers' deposits	26	12.978.396	11.539.313
Financial derivatives		(1.285)	2.808
Other liabilities		159.390	(122.828)
Employees' Benefits obligations		45.171	45.813
Income tax paid		(526.335)	(679.854)
Net Cash flows generated from operating activities		**10,675,805**	**1,126,249**

Separate statement of cash flows - continued

For the year ended 31 December 2021

	Note No.	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash flows from investing activities			
Payments for purchase of fixed assets and branches fixtures	24	(60,429)	(103,592)
Proceeds from sale of fixed assets		1,059	3,700
Payments for purchase of intangible assets		(42,001)	(7,005)
Payments for purchase of financial investments at FVOCI		(941,287)	(115,000)
Proceeds from recovery of financial investments at FVOCI		886,086	138,097
Payments for purchase of financial investments at amortized cost		(9,429,895)	(5,478,332)
Proceeds from recovery of financial investments at amortized cost		1,682,134	2,592,112
Payments for purchase of investments in subsidiaries and associates		(34,658)	(52,187)
Proceeds from recovery of investments in subsidiaries and associates		80,366	-
Proceeds from dividends income		21,080	13,874
Net Cash flows (Used in) Investing activities		(7,837,545)	(3,008,333)
Cash flows from financing activities			
Proceeds (Paid) from subordinated financing		(52,342)	54,589
Payment from dividends income		(110,538)	-
Net cash flows generated from financing activities		(162,880)	54,589
Net (decrease) increase in cash and cash equivalents during the year		2,675,380	(1,827,495)
Cash and cash equivalents at the beginning of the year		8,431,228	10,258,723
Cash and cash equivalents at the end of the year		11,106,608	8,431,228
Cash and cash equivalents comprise			
Cash and due from CBE	16	6,068,337	4,630,304
Due from banks	17	4,675,265	3,713,575
Treasury bills		11,527,484	10,570,345
Due from banks with maturity more than three months from date of acquisition		(4,484,350)	(3,215,101)
Treasury bills with maturity more than three months from date of acquisition		(6,680,128)	(7,267,895)
Cash and cash equivalents at end of the year		**11,106,608**	**8,431,228**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Separate statement of changes in equity

For the year ended 31 December 2021

	Paid up capital	Paid under capital increase	Capital Reserve	Legal reserve	General reserve	Special reserve	General banking risk reserve	General risk reserve	Fair value reserve	Difference between face value and present value for subordinated financing	Retained earnings	Total
31 December 2021												
Balance at 1 January 2021	2,000,000	1,861,418	-	22,878	42,522	17,165	3,049	158,088	55,727	57,741	(228,611)	3,989,977
Transferred to reserves	-	-	-	-	-	-	49,216	-	-	-	(49,216)	-
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	(2,776)	-	-	(2,776)
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(12,974)	33,283	20,309
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,151,352	1,151,352
Balance at 31 December 2021	**2,000,000**	**1,861,418**	-	**22,878**	**42,522**	**17,165**	**52,265**	**158,088**	**52,951**	**44,767**	**906,808**	**5,158,862**
31 December 2020												
Balance at 1 January 2020	2,000,000	1,861,418	-	22,878	42,522	17,165	52,265	158,088	52,951	44,767	906,808	5,158,862
Transferred to reserves	-	-	3,698	57,383	-	-	401,618	-	-	-	(462,699)	-
Dividends relating to 2020	-	-	-	-	-	-	-	-	-	-	(110,538)	(110,538)
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	13,663	-	-	13,663
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(13,903)	35,348	21,445
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,379,922	1,379,922
Balance at 31 December 2020	**2,000,000**	**1,861,418**	**3,698**	**80,261**	**42,522**	**17,165**	**453,883**	**158,088**	**66,614**	**30,864**	**1,748,841**	**6,463,354**

The accompanying notes from (1) to (39) are integral part of these financial statements and are to be read together.

Statement of proposed dividends

For the year ended 31 December 2021

	31 December 2021 000's EGP	31 December 2020 000's EGP
Net profit for the year (based on income statement)	**1,379,922**	**1,151,352**
Add / (Deduct):		
Gain on sale of fixed assets transferred to capital reserve according to law provisions	(365)	(3,698)
Change in general banking risk reserve	(401,618)	(49,216)
Items transferred to retained earnings	35,348	33,283
Net distributable profits for the year	**1,013,287**	**1,131,721**
Add / (Deduct):		
Retained losses at the beginning of the year	735,189	(228,611)
Total	**1,748,476**	**903,110**
To be distributed as follows:		
Legal reserve 5%	68,978	57,383
Banking system development fund	10,133	9,031
Employees' share 10%	137,956	90,311
Board of directors remuneration	17,437	11,196
Retained earnings at the end of the year	1,513,972	735,189
Total	**1,748,475**	**903,110**

Notes to the separate financial statements

For the year ended 31 December 2021

1- General information

Abu Dhabi Islamic Bank - Egypt (formerly National Development Bank - a joint stock company) was incorporated as an Egyptian joint stock company under Law No. 43 of 1974 and its executive regulations in the Arab Republic of Egypt. The main office of ADIB is located at Cairo Governorate, 9 Rustom Street - Garden City. ADIB is listed on the Egyptian Stock Exchange.

Abu Dhabi Islamic Bank - Egypt - an Egyptian Joint Stock Company is subject as a financial institution to the supervision and control of the Central Bank of Egypt, and ADIB complies with the provisions of Islamic Sharia'a in products provided to its clients, whether the products are investment deposits, Islamic investment Sukuk or savings accounts. ADIB also fulfils the client's various funding needs by offering a variety of options such as: Murabaha (Cost-Plus), Musharaka (Joint Ventures) and Ejara (Leasing), as well as, providing Islamic options for letter of guarantee, letter of credit and covered cards. ADIB has its own Fatwa and Shari'a Supervisory Committee, which is composed of Shari'a jurists, qualified with banking, legal and economic knowledge, in order to issue fatwas and legal rulings on all aspects of existing and new Islamic banking transactions.

ADIB was registered in the Commercial Register on 3 April 2013 by changing the bank name from National Development Bank to Abu Dhabi Islamic Bank - Egypt.

Abu Dhabi Islamic Bank - Egypt -an Egyptian Joint Stock Company provides corporates, retail banking and investment services in the Arab Republic of Egypt through 70 branches, delegates and agencies employing 2094 employees on the date of the interim financial statements.
These financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 17 February 2022.

Important Definitions

The following terms are used in the separate financial statements and their definitions are as follows:

Murabaha

It is a contract under which ADIB sells to the customer in-kind asset, a commodity or shares owned and held by ADIB (real or judgement) for a selling price consisting of the purchase cost and an agreed profit margin.

Ejara

It is a lease contract thereby ADIB (the lessor) rents a specific in-kind asset or service (owned or leased by ADIB) or entitled for a specified period and in return for fixed rental instalments. Ejara may be ended for in-kind asset by ownership of the lessee for the leased asset under an independent contract to transfer the ownership.

Mudaraba

It is a contract between ADIB and the client whereby one of the two parties (the money owner) provides a sum of money to the other party (Mudarib) which invests the sum in a particular project or activity and distributes the profit between the parties according to the agreed shares in the contract. Mudarib bears the loss in case of infringement or default and / or violation of any of the terms of the Mudaraba contract; otherwise, the owner bears such loss.

Wakala

It is a contract between ADIB and the client whereby one of the two parties (the Principal) provides for the other party (Agent) a certain amount of money and authorized to invest according to a certain terms and conditions. The Agent's commission is limited as per a lump sum basis that may be added to the amount of a certain percentage of profit expected as incentive profit to the Agent for good performance. The Agent bears the loss in the event of infringement, default or violation of any of the terms and conditions of the Power of Attorney contract, otherwise the Principle bears it.

Sukuk

They are value equivalent documents that represent common shares in the ownership of a certain asset (leased, will be leased, whether existing or described in the future) or in the ownership of rights arising from the sale of an existing asset after being owned by the Sukuk holders, the ownership arising from the assignment, or the ownership of projects that are managed on Mudaraba or Company basis. In all such cases, Sukuk holders are the owners of their common share of the leased assets, the rights or goods arising from the assignment or the assets of the Company's projects or the Mudaraba.

2- Basis of preparation of the financial statements

These separate interim financial statements have been prepared in accordance with the rules of Central Bank of Egypt (CBE) of the preparation of the banks' financial statements and the principles of recognition and measurement as approved by its board of directors on 16 December 2008, pertaining to the issuance of interim financial statements by the Egyptian banks during 2019 according to the rules of preparation and presentation of financial statements of banks, as well as, the recognition and measurement basis issued by the (CBE) dated on that date after being affected by the application of the requirements of IFRS (9) "Financial Instruments" in light of the instructions issued on 26 February 2019, and in light of the revised Egyptian Accounting Standards (EAS) issued during the year 2015 and its related amendments and the provisions of local laws and in light of the Egyptian laws and regulations related to the preparation of these separate financial statements.

The financial statements of ADIB had been prepared till 31 December 2018 using the rules for the preparation and presentation of the financial statements of banks and the recognition and measurement principles issued by (CBE) on 16 December 2008. However, as from 1 January 2019 and based on the instructions issued by the (CBE) relevant to preparation of the financial statements of banks in the accordance with the requirements of (IFRS 9) "Financial Instruments" as of 26 February 2019, the management has modified certain accounting policies to conform to those instructions. The following note details the changes in accounting policies.

Amendments to the rules of preparation and presentation of the financial statements of (ADIB) issued by the (CBE) on 16 December 2008 under the instructions of (CBE) issued on 26 February 2019.

IFRS 9 - Financial Instruments

As of 1 January 2019, ADIB has applied IFRS (9) - Financial Instruments s formally after being trail applied in 2018, which was issued by the (CBE) in July 2014. Requirements of said Standard materially differ from EAS No. (26) "Financial Instruments - Recognition and measurement", in particular, with regard to the classification, measurement and disclosure of financial assets and some financial liabilities. Below is a summary of main changes in accounting policies of ADIB due to applying the Standard:

Classification of financial assets and financial liabilities:

On initial recognition, financial assets are classified as either at amortized cost or at fair value through other comprehensive income or fair value through profit and loss.

Financial assets are classified according to the business model in which they are managed and their contractual cash flows.

A financial asset is measured at amortized cost upon fulfilling the following two conditions and not measured at fair value through profit and loss:

- The asset is retained in a business model intended to hold assets to collect contractual cash flows
- The contractual terms of the financial assets result in cash flows on specific dates which are only principal payments and interest on the principal amount due.

Debt instruments are measured at fair value through other comprehensive income only if the following conditions are fulfilled and are not measured at fair value through profit and loss:

- The asset is retained in a business model whose objective has been achieved through the collection of contractual cash flows and the sale of financial assets
- The contractual terms of the financial assets result in cash flows on specific dates that are only principal payments and interest on the principal amount due.

Upon initial recognition of investment in shares not held for trading, ADIB may choose irrevocably to measure subsequent changes in fair value within other comprehensive income. This option is made on each investment separately.

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

In addition, upon initial recognition, ADIB may irrevocably determine a financial asset that fulfils the requirements for measurement at amortized cost or at fair value through other comprehensive income, as being at fair value through profit or loss, in case that such application may essentially cancel or reduce the accounting mismatch that may arise otherwise.

Evaluation of business model:

ADIB evaluates the objective of the business model in which the asset is held at the portfolio level as this reflects the best way to conduct the business and to provide information to the management. The information to be considered include:

- The stated policies and objectives of the portfolio and the practical mechanism of those policies. To determine, in particular, whether the management strategy focuses on earning contractual interest income, matching the duration of financial assets with the duration of the financial liabilities that fund such assets or realizing cash flows through the sale of assets;
- How to evaluate performance of the portfolio and submit report in this regard to the management of ADIB
- Risks affecting performance of the business model and financial assets held in this business model and how to manage these risks
- The number, volume and timing of sales in previous periods, the reasons for these sales and their expectations of future sales activity. However, information on sales activity is not considered separately, but rather as part of a comprehensive assessment of how to achieve ADIB's stated objective of managing financial assets and how to achieve cash flows.

Financial assets held for trading or which its performance is evaluated based on fair value are measured through profit or loss because such assets are not held for the purpose of collecting contractual cash flows only and are not held to collect contractual cash flows with the sale of financial assets.

Impairment of financial assets:

In accordance with the (CBE) instructions issued on 26 February 2019, IFRS (9) replaces the realized loss model contained in the CBE's instructions issued on 16 December 2008 with the expected credit loss model. The new impairment model is applied to all financial assets in addition to certain funds commitments and financial guarantee contracts.

Under IFRS (9), credit losses are recognized earlier than what is required under the CBE's instructions issued on 16 December 2008. ADIB applies a three-stage approach to measure expected credit losses on financial assets recognized at amortized cost and debt instruments at fair value through other comprehensive income. Assets are transferred among the following three stages based on the change in credit quality since its initial recognition.

Stage 1: Expected credit loss over 12 months

Stage (1) includes financial assets upon initial recognition without involving a substantial increase in credit risk since initial recognition or involving relatively low credit risk.

For these assets, expected credit losses are recognized over 12 months and profit is calculated on the total book value of the assets (without deduction of the credit provision). The expected 12-month credit loss is the expected credit loss that may result from potential failures within 12 months after the date of financial statements.

Stage 2: Expected credit loss over life - with no impairment of credit value

Stage (2) includes financial assets that have substantially increased credit risk since initial recognition without objective evidence of impairment. The expected credit loss over the life of the asset is recognized but the interest on the total carrying value of the assets continues to be calculated. The expected credit loss over life is the expected credit losses arising from all possible defaults over the expected life of the financial instrument.

Stage 3: Expected credit loss over life – impairment of credit value

Stage (3) includes financial assets that have objective evidence of impairment as of the financial statements date. For these assets, expected credit losses over the lifetime are recognized.

3- Summary of accounting policies

The following are the most significant accounting policies used in the preparation of the financial statements. These policies have been consistently followed for all presented periods, except for re-measurement of financial assets and recognition of profits and losses arising during the comparative period.

(A) Investment in subsidiaries and associates

A/1 Subsidiaries

Subsidiaries are entities that ADIB has the ability to directly or indirectly control its financial and operating policies, and ADIB usually has ownership share that exceeds one-half of the voting rights. This takes into consideration the impact of the future voting rights, which can be exercised or converted at the current time when evaluating ADIB's ability to control the subsidiaries.

A/2 Associates

Associates are all entities in which ADIB has directly or indirectly significant influence, which does not reach the limit of control, and ADIB usually owns between 20% and 50% of the voting rights.

The purchasing method is used by ADIB to account for the acquisition of companies. Acquisition cost is measured at fair value or the consideration provided by ADIB for the assets of purchase and/or issued equity instruments and/or liabilities incurred by ADIB and/or liabilities assumed by ADIB on behalf of acquiree, at the date of exchange plus any costs directly attributable to the acquisition. Net assets including identifiable contingent liabilities are measured at their fair values at the acquisition date. Irrespective to the existence of non-controlling interests, the excess in acquisition cost over ADIBs' share of the fair value in the net assets acquired is considered as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the statement of income within the item "Other operating income / (expenses)".

Associates and subsidiaries at ADIB's separate financial statements are accounted for using the cost method. According to this method, investments are recognised at the cost of acquisition, including goodwill, less any impairment loss. Dividends are recognised in the statement of income, when the dividends are approved to be distributed and ADIB's right of collection is established.

(B) Operating Sectors

The operating sectors participating in ADIB's business activities are reported in line with the internal reports submitted to ADIB's department Chief Operating Decision Maker, considering that the management represented in the Board of Directors, the Executive Management and the relevant committees / or its designee at the foreign branches is responsible for making operational decisions about the resources to be allocated to the operating sectors and assessing their performance.

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies – continued

(C) Sectors reporting

An activity sector is a group of assets and processes associated with the provision of products or services that are characterized by risks and benefits and differ from those of other sectors of activity. The geographical sector is engaged in the provision of products or services within a single economic environment with risks and benefits that are related to geographical sectors operating in a different economic environment.

ADIB is divided into two main sectors: Corporate Banking Services and Retail Banking for Individuals. In addition, the Corporate Centre is a central funding department for ADIB's core business. For the dealings of the department of transactions, investment activity and other non-core activities, they are reported within the Corporate Banking Services

For the purpose of sectors reporting in accordance with the classification of geographic regions, the Sector's profits, losses, assets and liabilities are presented on a basis of branches' locations.

Based on the fact that ADIB (ADIB - Egypt) does not have an entity to register abroad, the sectors reports present, unless otherwise stated in a certain disclosure, all ADIB's investments in equity instruments and debt instruments issued by foreign institutions, as well as, credit facilities granted by ADIB to foreign parties based on the location of the local branch in which such assets are registered.

(D) Foreign currency translation

D/1 Functional and presentation currency

The financial statements of ADIB are presented using the currency of the primary economic environment in which ADIB exercises its business (the functional currency). ADIB's financial statements are presented in Egyptian pounds, which is ADIB's functional and presentation currency.

D/2 Transactions and balances in foreign currencies

ADIB keeps its accounting records in Egyptian pound. Foreign currency transactions during the financial period / year are translated using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities balances in foreign currencies at the end of the financial year are re-translated based on the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from settlement of such transactions and translation differences are recognised in the statement of profit and loss under the following items:

- Net trading income or net income from financial instruments classified at fair value through profit or loss for trading assets / liabilities or those classified at fair value through profit or loss based on classification of the asset or liability.
- Within other comprehensive income items of equity with regard to Islamic futures exchange contracts / Islamic currency swap contracts as qualifying hedge (eligible) for cash flows or as qualifying hedge for net investment.
- Within other comprehensive income items of equity for financial investments of equity instruments at fair value through other comprehensive income.
- Other operating income (expenses) for the remaining items.

Summary of accounting policies - continued

Changes in the fair value of monetary financial instruments in foreign currency classified as investments at fair value are analysed within the other comprehensive income through differences from changes in amortised costs of the instrument, differences from changes in the prevailing exchange rates, and differences from changes in the fair value of the instrument. Differences related to changes in the amortised cost are recognised into statement of profit and loss under funds and similar revenues, and those related to the changes in the exchange rates under other operating income (expenses). Differences from changes in the fair value (fair value reserve/ financial investments at fair value through other comprehensive income) are recognised within equity of comprehensive income items.

Valuation differences result from non-cash items include profit and loss from change in fair value such as equity instruments at fair value through profit and loss. Valuation differences result from equity instruments classified as financial investments at fair value through comprehensive income statement are recognised in statement of other comprehensive income.

A) Financial assets and financial liabilities

C/1. Initial recognition and measurement

ADIB conducts initial recognition of financial assets and liabilities on the date on which ADIB becomes a party to the contractual conditions of financial instrument.

The financial asset or liability is initially measured at fair value. With regard to asset or liability that is not subsequently measured at fair value through profit and loss, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance.

C/2. Classification

Financial assets - Applicable Policy as of January 1, 2019

- Upon initial recognition, ADIB classifies the financial assets into financial assets at amortised cost, financial assets at fair value through statement of other comprehensive income or at fair value through profit and loss.
- The financial asset is measured at amortised cost upon fulfilment of the following two conditions and when it has not been allocated by Bank's management upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to hold financial asset to collect contractual cash flows.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is represented only in the principal amount of the financial instrument and the interest.
- The financial asset is measured at fair value through other comprehensive income upon fulfilment of the following two conditions and when it has not been allocated upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to collect contractual cash flows and sell the financial asset.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is not represent only in the principal debt and the interest.

- Upon initial recognition of an equity instrument not held for trading, ADIB can take irrevocable option to present subsequent changes in fair value through statement of other comprehensive income. Such option is adopted for each investment individually.
- Other outstanding financial assets are classified as financial investments at fair value through profit and loss.
- Furthermore, ADIB may, upon initial recognition, irrevocably allocate a financial asset as measured at fair value through profit or loss despite of fulfilling the conditions of classifying as financial asset at amortised cost or fair value through statement of other comprehensive income, if so materially prevents or reduces the conflict that may arise in accounting measurement.

Summary of accounting policies - continued

Business model valuation

1) Debt instruments and equity instruments are classified and measured as follows:

Instrument	Method of measurement as per the business model		
	Amortised cost	Fair value through other comprehensive income	
		Through comprehensive income	Through profit or loss
Equity instruments	___	One-time option upon initial recognition Irrevocable	Normal transaction for equity instruments
Debt instruments	Business model of assets held to collect contractual cash flows	Business model of assets held to collect contractual cash flows and sale	Business model of assets held for trading

2) ADIB prepares, documents and approves Business Model(s) in compliance with IFRS 9 requirements to reflect ADIB's strategy made for managing financial assets and its cash flows as follows:

Financial asset	Business model	Principal characteristics
Financial assets at amortised cost	Business model of financial assets held to collect contractual cash flows	▪ The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. ▪ A sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. ▪ Lowest sales in terms of periodic and value. ▪ A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard are conducted by ADIB.
Financial assets at fair value through other comprehensive income	Business model Business model of financial assets held to collect contractual cash flows and sale	▪ Both the collection of contractual cash flows and sale are complementary to the objective of the model. ▪ High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
Financial assets at fair value through profit and loss	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	▪ The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. ▪ The collection of contractual cash flows is a contingent event for the objective of the model. ▪ Management of financial assets by the management at fair value through profit and loss to avoid accounting inconsistencies.

Summary of accounting policies - continued

- ADIB evaluates the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information, which is taken into consideration when evaluating the business model, includes the following:

- Documented approved policies and portfolio's objectives and application of such policies in the real world. In particular, whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that fund such assets or generates cash flows from sale of assets.
- Way of evaluating and reporting on portfolio's performance to senior management.
- Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
- Way of evaluating the performance of business managers (fair value and/or interest on portfolio).
- Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve ADIB's objective from managing the financial assets and how to generate cash flows.

- The financial assets held for trading, or managed and its performance valued on basis of fair value are measured at fair value through profit and loss since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

- **Valuation of whether the contractual cash flows of an asset represent payments restricted upon principal amount of instrument and interest**

- For purpose of this valuation, ADIB identifies the principal amount of financial instrument as the fair value of financial asset upon initial recognition. Further, ADIB identifies the interest as time value for money and credit risks related to the principal amount during specific period and other main finance risks and costs (such as liquidity risks and administrative costs) in addition to profit margin.
- In order to evaluate whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and interest, ADIB takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. In order to carry out such valuation, ADIB takes into consideration the following matters:
- Potential events that may change the amount or date of cash flows.
- Specifications of financial leverage (interest rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit ADIB's ability to claim cash flows from certain assets.
- Specifications that may be amended for time value of cash (periodically repricing interest rate).

Summary of accounting policies - continued

Financial liabilities - Applicable policies as of January 1, 2019

- Upon initial recognition, ADIB classifies financial liabilities into financial liabilities at amortised cost and financial liabilities at fair value through profit and loss according to purpose of bank's business model.
- All financial liabilities at fair value are initially recognised on the date when ADIB becomes party to contractual conditions of financial instrument.
- Classified financial liabilities are subsequently measured at amortised cost based on amortised cost by using effective interest rate.
- Financial liabilities at fair value through profit and loss are subsequently measured at fair value and change in fair value related to change in credit rating degree of ADIB is recognised in statement of other comprehensive income whilst the outstanding amount from change in fair value is presented in profit and loss.

Reclassification

- The financial assets are reclassified upon initial recognition only if ADIB changes business model of managing such assets.
- In all cases, reclassification between financial liabilities at fair value through profit and loss and financial liabilities at amortised cost are not conducted.

C/3. Exclusion

1- Financial assets

- The financial asset is excluded when the effective period of contractual right to obtain cash flows from financial asset expires or ADIB transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated materially with ownership are transferred to another party.

- When a financial asset is excluded, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profit and loss has been previously recognised in the fair value reserve of financial investments at fair value through statement of other comprehensive income is recognised in statement of profit and loss.

- As of 1 January 2019, any accumulated profit or loss recognised in statement of other comprehensive income related to investing in equity instruments allocated as investments at fair value through statement of other comprehensive income are not recognised in profit and loss upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) is recognised as separate asset or liability.

- When ADIB makes transactions whereby it transfers assets that have been previously recognised in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not excluded.

- In respect of transactions in which ADIB does not materially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, ADIB continues to recognise the asset within the limitation of its continuous commitment to financial asset. The continuous commitment of ADIB to the financial asset is determined based on ADIB's exposure to the changes in the value of transferred asset.

- In some transactions, ADIB holds the commitment to provide transferred asset in return for commission. Thereupon, the transferred asset is excluded if it meets the exclusion conditions. An asset or liability to provide service is recognised if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

Summary of accounting policies - continued

2- Financial liabilities

- ADIB excludes financial liabilities when the financial liability is disposed of or cancelled or its term set forth in the contract expires.

C/4. Adjustments to financial assets and financial liabilities

1- Financial assets

- If the terms of a financial asset are amended, ADIB evaluates whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the original financial asset are considered expired and hence the original financial asset is excluded and the new financial asset is recognised at fair value and the value resulting from adjusting aggregate book value is recognised as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits have to be deferred and presented with aggregate impairment losses whilst losses have to be recognised in the statement of profit and loss.

- If the cash flows of adjusted asset recognised at amortised cost do not materially differ, the adjustment will not result in the exclusion of the financial asset.

2- Financial liabilities

- ADIB may adjust a financial liability when its terms are amended and the cash flows of adjusted liability will materially differ. In such case, a new financial asset is recognised according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability is recognised in accordance with amended terms in the profit and loss.

B) Offsetting financial assets and liabilities

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

An offset is made only between revenues and expenses, if permitted in accordance with the amended Egyptian Accounting Standards, or profit or loss result from similar groups because of trading activity or the result of translation differences of the balances of assets and liabilities of monetary nature into foreign currency or the result of profits (losses) from foreign currency operations.

C) Measurement of fair value

- ADIB sets the fair value on basis that it is the price that will be obtained for the sale of an asset or will be paid for transfer of a liability in a transaction made between the participants in the market on measurement date taking specifications of the asset or liability into consideration when measuring the fair value if the participants in the market took such specifications into consideration when pricing the asset and/or liability on measurement date as such specifications include status and position of the asset and restrictions upon sale or use of the asset as per the perspective of participants in the market.

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

- ADIB uses market methodology to determine fair value of financial assets and liabilities as such methodology uses other relevant prices and information result from market transactions that include assets or liabilities or set of assets and liabilities and are typical or comparable. Accordingly, ADIB uses valuation methods that are in consistent with market methodology such as market multiples derived from comparable sets. Thereupon, it is required to opt for the appropriate multiplier within range using personal judgement taking into consideration both quantitative and qualitative factors of the measurement.

- When it cannot be relied upon the market approach to determine the fair value of a financial asset or financial liability, ADIB uses the income approach to determine fair value whereby future payments such as cash flow or income and expenses are transferred to current amount (discounted) so that the fair value measurement reflects current market expectations about future payments.

- When it cannot be relied upon market approach or income approach to determine the fair value of a financial asset or financial liability, ADIB uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.
- The measurement method of financial assets and liabilities at fair value are set below in the financial statements within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which ADIB can have access to at the date of measurement.

- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3 - Unobservable inputs of the asset or the liability.

The following table shows the change in the measurement methods of the fair value of financial assets at 31 December 2021, compared to the comparative figures at 31 December 2020

000's EGP

31 December 2021	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	101,440	9,176,324	-	**9,277,764**
Mutual funds certificates	-	-	21,302	**21,302**
Equity instruments	-	-	94,165	**94,165**

31 December 2020	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	51,631	7,945,355	-	**7,996,986**
Mutual funds certificates	-	-	19,432	**19,432**
Equity instruments	-	-	69,484	**69,484**

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

(X/1) Financial instruments at level 1

The fair value of financial instruments traded in active markets is based on quoted prices at the date of statement of financial statements. The market is deemed active when the items in the market are similar and there are usual buyers and sellers willing to deal at any time normally. ADIB has used the declared quoted price to determine the fair value of this level. The instruments included in Level 1 comprise investments held for trading in the stock exchanges.

(X/2) Financial instruments at level 2

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques depend on the use of observable inputs of the asset or the liability directly or indirectly. The fair value method is included in the second level if all significant inputs are observable throughout the period of the financial asset or liability. If an important input is not observable, the financial instrument will be included in the third level.

Specific valuation techniques used to determine fair values of financial instruments include:

- Quoted prices for similar assets or liabilities in active markets.
- Interest rate swaps by calculating the present value of the estimated future cash flows based on observable interest curves.
- The fair value of forward foreign exchange contracts is determined using the current value of the expected cash flows by using the future foreign exchange of the currency of contract.
- Analysis of deducted cash flows to determine fair values of other financial instruments.

D) Financial derivatives instruments and hedge accounting

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value is obtained from market prices quoted in active markets, recent market transactions or valuation techniques such as discounted cash flow models and options pricing models, as the case may be. All derivatives are presented within the assets if the fair value is positive, or within obligations if the fair value is negative.

Embedded derivatives contracts are not separated when the derivative is associated with a financial asset and therefore all embedded derivatives contract are classified with the financial asset associated therewith.

Summary of accounting policies - continued

The method of recognition of profit and loss arising from changes in fair value is based on whether the derivative is designated as a hedging instrument and the nature of the hedged item. ADIB allocates certain derivatives as any of the following:

1. Fair value risk hedges for assets and liabilities recognised or confirmed commitments (fair value hedges).
2. Hedges of future cash flows risks expected to be substantially attributable to a recognised asset or liability, or attributable to a forecasted transaction (cash flows hedges).

Hedge accounting is used for derivatives allocated for such purpose if they meet requirements eligible for accounting as hedge instruments.

At the inception of the transaction, ADIB documents the relationship between hedged items and hedging instruments as well as the objectives of risk management and strategy of entering into various hedge transactions. ADIB also documents, at the inception of the hedge and on an ongoing basis, the estimate of whether the derivatives used in hedge transactions are effective against the changes in the fair value or cash flows of the hedged item.

D/1. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedges of changes in fair value risks are recognised in the statement of profit and loss, together with any changes in the fair value that are attributable to the risk of hedged asset or liability.

The effective changes in fair value for interest rate swaps and relevant hedged items is retrospectively recognised in "net interest income" item. Whilst the effective changes in fair value for future currency contracts is recognised in "net income of financial investments at fair value through profit and loss" item.

Non-effective in all contracts and relevant hedged items included in the previous paragraph is recognised in "Net income of financial investments at fair value through profit and loss" item

If the hedge no longer meets the criteria for hedge accounting, the adjustment to book value of a hedged item that is accounted for using the amortised cost method should be amortised by charging it to profit or loss over the period to maturity. Adjustments made to the book value of the hedged equity instrument are included within equity until they are disposed of.

D/ 2. Cash flow hedges

The effective portion of changes in the fair value of designated derivatives qualified for cash flow hedges are recognised in statement of other comprehensive income. Profits and losses related to non-effective portion are immediately recognised in "Net income of financial investments at fair value through profit and loss" item.

Amounts accumulated in statement of other comprehensive income are carried to statement of profit and loss in the same periods in which the hedged item has an impact on profit or loss. Profits or losses relating to the effective portion of the currency swaps and options are taken to the "net income of financial investments at fair value through profits and losses".

When a hedging instrument matures or is sold, or if hedging no longer meets the conditions for hedge accounting, profits or losses accumulated in other comprehensive income at that time is retained in other comprehensive income items and recognised in the statement of profit and loss when the forecasted transaction is finally recognised. When a forecast transaction is no longer expected to occur, profits or losses accumulated in other comprehensive income are immediately transferred to the statement of profit and loss.

D/3. Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss under "net income of financial investments at fair value through profit and loss". However, profits and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities at fair value through profit and loss are included in statement of profit and loss under 'Net income from financial instruments at fair value through profit and loss'.

Summary of accounting policies – continued

E) Interest income and expenses

- Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated initially at fair value through profit and loss, are recognised in the statement of profit and loss within 'interest of similar funds and revenues' using the effective interest method.

- According to the effective interest rate method, the amortised cost of an asset or financial liability is calculated and allocation of income revenues or expenses interest is distributed throughout the life of related instrument. The effective interest rate represents the rate used to discount future cash flows expected to be paid or collected during the expected life of the financial instrument, or less time if appropriate in order to accurately determine the book value of an asset or financial liability. When calculating the effective interest rate, ADIB estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are considered as part of the effective interest rate. Also, the transaction cost includes any premiums or discounts.

- When funds or receivables are classified as impaired funds and debts, the related interest income is not recognised but is rather carried off the financial statements in marginal records and is recognised under revenues according to cash basis as per the following:

  - When they are collected, after receiving all past due instalments for consumption and real estate funds for personal housing and small funds for economic activities.
  - For corporate funds, cash basis is also applied, where the interest subsequently calculated is given in accordance with the fund scheduling contract, until 25% of the scheduling instalments are repaid and with a minimum of one year of regular repayment. In case the customer continues to make payments on a regular basis, the interest calculated on the fund outstanding is recognised in revenues (interest on regular scheduling balance) without marginal interest before scheduling which is not recognised as revenues except after paying all the fund balance in the balance sheet before scheduling.

F) Fees and commission income

- Fees that are due for a banking process or fund service or a facility are recognised as revenues when the service is rendered. The recognition of the fees and commissions income related to impaired funds or debts is suspended and they are carried in marginal records off the balance sheet and are recognised under revenues according to the cash basis when interest income is recognised in accordance with item (2-I). Fees that generally represent a complementing part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

- Commitment fees on funds are deferred when there is probability that funds will be used, as the commitment fees received by ADIB represent compensation for the continuous interference to acquire the financial instrument. Subsequently, it is recognised as adjustment to the effective interest rate on funds. If the commitment period passes without issuing the fund, the commitment fees are recognised as income at the end of the commitment period. If there is no probability that these funds are used, the commitment fees are recognized on the basis of the relative time distribution over the period of the commitment.

- Fees related to debt instruments measured at its fair value are recognised as income at initial recognition. Fees related to marketing of syndicated funds are recognised as income when the marketing process is completed and the fund is fully used or if ADIB kept its share of the syndicated funds using the effective interest rate as used by the other participants.

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Notes to the separate financial statements

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Summary of accounting policies – continued

- Fees and commissions arising from negotiation or participating in negotiation over a transaction in favour of another party -such as arrangement to buy shares or other financial instruments or acquire or sell entities, are recognised in statement of profit and loss upon the completion of the concerned transaction. Fees of management consultation and other services are usually recognised on a time-apportion basis over the period of performing the service. Financial planning and custody services fees provided on long periods are recognised over the period in which the service is provided.

G) Dividends income

- Dividends on ADIB's investments in equity instruments and its equivalents are recognised in the statement of profit and loss when the right to collect them is established.

H) Purchase and resale agreements & sale and repurchase agreements

- Sold financial instruments under repurchase agreements are presented within assets in the treasury bills and other government securities line item in the financial position. Differences between the sale and repurchase price are recognised as due interest throughout the period of the agreements using the effective interest rate method.

I) Impairment of financial assets

- Impairment losses from expected credit loss of subsequent financial instruments that are not measured at fair value are recognised through profit and loss, which are:

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

- Impairment losses are not recognised in investments value of equity instruments.

Summary of accounting policies – continued

- **Debt instruments related to retail banking products and small and micro sized enterprises**

1) ADIB consolidates debt instruments related to retail banking products and small and micro enterprises on the basis of groups with similar credit risk based on the type of banking product.

2) ADIB classifies debt instruments within the retail banking product group or small and micro enterprises into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of the maturity of contractual instalments.	If the borrower encounters one or more of the following events at least: - The borrower submits a request to convert short-term and long-term repayments due to negative effects related to the borrower's cash flows. - Cancellation of a direct facility by ADIB due to the borrower's high credit risk. - Extension of the deadline for repayment at the borrower's request. - Past dues are frequent during the past 12 months. - Future adverse economic / legislative / technological changes		

				affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	N/A

Summary of accounting policies – continued

- **Debt instruments related to medium enterprises**

1) ADIB consolidates debt instruments relating to medium enterprises on the basis of similar credit risk groups depending on borrowing client unit (ORR).
2) ADIB classifies customers within each group into three stages based on the following quantitative and qualitative criteria:

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of maturity of the contractual instalments.	If the borrower is on the watch list and/ or the financial instrument encounters at least one or more of the following events: - A significant increase in the interest rate on the financial asset as a result of increased credit risk - Significant adverse changes in the activity and financial or economic conditions in which the borrower operates. - Request of rescheduling. - Significant adverse changes in actual or expected operating results or cash flows. - Future adverse economic changes affecting the borrower's future cash flows. - Early signs of cash flow/ liquidity problems such as delays in servicing creditors / trade funds.		

Summary of accounting policies – continued

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty. - The death or disability of the borrower. - The borrower defaults financially. - Initiate scheduling as a result of the deterioration of the borrower's creditworthiness. - Failure to comply with financial commitments. - The disappearance of the active market of the financial asset or one of the financial instruments of the borrower due to financial difficulties. - Granting financiers privileges related to the borrower's financial difficulty, which would not have been granted under normal circumstances. - The borrower may be in bankruptcy or restructuring due to financial difficulties. - If the borrower's financial assets are acquired at a significant discount that reflects the credit losses incurred.

- Financial assets that are created or acquired by ADIB and include a high rate of credit risk will be classified as ADIB's low-risk financial assets at the initial recognition of stage 2 directly.

Summary of accounting policies - continued

Measurement of expected credit losses

- ADIB evaluates the portfolios of debt instruments on a quarterly basis at the portfolio level for all financial assets of individuals, institutions, SME and micro-enterprises, and on a periodic basis with respect to the financial assets of institutions classified within the watch list for the purpose of monitoring the credit risk related thereto. This evaluation is made periodically at the level of the counterparty. Criteria used are periodically reviewed and monitored to determine the significant increase in credit risk by the credit risk department.
- At the date of the financial statements, ADIB estimates the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at a value equal to the expected credit losses over the (12) twelve months:
- A debt instrument that has been identified as having low credit risk at the financial statements date (debt instruments in the stage (1)).
- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition (debt instruments in the stage (1)).
- ADIB considers the expected credit losses to be a probability-weighted estimate of the expected credit losses, which are measured as follows:
- The expected credit losses on financial assets are measured at the stage (1) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios, which are adjusted according to the average forecasts of the scenarios of macroeconomic indicators for the future (12) twelve months multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. As expected credit losses take into account the amount and timing of payments, the credit losses arise even if the enterprise expects full repayment but later on after the debt becomes payable under contractual terms. The expected credit losses over (12) twelve-month period will be deemed a part of the expected credit losses over the life of the asset which result from defaults on a financial instrument within (12) twelve months after the date of the financial statements.
- The expected credit losses on financial assets are measured at the stage (2) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the life of the financial asset multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk.
- Impaired financial assets at the financial statements date are measured as the difference between the total book value of the asset and the present value of the expected future cash flows.

▪ Commitments on funds and similar debt instruments are included in the calculation of value upon default. They are calculated on the balances outstanding on the date of the financial statements after they have been converted into value in the event that these commitments are used in the future.

▪ Upon calculating loss rates, ADIB calculates the expected recovery rates from the present value of the expected cash flows either from cash and in kind collateral; or historical or expected future payment rates as follows:

- For debt instruments classified in stage (1), it is taken into account the value of cash collateral and equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk after deducting 10% for the unexpected circumstances.
- For the debt instruments classified in the stages (2) and (3), only the types of guarantees will be considered in accordance with the rules issued by the (CBE) dated 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees will be calculated according to the rules of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated 16 December 2008, after deducting 10% and 20% of the cash collateral and the present value of the future cash flows of the in-kind collateral, respectively.

Summary of accounting policies - continued

Measurement of expected credit losses - continued

- For debt instruments held by banks operating outside Egypt, the probability rates of default are determined on the basis of the credit rating of the headquarters of ADIB operating outside of Egypt in no more than the credit rating of the country of the headquarters, taking into consideration the instructions issued by the Central Bank of Egypt on the risks of countries. The loss rate is calculated at 45%.
- As for the instruments held by the banks operating inside Egypt, the probability of default is calculated on the basis of ADIB's classification by the external international rating institutions. The branches of the Egyptian banks abroad will be treated as the headquarters. The branches of the foreign banks operating in Egypt will be treated as their headquarters, and the loss rate is calculated at 45%.
- For debt instruments issued by entities other than the banks, the probability of default is calculated on the basis of the rating of the issuing entity for the financial instrument by the external international rating institutions in no more than the credit rating of the issuing country in the case of external entities and the loss rate is calculated at 45%.
- The impairment provision for financial assets recognised in the financial position is deducted from the carrying amount of the financial assets at the time of the statement of financial position, while the provision for impairment relating to funds commitments, financial guarantee contracts and contingent liabilities is recognised within other provisions for the liabilities in the financial position.
- For financial guarantee contracts, ADIB estimates the expected credit loss on the basis of the difference between the payments expected to be made to the guarantee holder less any other amounts that ADIB expects to recover.

Transition from Stage 2 to Stage 1

- ADIB does not transfer the financial asset from stage (2) to stage (1) unless all the quantitative and qualitative elements of the stage (1) have been fulfilled and the total cash receipts from the financial asset are equal to or greater than the total amount of the instalments due to the financial asset, if any, and the due proceeds and (3) three consecutive months pass when the requirements are fulfilled.

Transition from Stage 3 to Stage 2

- ADIB does not transfer the financial asset from stage (3) to stage (2) - including the scheduling - except after fulfilling all the following conditions:

1) Fulfilling all quantitative and qualitative elements of Stage 2.
2) Repayment of 25% of the balances of the outstanding financial assets, including the set aside/ marginalised due interest, as the case may be.
3) Regularity in paying the principal amount of the financial asset and its due interest for at least 12 continuous months.

Summary of accounting policies - continued

Restructured financial assets:

- If the terms of a financial asset are renegotiated or modified; or a new financial asset is replaced by a current financial asset due to the financial difficulties of the borrower, an assessment is made as to whether the financial asset will be excluded and the expected credit losses will be measured as follows:

▪ If restructuring does not result in the exclusion of the current asset, the expected cash flows from the adjusted financial asset will be used upon calculating the cash deficit in the current asset. The expected credit losses are calculated over the life of the instrument.

▪ If restructuring results in exclusion of the current asset, the expected fair value of the new asset will be deemed as final cash flows from the current financial asset upon exclusion. This value will be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the financial statements date using the original effective interest rate of the current financial asset.

Presentation of the expected credit losses provisions 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 deduction from the total book value of the assets.

▪ Financial commitments and financial guarantee contracts as a provision in general.

▪ When the financial instrument includes both the used and unused permissible limit of the instrument and ADIB cannot determine the expected credit losses of the unused portion separately, ADIB presents a provision for the loss of the used and unused portion, and the aggregate amount will be presented as a deduction from the total book value for the used portion. Any increase in the loss provision is presented on the total amount of the used portion as a provision of the unused portion.

▪ A provision for impairment of debt instruments at fair value through other comprehensive income is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve.

Debts write-off

- Debts are written off (in part or in whole) when there is no realistic possibility of repayment of the debt. Generally, when ADIB determines that the borrower does not have the assets, resources or sources of income that may generate sufficient cash flows to repay the debts that will be written off; however, the impaired financial assets may continue to be subject to follow-up in light of ADIB's procedures to recover the due amounts. The deduction is charged to the impairment provision account for debts written off, whether or not they have provision, and any collections for previously written off funds will be added to the provision of impairment.

Summary of accounting policies - continued

J) Intangible assets

R/1 Computer Software

– Expenditure on upgrading and maintenance of computer software is recognized as an expense in the statement of profit and loss in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by ADIB and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs also include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

– The expenses which lead to the increase or expansion in the performance of computer software beyond their original specifications are recognised as a development cost and are added to the original software cost, when all the following conditions are fulfilled:

- ADIB has the intention and the ability to complete and use that software.
- Development-related expenditures can be reliably measured.

– The computer software cost recognised as an asset is amortised over the expected useful life as follows:

Asset type	Default Life / deprecation rate
Computer Software	3 years

R/ 2 Other intangible assets

– Other intangible assets comprise all intangible assets other than goodwill and computer software.

– Other intangible assets are recognised at cost of acquisition and amortised on a straight-line basis or on the basis of expected economic benefits over the estimated useful lives. Assets that do not have a definite useful life are not amortised, but impairment is tested annually and the impairment value (if any) is charged to the statement of profit and loss.

K) Fixed assets

– Lands and buildings are primarily represented in head offices, branches and offices. All assets are presented at historical cost less depreciation and impairment losses. Historical cost includes expenses associated directly with acquiring fixed assets items.

– Subsequent costs are recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the period / year in which they are incurred.

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

Asset type	Default Life / deprecation rate
Buildings	20 years
Decorations and fixtures	20 years
Integrated automation systems and equipment	5 years
Transportation	5 years
Furniture & instalments	10 years
Other equipment	10 years
Portable devices / Mobiles	1 years

Summary of accounting policies – continued

- Residual values and useful lives of fixed assets are reviewed as at the date of financial statements and are adjusted, if necessary. Depreciable Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount.
- The recoverable amount is the higher of the asset's net selling amount and value in use. Profits and losses on disposals from fixed assets are determined by comparing net proceeds with carrying amount. Profits/ (losses) are included in other operating income (expenses) in the statement of profit and loss.

L) Impairment of non-financial assets

- Assets that do not have definite life time are not depreciated and their impairment is reviewed annually. Impairment of depreciated assets is examined when there are events or changes in circumstances that indicate that the book value may be partially or wholly non-recoverable.
- Impairment loss is recognised and the asset value is deducted at the amount by which the asset's book value increases over the recoverable amount. The recoverable amount represents the higher of the asset's net selling amount and value in use. For the purpose of estimating impairment, the asset is grouped to the smallest possible cash generating unit. The non-financial assets are reviewed for any impairment in order to determine if impairment can be reversed to the statement of profit and loss at the date of each financial statement.

M) Leases

- Finance leases are accounted for in accordance with Law 95 of 1995 concerning Finance Lease if the contract grants the right to the lessee to purchase the asset on a specified date and at a specified value; and the contract period represents at least 75 % of the expected useful life of the asset, or the present value of the total lease payments represents at least 90% of the value of the asset. Other leases are considered operating leases.

Y/1 Leasing

- Finance lease contracts, lease costs including maintenance expense of leased assets are recognised under expenses in the statement of profit and loss in the year / period incurred. If the Bank decides to exercise the right to purchase the leased assets, the cost of this right of purchase is capitalised as an asset within the fixed asset and depreciated over the assets' expected remaining useful life in the same way used with similar assets.
- Payments made under operating leases, less any discounts received from the lessor, are recognised as expense in the statement of profit and loss on a straight-line basis over the period of the lease.

N) Cash and cash equivalents

- For the purposes of the statement of cash flows, cash and cash equivalents include balances due within three months from the date of acquisition, which includes cash and balances with central banks other than the statutory reserve, and balances with banks and other government notes.

Summary of accounting policies - continued

O) Other provisions

- Other provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
- Where there are a number of similar obligations, the outflow required for settlement is determined, taking into consideration the group of obligations as a whole. The provision is recognised even if the likelihood of an outflow with respect to an item in the group is minimal.
- Provisions no longer required fully or partially are reversed in other operating income (expenses).
- The current value of payments to settle the obligations that must be settled after one year from the financial position date using an appropriate rate in accordance with the terms of settlement, without being affected by the prevailing tax rate, which reflects the time value of money. If the settlement term is less than one year, the estimated value of the obligation is calculated unless it has a material impact; otherwise, it is calculated at the current value.

P) Commitments of financing and financial guarantee contracts

- Financial guarantees represent contracts in which ADIB is the guarantor or the guarantor of financing or overdrafts (mudaraba) towards other entities. This requires ADIB to make certain payments to compensate the beneficiary for loss incurred due to default of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees are given to banks, financial institutions and other entities on behalf of ADIB's customers.
- Commitments on financing are the commitments under which the Bank grants credit according to pre-determined terms and thus guarantees include the unused portions of the credit limits granted within the amounts expected to be used by ADIB in the future. The financial guarantee contracts and commitments of granting finance at interest rates below the market price are initially recognized in the financial statements at fair value on the date of granting the guarantee / commitment. The initially recognized fair value is amortized over the life of the guarantee / commitment.
- In subsequent measurement, ADIB's obligation under the guarantee / commitment is measured as follows:
  The higher of the amortized value or the impairment loss value.
- ADIB has not made any commitments during the period / year on finances measured at fair value through profit and loss.
- For other commitments on finances: ADIB recognizes impairment losses.
- Liabilities arising from financial guarantee contracts are recognized within provisions. Any excess of the liability arising from the financial guarantee is recognized in the statement of profit and loss within other operating revenues (expenses) in the statement of profit and loss.
- The calculated provision for commitments for financing is recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of financing. Any increase in the provision for commitment over finance is recognized within provisions in the statement of financial position.

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Summary of accounting policies - continued

Q) Obligations of retirement benefits

S/1 Employees' fund

- On the 1st of July 2013, ADIB established a special social insurance fund (the Fund) under Law No. 54 of 1975, "Special Insurance Funds and its Executive Regulations". ADIB registered the Fund on 14 January 2014 and the Fund's registration number with the Financial Supervisory Authority is (884). The Fund's work began on the 1st of April 2014 and the terms of this Fund and its amendments apply on all employees of the headquarters of ADIB and its branches in the Arab Republic of Egypt.
- ADIB is obliged to pay to the Fund the contributions due for each month calculated in accordance with the regulations of the Fund and its amendments. The Fund is financed in general through monthly contributions and some other resources set forth in the regulations of the Fund.
- Payment of insurance benefits is made in the case of termination of service due to the member's retirement age, death, whole permanent disability or partial permanent disability from the service. In the event that the term of the membership is less than three years, the member of the Fund is paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

S/2 System of defined benefits for the medical care of senior employees during the period of service and after retirement

- ADIB applies the system of medical contribution specified for the senior employees during the service and after retirement. The liability recognised in the balance sheet in respect of the defined benefit plans comprises the present value of the defined benefit liabilities at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealised actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.
- The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.
- Gains (losses) arising from adjustments and changes in estimates and actuarial assumptions are calculated and the gains are deducted (and losses added) to the statement of income if they do not exceed 10% of the asset value of the plan or 10% of the defined benefit liabilities, whichever is higher. In the event of an increase in gains (losses) over this ratio, the increase is deducted (added) in the statement of income over the remaining average working years.
- Past service costs are recognized directly in the statement of income within administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (Vesting period). In this case, the past service costs are amortized using straight-line method over the vesting period.

R) Borrowing

S) ADIB's financings are initially recognized at fair value less costs to obtain financing. The financing will be subsequently measured at amortized cost. The difference between the net proceeds and the value to be fulfilled over the period of obtaining financing using effective interest method will be charged to the statement of profit and loss.

T) Comparative figures

Where necessary, comparative figures are reclassified to conform to changes in presentation used in the current period

Summary of accounting policies - continued

N) Income taxes

- The income tax on profit or loss for the period/ year includes both the current and deferred taxes; it is recognized in the statement of income except for income tax related to other comprehensive income items that were directly recognised in the statement of comprehensive income.
- The income tax is recognised on the basis of the net taxable income using the effective tax rate at the financial position date in addition to previous year's tax adjustments.
- Deferred tax arising from temporary time differences between the carrying amount of assets and liabilities are recognised in accordance with the accounting bases and the value based on the tax bases. Deferred tax is determined based on the method used to realise or settle the current values of these assets and liabilities using the tax rates prevailing at the financial position date.
- The deferred tax assets are recognised if it is probable that sufficient taxable profits will be realised in the future whereby the asset can be utilised. The value of deferred tax assets will be reduced by the value of the portion not yielding the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will increase to the extent of previous reduction.

4-Financial risk management

- ADIB, as a result of the activities it exercises, is exposed to various financial risks, taking into account that risks are the basis of the financial activity, and some risks or group of risks are analysed, evaluated and managed altogether. ADIB intends to strike a balance between the risk and return and to reduce the probable adverse effects on ADIB's financial performance. The most important types of risks are credit risk and market risk. Market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.
- The risk management policies have been laid down to determine and analyse the risks, set limits to the risks and control them through reliable methods and up-to-date IT systems. ADIB regularly reviews the risk management policies and systems and amends them to reflect the changes in the markets, products and services, and the best updated applications.
- Risks are managed by both the Risk Committee and the Market Risk and Credit Risk Departments in view of the policies approved by the Board of Directors. The Risk Departments determine, evaluate and cover the financial risks, in collaboration with ADIB's various operating units, and the Board provides written principles to manage risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk, interest rate risk and using derivative and non-derivative financial instruments. Moreover, the Risk Committee is independently responsible for periodic review of risk management and control environment.

Risk Management Strategy

ADIB practises its activities through business lines that generate many risks that may vary in terms of frequency, strength and fluctuation. Therefore, ADIB has taken measures to ensure the effective management of these risks, including increasing the ability to standardize the degree of risks appetite and risk identifiers, to develop the terms of reference of the core risk department, and to implement an efficient and high-quality risk department structure. The main objectives of ADIB's risk department framework are as follows:

- Contributing to the development of ADIB's various lines of business to reach an optimum level of general risk.
- Ensuring the continuity of ADIB through the implementation of a high quality risk department infrastructure.
- In determining ADIB's overall risk appetite, ADIB's management has taken into account various considerations and variables, including:
  - The relative balance between risk and proceeds for ADIB's various activities.
  - The degree of the sensitivity of profits to business cycles and credit and economic cycles.
  - Achieving a parallel package of good profits flows

Risk Management Governance and Risk Management Principles

ADIB's risk department governance is based on the following:

1- Strong management intervention at all levels of the organization, starting from the Board of Directors to the management of field task forces responsible for operations.
2- An integrated framework for internal procedures and guidelines.
3- Continuous monitoring by business lines and supporting functions, as well as, by an independent Risk Control Body and compliance with the rules and procedures.
Risk and audit committees within the Board are more specifically responsible for examining the compatibility of the internal framework in order to monitor risks and the adherence to the rules.

Risk Categories:

The risks associated with ADIB's banking activities include the following:

4/1 Credit risk

- Credit risk represents potential losses arising from the possibility that the borrowers or counterparties will fail to fulfill their obligations in accordance with contractual terms. Credit risk arises mainly from due from banks balances, financing and facilities to banks, individuals, SMEs and micro-enterprises, institutions and associations related to such activities. Credit risk may also arise from supporting financing / credit guarantees granted such as credit options (Credit Default Swap), financial guarantee contracts, letters of credit and letters of guarantee.
- ADIB is also exposed to credit risk from investment activities in debt instruments and positions outstanding from trading and financial derivative activities.
- Credit risk is the most important risk to ADIB's activity and therefore ADIB manages the credit risk exposures carefully. Management and control of ADIB's credit risk shall focus on the retail banking credit risk management group and the institutions at the Risk Department, which reports to the Risk Committee, Senior Management, Heads of Operation Department and BOD on interim basis.

4/1/1 Credit risk measurement

Financing and facilities to banks and customers (including commitments and financial guarantees)

The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio, therefore, requires further estimates of the probability of default and related loss rates. ADIB measures the credit risk losses using the rates of probability of failure (failure to fulfil contractual obligations) (Probability of default) on the basis of the book balance of the financial instrument at the date of failure (Exposure at default), and the rate of loss upon failure (Loss given default).

ADIB's internal rating categories

Classification	Classification rating
Stage (I)	Good Debts
Stage (II)	Special Follow-up
Stage (III)	Bad Debts

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Summary of accounting policies - continued

Classification of the Credit Risks

ADIB assesses the probability of default on each customer / affiliated group / credit product, using methods to classify customers in different categories, taking into account the minimum rating in accordance with the CBE's instructions on determining the creditworthiness of customers and the formation of provisions issued during 2005. Accordingly, ADIB uses a group of models and methods that are internally designed models and valuation methods for the counterparty categories and customers and the nature of the various financings under the available information collected at the date of application of the used model (e.g. income level, spendable income level, guarantees for individual customers, revenue, industry type, and other financial and non-financial indicators for institutions). ADIB completes these indicators with a range of external data such as query reports from CBE, credit reporting companies on borrowers and reports of other domestic and foreign credit rating agencies. In addition, the models used by ADIB shall allow the systematic assessment of experts by credit risk officers in the final internal credit rating. Thus, this allows to take into account other matters and indicators that may not have been taken as part of other data inputs into evaluation forms and methods designed internally or through external sources.

Credit scores are calibrated so that the risk of failure increases incrementally with each higher risk score. This means that the difference in failure rates of grade A and A- is less than the difference in failure rates between grade B and B-. The following are additional considerations for each type of credit portfolios held by ADIB:

- **Individuals, Retail Banking Products and Small and Micro Enterprises**

  After the date of initial recognition, the payment behaviour of the borrower shall be monitored on an interim basis to calculate a payment pattern. Any other known information about the borrower identified by ADIB may affect the creditworthiness such as unemployment rates and non-payment precedents as they will be included to measure the repayment pattern, and accordingly, default rates will be determined for each scale of repayment pattern.

- **Large and Medium Enterprises**

  The rating is determined at the level of the borrower / groups with similar credit risk, and any updated or new credit information or assessments will be included in the credit system on a continuous and periodic basis. In addition, information on the creditworthiness of the borrower / groups with similar credit risk are periodically updated from other sources such as financial statements and other published financial and non-financial data. This will determine the degree of internal credit rating updated and failure rates.

- **Debt Instruments issued by the Egyptian Government and CBE**

  Debt instruments, Treasury Bills and Government Bonds

– ADIB uses external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings are regularly monitored and updated periodically. The default rates associated with each rating are determined on the basis of rates achieved over the previous 12 months as published by the aforementioned rating agencies. The loss rate for government debt instruments and the central bank in local currency equals zero.

– ADIB's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. ADIB complies with the internal rating categories alongside with the rating categories set by CBE according to the instructions of determining creditworthiness and the formation of provisions, and reviewing that compliance on a regular basis. The rating methods are periodically re-calibrated and validated to reflect the most recent projections in light of all assumptions observed in reality.

Summary of accounting policies - continued

4/1/2 Future Data Used in the Expected Loss Model.

- Future data is used to determine whether there is a significant increase in the credit risk of financial instruments and the estimated credit losses (ECL). ADIB management determines the key economic variables that affect the credit risk and credit losses expected for each credit portfolio by analysing historical data. The economic variables and their impact are different on both Probability of Default (PD) and Exposure at Default (EAD) and Loss Given Default (LGD) depending on the different financial asset. ADIB seeks expert opinions regarding such assumptions and estimations, if necessary.
- Risk departments and credit departments of ADIB make estimates of these economic variables on a quarterly basis, and identify better estimations for those variables over the next five years. After these five years, ADIB uses method of "Mean Reversion Approach" in estimating those variables over the remaining life of each financial asset. Consequently, in the long term, those economic variables head to the level of the currently estimated averages or the estimated growth averages in the current period within a period of 2-5 years.
- In order to determine the impact of these economic variables on PD "Probability of Default", "Exposure at Default" EAD and "Loss Given Default" LGD, ADIB's management conducts the "Regression Analysis" in order to understand the historical effects resulting from those variables on the default rates and the inputs used in calculating EAD and LGD.
- In addition to basic economic scenarios, ADIB's management makes other possible scenarios, as well as the perceptions related to each scenario separately.
- ADIB's management conducts these economic scenarios for all important credit products in order to ensure that all non- linarites variables are included. These scenarios and their related characteristics are reviewed at the financial position date.
- Lifetime PD is used for both basic and other scenarios where the outcome of multiplying each scenario is made with their respective probabilities, as well as the supporting indicators and qualitative indicators. Based on the results of this study, an estimate is made as to whether that financial asset is at the first, second or third stage, on the basis of which it is determined whether the expected credit loss (ECL) is calculated on a 12-month basis or over the lifetime of the financial instrument "Lifetime ECL".
- Expectations and probability of occurrence ate subject to highly uncertain degree as known for any economic expectations, so actual results may differ significantly from those expected. ADIB conducts the best estimate of these potential projections and makes an analytical study of the unrelated and non-similar factors for the various credit portfolios in order to arrive at appropriate scenarios for all possible scenarios.

Summary of accounting policies - continued

Variable Economic Assumptions

The following are the key year-end assumptions that have been used to estimate ECL at 31 December 2019.

Enterprises' Portfolio

- Gross domestic product (GDP).
- Stock Exchange Market Index

Individuals' Portfolio

- Gross domestic product (GDP).
- Private consumption

– Balancing capital expenditures as a percentage of GDP.

The basic, downside, and upside scenarios were used for all portfolios.

ADIB did not use some future data other than the aforementioned, such as the impact of any regulatory, legislative or political changes, due to not being considered to have a significant impact, and therefore no adjustment was made to the ECL for these variables, which was reviewed and monitored to ensure their suitability on a quarterly basis.

Sensitivity Analysis

The main assumptions affecting the expected credit loss provision (ECL) are as follows

Individuals and Institutions Portfolio

The following represent the most important sensitivity analysis used to estimate the expected credit losses as at 31 December 2021:

- At least three scenarios are conducted to study future forecasts and to determine their impact on the variables of the expected credit loss measurement model. These scenarios represent:

- Basic Scenario

- Downside Scenario

- Upside Scenario

- The calculation of the expected credit loss reflects, without any bias, the probable weighted scenario, which is determined based on the assessment of a range of expected results instead of reliance on the upside and downside scenarios.

Summary of accounting policies - continued

Classification of loss-related instruments measured on the basis of similar groups

Regarding Expected Credit Losses "ECL", groups are classified on the basis of similar credit risk characteristics, so that risk at ADIB is homogenous. While executing this classification, it will be taken into consideration that there is sufficient information to enable ADIB to classify ADIB with statistical credibility. In the absence of sufficient information, ADIB takes into account complementary internal / external reference data. The following are examples of those characteristics and any supplementary data that are used to determine the classification:

Individuals' Financing - Groups are formed as per:

- The ratio of financing to asset value (for financing to purchase assets);
- Credit rating;
- Product type (such as housing / real estate mortgage purchase, overdraft, credit card, car financing); or
- Payment type (payment of principal + interest / interest only) or the percentage used from the authorized limit

Corporates' Financing - Groups are formed as per:

- Industry;
- Type of guarantees;
- Credit rating; or
- Geographical area of exposure

Summary of accounting policies - continued

4/1/3 Credit risk exposure:

A- Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis for the maximum exposure to credit risk of financial instruments for which the ECL provision has been recognized.

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

000's EGP

	31 December 2021				31 December 2020			
Retail	Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total	Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total
Creditworthiness as per CBE classification								
Good debts *	15,052,134	272,280	3,259	**15,327,673**	15,007,424	169,865	4,538	**15,181,827**
Regular follow-up	-	347,514	43,866	**391,380**	304	413,194	61,342	**474,840**
Special follow-up	-	3,340	86,608	**89,948**	-	291	82,524	**82,815**
Non-performing loans	-	-	665,823	**665,823**	-	-	344,444	**344,444**
Total	**15,052,134**	**623,134**	**799,556**	**16,474,824**	**15,007,728**	**583,350**	**492,848**	**16,083,926**
(Less) Impairment loss provision	(82,082)	(114,295)	(375,102)	**(571,479)**	(81,329)	(142,233)	(237,153)	**(460,715)**
(Less) Profit in suspense	(1,202)	(1,646)	(110,191)	**(113,039)**	(802)	(1,690)	(63,267)	**(65,759)**
(Less) Deferred profit	(3,263,113)	(88,046)	(76,218)	**(3,427,377)**	(3,940,615)	(98,785)	(54,805)	**(4,094,205)**
Book value	**11,705,737**	**419,147**	**238,045**	**12,362,929**	**10,984,982**	**340,642**	**137,623**	**11,463,247**

*** The second and third stages include some debts that are performing but they have not fulfilled yet all the conditions for transition to a higher stage.**

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Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

A- Maximum exposure to credit risk - Financial instruments subject to impairment - continued

000's EGP

	31 December 2021				31 December 2020			
Corporate	Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total	Stage One Month 12	Stage Two Lifetime	Stage Three Lifetime	Total
Creditworthiness as per CBE classification								
Good debts *	18,320,627	116,914	40	**18,437,581**	16,178,187	8,915	-	**16,187,102**
Regular follow-up	13,900,579	292,697	-	**14,193,276**	12,440,139	367,971	-	**12,808,110**
Special follow-up	-	944,849	55,667	**1,000,516**	-	495,464	47,050	**542,514**
Non-performing loans	-	-	1,097,306	**1,097,306**	-	-	921,699	**921,699**
Total	**32,221,206**	**1,354,460**	**1,153,013**	**34,728,679**	**28,618,326**	**872,350**	**968,749**	**30,459,425**
(Less) Impairment loss provision	(477,744)	(179,181)	(1,014,394)	**(1,671,319)**	(606,969)	(139,715)	(926,208)	**(1,672,892)**
(Less) Profit in suspense	-	-	(2,513)	**(2,513)**	-	-	(2,517)	**(2,517)**
(Less) Deferred profit	(48,486)	(2,321)	-	**(50,807)**	(11,796)	(99)	-	**(11,895)**
Book value	**31,694,976**	**1,172,958**	**136,106**	**33,004,040**	**27,999,561**	**732,536**	**40,024**	**28,772,121**

B- Credit guarantees

- ADIB uses a set of policies and practices to limit credit risk. The most applicable is the acceptance of guarantees for debt instruments and financing commitments. ADIB has internal policies concerning the categories of guarantees that can be accepted to limit or decrease credit risk.
- ADIB prepares an assessment of the guarantees that have been obtained when financing is established and this assessment is reviewed periodically. The main types of guarantees for financing are:
  - Cash and cash equivalents
  - Real estate mortgages.
  - Margin agreement for derivatives concluded with ADIB as part of major clearing agreements.
  - Commercial mortgages.
  - Financial instruments mortgage such as debt instruments and equity instruments.
- Collaterals held as guarantee for financial assets other than financing and facilities depend on the nature of the instrument; as debt securities, government bonds and other eligible bills are not generally guaranteed, except for asset-backed securities and similar instruments secured by financial instrument portfolios, and derivatives are often secured.
- ADIB's policies have not changed significantly related to obtaining guarantees during the period / year and there has been no change in the quality of the collaterals held by ADIB as compared to the previous fiscal period / year.
- ADIB closely controls the collaterals held for the financial assets that are considered to be of low credit value, as it becomes more likely that ADIB will hold collaterals to mitigate potential credit losses.

Summary of accounting policies – continued

4/1/4 Amendments to the terms of financing and re-scheduling

- ADIB sometimes adjusts the terms of financing submitted to customers due to commercial re-negotiation or non-performing financings in order to maximize recovery opportunities. These restructuring activities include arrangements to extend the repayment period, grace periods, exemption from payment or some/or of the interests. Restructuring policies and practices are based on indicators or criteria that indicate - in management's assessment - that payment will likely continue. These policies remain under constant review.
- ADIB continues to monitor whether there is a significant increase in credit risk with respect to those assets through the use of specific models for the adjusted assets.

4/1/5 Risk limit control and mitigation policies

ADIB manages, limits and controls concentrations of credit risk at the level of debtor, groups, industries and countries.

ADIB manages the credit risk it undertakes by placing limits on the amount of risk that will be accepted at the level of each borrower or groups of borrowers and at the level of economic activities and geographical sectors. Such risks are monitored on an ongoing basis and are subject to an annual or frequent review when necessary. Limits at the level of borrower/ bank, product, sector and country are approved quarterly by the Board of Directors.

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-the financial position exposures, and daily delivery risk limits in relation to trading items such as forward Islamic foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through adjusting the financing limits as appropriate.

Here are some ways to limit risk:

Guarantees

ADIB applies a range of policies controls to mitigate credit risk. One of these methods is obtaining guarantees against the financed funds. ADIB establishes guidelines for specific categories of acceptable guarantees.

The principal guarantees types for financing and facilities are:

- Cash and cash equivalents
- Real estate mortgages.
- Commercial mortgages
- Financial instruments mortgage, such as debt and equity instruments.

Long-term financing and corporate lending are often secured, while credit facilities for individuals are unsecured. To reduce credit loss to a minimum, ADIB seeks additional guarantees from the concerned parties as soon as impairment indicators are noticed for any financing or facilities.

ADIB determines the collaterals held to guarantee assets other than financing and facilities according to the nature of the instrument. Generally, debt instruments and treasury bills are unsecured except for asset-backed securities and similar instruments that are secured by a financial instruments portfolio.

Summary of accounting policies - continued

Credit-related commitments

Credit-related commitments represent the unused portion of credit limit authorised to grant financing, guarantees or letters of credit. ADIB is exposed to a possible loss of an amount that equals the total unused commitments as for the credit risk resulting from credit-related commitments. However, the probable amount of loss is less than the unused commitments as most commitments related to granting credit represent contingent liabilities to customers maintaining certain credit standards. ADIB monitors the maturity date of the credit commitments because long-term commitments are of a higher credit risk than short-term commitments.

4/1/6 Impairment and provisioning policies

The aforementioned internal rating systems focus more on credit quality planning as of the date financing and investment activities are recognized. Otherwise, impairment losses that occur at the financial statements date are only recognised for financial reports purposes based on objective evidence indicating impairment according to what will be mentioned in this note. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated loss amount using the expected loss model used for purposes of the rules the Central Bank of Egypt.

The impairment loss provision included in the financial statements at the end of the year is derived from the four internal ratings. However, the majority of the provision is derived from the last rating. The following table shows the percentage of the items within the financial statements for the period ended 31 December 2021 related to financing, facilities, and related impairment for each of ADIB's internal assessment categories:

	31 December 2021		31 December 2020	
Banks' evaluation	Financing and facilities	Impairment losses provision	Financing and facilities	Impairment losses provision
Stage 1	92%	25%	94%	32%
Stage 2	4%	13%	3%	13%
Stage 3	4%	62%	3%	55%
	100.00%	100.00%	100.00%	100.00%

The internal rating tools assist the management to determine whether there is evidence of impairment under EAS 26, based on the following criteria set out by ADIB:

- Significant financial difficulty of the customer or the debtor.
- Breach of the financing agreement conditions such as default.
- Expected bankruptcy of the customer, entering into a liquidation lawsuit, or restructuring the finance granted to the customer.
- Deterioration of the competitive position of the customer.
- Granting privileges or assignments by ADIB to the customer due to economic or legal reasons related to the financial difficulties of the borrower, which are not granted by ADIB in the normal course of business.

- Impairment of the guarantee.
- Deterioration of creditworthiness.

Summary of accounting policies - continued

4/1/6 Impairment and provisions policies - continued

ADIB's policies require reviewing all financial assets that exceed specific materiality at least once a year or more, when required. The impairment loss is determined for accounts evaluated on an individual basis by determining case-by-case actual losses at the financial statements date. These policies are applied on all accounts which have specific materiality on an individual basis. The valuation usually includes the existing guarantee, the related enforcements on these guarantees and the expected collections from those accounts.

A provision is made for impairment losses on the basis of the group of similar assets using the available historical experience, personal judgment and statistical techniques.

4/1/7 General banking risk measurement model

In addition to ADIB's four internal rating categories described above, the management classifies loans and facilities in the form of more detailed sub-groups in line with the requirements of the Central Bank of Egypt. The assets exposed to credit risk in these groups are classified according to detailed rules and conditions that rely heavily on information related to customer's business, financial position and regularity of payment.

ADIB calculates the provisions required to offset the impairment of assets exposed to credit risk, including credit-related commitments, on the basis of ratios set by the Central Bank of Egypt. In case of the excess of the provision for impairment losses required in accordance with the creditworthiness rules of the Central Bank of Egypt over the provision required to use the expected credit losses, such excess in the provision is set aside as a general banking risk reserve within equity to be deducted against retained earnings by the amount of that excess.

The following is a description of the creditworthiness categories of the institutions according to the principles for determining the creditworthiness of customers in accordance with the instructions of the Central Bank of Egypt in this regard and the percentage of provisions required for the impairment of assets exposed to credit risk:

CBE rating	Rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	Zero	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	1	Regular watch up
7	Risk needs special attention	5%	2	Special watch up
8	Substandard	20%	3	Non-performing debts
9	Doubtful	50%	3	Non-performing debts
10	Bad debts	100%	3	Non-performing debts

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For the year ended 31 December 2021

Summary of accounting policies - continued

4/1/8 Maximum limit for credit risk before guarantees

Balance sheet items exposed to credit risk	31 December 2021 000's EGP	31 December 2020 000's EGP
Financing and facilities to banks and customers		
Facilities to banks	59,107	118,206
Retail financing		
Debit current accounts	8,128	6,394
Credit cards	480,036	503,703
Personal financings	11,838,245	11,018,870
Real estate financings	36,520	40
Corporate financings		
Debit current accounts	6,640,287	7,441,889
Credit cards	359	133
Direct financings	26,141,882	20,744,599
Syndicated financings	221,512	519,740
Financial investments		
Debt instruments at FVOCI	9,277,764	7,996,986
Debt instruments at amortized cost	20,980,509	13,566,435
Total	**75,684,349**	**61,916,995**
Credit risk of off balance sheet items		
Letters of credit (import + confirmed export)	4,142,179	1,579,373
Letters of guarantee	10,853,266	5,821,334
Letters of guarantee for suppliers facilities	2,269,771	996,388
Bank guarantees	637,047	409,996
Total	**17,902,263**	**8,807,091**

- The previous table represents the maximum exposure on 31 December 2021, without taking any guarantees into consideration. For financial position items, the reported amounts depend on the net carrying amount that was presented in the financial position.
- As shown in the previous table, 60% of the maximum exposure to credit risk is the result of financing and facilities for banks and customers, against 65% at the end of the comparative year, while investments in debt instruments represent 40 % against 35 % at the end of comparative year.

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Summary of accounting policies - continued

4/1/8 Maximum limit for credit risk before guarantees - continued

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of financing, facilities and debt instruments based on the following:

- 96% of the portfolio of financing and facilities is classified in the two highest degrees of internal rating compared to 97% at the end of the comparative year.
- 92% of the financing and facilities portfolio does not have past dues or impairment indicators against 93% at the end of the comparative year.
- The finances and facilities assessed on a single basis amounted to EGP 1,953 billion compared to EGP 1,462 billion at the end of the comparative year.
- ADIB applied more conservative selection processes when granting financing and facilities during the financial period on 31 December 2021.

4/1/9 Financing and facilities

The balances of financing and facilities in terms of credit worthiness are as follows:

000's EGP

Financing and facilities	31 December 2021 Financing and facilities to customers	31 December 2021 Financing and facilities to banks	31 December 2021 Total Financing and facilities	31 December 2020 Financing and facilities to customers	31 December 2020 Financing and facilities to banks	31 December 2020 Total Financing and facilities
Neither past due nor impaired	47.273.339	60.399	47.333.738	43.626.054	123.736	43.749.790
Past due but not impaired	1.977.593	-	1.977.593	1.455.700	-	1.455.700
Impaired	1.952.571	-	1.952.571	1.461.597	-	1.461.597
Total	**51,203,503**	**60,399**	**51,263,902**	**46,543,351**	**123,736**	**46,667,087**
Less:						
impairment loss provision	(2.242.798)	(13)	(2.242.811)	(2.133.607)	-	(2.133.607)
Profit in suspense	(115.552)	-	(115.552)	(68.276)	-	(68.276)
Deferred profits	(3.478.184)	(1.279)	(3.479.463)	(4.106.100)	(5.530)	(4.111.630)
Net	**45,366,969**	**59,107**	**45,426,076**	**40,235,368**	**118,206**	**40,353,574**

- Secured financing are not considered to be impaired for the non-performing category, taking into account the collectability of such guarantees.
- During the financial period on 31 December 2021, ADIB's portfolio of financing and facilities increased by 12.57% (31 December 2020: an increase of 29.58%)

Summary of accounting policies - continued

Financing and facilities neither past due nor impaired

Credit worthiness of financing and facilities portfolio that are neither past due nor impaired and that according to internal rating used by ADIB.

000's EGP

	Retail				
31 December 2021	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	8.128	940.841	14.066.553	36.612	15,052,134
Stage 2	-	74.339	548.795	-	623,134
Stage 3	-	23.954	775.562	40	799,556
Total	8,128	1,039,134	15,390,910	36,652	16,474,824
Impairment loss provision is deducted	-	(54.948)	(516.399)	(132)	(571,479)
Profit in suspense is deducted	-	(1.831)	(111.208)	-	(113,039)
Deferred profits are deducted	-	(502.320)	(2.925.057)	-	(3,427,377)
Book value	8,128	480,035	11,838,246	36,520	12,362,929

	Retail				
31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6.394	1.513.825	13.487.508	-	15,007,727
Stage 2	-	93.404	489.947	-	583,351
Stage 3	-	15.088	477.720	40	492,848
Total	6,394	1,622,317	14,455,175	40	16,083,926
Impairment loss provision is deducted	-	(59.144)	(401.571)	-	(460,715)
Profit in suspense is deducted	-	(1.831)	(63.929)	-	(65,760)
Deferred profits are deducted	-	(1.059.469)	(3.034.735)	-	(4,094,204)
Book value	6,394	501,873	10,954,940	40	11,463,247

Summary of accounting policies - continued

000's EGP

	Corporate				
31 December 2021	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6.694.884	359	25.460.928	65.035	32,221,206
Stage 2	-	-	1.166.129	188.331	1,354,460
Stage 3	-	-	1.153.013	-	1,153,013
Total	6,694,884	359	27,780,070	253,366	34,728,679
Impairment loss provision is deducted	(54.597)	-	(1.585.882)	(30.840)	(1,671,319)
Profit in suspense is deducted	-	-	(2.513)	-	(2,513)
Deferred profits are deducted	-	-	(49.793)	(1.014)	(50,807)
Book value	6,640,287	359	26,141,882	221,512	33,004,040

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	7.471.243	133	20.600.645	546.307	28,618,328
Stage 2	82.193	-	790.156	-	872,349
Stage 3	498	-	968.250	-	968,748
Total	7,553,934	133	22,359,051	546,307	30,459,425
Impairment loss provision is deducted	(112.045)	-	(1.540.322)	(20.525)	(1,672,892)
Profit in suspense is deducted	-	-	(2.516)	-	(2,516)
Deferred profits are deducted	-	-	(5.854)	(6.042)	(11,896)
Book value	7,441,889	133	20,810,359	519,740	28,772,121

Fully secured financing has not been considered to be impaired for the third stage, taking into account if such guarantees can be liquidated.

Summary of accounting policies - continued

Financing and facilities that are past due but are not impaired

Financing and facilities that are past due but are not impaired, unless other information is available to the contrary. The financing and facilities to customers that are past due but are not impaired and the fair value of their guarantees are as follows:

000's EGP

Retail

31 December 2021	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Past dues up to 30 days	8.128	940.841	14.066.553	36.612	15,052,134
Past dues more than 30 to 90 days	-	74.339	548.795	-	623,134
Total	**8,128**	**1,015,180**	**14,615,348**	**36,612**	**15,675,268**

31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Past dues up to 30 days	6.394	1.513.825	13.487.508	-	15,007,727
Past dues more than 30 to 90 days	-	93.404	489.947	-	583,351
Total	**6,394**	**1,607,229**	**13,977,455**	-	**15,591,078**

000's EGP

Corporate

31 December 2021	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Past dues up to 30 days	6.694.884	359	25.460.928	65.035	32,221,206
Past dues more than 30 to 90 days	-	-	1.166.129	188.331	1,354,460
Total	**6,694,884**	**359**	**26,627,057**	**253,366**	**33,575,666**

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Past dues up to 30 days	7.471.243	133	20.600.645	546.307	28,618,328
Past dues more than 30 to 90 days	82.193	-	790.156	-	872,349
Total	**7,553,436**	**133**	**21,390,801**	**546,307**	**29,490,677**

Upon the initial recognition of financing and facilities, the fair value of the collaterals is assessed based on valuation techniques commonly used for similar assets. In subsequent periods, fair value is updated at market prices or at similar asset prices.

Summary of accounting policies - continued

Financing and facilities that are subject to impairment solely

- **Financing and facilities for customers**

The analysis of the total value of the financing and facilities subject to impairment solely is as follows:

000's EGP

Retail

31 December 2021	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Solely impaired financing	-	23.954	775.562	40	799,556

31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Solely impaired financing	-	15.088	477.720	40	492,848

Corporate

31 December 2021	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Solely impaired financing	-	-	1.153.013	-	1,153,013

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Solely impaired financing	498	-	968.250	-	968,748

Notes to the separate financial statements

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4/1/10 Transfer between stages for ECL

000's EGP

Retail	31 December 2021 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total	31 December 2020 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
Balance of expected credit losses on 1 January 2021	81,329	142,233	237,153	**460,715**	40,145	88,042	187,464	315,651
Transferred from stage 1	(22,346)	98,986	126,872	**203,512**	(6,161)	112,108	54,277	160,224
Transferred from stage 2	5,692	(98,935)	75,226	**(18,017)**	25,239	(53,692)	32,085	3,632
Transferred from stage 3	513	382	(4,098)	**(3,203)**	99	31	(443)	(313)
Charge / (Release) of Impairment loss during the year	21,205	(9,144)	22,029	**34,090**	14,446	2,451	(5,548)	11,349
Financial assets purchased during the year	4,819	-	-	**4,819**	10,387	-	-	10,387
Financial assets disposed of/ paid during the year	(9,130)	(19,227)	(15,319)	**(43,676)**	(2,826)	(6,707)	-	(9,533)
Used provisions during the year	-	-	(66,761)	**(66,761)**	-	-	(30,682)	(30,682)
Balance of expected credit losses on 31 December 2021	**82,082**	**114,295**	**375,102**	**571,479**	**81,329**	**142,233**	**237,153**	**460,715**

000's EGP

Corporate	31 December 2021 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total	31 December 2020 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
Balance of expected credit losses on 1 January 2021	606,969	139,715	926,208	**1,672,892**	437,773	43,713	1,197,297	1,678,783
Transferred from stage 1	(18,454)	64,763	99,812	**146,121**	(8,474)	43,911	7,310	42,747
Transferred from stage 2	631	(2,857)	15,803	**13,577**	4,144	(7,621)	26,000	22,523
Transferred from stage 3	-	-	-	-	-	-	(198)	(198)
Charge / (Release) of Impairment loss during the year	(163,767)	14,621	(27,420)	**(176,566)**	23,412	60,780	(5,763)	78,429
Financial assets purchased during the year	91,455	-	-	**91,455**	171,994	-	-	171,994
Financial assets disposed of/ paid during the year	(39,090)	(37,061)	-	**(76,151)**	(21,880)	(1,068)	(30,679)	(53,627)
Used provisions during the year	-	-	(9)	**(9)**	-	-	(267,759)	(267,759)
Balance of expected credit losses on 31 December 2021	**477,744**	**179,181**	**1,014,394**	**1,671,319**	**606,969**	**139,715**	**926,208**	**1,672,892**

4/1/11 Debt instruments, treasury bills and other government securities

The following table shows the analysis of debt instruments, treasury bills and other government securities according to rating agencies at the end of the financial year, based on Standard & Poor's valuation and its equivalent

000's EGP

Debt instruments, treasury bills and other government securities	31 December 2021 Valuation	Book Value	31 December 2020 Valuation	Book Value
Debt instruments at FVOCI				
Egyptian treasury Bonds	B	101,440	B	51,631
Egyptian treasury bills	B	9,176,324	B	7,945,355
Debt instruments at amortized cost				
Egyptian treasury Bonds	B	18,609,467	B	10,913,929
Egyptian treasury bills	B	2,352,842	B	2,634,234
Total		**30,240,073**		**21,545,149**

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

4/1/11 Risk concentration of financial assets exposed to credit risk

(A) Geographical sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed according to the geographical sector at the end of the current year. When preparing this table, risk is allocated to the geographical sectors according to the regions associated with ADIB's customers

000's EGP

	Arab Republic of Egypt: Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total	Other countries	Total
Debt instruments at FVOCI						
- Egyptian treasury Bonds	101,440	-	-	**101,440**	-	**101,440**
- Egyptian treasury bills	9,176,324	-	-	**9,176,324**	-	**9,176,324**
Debt instruments at amortized cost						
- Egyptian treasury Bonds	18,609,467	-	-	**18,609,467**	-	**18,609,467**
- Egyptian treasury bills	2,352,842	-	-	**2,352,842**	-	**2,352,842**
Facilities to banks	60,399	-	-	**60,399**	-	**60,399**
Retail						
- Debit current accounts	5,865	1,975	288	**8,128**	-	**8,128**
- Credit cards	965,517	59,451	14,166	**1,039,134**	-	**1,039,134**
- Personal financings	10,168,142	4,146,607	1,076,160	**15,390,909**	-	**15,390,909**
- Real estate financings	36,653	-	-	**36,653**	-	**36,653**
Corporate						
- Debit current accounts	6,694,230	631	23	**6,694,884**	-	**6,694,884**
- Credit cards	358	-	1	**359**	-	**359**
- Direct financings	27,768,912	10,231	927	**27,780,070**	-	**27,780,070**
- Syndicated financings	253,366	-	-	**253,366**	-	**253,366**
Balance at 31 December 2021	**76,193,515**	**4,218,895**	**1,091,565**	**81,503,975**	-	**81,503,975**
Balance at 31 December 2020	**62,949,050**	**4,143,339**	**1,119,846**	**68,212,235**	-	**68,212,235**

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

(B) Activity sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed by the activity practiced by ADIB's customers.

000's EGP

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Government sector	Retail	Other activities	Total
Debt instruments at FVOCI								
- Egyptian treasury Bonds	-	-	-	-	101,440	-	-	**101,440**
- Egyptian treasury bills	-	-	-	-	9,176,324	-	-	**9,176,324**
Debt instruments at amortized cost								
- Egyptian treasury Bonds	-	-	-	-	18,609,467	-	-	**18,609,467**
- Egyptian treasury bills	-	-	-	-	2,352,842	-	-	**2,352,842**
Facilities to banks	-	-	-	-	60,399	-	-	**60,399**
Retail								
- Debit current accounts	-	-	-	-	-	8,128	-	**8,128**
- Credit cards	-	-	-	-	-	1,039,134	-	**1,039,134**
- Personal financings	-	-	-	-	-	15,390,909	-	**15,390,909**
- Real estate financings	-	-	-	-	-	36,653	-	**36,653**
Corporate								
- Debit current accounts	-	2,477,173	595,534	1,060,515	2,555,619	-	6,043	**6,694,884**
- Credit cards	-	-	-	-	-	-	359	**359**
- Direct financings	361,642	12,343,096	4,534,452	5,419,271	4,950,145	-	171,464	**27,780,070**
- Syndicated financings	-	188,331	-	-	65,035	-	-	**253,366**
Balance at 31 December 2021	**361,642**	**15,008,600**	**5,129,986**	**6,479,786**	**37,871,271**	**16,474,824**	**177,866**	**81,503,975**
Balance at 31 December 2020	**332,182**	**13,066,492**	**3,760,124**	**4,780,205**	**30,139,561**	**16,083,926**	**49,746**	**68,212,236**

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies - continued

4/2 Market Risk

ADIB is exposed to market risk represented in fluctuations in fair value or future cash flows arising from changes in market prices. The market risk arises from the open positions of the interest rate and the currency, as each is exposed to general and private movements in the market and changes in the level of sensitivity to market rates or prices such as rates of interest and exchange rates. ADIB separates its exposure to market risk to trading or non-trading portfolios.

The management of market risk arising from trading or non-trading activities is concentrated in ADIB's risk management and is monitored by two separate teams. Market risk reports are reported to the Risk Committee of the Board of Directors and heads of operating units on a regular basis.

The portfolios of financial investments at fair value through profit or loss include those positions resulting from ADIB's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the interest rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

4/2/1 Market risk measurement techniques

- As part of market risk management, ADIB undertakes various hedging strategies. ADIB also enters into swaps to match the interest rate risk associated with the debt instruments and fixed-rate long-term financing if the fair value option has been applied. The major measurement techniques used to control market risk are outlined below:

Value at risk

- ADIB applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk on positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by ADIB for trading and non-trading portfolios and are monitored daily by ADIB's market risk management.
- VAR is a statistical estimation of the expected losses on the current portfolio resulting from adverse market movements, which represent the maximum amount ADIB expects to lose using a confidence level of (98%). Therefore, there is a statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR model assumes that the holding period is ten days before closing the open positions. It is also assumed that the market movement during the holding period will follow the same pattern of movement that occurred during the previous ten days. ADIB estimates the previous movement based on data for the previous five years. ADIB applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
- The use of that technique does not prevent the loss to exceed those limits in the case of a larger movement in the market.
- As VAR is considered a primary part of ADIB's market risk control technique, VAR limits are established by the Assets and Liabilities Committee regularly for all trading and non-trading transactions and allocated to business units. Actual VAR are compared to the limits set by ADIB and reviewed daily by ADIB's risk management. The quality of the VAR model is continuously monitored through enhanced VAR testing of the trading portfolio and the results of the tests are submitted to the Assets and Liabilities Committee.
- The quality of VAR model is monitored on an ongoing basis by reinforced tests to the results of the VAR of trading portfolio, and the results of tests are reported to the senior management and Board of Directors.

Notes to the separate financial statements

For the year ended 31 December 2021

Summary of accounting policies – continued

Stress testing

- Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match the business using standard analysis for specific scenarios. The stress testing carried out by the risk management include risk factor stress testing where sharp movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to sharp movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress testing are reviewed by the top management and the Board of Directors.

- **Stress testing related to exchange rate**

  The following table shows the position of the currencies (surplus or deficit) of the items inside and outside the balance sheet

000's EGP

Currency	Surplus / deficit	Deficit	Surplus	Maximum expected loss 10%
USD	(191,580)	(191,580)	-	(19,158)
Euro	(604)	(604)	-	(60)
Sterling Pound	1,044	-	1,044	104
Swiss Franc	(632)	(632)	-	(63)
Japanese Yen	(65)	(65)	-	(7)
Other currencies	5,390	-	5,390	539
Maximum expected loss at 31 December 2021				**(18,645)**
Maximum expected loss at 31 December 2020				**2,778**

4/2/2 VAR summary

Total value at risk by the type of risk

000's EGP

	31 December 2021			31 December 2020		
	Average	Higher	Lower	Average	Higher	Lower
Total value at risk according to risk type						
Exchange rates risk	882	5,308	38	1,134	6,975	42
Profit rate risk	29,966	40,210	19,180	25,807	41,496	15,779
Total value at risk	**30,848**	**45,518**	**19,218**	**26,941**	**48,471**	**15,821**
Value at risk of the trading portfolio according to risk type						
Exchange rates risk	882	5,308	38	1,134	6,975	42
Total value at risk	**882**	**5,308**	**38**	**1,134**	**6,975**	**42**
value at risk of a non-trading portfolio according to risk type						
Profit rate risk	29,966	40,210	19,180	25,807	41,496	15,779
Total value at risk	**29,966**	**40,210**	**19,180**	**25,807**	**41,496**	**15,779**

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

4/2/3 Risk of fluctuations in foreign exchange rates

- ADIB is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The Board of Directors has set limits on foreign exchange at the total value of each of the positions at the end of the day as well as during the day. The following table summarizes ADIB's exposure to foreign exchange risk at the end of the financial year. The following table presents the book value of financial instruments distributed in their respective currencies:

000's EGP

31 December 2021	EGP	USD	Euro	Sterling Pound	Japanese Yen	Other currencies	Total
Assets							
Cash and due from CBE	6,003,601	49,962	1,095	8,427	-	5,252	6,068,337
Due from banks	1,757,995	2,767,995	68,865	25,499	3,889	51,022	4,675,265
Treasury bills	10,028,500	2,090,321	-	97,999	-	-	12,216,820
Financings and facilities to banks	-	59,107	-	-	-	-	59,107
Financings and facilities to customers	40,347,861	6,365,625	25,144	871,137	-	-	47,609,767
Islamic forward / Islamic currency swap contracts	-	-	-	-	-	-	-
Financial investments at FVPL	-	-	-	-	-	-	-
Financial investments at FVOCI	166,676	48,469	-	1,763	-	-	216,908
Financial investments at amortized cost	18,423,151	187,920	-	-	-	-	18,611,071
Investments in subsidiaries and associates	310,922	-	-	-	-	-	310,922
Other assets	3,925,167	106,029	1,308	12,698	-	5,448	4,050,650
Total assets	**80,963,873**	**11,675,428**	**96,412**	**1,017,523**	**3,889**	**61,722**	**93,818,847**
Financial derivatives related to currency	-	959,271	-	39,467	14,215	218,788	1,231,741
Total assets and Financial derivatives related to currency	**80,963,873**	**12,634,699**	**96,412**	**1,056,990**	**18,104**	**280,510**	**95,050,588**
Liabilities and shareholders' equity							
Due to banks	1,958,023	333,726	-	48,351	-	12,163	2,352,263
Customers' deposits	66,664,532	7,883,543	93,533	960,060	2,512	199,243	75,803,423
Islamic forward / Islamic currency swap contracts	15,084	-	-	-	-	-	15,084
Subordinated financings	-	1,288,823	-	-	-	-	1,288,823
Other liabilities	8,235,570	2,760,853	589	39,504	2,562	60,304	11,099,382
Shareholder' equity	3,172,901	49,114	-	-	-	-	3,222,015
Total Liabilities and shareholders' equity	**80,046,110**	**12,316,059**	**94,122**	**1,047,915**	**5,074**	**271,710**	**93,780,990**
Financial derivatives related to currency	961,476	272,538	1,911	12,473	11,473	9,727	1,269,598
Total Liabilities and shareholders' equity and Financial derivatives related to currency	**81,007,586**	**12,588,597**	**96,033**	**1,060,388**	**16,547**	**281,437**	**95,050,588**
Net financial position	**(43,713)**	**46,102**	**379**	**(3,398)**	**1,557**	**(927)**	**-**
31 December 2020							
Total assets	**64,191,750**	**12,027,211**	**45,263**	**1,307,004**	**12,044**	**229,471**	**77,812,743**
Total Liabilities and shareholders' equity	**64,251,676**	**11,969,121**	**45,072**	**1,308,563**	**14,227**	**224,084**	**77,812,743**
Net financial position	**(59,926)**	**58,090**	**191**	**(1,559)**	**(2,183)**	**5,387**	**-**

Notes to the separate financial statements

For the year ended 31 December 2020

Summary of accounting policies - continued

4/2/4 Interest rate risk

- ADIB is exposed to the effects of fluctuations in the interest rates prevailing in the market, which is the risk of cash flows of the interest rate represented in fluctuation of future cash flows for a financial instrument due to changes in the interest rate of the instrument. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest margin may increase due to these changes; however, profits may decrease in case unexpected movements arise. The ALCO Committee sets limits on the level of mismatch of interest rate repricing that ADIB may maintain, which is monitored daily by ADIB's risk management.

Interest rate structure risk management system

Risk assessment, limits and corrective procedures are undertaken by the Asset-Liability Committee (ALCO) under the chairmanship of the President of ADIB, the membership of the Executive Directors, the CFO, Directors of Commercial Departments, the Branch Network Manager, the Secretary General and the President of the International Transaction Chamber. The International Transactions Chamber implements the necessary procedures determined by the Asset and Liability Committee to correct the gaps through dealing in financial markets. The Chamber prepares its reports on the development that has occurred and submits them to the Assets and Liabilities Unit and the Assets and Liabilities Committee.

Asset-Liability Committee (ALCO) Duties

-Determination of acceptable limits for sensitivity analysis purposes

-Reviewing the assumptions used to identify, measure, validate and approve risks.

-Evaluating, modifying and adopting the proposed recommendations for the adjustment of gaps (if any) in line with the previously approved limits.

ADIBs' objective of managing interest rate risk

ADIB aims to reduce its exposure to the risk structure of the interest rate to the maximum extent possible, taking into account that the residual risk value resulting from interest rates is within the limits of the sensitivity level approved by the Assets and Liabilities Committee.

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Summary of accounting policies - continued

4/2/4 Interest rate risk

The table below summarises ADIB's exposure to the risk of interest rate fluctuations, which includes the financial instruments' carrying amounts distributed on the basis of the interest rate, re-pricing dates or maturity dates, whichever is earlier:

000's EGP

31 December 2021	Up to 1 month	Over 1 month to 3 month	More than 3 month up to 1 year	More than 1 year to 3 years	More than 3 years	Non-profit bearing	Total
Financial Assets							
Cash and due from banks and CBE	-	-	-	-	-	6,068,817	**6,068,817**
Due from banks	3,599,856	-	-	-	-	884,379	**4,484,235**
Treasury bills	1,372,711	3,534,711	7,229,098	-	-	-	**12,136,520**
Treasury bonds	254,433	379,020	2,296,511	8,904,441	6,878,213	(593,567)	**18,119,051**
Financings and facilities to customers	22,067,782	5,924,446	8,656,759	6,228,582	3,403,636	-	**46,281,205**
Other investments	-	-	-	427,803	-	-	**427,803**
Other financial assets	-	-	-	-	-	2,654,064	**2,654,064**
Total financial assets	**27,294,782**	**9,838,177**	**18,182,368**	**15,560,826**	**10,281,849**	**9,013,693**	**90,171,695**
Financial Liabilities							
Due to banks	2,018,335	157,167	157,167	754,402	-	-	**3,087,071**
Customers' deposits	7,512,607	9,093,966	11,985,899	18,262,543	28,499,790	-	**75,354,805**
Other financial liabilities	-	-	-	-	-	11,729,819	**11,729,819**
Total financial liabilities	**9,530,942**	**9,251,133**	**12,143,066**	**19,016,945**	**28,499,790**	**11,729,819**	**90,171,695**
Profit re-pricing Gap	**17,763,840**	**587,044**	**6,039,302**	**(3,456,119)**	**(18,217,941)**	**(2,716,126)**	**-**

Summary of accounting policies – continued

Interest Rate Sensitivity Analysis

- The following is sensitivity analysis on the increase or decrease in the interest rates in the market, assuming that there is no symmetric movement in the interest curves with the stability of the financial position.

Sensitivity of net income expected from interest

000's EGP

	31 December 2021			31 December 2020		
Profit rate sensitivity analysis	Average	Higher	Lower	Average	Higher	Lower
Sensitivity of net expected income from profit						
Increase or decrease 100 basis points	94,420	113,049	78,007	97,320	127,087	78,639
Total value at risk	**94,420**	**113,049**	**78,007**	**97,320**	**127,087**	**78,639**
Equity sensitivity to changes in profit rates						
Increase or decrease 100 basis points	13,313	27,301	3,155	54,545	81,093	18,314
Total value at risk	**13,313**	**27,301**	**3,155**	**54,545**	**81,093**	**18,314**

- Changes in interest rates affect equity in the following ways:

- Retained earnings: Increase or decrease in net income from the interest and the fair value of the financial derivatives and included within profit and loss.

  Fair value reserve: Increase or decrease in the fair value of financial assets at fair value through other comprehensive income (before 1 January 2019: available for sale) recognized directly in other comprehensive income.

- Hedging reserve: The increase or decrease in fair value of hedging instruments classified as cash flow hedging.

4/3 Liquidity risk

Liquidity risk represents difficulty encountering ADIB in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure of the settlement of ADIB's obligations to repay the depositors and fulfil financing commitments.

- **Liquidity risk management**

ADIB's liquidity management process carried out by ADIB's risk management includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes replacing funds when they are due or when financing them to customers. ADIB exists in the global financial markets to ensure that this goal is achieved.
- Maintaining a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.
- Monitoring liquidity ratios in comparison with ADIB's internal requirements and CBE requirements
- Managing concentration and financing maturity.

For monitoring and reporting purposes, cash flows for the following day, week, and month are measured and projected. Such periods are the key periods for liquidity management. The starting point of calculating these projections is analysing the contractual maturities of financial liabilities and expected financial assets collections.

The Assets and Liabilities Management Committee also monitors the incompatibility between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used (Mudaraba), and the effect of contingent liabilities such as letters of guarantees and letters of credit.

000's EGP

31 December 2021	Up to 1 month	Over 1 month to 3 month	More than 3 month up to 1 year	More than 1 year to 3 years	More than 3 years	Non-profit bearing	Total
Financial Assets							
Cash and due from banks and CBE	595,861	-	-	4,277,399	-	-	**4,873,260**
Due from banks	4,614,153	172,977	775,635	-	-	-	**5,562,765**
Treasury bills	4,847,354	1,091,627	6,293,308	-	-	-	**12,232,289**
Financings and facilities to banks	-	-	59,486	-	-	-	**59,486**
Financings and facilities to customers	6,118,015	7,204,233	24,308,557	10,500,842	4,655,974	-	**52,787,621**
Financial investments							-
Financial investments at FVOCI	159,244	-	-	115,103	-	-	**274,347**
Financial investments at AC	25,770,444	-	-	-	-	-	**25,770,444**
Investments in subsidiaries and affiliates	-	-	-	-	310,922	-	**310,922**
Other financial assets	-	1,413	-	-	1,227,465	-	**1,228,878**
Total financial assets	**42,105,071**	**8,470,250**	**31,436,986**	**14,893,344**	**6,194,361**	-	**103,100,012**
Financial Liabilities							
Due to banks	1,391,677	244,039	159,956	-	-	-	**1,795,672**
Customers' deposits	8,306,106	7,236,985	12,225,353	52,958,967	1,149,182	-	**81,876,593**
Subordinated financings	-	-	-	1,288,823	534,421	-	**1,823,244**
Other financial liabilities	595,272	-	-	-	13,082,746	-	**13,678,018**
Total financial liabilities	**10,293,055**	**7,481,024**	**12,385,309**	**54,247,790**	**14,766,349**	-	**99,173,527**
Profit re-pricing Gap	**31,812,016**	**989,226**	**19,051,677**	**(39,354,446)**	**(8,571,988)**	-	**3,926,485**

Summary of accounting policies - continued

4/4 Capital management

ADIB's objectives behind managing capital include other elements in addition to the equity shown in the statement of financial position are represented in the following:

- To comply with the legal capital requirements in the Arab Republic of Egypt and other countries in which ADIB's branches operate.
- To protect ADIB's ability to continue and enable it to continue to generate interest for shareholders and other parties dealing with ADIB.
- To maintain a strong capital base that supports growth in activity.

Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory body (the Central Bank of Egypt in the Arab Republic of Egypt or the supervisory bodies in which the foreign branches of ADIB operate) daily through ADIB's management, through models based on Basel Committee guidelines for banking supervision. The required data are provided to the Central Bank of Egypt on a quarterly basis.

CBE requires the following from ADIB:

- Retaining EGP 500 million as a minimum limit of paid and issued capital.
- Maintaining a ratio between the capital base and the total credit risk, market and operational risks, and the value of exceeding the established limits for the 50 largest customers, and the value of exceeding the limits determined for placements with countries is equal to or more than 10%.

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It is the basic capital, and it consists of paid up capital after deducting the deducting the carrying amount of treasury shares, retained earnings and reserves resulting from the dividends, except for the general banking risk reserve, less any previously recognised goodwill and any carried-forward losses.

Tier 2: It is the subordinated capital, which consists of the equivalent of the general risk provision according to the creditworthiness principles issued by CBE at no more than 1.25% of the total risk-weighted assets and contingent liabilities, and the subordinated financing / deposits with more than five years' maturity terms (amortisation of 20% of their value at each of the last five years of maturity).

When calculating the total numerator of capital adequacy criterion, subordinated capital should not exceed the basic capital, and subordinated financing (deposits) should not exceed half the basic capital.

ADIB has complied with all local capital requirements and in the countries in which its external branches operate during the past two years.

Summary of accounting policies - continued

The following table summarizes the basic and subordinated capital components and capital adequacy ratios.

According to Basel II	31 December 2021 000's EGP	31 December 2020 000's EGP
Capital		
Tier 1 after disposals		
Basic going concern capital		
Issued and paid up capital	2,000,000	2,000,000
Paid under capital increase	1,861,418	1,861,418
Reserves	343,644	282,563
Fair value reserve	66,601	59,864
Retained earnings / (Retained losses)	1,882,577	928,702
Less: The bank's investments in financial companies (banks or companies) and insurance companies (shares and investment funds)	(81,077)	(61,578)
Deferred Tax	(59,094)	(6,908)
Intangible assets	(44,546)	(25,646)
Total basic going concern capital after disposal	**5,969,523**	**5,038,415**
Additional basic capital		
Difference between FV and PV for subordinated financing	30,864	44,767
Total additional basic capital	**30,864**	**44,767**
Total Tier 1 after disposal (basic capital)	**6,000,387**	**5,083,182**
Tier 2 after disposals		
Equivalent of required provisions balances against debt instruments / loans and credit facilities incorporated in stage 1	652,051	532,008
Subordinated financing	720,632	934,512
45 % of the increase in fair value over the carrying amount of investments in subsidiaries and associates	109,336	130,859
45% of special reserve	10,210	9,602
Total Tier 2 after disposal	**1,492,229**	**1,606,981**
Total capital base after disposal	**7,492,616**	**6,690,163**
Total credit risks	52,171,472	42,568,727
Capital requirements for market risks	67,172	20,172
Capital requirements for operating risks	6,018,547	5,497,249
Total assets and contingent liabilities weighted by credit, market, operational risks	**58,257,191**	**48,086,148**
Capital adequacy ratio of tier 1	**10.30%**	**10.57%**
Capital adequacy ratio	**12.86%**	**13.91%**

According to the CBE's publication no. 68 issued on April 22, 2020, it is decided to exempt ADIBs for one year as of the resolution issuance date from applying the resolution of the CBE's Board of Directors dated January 6, 2016 issued under the periodic letter dated January 11, 2016 regarding the concentration limits of ADIBs' credit portfolios at the largest 50 customers and their associated parties.

Summary of accounting policies - continued

4/5 Leverage ratio

- The Board of Directors of the Central Bank of Egypt (CBE) at its session dated 7 July 2015 issued a resolution approving the supervisory instructions for the financial leverage, with the banks' commitment to the minimum rate of 3% on a quarterly basis as a binding control ratio starting from 2019.

In preparation for consideration of the first pillar of Basel (Minimum Capital Adequacy) in order to preserve the strength and integrity of the Egyptian banking system and to comply with the best international supervisory practices in this regard. The leverage reflects the relationship between the first tier of capital used in the standard of capital adequacy (after exclusions), and bank assets (both within and outside the financial position) are not weighted by risk weights.

Ratio components:

The numerator components

The numerator consists of tier 1 of capital (after exclusions) that is used in the numerator of capital adequacy standard currently applied in accordance with the instructions of the Central Bank of Egypt.

The denominator elements

The denominator consists of all ADIB's assets on and off-the financial position items according to the financial statements, called "Bank Exposures" including the following totals:

1- On-the financial position exposure items after deducting Tier 1 exclusions for capital base.

2- Exposures resulting from derivatives contracts.

3- Exposures resulting from financing securities.

4- Off-the financial position exposures (weighted exchange transactions).

Summary of accounting policies - continued

The following table summarizes the leverage ratio:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Tier 1 capital after disposals (1)	**6,000,387**	**5,083,182**
Cash and due from CBE	6,952,845	5,514,473
Due from Banks	3,972,446	2,952,611
Treasury bills and other government securities	11,527,484	10,584,576
Financial investments at FVPL	23,595	8,228
Financial investments at FVOCI	229,201	142,187
Financial investments at amortized cost	18,611,071	10,915,535
Investments in subsidiaries and associates	213,010	224,015
Total financings and credit facilities to customers	45,600,268	40,757,997
Fixed assets (net of impairment loss provision & accumulated depreciation)	510,089	533,689
Other assets	3,251,819	2,631,386
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(184,717)	(94,133)
Total on-balance sheet exposures items after deducting tier 1 disposals	**90,707,111**	**74,170,564**
Replacement cost	1,558	2,909
Expected future value	7,496	6,174
Derivatives contracts exposures	**9,054**	**9,083**
Treasury bills sale with repurchase commitment	7,460	9,783
Exposure resulting from securities financing	**7,460**	**9,783**
Total on-balance sheet exposures, financial derivatives contracts and financing financial securities	**90,723,625**	**74,189,430**
Letters of credit -import	652,460	279,067
Letters of credit -export	175,156	35,456
letters of guarantee	5,420,987	2,904,084
letters of guarantee requested or guaranteed by external banks	318,523	204,998
Contingent liabilities for general collaterals for financing facilities and similar collaterals	3,153	9,768
Bank acceptance	2,269,755	988,980
Total contingent liabilities	**8,840,034**	**4,422,353**
Capital commitments	10,949	14,102
Operating lease commitments	341,768	352,255
financing commitments to clients /banks (unutilized part) original maturity period	2,425,650	3,073,838
Total commitments	**2,778,367**	**3,440,195**
Total exposures off-balance sheet	**11,618,401**	**7,862,548**
Total exposures on-balance sheet and off-balance sheet (2)	**102,342,026**	**82,051,978**
Financial leverage ratio (1/2)	**5.86%**	**6.20%**

3- Significant accounting estimates and assumptions

ADIB uses estimates and assumptions that affect the amounts of assets and liabilities disclosed during the next fiscal period / year. Estimates and assumptions are continually 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.

A) **Estimates:**

Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

- **Classification of financial assets**: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of profit and instalments on the outstanding balances of those assets.

B) **Uncertainty Related with Assumptions and Estimates:**

Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 30 September 2020 shall be appeared in the following notes:

- **Impairment of financial instruments**: An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, taking into account, the impact of future information upon measuring the expected credit losses.
- **Determination of the fair value of financial instruments**: using unobservable inputs upon measuring.
- **Measurement of defined benefit liabilities**: Key actuarial assumptions.
- **Recognition of deferred tax assets**: The existence of future taxable profits that may be benefited from forward tax losses.

4- Segment analysis

The activity segments include the operations, assets used in the provision of banking services, the management of the risks surrounding them, and the profit related with this activity, which may differ from other activities. The segment analysis of operations in accordance with the banking business include:

Large, medium and small enterprises

These include the activities of current accounts, deposits, current accounts receivable (Mudaraba), financing and credit facilities, and financial derivatives.

Investment

This includes activities of corporate mergers, investment purchasing, financing of corporate restructuring and financial instruments.

Retail

This includes activities of current accounts, savings, deposits, credit cards, personal finance and real estate finance.

Other activities

These include other banking activities as the management of funds and transactions between activity segments in accordance with the normal course of business of ADIB; assets and liabilities shall include operating assets and liabilities as presented in ADIB's financial position.

000's EGP

31 December 2021	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1.238.943	1.001.717	1.568.455	360.338	4,169,453
Expenses of activity segment	(509.785)	(44.808)	(1.221.468)	(219.472)	(1,995,533)
Net profit for the year before tax	729.158	956.909	346.987	140.866	2,173,920
Tax	(169.142)	(644.900)	(109.020)	129.064	(793,998)
Net profit for the year	560,016	312,009	237,967	269,930	1,379,922
Assets and liabilities by activity segment					
Assets of activity segment	32.784.494	34.739.804	13.497.324	-	81,021,622
Un-classified assets	-	-	-	8.428.633	8,428,633
Total assets	32,784,494	34,739,804	13,497,324	8,428,633	89,450,255
Liabilities of activity segment	24.765.000	3.599.040	50.077.809	-	78,441,849
Un-classified liabilities	-	-	-	4.545.052	4,545,052
Total liabilities	24,765,000	3,599,040	50,077,809	4,545,052	82,986,901

000's EGP

31 December 2020	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1.347.777	715.024	1.430.513	308.330	3,801,644
Expenses of activity segment	(728.426)	(31.784)	(1.145.221)	(197.699)	(2,103,130)
Net profit for the year before tax	619,351	683,240	285,292	110,631	1,698,514
Tax	(142.965)	(498.909)	(95.969)	190.681	(547,162)
Net profit for the year	476,386	184,331	189,323	301,312	1,151,352
Assets and liabilities by activity segment					
Assets of activity segment	29.325.405	24.882.368	11.996.102	-	66,203,875
Non-classified liabilities	-	-	-	6.565.497	6,565,497
Total assets	29,325,405	24,882,368	11,996,102	6,565,497	72,769,372
Liabilities of activity sectors	20.231.856	1.473.516	41.753.411	-	63,458,783
Non-classified liabilities	-	-	-	4.151.727	4,151,727
Total liabilities	20,231,856	1,473,516	41,753,411	4,151,727	67,610,510

5- Net profit income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Income from Murabaha, Musharaka, Mudaraba and other similar income		
Financing and facilities		
To customers	4,741,090	4,562,818
Total	**4,741,090**	**4,562,818**
Financial investments in debt instruments at AC and FVOCI	-	2,352,992
Deposits and current accounts	3,353,180	251,799
Total	**8,094,270**	**7,167,609**
Cost of deposits and similar costs		
Deposits and current accounts:		
To banks	(132,744)	(140,649)
To customers	(4,303,312)	(3,708,314)
other financings	(101,003)	(99,901)
Financing financial instruments and sales transactions of financial instruments with a repurchase commitment	(3,302)	(80,381)
Total	**(4,540,361)**	**(4,029,245)**
Net profit income	**3,553,909**	**3,138,364**

The net interest income includes interest income and expenses calculated using the effective interest method which related to the following items:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Financial investments at AC	20,962,309	13,548,163
Financial investments at FVOCI	9,393,231	8,085,902
Financing and facilities to customers	45,426,076	40,353,574
Financial assets that are not measured at FVPL	4,675,137	3,713,519
Net profit income	**80,456,753**	**65,701,158**

6- Net fees and commissions income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Fees and commissions income:		
Credit related fees and commissions	431,345	349,461
Fees of corporate financing	102,233	106,163
Other fees	156,382	147,582
Total	**689,960**	**603,206**
Fees and commissions expenses:		
Paid brokerage fees	(192)	(365)
Various banking commission	(16,227)	(9,491)
Credit cards paid commissions	(114,843)	(93,659)
Other fees and commissions paid	(44,590)	(41,908)
Total	**(175,852)**	**(145,423)**
Net fees and commission income	**514,108**	**457,783**

7- Dividends

	31 December 2021 000's EGP	31 December 2020 000's EGP
Equity instruments at FVOCI	4,644	1,393
Financial investments in subsidiaries and associates	16,436	12,480
Total	**21,080**	**13,873**

8- Net trading income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Foreign exchange operations:		
Gains from fx deals	95,243	181,616
(Losses) / gains of Islamic forward contracts revaluation	(15,076)	(1,296)
Gains / (Losses) of currency option contracts revaluation	(8)	3
Total	**80,159**	**180,323**

9- Administrative expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Employees' cost		
Salaries and wages and benefits	(649,985)	(635,758)
Social insurance	(35,246)	(33,161)
Pension cost		
Defined contribution plans	(20,172)	(19,182)
Defined benefit plans	(81,397)	(73,315)
Depreciation and amortization	(108,093)	(120,946)
Other administrative expenses	(492,220)	(377,006)
Total	**(1,387,113)**	**(1,259,368)**

10- Other operating expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Gain / (Loss) on translation of monetary assets and liabilities denominated in foreign currencies other than those held for trading or initially designated at FVPL	(23,825)	(65,772)
Gain (Loss) on sale of assets reverted to bank	9,450	404
Gain on sale of fixed assets	365	3,698
Software cost	(94,472)	(86,937)
operating lease expense	(105,909)	(100,560)
Restructuring costs	(5,000)	(16,875)
(Charge) / release of impairment other assets	(2,045)	(7,601)
Other provisions (net of reversed provision)*	(213,316)	(87,764)
Other income (expense)	(49,633)	(48,479)
Total	**(484,385)**	**(409,886)**

	31 December 2021 000's EGP	31 December 2020 000's EGP
Contingent claims provision	(60,992)	39,823
Tax provision	(4,930)	(1,513)
Contingent liabilities provision	(147,394)	(126,074)
Total	**(213,316)**	**(87,764)**

11- Impairment credit losses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Financing and facilities to customers	(165,939)	(433,456)
Due from banks	(80)	(75)
Financial investments at amortized cost	-	(345)
Total	**(166,019)**	**(433,876)**

12- Income tax expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current tax	(857,671)	(606,062)
Deferred tax	63,673	58,900
Total	**(793,998)**	**(547,162)**

Additional information on deferred income tax was presented in Note (30). Taxes on ADIB's profits are different from the value resulting from the application of tax rates as follows:

Reconciliation to calculate effective tax rate:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Net profit for the year before tax	2,173,920	1,698,514
Applicable tax rate	22.50%	22.50%
Income tax (expenses) based on applied tax rate	489,132	382,166
Tax impact for		
Non-taxable revenues	(656,965)	(414,466)
Non-deductible tax expenses	409,108	231,924
Tax of treasury bills and bonds and dividends	552,723	347,538
Income tax expenses according to effective tax rate	**793,998**	**547,162**
Effective tax rate	**36.52%**	**32.21%**

13- Net basic earnings per share for the year

	31 December 2021 000's EGP	31 December 2020 000's EGP
Net profit for the Period	1,379,557	1,131,721
Banking system development fund	(10,133)	(9,031)
Emplyees' profit share	(137,956)	(90,311)
Board of directors' remuneration	(17,437)	(11,196)
Shareholders' profit share	**1,214,031**	**1,021,183**
Weighted average of shares outstanding during the year	200,000	200,000
Earnings Per Share	**6.07**	**5.11**

14- Cash and balances with the Central Bank of Egypt

	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash	485,193	569,333
Balances with CBE within mandatory reserve ratio	5,583,144	4,060,971
Total	**6,068,337**	**4,630,304**
Non-Profit bearing balances	6,068,337	4,630,304
Total	**6,068,337**	**4,630,304**

15- Due from banks

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current accounts	190,914	498,474
Bank deposits*	4,484,351	3,215,100
Murabaha due from local banks*	33,014,467	23,729,428
Restricted wakala due to local banks*	(33,014,467)	(23,729,428)
	4,675,265	**3,713,574**
(less) Impairment loss provision	(128)	(55)
Total	**4,675,137**	**3,713,519**
Balances with CBE other than mandatory reserve ratio	884,495	884,113
Local banks	3,137,641	2,034,201
Murabaha due from local banks*	33,014,467	23,729,428
Restricted wakala due to local banks*	(33,014,467)	(23,729,428)
Foreign Banks	653,129	795,260
(less) Impairment loss provision	(128)	(55)
Total	**4,675,137**	**3,713,519**
Non-Profit bearing balances	190,914	498,474
Variable profit bearing balances	3,599,856	2,330,988
Fixed profit bearing balances	884,495	884,112
(less) Impairment loss provision	(128)	(55)
Total	**4,675,137**	**3,713,519**
Due from banks' impairment loss provision analysis		
Balance at beginning of the period	55	24
Adjusted balance as of Jan 1, 2019	**55**	**24**
Net (charge)/release of impairment during the year	80	75
Foreign exchange translation differences	(7)	(44)
Total	**128**	**55**

*Balances at banks include an amount of EGP 23,729,428 representing a Wakala with a local bank corresponding to an investment-restricted Wakala due to the same bank for the same amount to invest the amount of the restricted Wakala in government debt instruments, An offset was conducted between both Wakalas as they fulfil the requirements of offsetting between the assets and liabilities mentioned in the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 16 December 2008.

16- Financing and facilities to banks (net of impairment losses)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Debit current accounts	30	60
Syndicated financing	60,370	123,676
Total	**60,399**	**123,736**
less:		
Impairment loss provision	(13)	-
Profit in suspense	(1,279)	(5,530)
Total	**(1,292)**	**(5,530)**
Net	**59,107**	**118,206**

18- Financing and facilities to customers (net of impairment losses)

18/1 Total balances of financing and facilities to customers (net of deferred profit)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Retail		
Debit current accounts	8,128	6,394
Credit cards	536,814	562,847
Personal financing	12,465,852	11,420,441
Real estate Financing	36,653	40
Total	**13,047,447**	**11,989,722**
Corporate (including SMEs)		
Debit current accounts	6,694,884	7,553,934
Direct financing	27,729,263	22,353,197
Syndicated financing	253,366	540,265
Credit cards	359	133
Total	**34,677,872**	**30,447,529**
Total financing and facilities to customers	**47,725,319**	**42,437,251**
Deduct:		
Impairment loss provision	(2,242,798)	(2,133,607)
Profit in suspense	(115,552)	(68,276)
Total	**(2,358,350)**	**(2,201,883)**
Net	**45,366,969**	**40,235,368**
Classified in balance sheet as follow		
Conventional financing to customers (net of impairment losses)	12,172	10,434
Financing to customers (net of impairment losses)	45,354,797	40,224,934
Net	**45,366,969**	**40,235,368**

* Set-aside interests that were previously formed according to creditworthiness principles issued by the Central Bank of Egypt.

18- Financing and facilities for customers - continued

18/2 Total balances of financing and facilities to customers

	31 December 2021 000's EGP	31 December 2020 000's EGP
Retail		
Debit current accounts	8,128	6,394
Credit cards	1,039,134	1,622,316
Personal financing	15,390,909	14,455,176
Real estate Financing	36,653	40
Total	**16,474,824**	**16,083,926**
Corporate (including SMEs)		
Debit current accounts	6,694,884	7,553,934
Direct financing	27,780,070	22,359,051
Syndicated financing	253,366	546,307
Credit cards	359	133
Total	**34,728,679**	**30,459,425**
Total financing and facilities	**51,203,503**	**46,543,351**
Less:		
Impairment loss provision	(2,242,798)	(2,133,607)
Profit in suspense*	(115,552)	(68,276)
Deferred profit	(3,478,184)	(4,106,100)
Total	**(5,836,534)**	**(6,307,983)**
Net	**45,366,969**	**40,235,368**
Classified in the interim balance sheet as follows:		
Conventional financing to customers (net of impairment losses)	12,172	10,434
Financing to customers (net of impairment losses)	45,354,797	40,224,934
Net	**45,366,969**	**40,235,368**

Financing and Facilities to customers' impairment loss provision analysis

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at beginning of the year	**2,133,607**	**1,994,434**
Adjusted balance as of Jan 1, 2019	**2,133,607**	**1,994,434**
Net impairment loss during the year	165,926	433,456
Recoveries from previously written-off financings	11,287	9,031
Used from provision during the year	(66,770)	(298,440)
Foreign exchange translation differences	(1,252)	(4,874)
Total	**2,242,798**	**2,133,607**

* Set-aside interests that were previously formed according to creditworthiness principles issued by the Central Bank of Egypt.

Financing and facilities for customers - continued

The analysis of movement of the provision for impairment losses for financings and facilities to customers classified according to their types is as follows:

000's EGP

Retail

31 December 2021	Debit current accounts	Covered Cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	59,144	401,571	-	460,715
Adjusted balance as of Jan 1, 2019	-	59,144	401,571	-	460,715
Net impairment charge during the year	-	45,183	125,534	132	170,849
Recoveries from previously written-off financings	-	6,497	179	-	6,676
Used from provision during the year	-	(55,876)	(10,885)	-	(66,761)
Balance at 31 December 2020	-	54,948	516,399	132	571,479

Corporate

31 December 2021	Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	112,045	1,540,322	20,525	-	1,672,892
Adjusted balance as of Jan 1, 2019	112,045	1,540,322	20,525	-	1,672,892
Net impairment charge during the year	(57,448)	42,210	10,315	-	(4,923)
Recoveries from previously written-off financings	-	4,610	-	-	4,610
Used from provision during the year	-	(9)	-	-	(9)
Foreign exchange translation differences	-	(1,251)	-	-	(1,251)
Balance at 31 December 2020	54,597	1,585,882	30,840	-	1,671,319

000's EGP

Retail

31 December 2020	Debit current accounts	Covered Cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	36,065	279,586	-	315,651
Adjusted balance as of Jan 1, 2019	-	36,065	279,586	-	315,651
Net impairment charge during the year	-	29,207	141,716	-	170,923
Recoveries from previously written-off financings	-	3,696	1,127	-	4,823
Used from provision during the year	-	(9,824)	(20,858)	-	(30,682)
31 December 2020	-	59,144	401,571	-	460,715

Corporate

31 December 2020	Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	100,540	1,570,056	8,187	-	1,678,783
Adjusted balance as of Jan 1, 2019	100,540	1,570,056	8,187	-	1,678,783
Net impairment charge during the year	11,505	238,690	12,338	-	262,533
Recoveries from previously written-off financings	-	4,207	-	-	4,207
Used from provision during the year	-	(267,759)	-	-	(267,759)
Foreign exchange translation differences	-	(4,872)	-	-	(4,872)
31 December 2020	112,045	1,540,322	20,525	-	1,672,892

18- Financial investments

19/1 Financial investments at fair value through other comprehensive income

15/1 Financial investments at FVOCI	31 December 2021 s EGP'000	31 December 2020 s EGP'000
A) Treasury bonds - at FV		
Listed in stock exchange market	101,440	51,631
Total Treasury bonds	**101,440**	**51,631**
B) Government treasury bills - at FV		
Un-Listed in stock exchange market	9,176,324	7,945,355
Total Government treasury bills	**9,176,324**	**7,945,355**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	20,925	1,706,075
Treasury bills of 182 days maturity	1,202,275	1,634,725
Treasury bills of 273 days maturity	1,361,150	2,983,000
Treasury bills of 364 days maturity	7,124,150	2,100,000
Total	**9,708,500**	**8,423,800**
Unearned revenues	(550,453)	(504,355)
Valuation differences of treasury bills at FV	18,277	25,910
Net	**9,176,324**	**7,945,355**
C) Equity instruments at FV		
Un-Listed in stock exchange market	94,165	69,484
Total equity instruments	**94,165**	**69,484**
D) Mutual funds certificates at FV		
Un-Listed in stock exchange market	21,302	19,432
Total mutual funds certificates	**21,302**	**19,432**
Total financial investments at FVOCI (1)	**9,393,231**	**8,085,902**

19- Financial investments _ continued

Debt Instruments impairment loss provision analysis	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	18,273	18,218
Net impairment loss during the year	-	345
Foreign exchange translation differences	(73)	(290)
Total	**18,200**	**18,273**

19/2 Financial investments at amortised cost

15/2 Financial investments at AC	31 December 2021 000's EGP	31 December 2020 000's EGP
A) Government treasury bonds		
Listed in stock exchange market	18,423,151	10,721,520
Un-Listed in stock exchange market	187,920	194,015
Less: Impairment loss provision	(1,604)	(1,605)
Total government treasury bonds	**18,609,467**	**10,913,930**
B) Government treasury bills		
Un-Listed in stock exchange market	2,465,920	2,805,847
Less: Impairment loss provision	(16,596)	(16,668)
Total government treasury bills	**2,449,324**	**2,789,179**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	50,000	1,777,727
Treasury bills of 182 days maturity	-	78,661
Treasury bills of 273 days maturity	50,000	675,000
Treasury bills of 364 days maturity	2,408,320	342,128
Total	**2,508,320**	**2,873,516**
Unearned revenues	(42,400)	(67,669)
Less: Impairment loss provision	(16,596)	(16,668)
Net (1)	**2,449,324**	**2,789,179**
REPOs		
Treasury bills sold with repurchase commitment within one week	(95,764)	(150,409)
Total	**(95,764)**	**(150,409)**
Unearned revenues	(718)	(4,537)
Net (2)	**(96,482)**	**(154,946)**
Net (1+2)	**2,352,842**	**2,634,233**
Total financial investments at AC (2)	**20,962,309**	**13,548,163**
Total financial investments (1+2)	**30,355,540**	**21,634,065**
Non-profit bearing balances	115,467	88,916
Fixed-profit bearing balances	30,240,073	21,545,149
Total financial investments	**30,355,540**	**21,634,065**

19- Financial investments _ continued

- **Mutual funds**
- **Sanabel Mutual Fund**

- The financial investments at fair value through other comprehensive income include ADIB's contribution in Sanabel Mutual Fund between ADIB and the Arab International Banking Company under the management of HC company for managing mutual funds.

- The total number of documents invested in by ADIB is 25,000 documents at market value of EGP 116,14 at 2.5% of total number of documents outstanding to reach total amount of EGP 2,903 thousand as at 31 December 2020 (31 December 2019: EGP 3,253 thousand).
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- **Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda)**

- ADIB has established Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda) compatible with the principles of Islamic Sharia law, as the fund is managed by Beltone for managing investment funds.
- The total number of documents invested in by ADIB is 87,165 documents at market value of EGP 189.6 at 3% of the fund's total number of documents outstanding, so the total amount is EGP 16,527 thousand as at 31 December 2020 (31 December 2019: EGP 15,212 thousand).

The following is a summary of the movement of financial investments during the year:

000's EGP

31 December 2021	FVOCI	Amortized cost	Total
Balance at beginning of the year	8,085,902	13,548,163	21,634,065
Additions	27,439,957	11,840,084	39,280,041
Premium / discount Amortization	2,348,736	70,190	2,418,926
Disposals (Sale / redemption)	(28,498,834)	(4,485,957)	(32,984,791)
Translation difference of monetary assets in foreign currencies	(159)	(10,244)	(10,403)
Changes in fair value reserve	17,630	-	17,630
Less: impairment loss provision	-	73	73
Balance at 31 December 2021	9,393,232	20,962,309	30,355,541

31 December 2020	FVOCI	Amortized cost	Total
Balance at beginning of the year	10,027,927	10,291,070	20,318,997
Additions	18,183,924	7,828,370	26,012,294
Premium / discount Amortization	1,506,165	521,734	2,027,899
Disposals (Sale / redemption)	(21,627,971)	(5,053,037)	(26,681,008)
Translation difference of monetary assets in foreign currencies	(560)	(39,919)	(40,479)
Changes in fair value reserve	(3,583)	-	(3,583)
Less: impairment loss provision	-	(55)	(55)
Balance at 31 December 2020	8,085,902	13,548,163	21,634,065

19- Financial investments – continued

19/3 Gains / (losses) from financial investments

	31 December 2021 000's EGP	31 December 2020 000's EGP
Gains on sale of debt instruments at FVOCI	-	11,301
Charge of impairment losses of investments in subsidiaries and associates	(10,756)	-
Total	**(10,756)**	**11,301**

20- Investments in subsidiaries and associates (net)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Contribution in subsidiaries		
National Company for Crystal and Glass	-	10,036
Cairo National Company for Investment	76,797	76,797
National Company for Trading and Development (Entad)	19,207	19,207
Assuit Islamic National for Trading and Development	-	23,477
ADI holding company	4,980	4,980
ADI Capital	11,575	11,575
ADI Properties	13	13
ADIB Investment	4,900	4,900
Cairo National Company for Brokerage and Securities	-	1,413
Alexandria National Company for Financial Investments	-	2,181
ADI Lease for Financial Lease	154,315	154,315
ADI Micro Finance	24,500	-
ADIB Consumer Finance	9,800	-
Total	**306,087**	**308,894**
Contribution in associates		
Orient Takaful Insurance Company - Egypt	20,000	20,000
Total	**20,000**	**20,000**
Total financial investments in subsidiaries and associates	**326,087**	**328,894**
Impairment losses in financial investments in subsidiaries and associates	**(15,165)**	**(14,444)**
Net financial investments in subsidiaries and associates	**310,922**	**314,450**

As per ADIB's board of director's decision on 9/2015 and CBE approval on 11/2015, incorporation procedures of Abu Dhabi Islamic Company for the Management of the Portfolios of Securities and Investment Funds were completed, and ADIB has established the Company on 3/2016 and no invitation is sent to convene the constituent assembly to date.

- Financial investments in subsidiaries were determined according to a study carried out by ADIB, which identified the companies in which ADIB directly and indirectly owns the ability to control their financial and operational policy.

20- Investments in subsidiaries and associates (net) – continued

ADIB's shareholding in subsidiaries and associates is as follows

000's EGP

31 December 2021	Country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's profits/(losses)	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	260.893	536.563	149.179	(23.476)	5.42%
Cairo National Company for Investment	Egypt	105.512	103	34.785	28.258	64.75%
National Company for Trading and Development (Entad)	Egypt	100.140	14.738	5.351	3.597	40.00%
Assuit Islamic National for Trading and Development	Egypt	-	-	-	-	0.00%
ADI holding company	Egypt	8.550	247.121	843	(20.793)	99.60%
ADI Capital	Egypt	17.143	7.430	14.343	2.019	92.86%
ADI Properties	Egypt	27.614	83.122	3.169	968	5.00%
ADIB Investment	Egypt	7.900	45	372	371	98.00%
Cairo National Company for Brokerage and Securities	Egypt	947	651	909	(581)	46.16%
Alexandria National Company for Financial Investments	Egypt	-	-	-	-	0.00%
ADI Lease for Financial Lease	Egypt	1.194.578	983.440	118.308	39.692	98.66%
ADI Micro Finance	Egypt	25.000	364	-	(364)	98.00%
ADIB Consumer Finance	Egypt	10.410	4.927	115	(4.517)	98.00%
Contribution in associates						
Orient Takaful Insurance Company - Egypt	Egypt	2.292.893	1.512.232	280.833	169.002	20.00%
Total		**4,051,580**	**3,390,736**	**608,207**	**194,176**	

31 December 2020	Country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's profits/(losses)	% Ownership
Contribution in subsidiaries						
National Company for Crystal and Glass	Egypt	293.667	525.284	138.048	(11.055)	5.42%
Cairo National Company for Investment	Egypt	100.738	13.097	5.085	(1.064)	64.75%
National Company for Trading and Development (Entad)	Egypt	81.240	11.952	3.627	2.189	40.00%
Assuit Islamic National for Trading and Development	Egypt	104.739	13.529	10.744	4.838	40.00%
ADI holding company	Egypt	9.199	230.489	514	(14.291)	99.60%
ADI Capital	Egypt	22.063	7.179	19.500	2.481	92.86%
ADI Properties	Egypt	30.586	86.818	1.846	173	5.00%
ADIB Investment	Egypt	7.406	45	578	578	98.00%
Cairo National Company for Brokerage and Securities	Egypt	7.833	6.451	1.025	(674)	46.16%
Alexandria National Company for Financial Investments	Egypt	17.363	87	7.350	5.933	9.04%
ADI Lease for Financial Lease	Egypt	1.234.339	1.106.694	74.946	15.111	97.94%
Contribution in associates						
Orient Takaful Insurance Company - Egypt	Egypt	1.852.251	1.255.759	218.575	138.348	20.00%
Total		**3,761,424**	**3,257,384**	**481,837**	**142,567**	

*According to last signed financial statements.

21- Intangible Assets (after deducting accumulated depreciation)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Net book value at the beginning of the year	25,646	60,487
Additions	42,001	7,005
Amortization for the year	(23,101)	(41,846)
Net book value ate the end of the year	**44,546**	**25,646**

22- Other assets

	31 December 2021 000's EGP	31 December 2020 000's EGP
Accrued revenues	1,334,721	957,762
prepaid expenses	328,792	247,202
Advance payments for purchase of fixed assets	149,002	153,741
Assets reverted to the bank in settlement of debts (Net of impairment losses)	39,042	40,873
Deposits and custodies	4,523	4,398
Due from related parties	27,034	2,486
Accounts under settlement with correspondents	79,030	74,015
Other debit balances	45,373	83,177
Total	**2,007,517**	**1,563,654**
Provision for impairment of other assets	(4,986)	(4,327)
Net other assets	**2,002,531**	**1,559,327**

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23- Fixed assets

000's EGP

31 December 2020	Lands & Premises	Machinery & Equipment	Other assets	Total
Cost	172.594	6.844	945.416	1,124,854
Accumulated Depreciation	(46.512)	(4.598)	(542.168)	(593,278)
Net Book Value	**126,082**	**2,246**	**403,248**	**531,576**
Net Book Value at the beginning of the year	131.811	1.823	373.449	507,083
Additions	-	866	102.726	103,592
Disposals	(869)	(248)	(2.560)	(3,677)
Depreciation for the year	(5.729)	(443)	(72.925)	(79,097)
Disposals' Accumulated Depreciation	869	248	2.558	3,675
Net Book Value	**126,082**	**2,246**	**403,248**	**531,576**

31 December 2021	Lands & Premises	& Machinery Equipment	Other assets	Total
Cost	172.594	9.177	992.578	1,174,349
Accumulated Depreciation	(52.221)	(4.352)	(611.459)	(668,031)
Net Book Value	**120,373**	**4,825**	**381,119**	**506,318**
Net Book Value at the beginning of the year	126.082	2.246	403.248	531,576
Additions	-	3.257	57.172	60,429
Disposals	-	(924)	(10.010)	(10,934)
Depreciation for the year	-	889	9.350	10,239
Disposals' Accumulated Depreciation	(5.709)	(643)	(78.641)	(84,992)
Net Book Value	**120,373**	**4,825**	**381,119**	**506,318**

- Fixed assets on 31 December 2021 include an amount of EGP 23 million (31 December 2020: EGP 23 million) representing the cost of assets not yet registered in the name of ADIB. The required legal procedures to register these assets are being taken.

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24- Due to banks

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current Accounts	39,820	386,738
Deposits	2,312,443	300,000
Total	**2,352,263**	**686,738**
Local Banks	2,322,029	310,178
Foreign Banks	30,234	376,560
Total	**2,352,263**	**686,738**
Non-profit bearing balances	39,821	386,738
Fixed profit bearing balances	2,312,442	300,000
Total	**2,352,263**	**686,738**

25- Customers' deposits

	31 December 2021 000's EGP	31 December 2020 000's EGP
Demand deposits	21,065,084	18,920,493
Time and call deposits	17,013,875	13,775,005
Saving and deposit certificates	24,391,820	18,047,999
Saving deposits	11,477,980	10,892,792
Other deposits	1,854,664	1,188,738
Total	**75,803,423**	**62,825,027**
Corporate deposits	28,480,045	23,481,771
Retail deposits	47,323,378	39,343,256
Total	**75,803,423**	**62,825,027**
Non-profit bearing balances	6,782,732	6,036,030
Fixed profit bearing balances	69,020,691	56,788,997
Total	**75,803,423**	**62,825,027**

26- Islamic forward contracts / Islamic currency swap contracts

Currency forwards contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Future foreign currency exchange contracts and/or interest rates are contractual obligations to receive or pay a net amount based on changes in currency rates, interest rates and/or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
Credit risk at ADIB is considered low. Forward interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These agreements require financial settlements on a future date for the difference between the contractual interest rate and the interest rate prevailing in the market on the basis of an agreed contractual amount/ nominal value.

000's EGP

	31 December 2021		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	566,957,930	-	15,076
Islamic currency swap contracts	218,224	-	8
Total	**567,176,154**	-	**15,084**

	31 December 2020		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	411,352	-	1,296
Islamic currency swap contracts	124,207	3	-
Total	**535,559**	**3**	**1,296**

27- Subordinated financing

	31 December 2021 000's EGP	31 December 2020 000's EGP
Subordinated Financing without coupon*	534,421	499,536
Subordinated Financing with coupon**	754,402	755,141
Other Financing	-	52,440
Total	**1,288,823**	**1,307,117**
Subordinated Financing without coupon*		
Balance at the beginning of the financial year- face value of subordinated financing	499,536	475,667
PV of Subordinated Financing during the period	-	-
Subordinated financing cost using effective interest rate method	35,348	33,283
Foreign currency valuation differences	(463)	(9,414)
Readustment effect for Subordinated Financing granted in December 27, 2012	-	-
Total	**534,421**	**499,536**

Non-interest subordinated financing represents an amount of USD 39 million granted by Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 6 years starting from 27 December 2012. On 27 March 2016, a supplementary agreement to the subordinated financing contract has been made to increase the tenor period for three tranches of the contract to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 29,250 thousands. Further, another supplementary agreement has been made on 27 December 2016 to extend the fourth tranche of the same finance to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 9,750 thousand. ADIB has recorded the first three tranches at the present

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value using discount rate of 7.51% and the fourth tranche at discount rate of 5.88% . These supplementary agreements resulted in charging equity by a net amount of LE 54,581 thousand, which represents the difference between the face value and the present value of the financing as at the date of term extension agreement.

27- Subordinated financings - continued

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 6.50% from the investment amount, which is not significantly different from the market discount rate.

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 5.88% from the investment amount, which is not significantly different from the market discount rate.

**On 28 March 2019, ADIB was granted an additional subordinated financing of USD 30 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 28 March 2019 with an expected profit rate of 9.88% from the investment amount, which is not significantly different from the market discount rate.

Other Financings

- On 21 May 2020, ADIB obtained a financing in the amount of USD 5 million from the Arab Trade Finance Corporation for a period of one and a half years, starting from 1 June 2020, and it entails an expected profit in the first six months at LIBOR + 1.25% of the investment amount.

28- Other liabilities

	31 December 2021 000's EGP	31 December 2020 000's EGP
Accrued revenues	159,687	112,456
Accrued expenses	392,167	346,172
Other Credit Balances	635,428	569,056
Total	**1,187,282**	**1,027,684**

29- Other provisions

000's EGP

31 December 2021	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	1,243,235	36,879	243,347	1,523,461
Charged during the year	68,819	5,160	184,452	258,431
Provisions no longer required	(7,827)	(231)	(37,057)	(45,115)
Used provision during the year	(2,613)	(8,522)	-	(11,135)
Foreign exchange translation differences	(1)	-	(2,953)	(2,954)
Balance at 31 December 2021	1,301,613	33,286	387,789	1,722,688

31 December 2020	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Total
Balance at beginning of the year	1,288,239	36,538	113,674	1,438,451
Charged during the year	63,954	3,696	166,741	234,391
Provisions no longer required	(103,777)	(2,183)	(40,667)	(146,627)
Used provision during the year	(5,167)	(1,172)	-	(6,339)
Foreign exchange translation differences	(14)	-	3,599	3,585
Balance at 31 December 2020	1,243,235	36,879	243,347	1,523,461

In reference to what was stated in the minutes of the Ordinary General Assembly of ADIB dated 18 October 2015, different opinions were expressed regarding the basis of calculation of the USD amounts paid under the Capital Increase Account by ADIB - UAE as amounts paid in Egyptian Pounds, which results a potential claim from ADIB – UAE. Based on the estimation of the external legal advisor of ADIB - Egypt as regards the possible loss resulting from change in the exchange rate, ADIB has provided a provision for potential claims in an amount of EGP 1.278 million, of the effect of the movement of exchange rates as of 31 December 2014.

30- Deferred tax liabilities

Deferred tax was calculated on all temporary tax differences using the liabilities method and using the effective tax rate for the current financial year.

Deferred tax assets and liabilities can be offset when there is a legal reason to offset between the current taxes on assets versus the current tax on liabilities, in addition, when the deferred tax is following the same tax authority.

ADIB reassesses the position of deferred tax assets unrecognized at each date of the financial position and recognizes the deferred tax assets that were not previously recognized to the extent that it becomes probable in the future that there will be a tax profit that allows the absorption of the value of the deferred tax asset.

Deferred tax assets and liabilities balances

	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2021 000's EGP	31 December 2020 000's EGP	31 December 2021 000's EGP	31 December 202 000's EGP
Fixed Assets Depreciation	-	-	(55.440)	(55.053)
Provisions (other than provision for loans impairment loss)	107.607	61.972	-	-
Differences of changes in fair value for financial investments at FVOCI	-	-	(19.340)	(15.373)
Profit in suspense	26.000	15.362	-	-
Total Deferred Tax Assets / (Liabilities)	133,607	77,334	(74,780)	(70,426)
Net Deferred Tax Assets / (Liabilities)	58,827	6,908		

Movement of deferred tax assets and liabilities:

	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2021 000's EGP	31 December 2020 000's EGP	31 December 2021 000's EGP	31 December 202 000's EGP
Balance at the beginning of the year	77.334	15.699	(70.426)	(76.284)
Additions	56.273	61.635	-	-
Disposals	-	-	(4.354)	5.858
Total balance at the end of the period	133,607	77,334	(74,780)	(70,426)

30- Deferred tax liabilities - continued

Deferred tax assets (liabilities) balances recognized directly within equity

	31 December 2021 000's EGP	31 December 2020 000's EGP
Differences of changes in fair value for financial investments at FVOCI	(19,340)	(15,373)
Total reserves at the end of the year	**(19,340)**	**(15,373)**

- Deferred tax assets resulting from carried forward tax losses are not recognised unless it is probable that there are future tax profits to utilise the carried forward tax losses in the short term.

31- Capital

31/1- Authorised capital

The authorized capital amounted to EGP 4 billion (31 December 2019: EGP 4 billion).

31/2- Issued and paid up capital

The total issued and paid-up capital amounted EGP 2 billion (31 December 2019: EGP 2 billion) represented in 200 million shares with a nominal value of EGP 10 per share.

31/3- Amounts paid under capital increase account

Until 2012, ADIB - UAE deposited an amount of EGP 1,662 million under the capital increase account. On 28 December 2011, ADIB – UAE has approved the transfer of ADIB's total amount of the subordinated finance granted to ADIB in amount of EGP 199 million to the capital increase account, so the total amount paid under the capital increase account amounted to EGP 1,861 million as at 31 December 2021 (31 December 2020: EGP 1,861 million).

32- Reserves

	31 December 2021 000's EGP	31 December 2020 000's EGP
Legal Reserve	80,261	22,878
General Reserve	42,522	42,522
Special Reserve	17,165	17,165
General Banking Risk Reserve	453,883	52,265
Capital Reserve	3,698	-
General Risk Reserve	158,088	158,088
Fair value reserve	66,614	52,951
Total reserves at the end of the year	**822,231**	**345,869**

Reserves movements are as follows:

32/1- General banking Reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	52,265	3,049
Transferred from (to) retained losses	401,618	49,216
Total	**453,883**	**52,265**

This reserve is not available for distribution unless approved by the Central Bank of Egypt.

32/2- Fair value Reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	52,951	55,727
Net change in fair value of equity instruments during the year	25,358	920
Net change in fair value of debt instruments during the year	(7,728)	(4,503)
Deferred income tax recognized during the year	(3,967)	807
Total	**66,614**	**52,951**

32/3- General Risk Reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	158,088	158,088
Total	**158,088**	**158,088**

This reserve is not available for distribution unless approved by the Central Bank of Egypt

33- Retained earnings/ accumulated losses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	906,808	(228,611)
Net profit for the year	1,379,922	1,151,352
Transferred to legal reserve	(57,383)	-
Transferred to capital reserve	(3,698)	-
Employee's profit share	(90,311)	-
Board members' remunerations	(11,196)	-
Banking development fund	(9,031)	-
Transferred from general banking risk reserve	(401,618)	(49,216)
Amortization of subordinated financing cost using effective interest rate	35,348	33,283
Total	**1,748,841**	**906,808**

34- Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following balances with original maturities not exceeding three months from the date of acquisition:

	31 December 2021 000's EGP	30 June 2019 000's EGP
Cash and Due from CBE	6,068,337	4,630,304
Due from banks with less than 3 months maturity*	190,915	498,474
Treasury bills of 91 days maturity	4,847,356	3,302,450
Total	**11,106,608**	**8,431,228**

35- Contingent liabilities and commitments

35/1- Liabilities of LGs, LCs and other commitments

	31 December 2021 000's EGP	31 December 2020 000's EGP
Letters of Credit (import / enhanced export)	4,142,179	1,579,373
Letters of guarantee	10,853,266	5,821,334
Accepted notes for suppliers facilities	2,269,771	996,388
Financial guarantees	637,047	409,996
Total	**17,902,263**	**8,807,091**

35/2- Commitments for operating leases and capital commitments

000's EGP

31 December 2021	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	86,074	249,658	6,036	**341,768**
Capital commitments resulting from purchase of fixed assets	10,949	-	-	**10,949**

31 December 2020	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	78,028	253,558	20,669	**352,255**
Capital commitments resulting from purchase of fixed assets	14,102	-	-	**14,102**

36- Transactions with related parties

36/1- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2021 000's EGP	31 December 2020 000's EGP
Major Shareholders	Assets	Due from banks	25,179	16,083
Major Shareholders	Assets	Other Assets	17,152	1,742
Major Shareholders	Liabilities	Due to banks	7,596	8,115
Major Shareholders	Liabilities	Subordinated financing	1,288,823	1,254,677
Major Shareholders	Liabilities	Management fees	106,464	86,531
Major Shareholders	Shareholders equity	Difference between face value and present value for subordinated financing	30,864	44,767
Major Shareholders	Shareholders equity	Paid under capital increase	1,861,418	1,861,418
Subsidiaries Companies	Assets	Other Assets	10,528	2,392
Subsidiaries Companies	Liabilities	provision for impairment of other assets	1,713	1,053
Subsidiaries Companies	Assets	Financing and facilities to customers	689,792	664,441
Subsidiaries Companies	Assets	provision for impairment on credit losses	493,325	502,973
Subsidiaries Companies	Liabilities	Customers deposits	111,259	109,415
Associates Companies	Liabilities	Customers deposits	168,986	142,257

36/2- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2021 000's EGP	31 December 2020 000's EGP
Major Shareholders	Revenues	Income from Murabaha, Musharaka, Mudaraba and other similar income	30	15
Major Shareholders	Expenses	Cost of subordinated financing with no coupon using EIR method	(65,141)	(65,836)
Major Shareholders	Expenses	Cost of subordinated financing with coupon	(35,348)	(33,283)
Major Shareholders	Expenses	Cost of deposits and current accounts paid to banks	(550)	(5)
Subsidiaries Companies	Revenues	Fees and commissions income	-	3,575
Subsidiaries Companies	Revenues	Other operating income	125	837
Subsidiaries Companies	Revenues	Income from Murabaha, Musharaka, Mudaraba and other similar income	20,903	27,475
Subsidiaries Companies	Expenses	Cost of deposits and similar expenses	(4,485)	(6,649)
Subsidiaries Companies	Expenses	Fees and commissions expenses	(858)	(2,502)
Subsidiaries Companies	Expenses	Impairment charge on credit losses	9,648	10,830

*The wages, salaries and benefits in kind on 31 December 2021 include an amount of EGP 47.118 thousand, which represents the total amount of the twenty largest employees who earn bonuses, salaries, and benefits in ADIB altogether.

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Notes to the separate financial statements

For the year ended 31 December 2021

37- Retirement benefits obligations

Liabilities recognised in the statement of financial position:

Amounts recognised in the statement of income:

Unrealized actuarial losses are amortized over the remaining average working years, and the amortization for the period amounted to EGP 11,297 million.

The main assumptions used by ADIB are as follows:

Liabilities recognized in statement of financial position:	31 December 2021 000's EGP	31 December 2020 000's EGP
post-retirement medical benefits	183,137	137,966
Total	**183,137**	**137,966**
Existing balances in balance sheet comprise:		
Present value of financed liabilities	447,232	356,942
Unrealized actuarial losses	(264,095)	(218,976)
Liabilities in balance sheet	**183,137**	**137,966**
Movement of liabilities during the year is as follows		
Estimated obligation at the beginning of year	356,942	328,172
Cost of current service	2,255	3,044
cost of income	50,316	44,478
Actuarial losses / (Gains)	73,945	8,750
Benefits paid	(36,226)	(27,502)
Estimated obligations during the year	**447,232**	**356,942**
Balance sheet settlement		
Liabilities (assets) in balance sheet	137,966	92,153
Calculation of recognized pension in profits or losses in the financial year	81,397	73,315
Paid benefit directly by the company in financial year	(36,226)	(27,502)
Liabilities (assets) in balance sheet the end of year	**183,137**	**137,966**

Amounts recognized in income statements	31 December 2021 000's EGP	31 December 2019 000's EGP
post-retirement medical benefits	(81,397)	(73,315)
Total	**(81,397)**	**(73,315)**
Amounts recognized in income statements comprise:		
Cost of current service	81,397	73,315
Cost of early retirement recognized in profit or loss	**81,397**	**73,315**

The main actuarial assumptions used by the bank are as follows:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Average assumptions for defining benefits obligations		
Discount on medical benefits post retirement rate	14.70%	14.60%
Increase of compensation rate	7.00%	10.50%
Inflation rate	6.30%	4.50%

Retirement benefits obligations - continued

37/1 Savings Insurance Fund for Employees

On 1 July 2013, ADIB established the Private Social Security Fund (the Fund) under Law No. 54 of 1975, regarding "The Private Insurance Funds Law and its Executive Regulations". ADIB registered the Fund on 14 January 2014 under registration number with the Financial Regulatory Authority (FRA) (884). The Fund started as of 1 April 2014. The provisions of this Fund and its amendments shall apply to all employees of the main office of ADIB and its branches in the Arab Republic of Egypt.
ADIB is obliged to pay the due contributions to the Fund for each month as calculated in accordance with the Fund's Regulations and its Amendments. The Fund is generally financed through monthly contributions and some other resources specified in the Fund's Regulations.
Insurance benefits are paid in the case of termination of service due to the member reaching the age of retirement, death, permanent disability or permanent partial disability that terminates the service. In the event that the term of membership is less than (3) three years, the member of the Fund will be paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

The approval of FRA has been taken to start investing the employees' monthly contributions and depositing them in the investment account of the Fund Manager.

37/2 System of defined benefits for the medical care of the senior employees during the period of service and after retirement

ADIB has a defined benefit system for medical care for senior employees during the period of service and after retirement. ADIB has assigned an independent actuarial expert to estimate the liabilities arising from the above-mentioned medical care system using the projected unit credit method in calculating liabilities.
The most important assumptions used by the actuarial expert are as follow: -

- Mortality Rate Based on British table A67-70ULT for death rates
- The rate of inflation of medical care costs 6.30%.
- Profit rate used as a basis for deduction 14.70%.
- (Projected Unit Credit Method) is used in the calculation of liabilities.

37- Tax position

Tax on Corporate Profits

Years until 2017

- All taxes due for that period were reviewed and paid.

Year 2018/ 2021

- Tax return has been submitted on the specified legal date.

Tax on Proceeds of Treasury Bills

Years 2009 /2012

- The decision of the appeal committee was issued for that period and was appealed. A case was filed and the first hearing was not set up to date. All taxes due for that period were settled and paid in accordance with the decision of the appeal committee after benefiting from the law of overriding penalties.

Years 2013/ 2014

- The decision of the appeal committee was issued with lack of jurisdiction and that period has been re-inspected and all taxes due for that period were settled and paid in accordance with the re-inspection decision. The decision of re-inspection was appealed and transferred to the appeal committee.

Years 2015/ 2016/ 2017

- That period was inspected, and all taxes due for that period were paid and settled according to the results of the inspection. Objection was made to the result of inspection, and ADIB received the form 9 until 2017, for which the tax was fully paid.

Years 2018/2021

- We did not get notified yet from the tax authority for the inspection of those years, and the banks pays the taxes on treasury bills regularly upon its own calculation

Salaries tax

- Years till 2017 were inspected and the bank paid all the taxes required.
- The Tax authority has not been notified of the inspection of years 2018/ 2021.
- ADIB pays the monthly salaries tax at the legal deadlines.

Stamp duty

Years until 2015

- The tax inspection for that period was completed and all due taxes were paid.

Years 2016-2017-2018-2019

- ADIB has not been notified of the inspection yet.

Sales tax

- The sales tax inspection and payment were completed from the beginning of registration until 2015
- Year 2016/ 2017/ 2018 were not inspected.

Real Estate tax

- Real estate tax on buildings owned by ADIB is paid each year periodically and all due taxes were paid till 2018.

38- Subsequent events

Impact of COVID-19

The coronavirus (COVID-19) pandemic has spread across different geographic regions globally, causing disruption to commercial and economic activities. Covid-19 created doubts in the global economic environment, as both local and international financial and monetary authorities announced various financial and incentive measures around the world to counter the potential negative effects.

Risk Management and Business Continuity Strategy:

ADIB has formed a permanent committee consisting of some key management personnel, and the committee is concerned with everything related to ensuring the continuity of business and managing all risks related to Covid-19, and the most important themes on which Abu Dhabi Islamic Bank relies on for facing this pandemic are as follows: -

- **Operating risk management**

ADIB has activated business continuity plans to ensure the safety, health and security of employees by activating remote work for some bank employees, whether from home or from different locations in line with the precautionary measures adopted by the State. ADIB emphasized on the continuity of providing services to customers, whether through bank branches or through modern technological means.

ADIB focused on providing and using all available communication channels to communicate with customers, including social media, in a way that ensures the continuity of the quality of services as in normal situations.

- **Credit risk management:**

For the purpose of measuring expected credit losses, including the impact of the Covid-19 pandemic according to available information, ADIB has carried out the following: -

- ADIB has reassessed the expected credit loss models, and the underlying assumptions including the available relevant macroeconomic data.
- ADIB has implemented the Central Bank's initiative to postpone the customers owed instalments for a period of six months.
- The incentive, compensation and insurance measures and packages that were approved by both the government and the Central Bank of Egypt

The impact of the current uncertain economic environment is discretionary and the management will continue to regularly assess the current situation and its related impact. It should also be taken into consideration that the assumptions used about the economic forecast are subject to a high degree of uncertainty and thus the actual result may significantly differ from the expected information. ADIB has taken into consideration the possible effects of the current economic fluctuations in determining the amounts offered for the financial and non-financial assets of ADIB, which represent the best evaluation of management based on the available information and thus the markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

- **Liquidity management**

Liquidity risk is monitored and evaluated in accordance with internal rules, including conducting liquidity stress tests, value at risk, compliance with liquidity ratios, and meeting the requirements of the Basel Committee (Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)).

- **Capital management**

ADIB implements and follows a prudent capital management policy by conducting periodic stress tests, as well as periodically, and continuously conducting an internal capital adequacy assessment process (ICAAP) using stress tests.

ADIB مصرف أبوظبي الإسلامي

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

AND INDEPENDENT AUDITOR'S REPORT.

MAZARS MOSTAFA SHAWKI
Public Accountants and Consultants

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Auditors' Report

To: The Shareholders of Abu Dhabi Islamic Bank (ADIB) - Egypt "S.A.E."

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Abu Dhabi Islamic Bank (ADIB) – Egypt (S.A.E), and its subsidiaries the group which comprise the consolidated financial position as of December 31, 2021 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

These consolidated financial statements are responsibility of the bank's management. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the rules of preparation and presentation of the banks' financial statements basis of recognition and measurement issued by the Central bank of Egypt on 16 December 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations. Management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatements of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonable of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

MAZARS MOSTAFA SHAWKI
Public Accountants and Consultants

PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ("The group") as of 31 December 2021 and of its consolidated financial performance and its consolidated 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 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these consolidated financial statements.

Emphasis of a matter

Without qualifying our report, we draw your attention as indicated in note (31) to the consolidated financial statements, the banks' management formed a provision whose balance on December 31, 2021 amounted to LE 1,278 million (December 31, 2020: 1,229 million Egyptian pounds) based on the bank's external legal advisor opinion to cover potential claims by Abu Dhabi Islamic Bank - UAE.

Auditors

Hoda Mostafa Shawky
Accountants and Auditors Register No. (3451)
Financial Regulatory Authority Register No. (7)
CBE Register No. (92)
Fellow of Egyptian Society of Accountants and Auditors
Fellow of Egyptian Tax Society
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Financial Regulatory Authority Register No. (235)
CBE Register No. (388)
PricewaterhouseCoopers Ezzeldeen, Diab & Co.
Public Accountants
Plot No 211, Second Sector, City Center
New Cairo 11835, Egypt

20 February 2022
Cairo

Consolidated statement of financial position - at 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
Assets			
Cash and due from Central Bank of Egypt	15	6,068,383	4,633,212
Due from banks	16	4,675,219	3,718,769
Financing and facilities to banks (net of impairment losses)	17	59,107	118,206
Conventional financing to customers (net of impairment losses)	18	12,172	10,434
Financing and facilities to customers (net of impairment losses)	18	45,158,029	40,063,467
Non Current Assets Held for Sale	32	260,817	945
Islamic forward exchange contracts		-	3
Financial investments			
- Fair value through profits and losses	19	23,595	8,639
- Financial investments at FVOCI	19	9,394,277	8,113,728
- Financial investments at amortized cost	19	20,962,309	13,580,114
Investments in associates	20	157,367	136,876
Intangible assets (net of accumulated amortization)	21	44,546	25,646
Other assets	22	2,102,188	1,812,681
Fixed assets (net of accumulated depreciation)	23	518,271	724,641
Investments properties (net)	24	18,704	17,718
Financial leased assets to others *	42/25	1,040,534	566,342
Deferred tax assets	33	59,094	5,141
Total assets		**90,554,612**	**73,536,562**
Liabilities and equity			
Liabilities			
Due to banks	26	2,352,263	686,738
Customers' deposits	27	75,679,539	62,673,279
Non Current Liability Held for Sale	32	61,947	-
Islamic forward / Islamic currency swap contracts	28	15,084	1,296
Subordinated Financing / Other Islamic financing	29	1,980,165	1,613,794
Other liabilities *	42/30	1,224,969	1,196,483
Current income tax liability		443,863	109,086
Other provisions	31	1,734,037	1,539,907
Defined benefits obligations	41	183,137	167,672
Total liabilities		**83,675,004**	**67,988,255**
Equity			
Paid up Capital	34	2,000,000	2,000,000
Paid under capital increase	35	1,861,418	1,861,418
Reserves	36	940,567	492,549
Difference between face value and present value for non-interest subordinated financing		30,864	44,767
Retained earnings	37	2,064,121	1,130,942
Total equity attributable to equity holders' of the bank		**6,896,970**	**5,529,676**
Non-controlling interests		(17,362)	18,631
Total equity		**6,879,608**	**5,548,307**
Total liabilities and equity		**90,554,612**	**73,536,562**

Independent auditor's report "attached"

The accompanying notes from (1) to (44) are integral part of these financial statements and are to be read together.

*The comparative figures have been modified to reflect the appropriate classification of the items referred to in Note No (42)

Jamal Abu Sana	Mohamed Ali
Chief financial officer	CEO and Managing Director

Cairo on 17 February 2022

Consolidated Income Statement

For the year ended 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
continuous operations			
Income from Murabaha, Musharaka, Mudaraba and similar income	7	8,197,874	7,232,316
Cost of deposits and similar costs	7	(4,581,964)	(4,041,183)
Net income from funds	7	**3,615,910**	**3,191,133**
Fees and commissions income	8	730,066	608,959
Fees and commissions expenses	8	(175,852)	(145,423)
Net fees and commission income	8	**554,214**	**463,536**
Dividend income	9	4,824	2,632
Net trading income	10	83,974	181,860
Administrative expenses	11	(1,443,471)	(1,343,162)
Other operating expenses	12	(483,224)	(342,092)
Impairment charges for credit losses	13	(175,667)	(444,706)
Gain on sale of Subsidiaries and Associates		87,920	3,068
Gains on financial investments	4/19	235	10,853
Bank's share of its associate results		36,145	29,030
Net profit for the year before tax		**2,280,860**	**1,752,152**
Income tax expense	14	(807,478)	(556,283)
Net profit for the year From continuous operations		**1,473,382**	**1,195,869**
discontinuous operations			
Losses for the year from Discontinued Operations		**(22,859)**	**0**
Net profit for the year		**1,450,523**	**1,195,869**
Attributable to:			
Shareholder's equity of the bank		1,453,132	1,192,389
Non-controlling interests		(2,609)	3,480
Net profit for the year From continuous operations		**1,450,523**	**1,195,869**
Basic earning per share in net profit for the year		**6.07**	**5.11**

The accompanying notes from (1) to (44) are integral part of these financial statements and are to be read together.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

	Note No	31 December 2021 000's EGP	31 December 2020 000's EGP
Net profit for the Year		**1,450,523**	**1,195,869**
Items that will not be reclassified to the Profit and Loss:			
Change in fair value reserve of equity instruments at fair value through other comprehensive income		1,588	1,421
Tax impact related to other comprehensive income that will not be reclassified to the profit or loss	2/33	(5,706)	(207)
Other comprehensive income items reclassified to the profit and loss:			
Change in fair value reserve of debt instruments at fair value through other comprehensive income		(7,728)	(4,503)
Income tax related to items that are reclassified to the profits and losses		1,739	1,013
Total other comprehensive income for the year, net of tax		**(10,107)**	**(2,276)**
Total comprehensive income for the year, net of tax		**1,440,416**	**1,193,593**
Attributable to:			
Shareholder's equity of the bank		1,443,025	1,190,113
Non-controlling interests		(2,609)	3,480
Total comprehensive income for the year, net of tax		**1,440,416**	**1,193,593**

The accompanying notes from (1) to (44) are integral part of these financial statements and are to be read together.

Consolidated statement of cash flows

For the year ended 31 December 2021

	Note No.	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash flows from operating activities			
Net profit for the year before tax		2,280,860	1,752,152
Adjustments to reconcile profits with cash flows from operating activities			
Depreciation and Amortization of fixed and intangible assets	23/21	109,966	147,235
Depreciation of investment property		1,103	1,211
Charge / (release) impairment losses of financing and facilities to customers	18	175,574	444,286
Used financing provision	18	(66,770)	(298,440)
Charge / (release) of other provisions	31	259,843	236,155
Provisions no longer required other than financing provision	31	(45,115)	(146,977)
Provisions used other than financing provision	31	(11,142)	(6,469)
Bonds' premium and discount amortization		55,998	(420,301)
Foreign currency valuation differences of financing provisions in foreign currencies	18	(1,252)	(4,874)
Foreign currency valuation differences of provisions in foreign currencies other than financing provisions	31	(2,953)	3,584
Foreign currency valuation differences of due from banks provisions in foreign currencies		(7)	(44)
Foreign currency valuation differences of financial investments at FVOCI in foreign currencies	19	159	560
Valuation differences for financial assets balances in foreign currencies at AC	19	174	3,671
Foreign currency valuation differences of financial instrument at AC's provisions		(73)	(290)
Foreign currency valuation differences of subordinated financing - With coupon	29	(739)	(14,851)
Foreign currency valuation differences of subordinated financing - Zero coupon	29	(463)	(9,412)
Foreign currency valuation differences of subordinated financing - Zero coupon - Equity		21,445	20,309
Losses / (Gains) valuation of financial investments at FVPL		2,319	(1,122)
Losses / (Gains) from valuation of forward exchange contracts		15,076	1,296
Charge /(release) of impairment losses of due from banks	16	80	75
Charge /(release) impairment loss of financial investments at amortized cost		-	345
Charge /(release) of impairment losses of other assets	12	1,415	7,193
Charge /(release) of impairment losses of investment properties	12	(2,392)	2,944
Charge /(release) of impairment losses of leased assets		6,060	12,363
Gains / (Losses) on sale of equity instruments at FVPL	10	(6,133)	1,969
Gains / (Losses) on sale of mutual funds at FVPL		(235)	448
(Losses) / Gains on sale of debt instruments at FVOCI		-	(11,301)
Gains / (Losses) on sale of investments in subsidiaries and associates	4/19	(87,920)	(3,068)
Losses / (Gains) on sale of fixed assets		(365)	(7,953)
Losses / (Gains) on sale of assets reverted to bank		(9,450)	(404)
Losses / (Gains) on sale of Investment Property	12	(921)	(4,620)
Bank's share of associates results		(36,145)	(29,030)
Dividends on equity instruments at FVOCI		(4,824)	(2,632)
Amortization of subordinated financing cost using effective interest rate method	29	35,348	33,283
Financing expenses for other long term loans		46,053	16,094
Employees Benefits obligations charged during the year		-	(3,640)
Operating profits before changes in assets and liabilities resulting from operating activities		2,734,574	1,719,745
Net decrease (increase) in assets & liabilities			
Due from banks with maturity more than 90 days	16	(1,266,881)	(2,206,685)
Treasury bills with maturity more than 90 days		605,487	320,683
Financial investments at FVPL		(13,391)	15,168
Financing and facilities to customers and banks		(5,159,139)	(9,342,194)
Other assets		(209,103)	(569,045)
Non Current Assets held for sale		(6,600)	-
Net investment in financing lease contracts		(305,863)	(340,581)
Due to banks		1,665,525	403,845
Customers' deposits		12,854,512	11,387,565
Financial derivatives		(1,285)	2,808
Other liabilities		124,915	349,574
Employees' Benefits obligations	41	45,171	43,988
Income tax paid		(537,447)	(687,747)
Net Cash flows used in Operating activities		10,530,475	1,097,124

Consolidated statement of cash flows - continued

For the year ended 31 December 2021

		31 December 2021 000's EGP	31 December 2020 000's EGP
Cash flows from investing activities			
Payments for purchase of fixed assets and branches fixtures	23	(62,847)	(116,860)
Proceeds from sale of fixed assets		1,059	8,401
Payments for purchase of intangible assets		(42,001)	(7,005)
Proceeds from sale of investment property		1,224	9,724
Proceeds from sale of assets held for sale		505	3,086
Payments for purchase of financial investments at FVOCI		(941,987)	(115,000)
Proceeds from recovery of financial investments at FVOCI		892,690	138,097
Payments for purchase of financial investments at amortized cost		(9,429,895)	(5,478,332)
Proceeds from recovery of financial investments at amortized cost		1,682,134	2,592,112
Payments to purchase investment in subsidiaries and associates		(25,888)	-
Proceeds from sale of investments in subsidiaries and associates		105,090	-
Proceeds from dividends income		22,513	16,022
Net Cash flows (Used in) generated from Investing activities		(7,797,403)	(2,949,755)
Cash flows from financing activities			
Proceeds / (Paid) from other long term loans		108,286	-
Proceeds (Paid) from subordinated financing	29	(52,342)	54,589
Dividends income paid		(132,888)	(18,439)
Net cash flows resulting from / (used in) financing activities		(76,944)	36,150
Net increase (decrease) in cash and cash equivalents during the year		2,656,128	(1,816,481)
Cash and Cash Equivalents at the beginning of the year		8,450,609	10,267,090
Cash and cash equivalents at the end of the year		11,106,737	8,450,609
Cash and cash equivalents are represented in			
Cash and due from CBE	15	6,068,383	4,633,212
Due from banks	16	4,675,347	3,718,824
Treasury bills		11,527,485	10,602,297
Due from banks with maturity more than three months from date of acquisition		(4,484,350)	(3,215,101)
Treasury bills with maturity more than three months from date of acquisition		(6,680,128)	(7,288,623)
Cash and cash equivalents at end of the year		**11,106,737**	**8,450,609**

The accompanying notes from (1) to (44) are integral part of these financial statements and are to be read together.

Consolidated statement of changes in equity

For the year ended 31 December 2021

	Paid up capital	Paid under capital increase	Capital Reserve	Legal reserve	General reserve	Special reserve	General banking risk reserve	General risk reserve	Fair value reserve	Difference between face value and present value for subordinated financing	Retained earnings / (Retained losses)	Total	000's EGP Non-controlling interest	Total
31 December 2020														
Balance at 1 January 2020	2,000,000	1,861,418	-	22,878	42,522	22,549	3,049	273,022	78,996	57,741	(35,033)	4,327,142	18,229	4,345,371
Transferred to general banking risk reserve	-	-	-	-	-	-	53,021	-	-	-	(53,021)	-	-	-
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	(2,276)	-	-	(2,276)	-	(2,276)
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(12,974)	33,283	20,309	-	20,309
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	(2,735)	(2,735)	(362)	(3,097)
Prior periods impact of subsidiaries & associates adjustments	-	-	-	-	-	(1,212)	-	-	-	-	(3,941)	(5,153)	(2,716)	(7,869)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,192,389	1,192,389	3,480	1,195,869
Balance at 31 December 2020	2,000,000	1,861,418	-	22,878	42,522	21,337	56,070	273,022	76,720	44,767	1,130,942	5,529,676	18,631	5,548,307
31 December 2021														
Balance at 1 January 2021	2,000,000	1,861,418	-	22,878	42,522	21,337	56,070	273,022	76,720	44,767	1,130,942	5,529,676	18,631	5,548,307
Transferred to general banking risk reserve	-	-	3,698	57,383	-	-	395,693	-	-	-	(456,774)	-	-	-
Remuneration for board members and Employees'	-	-	-	-	-	-	-	-	-	-	(110,538)	(110,538)	-	(110,538)
Net change in other comprehensive income items	-	-	-	-	-	-	-	-	(10,107)	-	-	(10,107)	-	(10,107)
Amortization of the difference between face value and present value of subordinated financing	-	-	-	-	-	-	-	-	-	(13,903)	35,348	21,445	-	21,445
Dividends paid - subsidiaries	-	-	-	-	-	-	-	-	-	-	(4,624)	(4,624)	(26)	(4,650)
Prior periods impact of subsidiaries & associates adjustments	-	-	-	-	-	1,351	-	-	-	-	16,635	17,986	(33,358)	(15,372)
Net profit for the year	-	-	-	-	-	-	-	-	-	-	1,453,132	1,453,132	(2,609)	1,450,523
Balance at 31 December 2021	2,000,000	1,861,418	3,698	80,261	42,522	22,688	451,763	273,022	66,613	30,864	2,064,121	6,896,970	(17,362)	6,879,608

The accompanying notes from (1) to (44) are integral part of these financial statements and are to be read together.

1- General information

Abu Dhabi Islamic Bank - Egypt (formerly National Development Bank - a joint stock company) was incorporated as an Egyptian joint stock company under Law No. 43 of 1974 and its executive regulations in the Arab Republic of Egypt. The main office of ADIB is located at Cairo Governorate, 9 Rustom Street - Garden City. ADIB is listed on the Egyptian Stock Exchange.

Abu Dhabi Islamic Bank - Egypt - an Egyptian Joint Stock Company is subject as a financial institution to the supervision and control of the Central Bank of Egypt, and ADIB complies with the provisions of Islamic Sharia'a in products provided to its clients, whether the products are investment deposits, Islamic investment Sukuk or savings accounts. ADIB also fulfils the client's various funding needs by offering a variety of options such as: Murabaha (Cost-Plus), Musharaka (Joint Ventures) and Ejara (Leasing), as well as, providing Islamic options for letter of guarantee, letter of credit and covered cards. ADIB has its own Fatwa and Shari'a Supervisory Committee, which is composed of Shari'a jurists, qualified with banking, legal and economic knowledge, in order to issue fatwas and legal rulings on all aspects of existing and new Islamic banking transactions.

ADIB was registered in the Commercial Register on 3 April 2013 by changing ADIB's name from National Development Bank to Abu Dhabi Islamic Bank - Egypt.

Abu Dhabi Islamic Bank - Egypt -an Egyptian Joint Stock Company provides corporates, retail banking and investment services in the Arab Republic of Egypt through 70 branches, delegates and agencies employing 2,094 employees on the date of the interim financial statements.
These financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 17 February 2022.

Important Definitions

The following terms are used in the consolidated financial statements and their definitions are as follows:

Murabaha

It is a contract under which ADIB sells to the customer in-kind asset, a commodity or shares owned and held by ADIB (real or judgement) for a selling price consisting of the purchase cost and an agreed profit margin.

Ejara

It is a lease contract thereby ADIB (the lessor) rents a specific in-kind asset or service (owned or leased by ADIB) or entitled for a specified period and in return for fixed rental instalments. Ejara may be ended for in-kind asset by ownership of the lessee for the leased asset under an independent contract to transfer the ownership.

Mudaraba

It is a contract between ADIB and the client whereby one of the two parties (the money owner) provides a sum of money to the other party (Mudarib) which invests the sum in a particular project or activity and distributes the profit between the parties according to the agreed shares in the contract. Mudarib bears the loss in case of infringement or default and / or violation of any of the terms of the Mudaraba contract; otherwise, the owner bears such loss.

Wakala

It is a contract between ADIB and the client whereby one of the two parties (the Principal) provides for the other party (Agent) a certain amount of money and authorized to invest according to a certain terms and conditions. The Agent's commission is limited as per a lump sum basis that may be added to the amount of a certain percentage of profit expected as incentive profit to the Agent for good performance. The Agent bears the loss in the event of infringement, default or violation of any of the terms and conditions of the Power of Attorney contract, otherwise the Principle bears it.

Sukuk

They are value equivalent documents that represent common shares in the ownership of a certain asset (leased, will be leased, whether existing or described in the future) or in the ownership of rights arising from the sale of an existing asset after being owned by the Sukuk holders, the ownership arising from the assignment, or the ownership of projects that are managed on Mudaraba or Company basis. In all such cases, Sukuk holders are the owners of their common share of the leased assets, the rights or goods arising from the assignment or the assets of the Company's projects or the Mudaraba.

2- Basis of preparation of the financial statements

These consolidated interim financial statements have been prepared in accordance with the rules of Central Bank of Egypt (CBE) of the preparation of the banks' financial statements and the principles of recognition and measurement as approved by its board of directors on 16 December 2008, pertaining to the issuance of interim financial statements by the Egyptian banks during 2019 according to the rules of preparation and presentation of financial statements of banks, as well as, the recognition and measurement basis issued by the (CBE) dated on that date after being affected by the application of the requirements of IFRS (9) "Financial Instruments" in light of the instructions issued on 26 February 2019, and in light of the revised Egyptian Accounting Standards (EAS) issued during the year 2015 and its related amendments and the provisions of local laws and in light of the Egyptian laws and regulations related to the preparation of these consolidated financial statements.

The financial statements of ADIB had been prepared till 31 December 2018 using the rules for the preparation and presentation of the financial statements of banks and the recognition and measurement principles issued by (CBE) on 16 December 2008. However, as from 1 January 2019 and based on the instructions issued by the (CBE) relevant to preparation of the financial statements of banks in the accordance with the requirements of (IFRS 9) "Financial Instruments" as of 26 February 2019, the management has modified certain accounting policies to conform to those instructions. The following note details the changes in accounting policies.

All subsidiaries are fully consolidated in the financial statements. The Bank directly and indirectly owns more than half of the voting rights and has the ability to govern the financial and operating policies of the subsidiaries regardless of the type of activity.

3- Summary of accounting policies

The following are the most significant accounting policies used in the preparation of the financial statements. These policies have been consistently followed for all presented periods, except for re-measurement of financial assets and recognition of profits and losses arising during the comparative period.

(A) Investment in subsidiaries and associates

Consolidated Financial Statements

A/1 Subsidiaries

Subsidiaries are entities that ADIB has the ability to directly or indirectly control its financial and operating policies, and ADIB usually has ownership share that exceeds one-half of the voting rights. This takes into consideration the impact of the future voting rights, which can be exercised or converted at the current time when evaluating ADIB's ability to control the subsidiaries.

A/1/1 Method of Acquisition

- The Bank adopts the acquisition method when processing each business combination.
- The material consideration transferred in the business combination shall be measured at fair value, which shall be calculated as the fair values of the assets transferred by the Bank and the liabilities assumed by the Bank to the acquired asset, as well as, the equity rights issued by the Bank. The transferred material consideration may also include the fair value of any asset or liability arising from arrangements for a material consideration. The acquired identifiable assets and contingent liabilities shall be measured at fair value on the date of acquisition. In each business combination, the Bank shall measure any non-controlling profit in the subsidiary on the basis of a percentage of the recognized values of the net identifiable assets of the subsidiary on the date of acquisition.
- Acquisition costs shall be recognized as an expense upon incurred.
- In a business combination that is carried out on stages, the Bank shall re-measure the equity previously retained in the entity acquired at its fair value on the date of acquisition. The gain or loss resulting from re-measurement shall be recognized in other comprehensive income.
- All assets, liabilities, equity, income, expenses and cash flows relating to transactions between the Bank's subsidiaries shall be fully excluded. The appropriate adjustments to the financial statements of the subsidiaries shall be made to ensure that the financial statements are consistent with the Group's accounting policies, if required

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Notes to the consolidated financial statements

For the year ended 31 December 2021

A/1/2 Changes in the Percentage Held in the Controlling Interest

- When the percentage of equity held by the controlling interest is changed, the Bank shall adjust the amounts recorded for the controlling and non-controlling interests until the changes in their respective interests in the subsidiary are reflected. The Bank shall recognize directly in the parent company's equity any difference between the amount of the non-controlling interest adjustment and the fair value of the cash consideration paid or received.

A /1/3 Exclusion of Subsidiaries

- When the Bank loses control, the Bank shall recognize any remaining investments in the subsidiaries that were at fair value on the date that control ceases and any difference shall be recognized as profit or loss attributable to owners of the parent company.

A /1/4 Measurement Period

- The measurement period shall be the period required for the Bank to obtain all information required for the initial measurement of the items resulting from the acquisition of the subsidiary. The measurement period shall not exceed (12) twelve months as from the date of acquisition. In the event that the Bank obtains new information during the measurement period relating to the acquisition, the adjustment shall be made retroactively to the amounts recognized at the date of acquisition and the recognized goodwill shall be adjusted at the date of acquisition.

A/1/5 Basis of consolidation

- The following are the Egyptian Subsidiaries whose business has been consolidated with the financial statements of ADIB

The Company Activity	Ownership % (Direct & Indirect)	Company
Manufacturing	86.16%	National company for Glass
Commercial	73.16%	National company for trading and development (ENTAD)
Financial Investment	74.85%	Cairo national company for investment
Financial Lease & Factoring	99.00%	ADI Finance
Holding	99.93%	Abu Dhabi Islamic holding company
Financial Investment	99.95%	Abu Dhabi Islamic Capital
Real estate investment	44.24%	Abu Dhabi Islamic Properties
Financial Investment	99.92%	ADIB Invest
Financial Investment	51.25%	Cairo National Company for Brokerage & Securities
Financial Investment	99.92%	ADI Consumer
Financial Investment	99.92%	ADI Micro finance
Agricultural investment	54.87%	Assiut Agriculture

- Upon consolidation, unrealized transactions, balances and gains arising from intra-group transactions shall be excluded. Any unrealized losses shall not be excluded unless providing an evidence of impairment in the asset transferred. The accounting policies of the subsidiaries shall be changed as necessary to ensure uniform policies of ADIB.

A/1/6 Transactions with Minority Shareholders

ADIB treats transactions with minority shareholders as transactions with parties outside ADIB. Gains and losses arising from sale to minority interests shall be recognized in the income statement. Purchases from minority interests result in goodwill that shall be recognized as the difference between the paid consideration to the acquired shares and the book value for the net assets of the Subsidiary.

A /2 Associates Companies

Associate Companies are all companies in which the Group has significant influence without extension to control. Generally, this case shall be applied when ADIB directly or indirectly owns between 20% and 50% of the voting rights of the associate company.

A/2/1 Equity Method

Equity method is used to accounting for investments in associate companies so that the investment shall be recognized at the cost of acquisition. Such cost shall be adjusted to the date of acquisition, which occurs during the subsequent period of acquisition from a change in ADIB's share in the net assets of the associate companies. The profit or loss for the bank shall include ADIB's share in profit or loss of the associate company. The other comprehensive income statement shall include ADIB's share in the other comprehensive income of the associate company, in return for adjusting the book value of the investment by the total share of the Bank in the changes in equity after the date of acquisition.

A/2/2 Changes in Equity

If the Bank's equity in a subsidiary is impaired, but with remaining the significant influence, the consideration for impairment shall be reclassified with impairment ratio in the amount of gain or loss previously recognized in other comprehensive income to profit or loss as a result of disposal of the related assets or liabilities.

A/2/3 Losses of Associates

If the Bank's share in the losses of its associates exceeds its share in those companies or is equal thereto, the Bank shall cease to recognize the balance of the additional losses. After the Bank's share is reduced to zero, the excess losses shall be recognized as a liability to the statement of financial position but only to the extent that the Bank incurs as legal or estimated obligations. When such companies make profits in subsequent periods, the Bank shall resume recognition of its share in such profits but after its share of profits equals its share of the losses that are not recognized.

A/2/4 Transactions with Associate Companies

Profits and losses arising from cross-transactions shall be recognized (upward and downward) between the Bank (including its subsidiaries) and the associate company within the limits of the profits of other investors in the associate who have no relationship with the Bank.

A/2/5 Inventory

Inventory items shall be evaluated as follows:

Inventories of raw materials, spare parts, packaging materials, fuel, oils and equipment inventory: on cost basis (weighted average method) or net realizable value, which is lower.

Finished production inventories: an industrial cost basis as per the cost lists or net realizable value, whichever is lower.

Cost shall include direct materials, direct labour and a share of indirect industrial costs and shall not include the cost of borrowing.

Production inventory under operation: based on the industrial cost of the last stage completed according to the cost lists.

Net realizable value: it is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to complete the sale.

A decrease in the value of inventory shall be recognized in net sale value and all inventory losses shall be included in the cost of sales in the statement of income in the period in which the decline or loss occurs. The decrease reimburses in inventories resulting from the increase in net sale value shall be recognized in the statement of income as a reduction of the cost of sales in the period in which the reimburse occurs.

A/2/6 Real Estate Investment

Profits or losses arising from changes in the fair value of real estate investment shall be recognized as profit or loss for the period in which they arise.

The fair value of the real estate investment is the exchange value of particular assets, whose parties have willingness to exchange, are aware of the facts and deal with a free will. This estimation of fair value in particular shall not include an estimated inflation or deflation price under special conditions or certain cases such as extraordinary financing, special arrangements by selling with the proceeds of the lease, the special amounts or privileges granted by any party involved in the sale process.

The entity shall determine the fair value without making any deduction for transaction costs that the entity may incur in the sale or other disposal.

A/2/7 Projects under construction

The projects under constructions shall be represented in the amounts that were expended for the purpose of establishing or purchasing fixed assets until being ready for use in the operation. Then, subsequently transferred to the fixed assets items and the projects under construction shall be estimated at cost after deduction of impairment.

A/2/8 Defined benefits obligations

The National Glass and Crystal Company grants the end of service benefits to the employees of the Company. The right to receive these benefits shall be calculated based on the salary and the length of service of the employees.

(B) Operating Sectors

The operating sectors participating in ADIB's business activities are reported in line with the internal reports submitted to ADIB's department Chief Operating Decision Maker, considering that the management represented in the Board of Directors, the Executive Management and the relevant committees / or its designee at the foreign branches is responsible for making operational decisions about the resources to be allocated to the operating sectors and assessing their performance.

(C) Sectors reporting

An activity sector is a group of assets and processes associated with the provision of products or services that are characterized by risks and benefits and differ from those of other sectors of activity. The geographical sector is engaged in the provision of products or services within a single economic environment with risks and benefits that are related to geographical sectors operating in a different economic environment.

ADIB is divided into two main sectors: Corporate Banking Services and Retail Banking for Individuals. In addition, the Corporate Centre is a central funding department for ADIB's core business. For the dealings of the department of transactions, investment activity and other non-core activities, they are reported within the Corporate Banking Services

For the purpose of sectors reporting in accordance with the classification of geographic regions, the Sector's profits, losses, assets and liabilities are presented on a basis of branches' locations.

Based on the fact that ADIB (ADIB - Egypt) does not have an entity to register abroad, the sectors reports present, unless otherwise stated in a certain disclosure, all ADIB's investments in equity instruments and debt instruments issued by foreign institutions, as well as, credit facilities granted by ADIB to foreign parties based on the location of the local branch in which such assets are registered.

(D) Foreign currency translation

D/1 Functional and presentation currency

The financial statements of ADIB are presented using the currency of the primary economic environment in which ADIB exercises its business (the functional currency). ADIB's financial statements are presented in Egyptian pounds, which is ADIB's functional and presentation currency.

D/2 Transactions and balances in foreign currencies

ADIB keeps its accounting records in Egyptian pound. Foreign currency transactions during the financial period / year are translated using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities balances in foreign currencies at the end of the financial year are re-translated based on the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from settlement of such transactions and translation differences are recognized in the statement of profit and loss under the following items:

- Net trading income or net income from financial instruments classified at fair value through profit or loss for trading assets / liabilities or those classified at fair value through profit or loss based on classification of the asset or liability.
- Within other comprehensive income items of equity with regard to Islamic futures exchange contracts / Islamic currency swap contracts as qualifying hedge (eligible) for cash flows or as qualifying hedge for net investment.
- Within other comprehensive income items of equity for financial investments of equity instruments at fair value through other comprehensive income.
- Other operating income (expenses) for the remaining items.

Changes in the fair value of monetary financial instruments in foreign currency classified as investments at fair value are analyzed within the other comprehensive income through differences from changes in amortized costs of the instrument, differences from changes in the prevailing exchange rates, and differences from changes in the fair value of the instrument. Differences related to changes in the amortized cost are recognized into statement of profit and loss under funds and similar revenues, and those related to the changes in the exchange rates under other operating income (expenses). Differences from changes in the fair value (fair value reserve/ financial investments at fair value through other comprehensive income) are recognized within equity of comprehensive income items.

Valuation differences result from non-cash items include profit and loss from change in fair value such as equity instruments at fair value through profit and loss. Valuation differences result from equity instruments classified as financial investments at fair value through comprehensive income statement are recognized in statement of other comprehensive income.

C) Financial assets and financial liabilities

C/1. Initial recognition and measurement

ADIB conducts initial recognition of financial assets and liabilities on the date on which ADIB becomes a party to the contractual conditions of financial instrument.

The financial asset or liability is initially measured at fair value. With regard to asset or liability that is not subsequently measured at fair value through profit and loss, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance.

C/2. Classification

Financial assets

- Upon initial recognition, ADIB classifies the financial assets into financial assets at amortized cost, financial assets at fair value through statement of other comprehensive income or at fair value through profit and loss.
- The financial asset is measured at amortized cost upon fulfilment of the following two conditions and when it has not been allocated by Bank's management upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to hold financial asset to collect contractual cash flows.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is represented only in the principal amount of the financial instrument and the interest.
- The financial asset is measured at fair value through other comprehensive income upon fulfilment of the following two conditions and when it has not been allocated upon initial recognition at fair value through profit and loss:
  - The financial asset is held within a business model whose purpose is to collect contractual cash flows and sell the financial asset.
  - The contractual conditions of financial asset result, on specific dates, in contractual cash flows for the asset and is not represent only in the principal debt and the interest.
- Upon initial recognition of an equity instrument not held for trading, ADIB can take irrevocable option to present subsequent changes in fair value through statement of other comprehensive income. Such option is adopted for each investment individually.
- Other outstanding financial assets are classified as financial investments at fair value through profit and loss.
- Furthermore, ADIB may, upon initial recognition, irrevocably allocate a financial asset as measured at fair value through profit or loss despite of fulfilling the conditions of classifying as financial asset at amortized cost or fair value through statement of other comprehensive income, if so materially prevents or reduces the conflict that may arise in accounting measurement.

Business model valuation

1) Debt instruments and equity instruments are classified and measured as follows:

Instrument	Method of measurement as per the business model		
	Amortised cost	Fair value through other comprehensive income	
		Through comprehensive income	Through profit or loss
Equity instruments	___	One-time option upon initial recognition Irrevocable	Normal transaction for equity instruments
Debt instruments	Business model of assets held to collect contractual cash flows	Business model of assets held to collect contractual cash flows and sale	Business model of assets held for trading

2) ADIB prepares, documents and approves Business Model(s) in compliance with IFRS 9 requirements to reflect ADIB's strategy made for managing financial assets and its cash flows as follows:

Financial asset	Business model	Principal characteristics
Financial assets at amortised cost	Business model of financial assets held to collect contractual cash flows	▪ The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests. ▪ A sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument. ▪ Lowest sales in terms of periodic and value. ▪ A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard are conducted by ADIB.
Financial assets at fair value through other comprehensive income	Business model Business model of financial assets held to collect contractual cash flows and sale	▪ Both the collection of contractual cash flows and sale are complementary to the objective of the model. ▪ High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows
Financial assets at fair value through profit and loss	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	▪ The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale. ▪ The collection of contractual cash flows is a contingent event for the objective of the model. ▪ Management of financial assets by the management at fair value through profit and loss to avoid accounting inconsistencies.

- ADIB evaluates the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information, which is taken into consideration when evaluating the business model, includes the following:

- Documented approved policies and portfolio's objectives and application of such policies in the real world. In particular, whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that fund such assets or generates cash flows from sale of assets.
- Way of evaluating and reporting on portfolio's performance to senior management.
- Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
- Way of evaluating the performance of business managers (fair value and/or interest on portfolio).
- Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve ADIB's objective from managing the financial assets and how to generate cash flows.

- The financial assets held for trading, or managed and its performance valued on basis of fair value are measured at fair value through profit and loss since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.

- **Valuation of whether the contractual cash flows of an asset represent payments restricted upon principal amount of instrument and interest**

- For purpose of this valuation, ADIB identifies the principal amount of financial instrument as the fair value of financial asset upon initial recognition. Further, ADIB identifies the interest as time value for money and credit risks related to the principal amount during specific period and other main finance risks and costs (such as liquidity risks and administrative costs) in addition to profit margin.
- In order to evaluate whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and interest, ADIB takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. In order to carry out such valuation, ADIB takes into consideration the following matters:
- Potential events that may change the amount or date of cash flows.
- Specifications of financial leverage (interest rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit ADIB's ability to claim cash flows from certain assets.
- Specifications that may be amended for time value of cash (periodically repricing interest rate).

Financial liabilities

- Upon initial recognition, ADIB classifies financial liabilities into financial liabilities at amortised cost and financial liabilities at fair value through profit and loss according to purpose of bank's business model.
- All financial liabilities at fair value are initially recognised on the date when ADIB becomes party to contractual conditions of financial instrument.
- Classified financial liabilities are subsequently measured at amortised cost based on amortised cost by using effective interest rate.
- Financial liabilities at fair value through profit and loss are subsequently measured at fair value and change in fair value related to change in credit rating degree of ADIB is recognised in statement of other comprehensive income whilst the outstanding amount from change in fair value is presented in profit and loss.

Reclassification

- The financial assets are reclassified upon initial recognition only if ADIB changes business model of managing such assets.
- In all cases, reclassification between financial liabilities at fair value through profit and loss and financial liabilities at amortised cost are not conducted.

C/3. Exclusion

1- Financial assets

- The financial asset is excluded when the effective period of contractual right to obtain cash flows from financial asset expires or ADIB transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated materially with ownership are transferred to another party.
- When a financial asset is excluded, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profit and loss has been previously recognised in the fair value reserve of financial investments at fair value through statement of other comprehensive income is recognised in statement of profit and loss.
- As of 1 January 2019, any accumulated profit or loss recognised in statement of other comprehensive income related to investing in equity instruments allocated as investments at fair value through statement of other comprehensive income are not recognised in profit and loss upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) is recognised as separate asset or liability.
- When ADIB makes transactions whereby it transfers assets that have been previously recognised in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset is not excluded.
- In respect of transactions in which ADIB does not materially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, ADIB continues to recognise the asset within the limitation of its continuous commitment to financial asset. The continuous commitment of ADIB to the financial asset is determined based on ADIB's exposure to the changes in the value of transferred asset.
- In some transactions, ADIB holds the commitment to provide transferred asset in return for commission. Thereupon, the transferred asset is excluded if it meets the exclusion conditions. An asset or liability to provide service is recognised if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

2- Financial liabilities

- ADIB excludes financial liabilities when the financial liability is disposed of or cancelled or its term set forth in the contract expires.

C/4. Adjustments to financial assets and financial liabilities

4- Financial assets

- If the terms of a financial asset are amended, ADIB evaluates whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the original financial asset are considered expired and hence the original financial asset is excluded and the new financial asset is recognised at fair value and the value resulting from adjusting aggregate book value is recognised as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits have to be deferred and presented with aggregate impairment losses whilst losses have to be recognised in the statement of profit and loss.
- If the cash flows of adjusted asset recognised at amortised cost do not materially differ, the adjustment will not result in the exclusion of the financial asset.

5- Financial liabilities

- ADIB may adjust a financial liability when its terms are amended and the cash flows of adjusted liability will materially differ. In such case, a new financial asset is recognised according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability is recognised in accordance with amended terms in the profit and loss.

D) Offsetting financial assets and liabilities

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

An offset is made only between revenues and expenses, if permitted in accordance with the amended Egyptian Accounting Standards, or profit or loss result from similar groups because of trading activity or the result of translation differences of the balances of assets and liabilities of monetary nature into foreign currency or the result of profits (losses) from foreign currency operations.

E) Measurement of fair value

- ADIB sets the fair value on basis that it is the price that will be obtained for the sale of an asset or will be paid for transfer of a liability in a transaction made between the participants in the market on measurement date taking specifications of the asset or liability into consideration when measuring the fair value if the participants in the market took such specifications into consideration when pricing the asset and/or liability on measurement date as such specifications include status and position of the asset and restrictions upon sale or use of the asset as per the perspective of participants in the market.

- ADIB uses market methodology to determine fair value of financial assets and liabilities as such methodology uses other relevant prices and information result from market transactions that include assets or liabilities or set of assets and liabilities and are typical or comparable. Accordingly, ADIB uses valuation methods that are in consistent with market methodology such as market multiples derived from comparable sets. Thereupon, it is required to opt for the appropriate multiplier within range using personal judgement taking into consideration both quantitative and qualitative factors of the measurement.

- When it cannot be relied upon the market approach to determine the fair value of a financial asset or financial liability, ADIB uses the income approach to determine fair value whereby future payments such as cash flow or income and expenses are transferred to current amount (discounted) so that the fair value measurement reflects current market expectations about future payments.

- When it cannot be relied upon market approach or income approach to determine the fair value of a financial asset or financial liability, ADIB uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.
- The measurement method of financial assets and liabilities at fair value are set below in the financial statements within the hierarchy of the fair value, based on the input levels that are considered to be significant to the fair value measurement as a whole

- Level 1 - Inputs of quoted prices (unadjusted) in active markets for identical assets or liabilities, which ADIB can have access to at the date of measurement.
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - Unobservable inputs of the asset or the liability.

The following table shows the change in the measurement methods of the fair value of financial assets at 31 December 2021, compared to the comparative figures at 31 December 2020

000's EGP

31 December 2021	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	101,440	9,176,324	-	**9,277,764**
Mutual funds certificates	-	-	21,302	**21,302**
Equity instruments	28,068	-	67,142	**95,210**

31 December 2020	Level One	Level Two	Level Three	Total
Financial investments in debt instruments	51,631	7,945,355	-	**7,996,986**
Mutual funds certificates	-	-	19,432	**19,432**
Equity instruments	16,697	-	80,613	**97,310**

(E/1) Financial instruments at level 1

The fair value of financial instruments traded in active markets is based on quoted prices at the date of statement of financial statements. The market is deemed active when the items in the market are similar and there are usual buyers and sellers willing to deal at any time normally. ADIB has used the declared quoted price to determine the fair value of this level. The instruments included in Level 1 comprise investments held for trading in the stock exchanges.

(E/2) Financial instruments at level 2

The fair values of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques depend on the use of observable inputs of the asset or the liability directly or indirectly. The fair value method is included in the second level if all significant inputs are observable throughout the period of the financial asset or liability. If an important input is not observable, the financial instrument will be included in the third level.

Specific valuation techniques used to determine fair values of financial instruments include:

- Quoted prices for similar assets or liabilities in active markets.
- Interest rate swaps by calculating the present value of the estimated future cash flows based on observable interest curves.
- The fair value of forward foreign exchange contracts is determined using the current value of the expected cash flows by using the future foreign exchange of the currency of contract.
- Analysis of deducted cash flows to determine fair values of other financial instruments.

F) Financial derivatives instruments and hedge accounting

Derivatives are recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value is obtained from market prices quoted in active markets, recent market transactions or valuation techniques such as discounted cash flow models and options pricing models, as the case may be. All derivatives are presented within the assets if the fair value is positive, or within obligations if the fair value is negative.

Embedded derivatives contracts are not separated when the derivative is associated with a financial asset and therefore all embedded derivatives contract are classified with the financial asset associated therewith.

The method of recognition of profit and loss arising from changes in fair value is based on whether the derivative is designated as a hedging instrument and the nature of the hedged item. ADIB allocates certain derivatives as any of the following:

1. Fair value risk hedges for assets and liabilities recognised or confirmed commitments (fair value hedges).
2. Hedges of future cash flows risks expected to be substantially attributable to a recognised asset or liability, or attributable to a forecasted transaction (cash flows hedges).

Hedge accounting is used for derivatives allocated for such purpose if they meet requirements eligible for accounting as hedge instruments.

At the inception of the transaction, ADIB documents the relationship between hedged items and hedging instruments as well as the objectives of risk management and strategy of entering into various hedge transactions. ADIB also documents, at the inception of the hedge and on an ongoing basis, the estimate of whether the derivatives used in hedge transactions are effective against the changes in the fair value or cash flows of the hedged item

F/1. Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedges of changes in fair value risks are recognised in the statement of profit and loss, together with any changes in the fair value that are attributable to the risk of hedged asset or liability.

The effective changes in fair value for interest rate swaps and relevant hedged items is retrospectively recognised in "net interest income" item. Whilst the effective changes in fair value for future currency contracts is recognised in "net income of financial investments at fair value through profit and loss" item.

Non-effective in all contracts and relevant hedged items included in the previous paragraph is recognised in "Net income of financial investments at fair value through profit and loss" item

If the hedge no longer meets the criteria for hedge accounting, the adjustment to book value of a hedged item that is accounted for using the amortised cost method should be amortised by charging it to profit or loss over the period to maturity. Adjustments made to the book value of the hedged equity instrument are included within equity until they are disposed of.

F/ 2. Cash flow hedges

The effective portion of changes in the fair value of designated derivatives qualified for cash flow hedges are recognised in statement of other comprehensive income. Profits and losses related to non-effective portion are immediately recognised in "Net income of financial investments at fair value through profit and loss" item.

Amounts accumulated in statement of other comprehensive income are carried to statement of profit and loss in the same periods in which the hedged item has an impact on profit or loss. Profits or losses relating to the effective portion of the currency swaps and options are taken to the "net income of financial investments at fair value through profits and losses".

When a hedging instrument matures or is sold, or if hedging no longer meets the conditions for hedge accounting, profits or losses accumulated in other comprehensive income at that time is retained in other comprehensive income items and recognised in the statement of profit and loss when the forecasted transaction is finally recognised. When a forecast transaction is no longer expected to occur, profits or losses accumulated in other comprehensive income are immediately transferred to the statement of profit and loss.

F/3. Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in the statement of profit and loss under "net income of financial investments at fair value through profit and loss". However, profits and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities at fair value through profit and loss are included in statement of profit and loss under 'Net income from financial instruments at fair value through profit and loss.

G) Interest income and expenses

- Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated initially at fair value through profit and loss, are recognised in the statement of profit and loss within 'interest of similar funds and revenues' using the effective interest method.

- According to the effective interest rate method, the amortised cost of an asset or financial liability is calculated and allocation of income revenues or expenses interest is distributed throughout the life of related instrument. The effective interest rate represents the rate used to discount future cash flows expected to be paid or collected during the expected life of the financial instrument, or less time if appropriate in order to accurately determine the book value of an asset or financial liability. When calculating the effective interest rate, ADIB estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are considered as part of the effective interest rate. Also, the transaction cost includes any premiums or discounts.

- When funds or receivables are classified as impaired funds and debts, the related interest income is not recognised but is rather carried off the financial statements in marginal records and is recognised under revenues according to cash basis as per the following:

▪ When they are collected, after receiving all past due instalments for consumption and real estate funds for personal housing and small funds for economic activities.
▪ For corporate funds, cash basis is also applied, where the interest subsequently calculated is given in accordance with the fund scheduling contract, until 25% of the scheduling instalments are repaid and with a minimum of one year of regular repayment. In case the customer continues to make payments on a regular basis, the interest calculated on the fund outstanding is recognised in revenues (interest on regular scheduling balance) without marginal interest before scheduling which is not recognised as revenues except after paying all the fund balance in the balance sheet before scheduling.

H) Fees and commission income

- Fees that are due for a banking process or fund service or a facility are recognised as revenues when the service is rendered. The recognition of the fees and commissions income related to impaired funds or debts is suspended and they are carried in marginal records off the balance sheet and are recognised under revenues according to the cash basis when interest income is recognised in accordance with item (2-I). Fees that generally represent a complementing part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

- Commitment fees on funds are deferred when there is probability that funds will be used, as the commitment fees received by ADIB represent compensation for the continuous interference to acquire the financial instrument. Subsequently, it is recognised as adjustment to the effective interest rate on funds. If the commitment period passes without issuing the fund, the commitment fees are recognised as income at the end of the commitment period. If there is no probability that these funds are used, the commitment fees are recognized on the basis of the relative time distribution over the period of the commitment.

- Fees related to debt instruments measured at its fair value are recognised as income at initial recognition. Fees related to marketing of syndicated funds are recognised as income when the marketing process is completed and the fund is fully used or if ADIB kept its share of the syndicated funds using the effective interest rate as used by the other participants.

- Fees and commissions arising from negotiation or participating in negotiation over a transaction in favour of another party -such as arrangement to buy shares or other financial instruments or acquire or sell entities, are recognised in statement of profit and loss upon the completion of the concerned transaction. Fees of management consultation and other services are usually recognised on a time-apportion basis over the period of performing the service. Financial planning and custody services fees provided on long periods are recognised over the period in which the service is provided.

I) Dividends income

- Dividends on ADIB's investments in equity instruments and its equivalents are recognised in the statement of profit and loss when the right to collect them is established.

J) Purchase and resale agreements & sale and repurchase agreements

- Sold financial instruments under repurchase agreements are presented within assets in the treasury bills and other government securities line item in the financial position. Differences between the sale and repurchase price are recognised as due interest throughout the period of the agreements using the effective interest rate method.

K) Impairment of financial assets

- Impairment losses from expected credit loss of subsequent financial instruments that are not measured at fair value are recognised through profit and loss, which are:

1) Financial assets represent debt instruments.

2) Outstanding debts.

3) Financial guarantee contracts.

4) Commitments of funds and similar debt instruments.

- Impairment losses are not recognised in investments value of equity instruments.

- **Debt instruments related to retail banking products and small and micro sized enterprises**

1) ADIB consolidates debt instruments related to retail banking products and small and micro enterprises on the basis of groups with similar credit risk based on the type of banking product.

2) ADIB classifies debt instruments within the retail banking product group or small and micro enterprises into three stages based on the following quantitative and qualitative criteria:

Classifying the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of the maturity of contractual instalments.	If the borrower encounters one or more of the following events at least: - The borrower submits a request to convert short-term and long-term repayments due to negative effects related to the borrower's cash flows. - Cancellation of a direct facility by ADIB due to the borrower's high credit risk. - Extension of the deadline for repayment at the borrower's request. - Past dues are frequent during the past 12 months. - Future adverse economic / legislative / technological changes affecting the future cash flows of the borrower		
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	N/A

- **Debt instruments related to medium enterprises**

1) ADIB consolidates debt instruments relating to medium enterprises on the basis of similar credit risk groups depending on borrowing client unit (ORR).
2) ADIB classifies customers within each group into three stages based on the following quantitative and qualitative criteria:

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Low credit risk financial instruments	No past dues	Fall under acceptable risk				
Financial instruments on which a substantial increase in credit risk occurred			Past due for more than 30 days from the date of maturity of the contractual instalments.	If the borrower is on the watch list and/ or the financial instrument encounters at least one or more of the following events: - A significant increase in the interest rate on the financial asset as a result of increased credit risk - Significant adverse changes in the activity and financial or economic conditions in which the borrower operates. - Request of rescheduling. - Significant adverse changes in actual or expected operating results or cash flows. - Future adverse economic changes affecting the borrower's future cash flows. - Early signs of cash flow/ liquidity problems such as delays in servicing creditors / trade funds.		

Classification of the financial instrument	Stage 1		Stage 2		Stage 3	
	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)	Main identifier (Quantitative criteria)	Additional identifier (Qualitative criteria)
Impaired financial instruments					If the borrower defaults for more than 90 days to pay its contractual instalments	When the borrower fails to meet one or more of the following criteria, indicating that the borrower is facing significant financial difficulty. - The death or disability of the borrower. - The borrower defaults financially. - Initiate scheduling as a result of the deterioration of the borrower's creditworthiness. - Failure to comply with financial commitments. - The disappearance of the active market of the financial asset or one of the financial instruments of the borrower due to financial difficulties. - Granting financiers privileges related to the borrower's financial difficulty, which would not have been granted under normal circumstances. - The borrower may be in bankruptcy or restructuring due to financial difficulties. - If the borrower's financial assets are acquired at a significant discount that reflects the credit losses incurred.

- Financial assets that are created or acquired by ADIB and include a high rate of credit risk will be classified as ADIB's low-risk financial assets at the initial recognition of stage 2 directly.

Measurement of expected credit losses

- ADIB evaluates the portfolios of debt instruments on a quarterly basis at the portfolio level for all financial assets of individuals, institutions, SME and micro-enterprises, and on a periodic basis with respect to the financial assets of institutions classified within the watch list for the purpose of monitoring the credit risk related thereto. This evaluation is made periodically at the level of the counterparty. Criteria used are periodically reviewed and monitored to determine the significant increase in credit risk by the credit risk department.
- At the date of the financial statements, ADIB estimates the impairment loss for financial instruments at a value equal to the expected credit losses over the life of the financial instrument except for the following cases where the provision for impairment losses is estimated at a value equal to the expected credit losses over the (12) twelve months:
- A debt instrument that has been identified as having low credit risk at the financial statements date (debt instruments in the stage (1)).
- Other financial instruments whose credit risk at the reporting date has not increased significantly since the initial recognition (debt instruments in the stage (1)).
- ADIB considers the expected credit losses to be a probability-weighted estimate of the expected credit losses, which are measured as follows:
- The expected credit losses on financial assets are measured at the stage (1) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios, which are adjusted according to the average forecasts of the scenarios of macroeconomic indicators for the future (12) twelve months multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk. As expected credit losses take into account the amount and timing of payments, the credit losses arise even if the enterprise expects full repayment but later on after the debt becomes payable under contractual terms. The expected credit losses over (12) twelve-month period will be deemed a part of the expected credit losses over the life of the asset which result from defaults on a financial instrument within (12) twelve months after the date of the financial statements.
- The expected credit losses on financial assets are measured at the stage (2) based on the present value of the total cash deficit calculated on the basis of the historical probability of default scenarios and adjusted by the average forecasts of macroeconomic indicators for the life of the financial asset multiplied by the value at default, taking into account the expected recovery rates upon calculating the loss rate for each group of debt instruments with similar credit risk.
- Impaired financial assets at the financial statements date are measured as the difference between the total book value of the asset and the present value of the expected future cash flows.

▪ Upon calculating loss rates, ADIB calculates the expected recovery rates from the present value of the expected cash flows either from cash and in kind collateral; or historical or expected future payment rates as follows:

- For debt instruments classified in stage (1), it is taken into account the value of cash collateral and equivalents represented in cash and other financial instruments that may be easily converted into cash within a short period of time (3 months or less) and without any change (loss) in value as a result of credit risk after deducting 10% for the unexpected circumstances.
- For the debt instruments classified in the stages (2) and (3), only the types of guarantees will be considered in accordance with the rules issued by the (CBE) dated 24/5/2005 regarding the determination of the creditworthiness of the customers and formation of the provisions, while the value of such guarantees will be calculated according to the rules of preparing and presenting the financial statements of the banks, the recognition and measurement bases issued by the (CBE) dated 16 December 2008, after deducting 10% and 20% of the cash collateral and the present value of the future cash flows of the in-kind collateral, respectively.

- For debt instruments held by banks operating outside Egypt, the probability rates of default are determined on the basis of the credit rating of the headquarters of ADIB operating outside of Egypt in no more than the credit rating of the country of the headquarters, taking into consideration the instructions issued by the Central Bank of Egypt on the risks of countries. The loss rate is calculated at 45%.
- As for the instruments held by the banks operating inside Egypt, the probability of default is calculated on the basis of ADIB's classification by the external international rating institutions. The branches of the Egyptian banks abroad will be treated as the headquarters. The branches of the foreign banks operating in Egypt will be treated as their headquarters, and the loss rate is calculated at 45%.
- For debt instruments issued by entities other than the banks, the probability of default is calculated on the basis of the rating of the issuing entity for the financial instrument by the external international rating institutions in no more than the credit rating of the issuing country in the case of external entities and the loss rate is calculated at 45%.

- The impairment provision for financial assets recognised in the financial position is deducted from the carrying amount of the financial assets at the time of the statement of financial position, while the provision for impairment relating to funds commitments, financial guarantee contracts and contingent liabilities is recognised within other provisions for the liabilities in the financial position.
- For financial guarantee contracts, ADIB estimates the expected credit loss on the basis of the difference between the payments expected to be made to the guarantee holder less any other amounts that ADIB expects to recover.

Transition from Stage 2 to Stage 1

- ADIB does not transfer the financial asset from stage (2) to stage (1) unless all the quantitative and qualitative elements of the stage (1) have been fulfilled and the total cash receipts from the financial asset are equal to or greater than the total amount of the instalments due to the financial asset, if any, and the due proceeds and (3) three consecutive months pass when the requirements are fulfilled.

Transition from Stage 3 to Stage 2

- ADIB does not transfer the financial asset from stage (3) to stage (2) - including the scheduling - except after fulfilling all the following conditions:

1) Fulfilling all quantitative and qualitative elements of Stage 2.
2) Repayment of 25% of the balances of the outstanding financial assets, including the set aside/ marginalised due interest, as the case may be.
3) Regularity in paying the principal amount of the financial asset and its due interest for at least 12 continuous months.

Restructured financial assets:

- If the terms of a financial asset are renegotiated or modified; or a new financial asset is replaced by a current financial asset due to the financial difficulties of the borrower, an assessment is made as to whether the financial asset will be excluded and the expected credit losses will be measured as follows:

- If restructuring does not result in the exclusion of the current asset, the expected cash flows from the adjusted financial asset will be used upon calculating the cash deficit in the current asset. The expected credit losses are calculated over the life of the instrument.
- If restructuring results in exclusion of the current asset, the expected fair value of the new asset will be deemed as final cash flows from the current financial asset upon exclusion. This value will be used to calculate the cash deficit from the current financial asset, which is deducted from the expected date of the asset exclusion at the financial statements date using the original effective interest rate of the current financial asset.

Presentation of the expected credit losses provisions 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 deduction from the total book value of the assets.
- Financial commitments and financial guarantee contracts as a provision in general.
- When the financial instrument includes both the used and unused permissible limit of the instrument and ADIB cannot determine the expected credit losses of the unused portion separately, ADIB presents a provision for the loss of the used and unused portion, and the aggregate amount will be presented as a deduction from the total book value for the used portion. Any increase in the loss provision is presented on the total amount of the used portion as a provision of the unused portion.
- A provision for impairment of debt instruments at fair value through other comprehensive income is not recognized in the statement of financial position because the book value of such assets is their fair value. However, the provision for impairment is disclosed and recognized in the fair value reserve.

Debts write-off

- Debts are written off (in part or in whole) when there is no realistic possibility of repayment of the debt. Generally, when ADIB determines that the borrower does not have the assets, resources or sources of income that may generate sufficient cash flows to repay the debts that will be written off; however, the impaired financial assets may continue to be subject to follow-up in light of ADIB's procedures to recover the due amounts. The deduction is charged to the impairment provision account for debts written off, whether or not they have provision, and any collections for previously written off funds will be added to the provision of impairment.

L) Intangible assets

L/1 Computer Software

- Expenditure on upgrading and maintenance of computer software is recognized as an expense in the statement of profit and loss in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by ADIB and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs also include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.
- The expenses which lead to the increase or expansion in the performance of computer software beyond their original specifications are recognised as a development cost and are added to the original software cost, when all the following conditions are fulfilled:

- ADIB has the intention and the ability to complete and use that software.
- Development-related expenditures can be reliably measured.

- The computer software cost recognised as an asset is amortised over the expected useful life as follows:

Asset type	Default Life / deprecation rate
Computer Software	3 years

L/ 2 Other intangible assets

- Other intangible assets comprise all intangible assets other than goodwill and computer software.
- Other intangible assets are recognised at cost of acquisition and amortised on a straight-line basis or on the basis of expected economic benefits over the estimated useful lives. Assets that do not have a definite useful life are not amortised, but impairment is tested annually and the impairment value (if any) is charged to the statement of profit and loss.

M) Fixed assets

- Lands and buildings are primarily represented in head offices, branches and offices. All assets are presented at historical cost less depreciation and impairment losses. Historical cost includes expenses associated directly with acquiring fixed assets items.
- Subsequent costs are recognised in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Bank and the cost can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the period / year in which they are incurred.
- Lands are not depreciated. Depreciation of other fixed assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Asset type	Default Life / deprecation rate
Buildings	20 years
Decorations and fixtures	20 years
Integrated automation systems and equipment	5 years
Transportation	5 years
Furniture & instalments	10 years
Other equipment	10 years
Portable devices / Mobiles	1 years

- Residual values and useful lives of fixed assets are reviewed as at the date of financial statements and are adjusted, if necessary. Depreciable Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An asset's carrying amount is written down immediately to its recoverable value if the asset's carrying amount exceeds its estimated recoverable amount.
- The recoverable amount is the higher of the asset's net selling amount and value in use. Profits and losses on disposals from fixed assets are determined by comparing net proceeds with carrying amount. Profits/ (losses) are included in other operating income (expenses) in the statement of profit and loss.

N) Impairment of non-financial assets

- Assets that do not have definite life time are not depreciated and their impairment is reviewed annually. Impairment of depreciated assets is examined when there are events or changes in circumstances that indicate that the book value may be partially or wholly non-recoverable.
- Impairment loss is recognised and the asset value is deducted at the amount by which the asset's book value increases over the recoverable amount. The recoverable amount represents the higher of the asset's net selling amount and value in use. For the purpose of estimating impairment, the asset is grouped to the smallest possible cash generating unit. The non-financial assets are reviewed for any impairment in order to determine if impairment can be reversed to the statement of profit and loss at the date of each financial statement.

O) Leases

- Finance leases are accounted for in accordance with Law 95 of 1995 concerning Finance Lease if the contract grants the right to the lessee to purchase the asset on a specified date and at a specified value; and the contract period represents at least 75 % of the expected useful life of the asset, or the present value of the total lease payments represents at least 90% of the value of the asset. Other leases are considered operating leases.

O/1 Leasing

- Finance lease contracts, lease costs including maintenance expense of leased assets are recognised under expenses in the statement of profit and loss in the year / period incurred. If the Bank decides to exercise the right to purchase the leased assets, the cost of this right of purchase is capitalised as an asset within the fixed asset and depreciated over the assets' expected remaining useful life in the same way used with similar assets.
- Payments made under operating leases, less any discounts received from the lessor, are recognised as expense in the statement of profit and loss on a straight-line basis over the period of the lease.

O /2 leasing

- For finance leased assets, the current value of the finance lease debt shall be recognized as a financial asset in the consolidated statement of financial position in return for exclusion of the leased assets. The differences shall be listed the statement of profit and loss in other operating revenues / expenses.

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

Notes to the consolidated financial statements

For the year ended 31 December 2021

- Where there is objective evidence that the Bank may not be able to collect all or part of the receivables of the finance lease, the finance lease shall be reduced to the expected recovery value as if being the assets of the debt instruments. An impairment provision thereof shall be calculated in the same manner and methods used for debt instruments.
- Operational leases shall be recognized as fixed assets in the statement of financial position and shall be amortized over the estimated useful life of the asset in the same manner as for similar fixed assets. Lease revenues shall be recognized less any deductions granted to the lessee on straight line method over the term of the contract in the statement of profit and loss.

P) Cash and cash equivalents

- For the purposes of the statement of cash flows, cash and cash equivalents include balances due within three months from the date of acquisition, which includes cash and balances with central banks other than the statutory reserve, and balances with banks and other government notes.

Q) Other provisions

- Other provisions are recognised when there is a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.
- Where there are a number of similar obligations, the outflow required for settlement is determined, taking into consideration the group of obligations as a whole. The provision is recognised even if the likelihood of an outflow with respect to an item in the group is minimal.
- Provisions no longer required fully or partially are reversed in other operating income (expenses).
- The current value of payments to settle the obligations that must be settled after one year from the financial position date using an appropriate rate in accordance with the terms of settlement, without being affected by the prevailing tax rate, which reflects the time value of money. If the settlement term is less than one year, the estimated value of the obligation is calculated unless it has a material impact; otherwise, it is calculated at the current value.

R) Commitments of financing and financial guarantee contracts

- Financial guarantees represent contracts in which ADIB is the guarantor or the guarantor of financing or overdrafts (mudaraba) towards other entities. This requires ADIB to make certain payments to compensate the beneficiary for loss incurred due to default of the debtor when payment is due in accordance with the terms of the debt instrument. These financial guarantees are given to banks, financial institutions and other entities on behalf of ADIB's customers.
- Commitments on financing are the commitments under which the Bank grants credit according to pre-determined terms and thus guarantees include the unused portions of the credit limits granted within the amounts expected to be used by ADIB in the future. The financial guarantee contracts and commitments of granting finance at interest rates below the market price are initially recognized in the financial statements at fair value on the date of granting the guarantee / commitment. The initially recognized fair value is amortized over the life of the guarantee / commitment.
- In subsequent measurement, ADIB's obligation under the guarantee / commitment is measured as follows:
  The higher of the amortized value or the impairment loss value.
- ADIB has not made any commitments during the period / year on finances measured at fair value through profit and loss.

- For other commitments on finances: ADIB recognizes impairment losses.
- Liabilities arising from financial guarantee contracts are recognized within provisions. Any excess of the liability arising from the financial guarantee is recognized in the statement of profit and loss within other operating revenues (expenses) in the statement of profit and loss.
- The calculated provision for commitments for financing is recognized as part of the provision for impairment of financing for each debt, to the extent that it equals the value of financing. Any increase in the provision for commitment over finance is recognized within provisions in the statement of financial position.

S) Obligations of retirement benefits

S/1 Employees' fund

- On the 1st of July 2013, ADIB established a special social insurance fund (the Fund) under Law No. 54 of 1975, "Special Insurance Funds and its Executive Regulations". ADIB registered the Fund on 14 January 2014 and the Fund's registration number with the Financial Supervisory Authority is (884). The Fund's work began on the 1st of April 2014 and the terms of this Fund and its amendments apply on all employees of the headquarters of ADIB and its branches in the Arab Republic of Egypt.
- ADIB is obliged to pay to the Fund the contributions due for each month calculated in accordance with the regulations of the Fund and its amendments. The Fund is financed in general through monthly contributions and some other resources set forth in the regulations of the Fund.
- Payment of insurance benefits is made in the case of termination of service due to the member's retirement age, death, whole permanent disability or partial permanent disability from the service. In the event that the term of the membership is less than three years, the member of the Fund is paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

S/2 System of defined benefits for the medical care of senior employees during the period of service and after retirement

- ADIB applies the system of medical contribution specified for the senior employees during the service and after retirement. The liability recognised in the balance sheet in respect of the defined benefit plans comprises the present value of the defined benefit liabilities at the balance sheet date after deduction of the fair value of the assets of the plan and the deduction (addition) of the unrealised actuarial profit (loss) adjustments and the cost of the additional benefits relating to the previous service periods.
- The liability of the defined benefit plans (future cash flows expected to be paid) is calculated by an independent actuarial expert using the projected unit credit method. The present value of the obligation of the defined benefit plans is determined by discounting the expected future cash flows using the interest rate of high quality corporate notes or the interest rate on government notes bonds in the same currency of paying the benefits and with almost the same maturity term of the pension benefit liability.

- Gains (losses) arising from adjustments and changes in estimates and actuarial assumptions are calculated and the gains are deducted (and losses added) to the statement of income if they do not exceed 10% of the asset value of the plan or 10% of the defined benefit liabilities, whichever is higher. In the event of an increase in gains (losses) over this ratio, the increase is deducted (added) in the statement of income over the remaining average working years.
- Past service costs are recognized directly in the statement of income within administrative expenses, unless the changes to the pension plan are conditional on the employees remaining in the service for a specified period of time (Vesting period). In this case, the past service costs are amortized using straight-line method over the vesting period.

T) Borrowing

ADIB's financings are initially recognized at fair value less costs to obtain financing. The financing will be subsequently measured at amortized cost. The difference between the net proceeds and the value to be fulfilled over the period of obtaining financing using effective interest method will be charged to the statement of profit and loss.

U) Comparative figures

Where necessary, comparative figures are reclassified to conform to changes in presentation used in the current period

V) Income taxes

- The income tax on profit or loss for the period/ year includes both the current and deferred taxes; it is recognized in the statement of income except for income tax related to other comprehensive income items that were directly recognised in the statement of comprehensive income.
- The income tax is recognised on the basis of the net taxable income using the effective tax rate at the financial position date in addition to previous year's tax adjustments.
- Deferred tax arising from temporary time differences between the carrying amount of assets and liabilities are recognised in accordance with the accounting bases and the value based on the tax bases. Deferred tax is determined based on the method used to realise or settle the current values of these assets and liabilities using the tax rates prevailing at the financial position date.
- The deferred tax assets are recognised if it is probable that sufficient taxable profits will be realised in the future whereby the asset can be utilised. The value of deferred tax assets will be reduced by the value of the portion not yielding the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will increase to the extent of previous reduction.

4- Financial risk management

- ADIB, as a result of the activities it exercises, is exposed to various financial risks, taking into account that risks are the basis of the financial activity, and some risks or group of risks are analysed, evaluated and managed altogether. ADIB intends to strike a balance between the risk and return and to reduce the probable adverse effects on ADIB's financial performance. The most important types of risks are credit risk and market risk. Market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.
- The risk management policies have been laid down to determine and analyse the risks, set limits to the risks and control them through reliable methods and up-to-date IT systems. ADIB regularly reviews the risk management policies and systems and amends them to reflect the changes in the markets, products and services, and the best updated applications.

- Risks are managed by both the Risk Committee and the Market Risk and Credit Risk Departments in view of the policies approved by the Board of Directors. The Risk Departments determine, evaluate and cover the financial risks, in collaboration with ADIB's various operating units, and the Board provides written principles to manage risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk, interest rate risk and using derivative and non-derivative financial instruments. Moreover, the Risk Committee is independently responsible for periodic review of risk management and control environment.

Risk Management Strategy

ADIB practises its activities through business lines that generate many risks that may vary in terms of frequency, strength and fluctuation. Therefore, ADIB has taken measures to ensure the effective management of these risks, including increasing the ability to standardize the degree of risks appetite and risk identifiers, to develop the terms of reference of the core risk department, and to implement an efficient and high-quality risk department structure. The main objectives of ADIB's risk department framework are as follows:

- Contributing to the development of ADIB's various lines of business to reach an optimum level of general risk.
- Ensuring the continuity of ADIB through the implementation of a high quality risk department infrastructure.
- In determining ADIB's overall risk appetite, ADIB's management has taken into account various considerations and variables, including:
  - The relative balance between risk and proceeds for ADIB's various activities.
  - The degree of the sensitivity of profits to business cycles and credit and economic cycles.
  - Achieving a parallel package of good profits flows

Risk Management Governance and Risk Management Principles

ADIB's risk department governance is based on the following:

1- Strong management intervention at all levels of the organization, starting from the Board of Directors to the management of field task forces responsible for operations.
2- An integrated framework for internal procedures and guidelines.
3- Continuous monitoring by business lines and supporting functions, as well as, by an independent Risk Control Body and compliance with the rules and procedures.
Risk and audit committees within the Board are more specifically responsible for examining the compatibility of the internal framework in order to monitor risks and the adherence to the rules.

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Risk Categories:

The risks associated with ADIB's banking activities include the following:

4/1 Credit risk

- Credit risk represents potential losses arising from the possibility that the borrowers or counterparties will fail to fulfill their obligations in accordance with contractual terms. Credit risk arises mainly from due from banks balances, financing and facilities to banks, individuals, SMEs and micro-enterprises, institutions and associations related to such activities. Credit risk may also arise from supporting financing / credit guarantees granted such as credit options (Credit Default Swap), financial guarantee contracts, letters of credit and letters of guarantee.
- ADIB is also exposed to credit risk from investment activities in debt instruments and positions outstanding from trading and financial derivative activities.
- Credit risk is the most important risk to ADIB's activity and therefore ADIB manages the credit risk exposures carefully. Management and control of ADIB's credit risk shall focus on the retail banking credit risk management group and the institutions at the Risk Department, which reports to the Risk Committee, Senior Management, Heads of Operation Department and BOD on interim basis.

4/1/1 Credit risk measurement

Financing and facilities to banks and customers (including commitments and financial guarantees)

The estimated exposure to credit risk for purpose of credit risk management is complex, requiring the use of statistical and electronic models, as credit risk exposure varies with changes in market conditions and other economic aspects in a complex and rapid manner. Exposure of credit risk changes with changes in the level, value, time of expected cash flows and over time. The credit risk assessment of the asset portfolio, therefore, requires further estimates of the probability of default and related loss rates. ADIB measures the credit risk losses using the rates of probability of failure (failure to fulfil contractual obligations) (Probability of default) on the basis of the book balance of the financial instrument at the date of failure (Exposure at default), and the rate of loss upon failure (Loss given default).

ADIB's internal rating categories

Classification	Classification rating
Stage (I)	Good Debts
Stage (II)	Special Follow-up
Stage (III)	Bad Debts

Classification of the Credit Risks

ADIB assesses the probability of default on each customer / affiliated group / credit product, using methods to classify customers in different categories, taking into account the minimum rating in accordance with the CBE's instructions on determining the creditworthiness of customers and the formation of provisions issued during 2005. Accordingly, ADIB uses a group of models and methods that are internally designed models and valuation methods for the counterparty categories and customers and the nature of the various financings under the available information collected at the date of application of the used model (e.g. income level, spendable income level, guarantees for individual customers, revenue, industry type, and other financial and non-financial indicators for institutions). ADIB completes these indicators with a range of external data such as query reports from CBE, credit reporting companies on borrowers and reports of other domestic and foreign credit rating agencies. In addition, the models used by ADIB shall allow the systematic assessment of experts by credit risk officers in the final internal credit rating. Thus, this allows to take into account other matters and indicators that may not have been taken as part of other data inputs into evaluation forms and methods designed internally or through external sources.

Credit scores are calibrated so that the risk of failure increases incrementally with each higher risk score. This means that the difference in failure rates of grade A and A- is less than the difference in failure rates between grade B and B-. The following are additional considerations for each type of credit portfolios held by ADIB:

- **Individuals, Retail Banking Products and Small and Micro Enterprises**

  After the date of initial recognition, the payment behaviour of the borrower shall be monitored on an interim basis to calculate a payment pattern. Any other known information about the borrower identified by ADIB may affect the creditworthiness such as unemployment rates and non-payment precedents as they will be included to measure the repayment pattern, and accordingly, default rates will be determined for each scale of repayment pattern.

- **Large and Medium Enterprises**

  The rating is determined at the level of the borrower / groups with similar credit risk, and any updated or new credit information or assessments will be included in the credit system on a continuous and periodic basis. In addition, information on the creditworthiness of the borrower / groups with similar credit risk are periodically updated from other sources such as financial statements and other published financial and non-financial data. This will determine the degree of internal credit rating updated and failure rates.

- **Debt Instruments issued by the Egyptian Government and CBE**

  Debt instruments, Treasury Bills and Government Bonds

- ADIB uses external classifications of institutions that comply with the CBE's instructions to manage the credit risk for debt instruments in the investment portfolio. These ratings are regularly monitored and updated periodically. The default rates associated with each rating are determined on the basis of rates achieved over the previous 12 months as published by the aforementioned rating agencies. The loss rate for government debt instruments and the central bank in local currency equals zero.
- ADIB's rating of creditworthiness of government debt instruments, where the primary measure of each rating category gives a specific range of probability of default, is stable over time. ADIB complies with the internal rating categories alongside with the rating categories set by CBE according to the instructions of determining creditworthiness and the formation of provisions, and reviewing that compliance on a regular basis. The rating methods are periodically re-calibrated and validated to reflect the most recent projections in light of all assumptions observed in reality.

4/1/2 Future Data Used in the Expected Loss Model.

- Future data is used to determine whether there is a significant increase in the credit risk of financial instruments and the estimated credit losses (ECL). ADIB management determines the key economic variables that affect the credit risk and credit losses expected for each credit portfolio by analysing historical data. The economic variables and their impact are different on both Probability of Default (PD) and Exposure at Default (EAD) and Loss Given Default (LGD) depending on the different financial asset. ADIB seeks expert opinions regarding such assumptions and estimations, if necessary.
- Risk departments and credit departments of ADIB make estimates of these economic variables on a quarterly basis, and identify better estimations for those variables over the next five years. After these five years, ADIB uses method of "Mean Reversion Approach" in estimating those variables over the remaining life of each financial asset. Consequently, in the long term, those economic variables head to the level of the currently estimated averages or the estimated growth averages in the current period within a period of 2-5 years.
- In order to determine the impact of these economic variables on PD "Probability of Default", "Exposure at Default" EAD and "Loss Given Default" LGD, ADIB's management conducts the "Regression Analysis" in order to understand the historical effects resulting from those variables on the default rates and the inputs used in calculating EAD and LGD.
- In addition to basic economic scenarios, ADIB's management makes other possible scenarios, as well as the perceptions related to each scenario separately.
- ADIB's management conducts these economic scenarios for all important credit products in order to ensure that all non- linarites variables are included. These scenarios and their related characteristics are reviewed at the financial position date.
- Lifetime PD is used for both basic and other scenarios where the outcome of multiplying each scenario is made with their respective probabilities, as well as the supporting indicators and qualitative indicators. Based on the results of this study, an estimate is made as to whether that financial asset is at the first, second or third stage, on the basis of which it is determined whether the expected credit loss (ECL) is calculated on a 12-month basis or over the lifetime of the financial instrument "Lifetime ECL".
- Expectations and probability of occurrence ate subject to highly uncertain degree as known for any economic expectations, so actual results may differ significantly from those expected. ADIB conducts the best estimate of these potential projections and makes an analytical study of the unrelated and non-similar factors for the various credit portfolios in order to arrive at appropriate scenarios for all possible scenarios.

Variable Economic Assumptions

The following are the key year-end assumptions that have been used to estimate ECL at 31 December 2019.

Enterprises' Portfolio

- Gross domestic product (GDP).
- Stock Exchange Market Index

Individuals' Portfolio

- Gross domestic product (GDP).
- Private consumption

– Balancing capital expenditures as a percentage of GDP.

The basic, downside, and upside scenarios were used for all portfolios.

ADIB did not use some future data other than the aforementioned, such as the impact of any regulatory, legislative or political changes, due to not being considered to have a significant impact, and therefore no adjustment was made to the ECL for these variables, which was reviewed and monitored to ensure their suitability on a quarterly basis.

Sensitivity Analysis

The main assumptions affecting the expected credit loss provision (ECL) are as follows

Individuals and Institutions Portfolio

The following represent the most important sensitivity analysis used to estimate the expected credit losses as at 31 December 2021:

- At least three scenarios are conducted to study future forecasts and to determine their impact on the variables of the expected credit loss measurement model. These scenarios represent:

- Basic Scenario

- Downside Scenario

- Upside Scenario

- The calculation of the expected credit loss reflects, without any bias, the probable weighted scenario, which is determined based on the assessment of a range of expected results instead of reliance on the upside and downside scenarios.

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Classification of loss-related instruments measured on the basis of similar groups

Regarding Expected Credit Losses "ECL", groups are classified on the basis of similar credit risk characteristics, so that risk at ADIB is homogenous. While executing this classification, it will be taken into consideration that there is sufficient information to enable ADIB to classify ADIB with statistical credibility. In the absence of sufficient information, ADIB takes into account complementary internal / external reference data. The following are examples of those characteristics and any supplementary data that are used to determine the classification:

Individuals' Financing - Groups are formed as per:

- The ratio of financing to asset value (for financing to purchase assets);
- Credit rating;
- Product type (such as housing / real estate mortgage purchase, overdraft, credit card, car financing); or
- Payment type (payment of principal + interest / interest only) or the percentage used from the authorized limit

Corporates' Financing - Groups are formed as per:

- Industry;
- Type of guarantees;
- Credit rating; or
- Geographical area of exposure

4/1/3 Credit risk exposure:

A- Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis for the maximum exposure to credit risk of financial instruments for which the ECL provision has been recognized.

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

000's EGP

	31 December 2021				31 December 2020			
Retail	Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total	Stage One 12 Month	Stage Two Lifetime	Stage Three Lifetime	Total
Creditworthiness as per CBE classification								
Good debts *	15.052.134	272.280	3.259	15.327.673	15.007.424	169.865	4.538	**15,181,827**
Regular follow-up	-	347.514	43.866	391.380	304	413.194	61.342	**474,840**
Special follow-up	-	3.340	86.608	89.948	-	291	82.524	**82,815**
Non-performing loans	-	-	665.823	665.823	-	-	344.444	**344,444**
Total	**15,052,134**	**623,134**	**799,556**	**16,474,824**	**15,007,728**	**583,350**	**492,848**	**16,083,926**
(Less) Impairment loss provision	(82,082)	(114,295)	(375.103)	(571,480)	(81.329)	(142.233)	(237,154)	**(460,716)**
(Less) Profit in suspense	(1.202)	(1.646)	(110.191)	(113.039)	(802)	(1.690)	(63.267)	**(65,759)**
(Less) Deferred profit	(3.263.113)	(88.046)	(76.218)	(3.427.377)	(3.940.615)	(98.785)	(54.805)	**(4,094,205)**
Book value	**11,705,737**	**419,147**	**238,044**	**12,362,928**	**10,984,982**	**340,642**	**137,622**	**11,463,246**

*** The second and third stages include some debts that are performing but they have not fulfilled yet all the conditions for transition to a higher stage.**

A- Maximum exposure to credit risk - Financial instruments subject to impairment - continued

	31 December 2021				31 December 2020			
	Stage One	Stage Two	Stage Three	Total	Stage One	Stage Two	Stage Three	Total
Corporate	12 Month	Lifetime	Lifetime		12 Month	Lifetime	Lifetime	
Creditworthiness according to the classification of the Central Bank								
Good debts	18.124.868	116.914	40	**18,241,822**	16.012.096	8.915	-	**16,021,011**
Regular follow-up	13.900.579	292.696	-	**14,193,275**	12.440.139	367.971	-	**12,808,110**
Special follow up	-	944.849	55.667	**1,000,516**	-	495.463	47.050	**542,513**
Non-performing loans	-	-	602.973	**602,973**	-	-	423.350	**423,350**
Total	**32,025,447**	**1,354,459**	**658,680**	**34,038,586**	**28,452,235**	**872,349**	**470,400**	**29,794,984**
(Less) Impairment losses provision	(475.948)	(179.181)	(522.864)	**(1,177,993)**	(599.842)	(139.715)	(430.361)	**(1,169,918)**
(Less) Profit in suspense	-	-	(2.513)	**(2,513)**	-	-	(2.516)	**(2,516)**
(Less) Deferred profit	(48.486)	(2.321)	-	**(50,807)**	(11.796)	(99)	-	**(11,895)**
Book value	**31,501,013**	**1,172,957**	**133,303**	**32,807,273**	**27,840,597**	**732,535**	**37,523**	**28,610,655**

B- Credit guarantees

- ADIB uses a set of policies and practices to limit credit risk. The most applicable is the acceptance of guarantees for debt instruments and financing commitments. ADIB has internal policies concerning the categories of guarantees that can be accepted to limit or decrease credit risk.
- ADIB prepares an assessment of the guarantees that have been obtained when financing is established and this assessment is reviewed periodically. The main types of guarantees for financing are:
  - Cash and cash equivalents
  - Real estate mortgages.
  - Margin agreement for derivatives concluded with ADIB as part of major clearing agreements.
  - Commercial mortgages.
  - Financial instruments mortgage such as debt instruments and equity instruments.
- Collaterals held as guarantee for financial assets other than financing and facilities depend on the nature of the instrument; as debt securities, government bonds and other eligible bills are not generally guaranteed, except for asset-backed securities and similar instruments secured by financial instrument portfolios, and derivatives are often secured.
- ADIB's policies have not changed significantly related to obtaining guarantees during the period / year and there has been no change in the quality of the collaterals held by ADIB as compared to the previous fiscal period / year.
- ADIB closely controls the collaterals held for the financial assets that are considered to be of low credit value, as it becomes more likely that ADIB will hold collaterals to mitigate potential credit losses.

4/1/4 Amendments to the terms of financing and re-scheduling

- ADIB sometimes adjusts the terms of financing submitted to customers due to commercial re-negotiation or non-performing financings in order to maximize recovery opportunities. These restructuring activities include arrangements to extend the repayment period, grace periods, exemption from payment or some/or of the interests. Restructuring policies and practices are based on indicators or criteria that indicate - in management's assessment - that payment will likely continue. These policies remain under constant review.
- ADIB continues to monitor whether there is a significant increase in credit risk with respect to those assets through the use of specific models for the adjusted assets.

4/1/5 Risk limit control and mitigation policies

ADIB manages, limits and controls concentrations of credit risk at the level of debtor, groups, industries and countries.

ADIB manages the credit risk it undertakes by placing limits on the amount of risk that will be accepted at the level of each borrower or groups of borrowers and at the level of economic activities and geographical sectors. Such risks are monitored on an ongoing basis and are subject to an annual or frequent review when necessary. Limits at the level of borrower/ bank, product, sector and country are approved quarterly by the Board of Directors.

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-the financial position exposures, and daily delivery risk limits in relation to trading items such as forward Islamic foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through adjusting the financing limits as appropriate.

Here are some ways to limit risk:

Guarantees

ADIB applies a range of policies controls to mitigate credit risk. One of these methods is obtaining guarantees against the financed funds. ADIB establishes guidelines for specific categories of acceptable guarantees.

The principal guarantees types for financing and facilities are:

- Cash and cash equivalents
- Real estate mortgages.
- Commercial mortgages
- Financial instruments mortgage, such as debt and equity instruments.

Long-term financing and corporate lending are often secured, while credit facilities for individuals are unsecured. To reduce credit loss to a minimum, ADIB seeks additional guarantees from the concerned parties as soon as impairment indicators are noticed for any financing or facilities.

ADIB determines the collaterals held to guarantee assets other than financing and facilities according to the nature of the instrument. Generally, debt instruments and treasury bills are unsecured except for asset-backed securities and similar instruments that are secured by a financial instruments portfolio.

Credit-related commitments

Credit-related commitments represent the unused portion of credit limit authorised to grant financing, guarantees or letters of credit. ADIB is exposed to a possible loss of an amount that equals the total unused commitments as for the credit risk resulting from credit-related commitments. However, the probable amount of loss is less than the unused commitments as most commitments related to granting credit represent contingent liabilities to customers maintaining certain credit standards. ADIB monitors the maturity date of the credit commitments because long-term commitments are of a higher credit risk than short-term commitments.

4/1/6 Impairment and provisioning policies

The aforementioned internal rating systems focus more on credit quality planning as of the date financing and investment activities are recognized. Otherwise, impairment losses that occur at the financial statements date are only recognised for financial reports purposes based on objective evidence indicating impairment according to what will be mentioned in this note. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated loss amount using the expected loss model used for purposes of the rules the Central Bank of Egypt.

The impairment loss provision included in the financial statements at the end of the year is derived from the four internal ratings. However, the majority of the provision is derived from the last rating. The following table shows the percentage of the items within the financial statements for the period ended 31 December 2021 related to financing, facilities, and related impairment for each of ADIB's internal assessment categories:

	31 December 2021		31-Dec-20	
Bank's evaluation	Financing and facilities	Impairment losses provision	Financing and facilities	Impairment losses provision
Stage 1	93%	32%	95%	42%
Stage 2	4%	17%	3%	17%
Stage 3	3%	51%	2%	41%
	100.0%	100.0%	100.0%	100.0%

The internal rating tools assist the management to determine whether there is evidence of impairment under EAS 26, based on the following criteria set out by ADIB:

- Significant financial difficulty of the customer or the debtor.
- Breach of the financing agreement conditions such as default.
- Expected bankruptcy of the customer, entering into a liquidation lawsuit, or restructuring the finance granted to the customer.
- Deterioration of the competitive position of the customer.
- Granting privileges or assignments by ADIB to the customer due to economic or legal reasons related to the financial difficulties of the borrower, which are not granted by ADIB in the normal course of business.
- Impairment of the guarantee.
- Deterioration of creditworthiness.

ADIB's policies require reviewing all financial assets that exceed specific materiality at least once a year or more, when required. The impairment loss is determined for accounts evaluated on an individual basis by determining case-by-case actual losses at the financial statements date. These policies are applied on all accounts which have specific materiality on an individual basis. The valuation

usually includes the existing guarantee, the related enforcements on these guarantees and the expected collections from those accounts.

A provision is made for impairment losses on the basis of the group of similar assets using the available historical experience, personal judgment and statistical techniques.

4/1/7 General banking risk measurement model

In addition to ADIB's four internal rating categories described above, the management classifies loans and facilities in the form of more detailed sub-groups in line with the requirements of the Central Bank of Egypt. The assets exposed to credit risk in these groups are classified according to detailed rules and conditions that rely heavily on information related to customer's business, financial position and regularity of payment.

ADIB calculates the provisions required to offset the impairment of assets exposed to credit risk, including credit-related commitments, on the basis of ratios set by the Central Bank of Egypt. In case of the excess of the provision for impairment losses required in accordance with the creditworthiness rules of the Central Bank of Egypt over the provision required to use the expected credit losses, such excess in the provision is set aside as a general banking risk reserve within equity to be deducted against retained earnings by the amount of that excess.

The following is a description of the creditworthiness categories of the institutions according to the principles for determining the creditworthiness of customers in accordance with the instructions of the Central Bank of Egypt in this regard and the percentage of provisions required for the impairment of assets exposed to credit risk:

CBE rating	Rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	Zero	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	1	Regular watch up
7	Risk needs special attention	5%	2	Special watch up
8	Substandard	20%	3	Non-performing debts
9	Doubtful	50%	3	Non-performing debts
10	Bad debts	100%	3	Non-performing debts

4/1/8 Maximum limit for credit risk before guarantees

Balance sheet items exposed to credit risk	31 December 2021 000's EGP	31 December 2020 000's EGP
Financing and facilities to banks and customers		
Facilities to banks	59,107	118,206
Retail financing		
Debit current accounts	8,128	6,394
Credit cards	480,036	501,873
Personal financings	11,838,244	10,954,940
Real estate financings	36,520	40
Corporate financings		
Debit current accounts	6,640,287	7,441,889
Credit cards	359	133
Direct financings	25,945,115	20,648,892
Syndicated financings	221,512	519,740
Financial investments		
Debt instruments at FVOCI	9,277,764	7,996,986
Debt instruments at amortized cost	20,980,509	13,598,387
Total	**75,487,581**	**61,787,480**
Credit risk of off balance sheet items		
Letters of credit (import + confirmed export)	4,142,179	1,579,373
Letters of guarantee	10,853,266	5,821,334
Letters of guarantee for suppliers facilities	2,269,771	996,388
Bank guarantees	637,047	409,996
Total	**17,902,263**	**8,807,091**

– The previous table represents the maximum exposure on 31 December 2021, without taking any guarantees into consideration. For financial position items, the reported amounts depend on the net carrying amount that was presented in the financial position.

– As shown in the previous table, 59.9% of the maximum exposure to credit risk is the result of financing and facilities for banks and customers, against 65.05% at the end of the comparative year, while investments in debt instruments represent 40.01 % against 34.95 % at the end of comparative year.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from the portfolio of financing, facilities and debt instruments based on the following:

– 97.12% of the portfolio of financing and facilities is classified in the two highest degrees of internal rating compared to 97.91% at the end of the comparative year.

– 93.21% of the financing and facilities portfolio does not have past dues or impairment indicators against 94.74% at the end of the comparative year.

– The finances and facilities assessed on a single basis amounted to EGP 1.458 Billion compared to EGP 963 Million at the end of the comparative year.

– ADIB applied more conservative selection processes when granting financing and facilities during the financial period on 31 December 2021.

4/1/9 Financing and facilities

The balances of financing and facilities in terms of credit worthiness are as follows:

000's EGP

Financing and facilities	31 December 2021 Financing and facilities to customers	31 December 2021 Financing and facilities to banks	31 December 2021 Total Financing and facilities	31 December 2020 Financing and facilities to customers	31 December 2020 Financing and facilities to banks	31 December 2020 Total Financing and facilities
Neither past due nor impaired	47,077,579	60,399	47,137,978	43,459,963	123,736	43,583,699
Past due but not impaired	1,977,593	-	1,977,593	1,455,700	-	1,455,700
Impaired	1,458,238	-	1,458,238	963,247	-	963,247
Total	**50,513,410**	**60,399**	**50,573,809**	**45,878,910**	**123,736**	**46,002,646**
Less:						
impairment loss provision	(1,749,473)	(13)	(1,749,486)	(1,630,634)	-	(1,630,634)
Profit in suspense	(115,552)	-	(115,552)	(68,275)	-	(68,275)
Deferred profits	(3,478,184)	(1,279)	(3,479,463)	(4,106,099)	(5,531)	(4,111,630)
Net	**45,170,201**	**59,107**	**45,229,308**	**40,073,902**	**118,205**	**40,192,107**

– Secured financing are not considered to be impaired for the non-performing category, taking into account the collectability of such guarantees.

– During the financial period on 31 December 2021, ADIB's portfolio of financing and facilities increased by 9.94% (31 December 2020: an increase of 24.03%)

Financing and facilities neither past due nor impaired

Credit worthiness of financing and facilities portfolio that are neither past due nor impaired and that according to internal rating used by ADIB.

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000's EGP

Retail

31 December 2021	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	8.128	940.841	14.066.553	36.612	**15,052,134**
Stage 2	-	74.339	548.795	-	**623,134**
Stage 3	-	23.954	775.562	40	**799,556**
Total	**8,128**	**1,039,134**	**15,390,910**	**36,652**	**16,474,824**
(Less) Impairment losses provision	-	(54.948)	(516.400)	(132)	**(571,480)**
(Less) Profit in suspense	-	(1.831)	(111.208)	-	**(113,039)**
(Less) Deferred profit	-	(502.320)	(2.925.057)	-	**(3,427,377)**
Book value	**8,128**	**480,035**	**11,838,245**	**36,520**	**12,362,928**

31 December 2020	Debit current accounts	Credit cards	Personal financings	Real estate financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6.394	1.513.825	13.487.508	-	**15,007,727**
Stage 2	-	93.404	489.947	-	**583,351**
Stage 3	-	15.088	477.720	40	**492,848**
Total	**6,394**	**1,622,317**	**14,455,175**	**40**	**16,083,926**
(Less) Impairment losses provision	-	(59.144)	(401.572)	-	**(460,716)**
(Less) Profit in suspense	-	(1.831)	(63.928)	-	**(65,759)**
(Less) Deferred profit	-	(1.059.469)	(3.034.736)	-	**(4,094,205)**
Book value	**6,394**	**501,873**	**10,954,939**	**40**	**11,463,246**

000's EGP

Corporate

31 December 2021	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	6.694.884	359	25.265.170	65.035	**32,025,448**
Stage 2	-	-	1.166.127	188.331	**1,354,458**
Stage 3	-	-	658.680	-	**658,680**
Total	**6,694,884**	**359**	**27,089,977**	**253,366**	**34,038,586**
(Less) Impairment losses provision	(54.597)	-	(1.092.556)	(30.840)	**(1,177,993)**
(Less) Profit in suspense	-	-	(2.513)	-	**(2,513)**
(Less) Deferred profit	-	-	(49.793)	(1.014)	**(50,807)**
Book value	**6,640,287**	**359**	**25,945,115**	**221,512**	**32,807,273**

31 December 2020	Debit current accounts	Credit cards	Direct financings	Syndicated financings	Total
Creditworthiness as per ADIB internal rating					
Stage 1	7.471.243	133	20.434.555	546.307	**28,452,238**
Stage 2	82.193	-	790.156	-	**872,349**
Stage 3	498	-	469.899	-	**470,397**
Total	**7,553,934**	**133**	**21,694,610**	**546,307**	**29,794,984**
(Less) Impairment losses provision	(112.045)	-	(1.037.348)	(20.525)	**(1,169,918)**
(Less) Profit in suspense	-	-	(2.516)	-	**(2,516)**
(Less) Deferred profit	-	-	(5.853)	(6.042)	**(11,895)**
Book value	**7,441,889**	**133**	**20,648,893**	**519,740**	**28,610,655**

Fully secured financing has not been considered to be impaired for the third stage, taking into account if such guarantees can be liquidated

Financing and facilities that are past due but are not impaired

Financing and facilities that are past due but are not impaired, unless other information is available to the contrary. The financing and facilities to customers that are past due but are not impaired and the fair value of their guarantees are as follows:

000's EGP

31 December 2021	Debit current accounts	Credit cards	Retail Personal financings	Real estate financings	Total
Past dues up to 30 days	8,128	940,841	14,066,553	36,612	15,052,134
Past dues more than 30 to 90 days	-	74,339	548,795	-	623,134
Total	8,128	1,015,180	14,615,348	36,612	15,675,268

000's EGP

31 December 2020	Debit current accounts	Credit cards	Retail Personal financings	Real estate financings	Total
Past dues up to 30 days	6,394	1,513,825	13,487,508	-	15,007,727
Past dues more than 30 to 90 days	-	93,404	489,947	-	583,351
Total	6,394	1,607,229	13,977,455	-	15,591,078

000's EGP

31 December 2021	Debit current accounts	Credit cards	Corporate Direct financings	Syndicated financings	Total
Past dues up to 30 days	6,694,884	359	25,265,169	65,035	32,025,447
Past dues more than 30 to 90 days	-	-	1,166,128	188,331	1,354,459
Total	6,694,884	359	26,431,297	253,366	33,379,906

000's EGP

31 December 2020	Debit current accounts	Credit cards	Corporate Direct financings	Syndicated financings	Total
Past dues up to 30 days	7,471,243	133	20,434,555	546,307	28,452,238
Past dues more than 30 to 90 days	82,193	-	790,156	-	872,349
Total	7,553,436	133	21,224,711	546,307	29,324,587

Upon the initial recognition of financing and facilities, the fair value of the collaterals are assessed based on valuation techniques commonly used for similar assets. In subsequent periods, fair value is updated at market prices or at similar asset prices.

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Financing and facilities that are subject to impairment solely

- **Financing and facilities for customers**

The analysis of the total value of the financing and facilities subject to impairment solely is as follows:

000's EGP

31 December 2021	Debit current accounts	Credit cards	Retail Personal financings	Real estate financings	Total
Solely impaired financing	-	23,954	775,562	40	799,556

000's EGP

31 December 2020	Debit current accounts	Credit cards	Retail Personal financings	Real estate financings	Total
Solely impaired financing	-	15,088	477,720	40	492,848

31 December 2021	Debit current accounts	Credit cards	Corporate Direct financings	Syndicated financings	Total
Solely impaired financing	-	-	658,680	-	658,680

31 December 2020	Debit current accounts	Credit cards	Corporate Direct financings	Syndicated financings	Total
Solely impaired financing	498	-	469,899	-	470,397

4/1/10 Transfer between stages for ECL

000's EGP

Retail	31 December 2021 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total	31 December 2020 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
Balance of expected credit losses on 1 January 2020	81,329	142,233	237,154	**460,716**	40,145	88,042	187,465	315,652
Transferred from stage 1	(22,346)	98,585	126,870	**203,509**	(6,161)	112,108	54,277	160,224
Transferred from stage 2	5,692	(98,935)	75,226	**(18,017)**	25,239	(53,692)	32,085	3,632
Transferred from stage 3	513	382	(4,098)	**(3,203)**	99	31	(443)	(313)
Charge / (Release) of Impairment loss during the year	21,204	(9,144)	22,029	**34,089**	14,446	2,451	(5,548)	11,349
Financial assets purchased during the year	4,819	-	-	**4,819**	10,387	-	-	10,387
Financial assets disposed of/ paid during the year	(9,129)	(19,226)	(15,317)	**(43,672)**	(2,826)	(6,707)	-	(9,533)
Used provisions during the year	-	-	(66,761)	**(66,761)**	-	-	(30,682)	(30,682)
Balance of expected credit losses on 31 December 2021	**82,082**	**114,295**	**375,103**	**571,480**	**81,329**	**142,233**	**237,154**	**460,716**

000's EGP

Corporate	31 December 2021 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total	31 December 2020 Stage 1 12 Month	Stage 2 Life time	Stage 3 Life time	Total
Balance of expected credit losses on 1 January 2020	599,842	139,715	430,361	**1,169,918**	434,710	43,713	686,556	1,164,979
Transferred from stage 1	(18,454)	64,764	99,812	**146,122**	(8,474)	43,911	7,310	42,747
Transferred from stage 2	631	(2,857)	15,803	**13,577**	4,144	(7,621)	26,000	22,523
Transferred from stage 3	-	-	-	-	-	-	(198)	(198)
Charge / (Release) of Impairment loss during the year	(158,435)	14,621	(23,103)	**(166,917)**	19,348	60,780	9,131	89,259
Financial assets purchased during the year	91,456	-	-	**91,456**	171,994	-	-	171,994
Financial assets disposed of/ paid during the year	(39,091)	(37,062)	-	**(76,153)**	(21,880)	(1,068)	(30,679)	(53,627)
Used provisions during the year	-	-	(9)	**(9)**	-	-	(267,759)	(267,759)
Balance of expected credit losses on 31 December 2021	**475,949**	**179,181**	**522,864**	**1,177,994**	**599,842**	**139,715**	**430,361**	**1,169,918**

4/1/11 Debt instruments, treasury bills and other government securities

The following table shows the analysis of debt instruments, treasury bills and other government securities according to rating agencies at the end of the financial year, based on Standard & Poor's valuation and its equivalent.

000's EGP

Debt instruments, treasury bills and other government securities	31 December 2021 Valuation	Book Value	31 December 2020 Valuation	Book Value
Debt instruments at FVPL				
Egyptian treasury bonds	B	-	B	-
Debt instruments at FVOCI				
Egyptian treasury Bonds	B	101,440	B	51,631
Egyptian treasury bills	B	9,176,324	B	7,945,355
Debt instruments at amortized cost				
Egyptian treasury Bonds	B	18,609,467	B	10,913,930
Egyptian treasury bills	B	2,449,324	B	2,821,130
Total		**30,336,555**		**21,732,046**

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4/1/12 Risk concentration of financial assets exposed to credit risk

(A) Geographical sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed according to the geographical sector at the end of the current year. When preparing this table, risk is allocated to the geographical sectors according to the regions associated with ADIB's customers

000's EGP

	Arab Republic of Egypt				Other countries	
	Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total		Total
Debt instruments at FVOCI						
- Egyptian treasury Bonds	101,440	-	-	**101,440**	-	**101,440**
- Egyptian treasury bills	9,176,324	-	-	**9,176,324**	-	**9,176,324**
Debt instruments at amortized cost						
- Egyptian treasury Bonds	18,609,467	-	-	**18,609,467**	-	**18,609,467**
- Egyptian treasury bills	2,352,842	-	-	**2,352,842**	-	**2,352,842**
Facilities to banks	60,399	-	-	**60,399**	-	**60,399**
Retail						
- Debit current accounts	5,865	1,975	288	**8,128**	-	**8,128**
- Credit cards	965,516	59,451	14,167	**1,039,134**	-	**1,039,134**
- Personal financings	10,168,141	4,146,607	1,076,161	**15,390,909**	-	**15,390,909**
- Real estate financings	36,653	-	-	**36,653**	-	**36,653**
Corporate						
- Debit current accounts	6,694,230	631	23	**6,694,884**	-	**6,694,884**
- Credit cards	358	-	1	**359**	-	**359**
- Direct financings	27,078,819	10,231	927	**27,089,977**	-	**27,089,977**
- Syndicated financings	253,366	-	-	**253,366**	-	**253,366**
Balance at 31 December 2021	**75,503,420**	**4,218,895**	**1,091,567**	**80,813,882**	-	**80,813,882**
Balance at 31 December 2020	**62,316,561**	**4,143,339**	**1,119,846**	**67,579,746**	-	**67,579,746**

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4/1/12 Risk concentration of financial assets exposed to credit risk

(B) Activity sectors

The following table represents an analysis of ADIB's most significant credit risk limits at the carrying value distributed by the activity practiced by ADIB's customers.

000's EGP

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Governmental sector	Retail	Other activities	Total
Debt instruments at FVOCI								
- Egyptian treasury Bonds	-	-	-	-	101,440	-	-	**101,[illegible]**
- Egyptian treasury bills	-	-	-	-	9,176,324	-	-	**9,176,[illegible]**
Debt instruments at amortized cost								
- Egyptian treasury Bonds	-	-	-	-	18,609,467	-	-	**18,609,[illegible]**
- Egyptian treasury bills	-	-	-	-	2,352,842	-	-	**2,352,[illegible]**
Facilities to banks	-	-	-	-	60,399	-	-	**60,[illegible]**
Retail								
- Debit current accounts	-	-	-	-	-	8,128	-	**8,[illegible]**
- Credit cards	-	-	-	-	-	1,039,134	-	**1,039,[illegible]**
- Personal financings	-	-	-	-	-	15,390,909	-	**15,390,[illegible]**
- Real estate financings	-	-	-	-	-	36,653	-	**36,[illegible]**
Corporate								
- Debit current accounts	-	2,477,173	595,534	1,060,515	2,555,619	-	6,043	**6,694,[illegible]**
- Credit cards	-	-	-	-	-	-	359	[illegible]
- Direct financings	165,883	11,848,763	4,534,452	5,419,271	4,950,144	-	171,464	**27,089,[illegible]**
- Syndicated financings	-	188,331	-	-	65,035	-	-	**253,[illegible]**
Balance at 31 December 2021	**165,883**	**14,514,267**	**5,129,986**	**6,479,786**	**37,871,270**	**16,474,824**	**177,866**	**80,813,[illegible]**
Balance at 31 December 2020	**166,091**	**13,654,735**	**5,749,801**	**4,831,296**	**27,087,934**	**16,083,926**	**5,963**	**67,579,[illegible]**

4/2 Market Risk

ADIB is exposed to market risk represented in fluctuations in fair value or future cash flows arising from changes in market prices. The market risk arises from the open positions of the interest rate and the currency, as each is exposed to general and private movements in the market and changes in the level of sensitivity to market rates or prices such as rates of interest and exchange rates. ADIB separates its exposure to market risk to trading or non-trading portfolios.

The management of market risk arising from trading or non-trading activities is concentrated in ADIB's risk management and is monitored by two separate teams. Market risk reports are reported to the Risk Committee of the Board of Directors and heads of operating units on a regular basis.

The portfolios of financial investments at fair value through profit or loss include those positions resulting from ADIB's direct dealing with customers or with the market, while non-trading portfolios arise primarily from managing the interest rate on assets and liabilities. These portfolios include foreign exchange risk and equity instruments arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

4/2/1 Market risk measurement techniques

- As part of market risk management, ADIB undertakes various hedging strategies. ADIB also enters into swaps to match the interest rate risk associated with the debt instruments and fixed-rate long-term financing if the fair value option has been applied. The major measurement techniques used to control market risk are outlined below:

Value at risk

- ADIB applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk on positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by ADIB for trading and non-trading portfolios and are monitored daily by ADIB's market risk management.
- VAR is a statistical estimation of the expected losses on the current portfolio resulting from adverse market movements, which represent the maximum amount ADIB expects to lose using a confidence level of (98%). Therefore, there is a statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR model assumes that the holding period is ten days before closing the open positions. It is also assumed that the market movement during the holding period will follow the same pattern of movement that occurred during the previous ten days. ADIB estimates the previous movement based on data for the previous five years. ADIB applies these historical changes in rates, prices, indicators, etc., directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.
- The use of that technique does not prevent the loss to exceed those limits in the case of a larger movement in the market.
- As VAR is considered a primary part of ADIB's market risk control technique, VAR limits are established by the Assets and Liabilities Committee regularly for all trading and non-trading transactions and allocated to business units. Actual VAR are compared to the limits set by ADIB and reviewed daily by ADIB's risk management. The quality of the VAR model is continuously monitored through enhanced VAR testing of the trading portfolio and the results of the tests are submitted to the Assets and Liabilities Committee.

- The quality of VAR model is monitored on an ongoing basis by reinforced tests to the results of the VAR of trading portfolio, and the results of tests are reported to the senior management and Board of Directors.

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Stress testing

- Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match the business using standard analysis for specific scenarios. The stress testing carried out by the risk management include risk factor stress testing where sharp movements are applied to each risk category and emerging markets stress tests, as emerging markets are subject to sharp movements and special stress tests, including possible stress events affecting specific positions or regions, such as what may arise in a certain region due to applying a free rate on a certain currency. The results of the stress testing are reviewed by the top management and Board of Directors.

- **Stress testing related to exchange rate**

  The following table shows the position of the currencies (surplus or deficit) of the items inside and outside the balance sheet

000's EGP

Currency	Surplus / deficit	Deficit	Surplus	Maximum expected loss 10%
USD	(191,580)	(191,580)	-	(19,158)
Euro	(604)	(604)	-	(60)
Sterling Pound	1,044	-	1,044	104
Swiss Franc	(632)	(632)	-	(63)
Japanese Yen	(65)	(65)	-	(6)
Other currencies	5,390	-	5,390	539
Maximum expected loss 31 December 2021				**(18,644)**
Maximum expected loss 31 December 2020				**2,778**

4/2/2 VAR summary

Total value at risk by the type of risk

000's EGP

	31 December 2021			31 December 2020		
	Average	Higher	Lower	Average	Higher	Lower
Total value at risk according to risk type						
Exchange rates risk	882	5.308	38	1.134	6.975	42
Profit rate risk	29.966	40.210	19.180	25.807	41.496	15.779
Total value at risk	**30,848**	**45,518**	**19,218**	**26,941**	**48,471**	**15,821**
Value at risk of the trading portfolio according to risk type						
Exchange rates risk	882	5.308	38	1.134	6.975	42
Profit rate risk	-	-	-	-	-	-
Total value at risk	**882**	**5,308**	**38**	**1,134**	**6,975**	**42**
value at risk of a non-trading portfolio according to risk type						
Profit rate risk	29.966	40.210	19.180	25.807	41.496	15.779
Total value at risk	**29,966**	**40,210**	**19,180**	**25,807**	**41,496**	**15,779**

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4/2/3 Risk of fluctuations in foreign exchange rates

- ADIB is exposed to the risk of fluctuations in foreign exchange rates on its financial position and cash flows. The Board of Directors has set limits on foreign exchange at the total value of each of the positions at the end of the day as well as during the day. The following table summarizes ADIB's exposure to foreign exchange risk at the end of the financial year. The following table presents the book value of financial instruments distributed in their respective currencies:

000's EGP

31 December 2021	EGP	USD	Euro	Sterling Pound	Japanese Yen	Other currencies	Total
Assets							
Cash and due from CBE	6,003,647	49,962	1,095	8,427	-	5,252	6,068,383
Due from banks	1,758,077	2,767,995	68,865	25,499	3,889	51,022	4,675,347
Treasury bills	10,028,500	2,090,321	-	97,999	-	-	12,216,820
Financings and facilities to banks	-	59,107	-	-	-	-	59,107
Financings and facilities to customers	39,657,768	6,365,625	25,144	871,137	-	-	46,919,674
Financial investments at FVPL	23,595	-	-	-	-	-	23,595
Financial investments at FVOCI	167,721	48,469	-	1,763	-	-	217,953
Financial investments at amortized cost	18,423,151	187,920	-	-	-	-	18,611,071
Investments in associates	157,367	-	-	-	-	-	157,367
Other assets	5,355,077	106,029	1,308	12,698	-	5,448	5,480,560
Total assets	**81,574,903**	**11,675,428**	**96,412**	**1,017,523**	**3,889**	**61,722**	**94,429,877**
Financial derivatives related to currency	-	**959,271**	-	**39,467**	**14,215**	**218,788**	**1,231,741**
Total assets and Financial derivatives related to currency	**81,574,903**	**12,634,699**	**96,412**	**1,056,990**	**18,104**	**280,510**	**95,661,618**
Liabilities and shareholders' equity							
Due to banks	1,958,023	333,726	-	48,351	-	12,163	2,352,263
Customers' deposits	66,540,648	7,883,543	93,533	960,060	2,512	199,243	75,679,539
Islamic forward / Islamic currency swap contracts	15,084	-	-	-	-	-	15,084
Subordinated financings	691,342	1,288,823	-	-	-	-	1,980,165
Other liabilities	7,862,890	2,760,853	589	39,504	2,562	60,304	10,726,702
Shareholder' equity	3,589,153	49,114	-	-	-	-	3,638,267
Total Liabilities and shareholders' equity	**80,657,140**	**12,316,059**	**94,122**	**1,047,915**	**5,074**	**271,710**	**94,392,020**
Financial derivatives related to currency	**961,476**	**272,538**	**1,911**	**12,473**	**11,473**	**9,727**	**1,269,598**
Total Liabilities and shareholders' equity and Financial derivatives re	**81,618,616**	**12,588,597**	**96,033**	**1,060,388**	**16,547**	**281,437**	**95,661,618**
Net financial position	**(43,713)**	**46,102**	**379**	**(3,398)**	**1,557**	**(927)**	-
31 December 2020							
Total assets	**64,807,300**	**12,027,211**	**45,263**	**1,307,004**	**12,044**	**229,471**	**78,428,293**
Total Liabilities and shareholders' equity	**64,867,226**	**11,969,121**	**45,072**	**1,308,563**	**14,227**	**224,084**	**78,428,293**
Net financial position	**(59,926)**	**58,090**	**191**	**(1,559)**	**(2,183)**	**5,387**	-

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4/2/4 Interest rate risk

- ADIB is exposed to the effects of fluctuations in the interest rates prevailing in the market, which is the risk of cash flows of the interest rate represented in fluctuation of future cash flows for a financial instrument due to changes in the interest rate of the instrument. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest margin may increase due to these changes; however, profits may decrease in case unexpected movements arise. The ALCO Committee sets limits on the level of mismatch of interest rate repricing that ADIB may maintain, which is monitored daily by ADIB's risk management.

Interest rate structure risk management system

Risk assessment, limits and corrective procedures are undertaken by the Asset-Liability Committee (ALCO) under the chairmanship of the President of ADIB, the membership of the Executive Directors, the CFO, Directors pf Commercial Departments, the Branch Network Manager, the Secretary General and the President of the International Transaction Chamber. The International Transactions Chamber implements the necessary procedures determined by the Asset and Liability Committee to correct the gaps through dealing in financial markets. The Chamber prepares its reports on the development that has occurred and submits them to the Assets and Liabilities Unit and the Assets and Liabilities Committee.

Asset-Liability Committee (ALCO) Duties

-Determination of acceptable limits for sensitivity analysis purposes

-Reviewing the assumptions used to identify, measure, validate and approve risks.

-Evaluating, modifying and adopting the proposed recommendations for the adjustment of gaps (if any) in line with the previously approved limits.

ADIBs' objective of managing interest rate risk

ADIB aims to reduce its exposure to the risk structure of the interest rate to the maximum extent possible, taking into account that the residual risk value resulting from interest rates is within the limits of the sensitivity level approved by the Assets and Liabilities Committee.

ABU DHABI ISLAMIC BANK (ADIB) – EGYPT – S.A.E

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4/2/4 Interest rate risk - Continue

The table below summarises ADIB's exposure to the risk of interest rate fluctuations, which includes the financial instruments' carrying amounts distributed on the basis of the interest rate, re-pricing dates or maturity dates, whichever is earlier:

000's EGP

31 December 2021	Up to 1 month	Over 1 month to 3 month	More than 3 month up to 1 year	More than 1 year to 3 years	More than 3 years	Non-profit bearing	Total
Financial Assets							
Cash and due from banks and CBE	-	-	-	-	-	6,068,863	**6,068,863**
Due from banks	3,599,938	-	-	-	-	884,379	**4,484,317**
Treasury bills	1,372,711	3,534,711	7,229,098	-	-	-	**12,136,520**
Treasury Bond	254,433	379,020	2,296,511	8,904,441	6,878,213	(593,567)	**18,119,051**
Financings and facilities to banks	-	-	-	-	-	-	-
Financings and facilities	22,067,782	5,924,446	8,656,759	5,538,490	3,403,636	-	**45,591,113**
Financial investments:							
Other Investment	-	-	-	298,889	-	-	**298,889**
Financial investments at FVOCI	-	-	-	-	-	-	-
Financial investments at amortized cost	-	-	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	4,083,974	**4,083,974**
Total financial assets	**27,294,864**	**9,838,177**	**18,182,368**	**14,741,820**	**10,281,849**	**10,443,649**	**90,782,727**
Financial Liabilities							
Due to banks	2,018,335	157,167	157,167	754,402	-	-	**3,087,071**
Customers' deposits	7,512,607	9,093,966	11,862,015	18,262,543	28,499,790	-	**75,230,921**
Subordinated financings	-	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	12,464,735	**12,464,735**
Total financial liabilities	**9,530,942**	**9,251,133**	**12,019,182**	**19,016,945**	**28,499,790**	**12,464,735**	**90,782,727**
Profit re-pricing Gap	**17,763,922**	**587,044**	**6,163,186**	**(4,275,125)**	**(18,217,941)**	**(2,021,086)**	-

Interest Rate Sensitivity Analysis

- The following is sensitivity analysis on the increase or decrease in the interest rates in the market, assuming that there is no symmetric movement in the interest curves with the stability of the financial position.

Sensitivity of net income expected from interest

000's EGP

	31 December 2021			31 December 2020		
Profit rate sensitivity analysis	Average	Higher	Lower	Average	Higher	Lower
Sensitivity of net expected income from profit						
Increase or decrease 100 basis points	94,420	113,049	78,007	97,320	127,087	78,639
Total value at risk	**94,420**	**113,049**	**78,007**	**97,320**	**127,087**	**78,639**
Equity sensitivity to changes in profit rates						
Increase or decrease 100 basis points	13,313	27,301	3,155	54,545	81,093	18,314
Total value at risk	**13,313**	**27,301**	**3,155**	**54,545**	**81,093**	**18,314**

- Changes in interest rates affect equity in the following ways:
- Retained earnings: Increase or decrease in net income from the interest and the fair value of the financial derivatives and included within profit and loss.

  Fair value reserve: Increase or decrease in the fair value of financial assets at fair value through other comprehensive income (before 1 January 2019: available for sale) recognized directly in other comprehensive income.
- Hedging reserve: The increase or decrease in fair value of hedging instruments classified as cash flow hedging.

4/3 Liquidity risk

Liquidity risk represents difficulty encountering ADIB in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure of the settlement of ADIB's obligations to repay the depositors and fulfil financing commitments.

- **Liquidity risk management**

ADIB's liquidity management process carried out by ADIB's risk management includes:

- Daily funding is managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes replacing funds when they are due or when financing them to customers. ADIB exists in the global financial markets to ensure that this goal is achieved.
- Maintaining a portfolio of highly marketable assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.
- Monitoring liquidity ratios in comparison with ADIB's internal requirements and CBE requirements
- Managing concentration and financing maturity.

For monitoring and reporting purposes, cash flows for the following day, week, and month are measured and projected. Such periods are the key periods for liquidity management. The starting point of calculating these projections is analysing the contractual maturities of financial liabilities and expected financial assets collections.

The Assets and Liabilities Management Committee also monitors the incompatibility between medium-term assets, the level and type of unused portion of financing commitments, the extent to which current account facilities are used (Mudaraba), and the effect of contingent liabilities such as letters of guarantees and letters of credit.

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4/3 Liquidity risk – Continued

The following table represents the paid cash flows by ADIB using the non-derivative financial liabilities method. Distributed on the basis of the remaining period of contractual accruals at end of financial year:

000's EGP

Treasury bills	Up to 1 month	Over 1 month to 3 month	More than 3 month up to 1 year	More than 1 year to 3 years	More than 3 years	Non-profit bearing	Total
Financial Assets							
Cash and due from banks and CBE	595,861	-	-	4,277,445	-	-	**4,873,306**
Due from banks	4,614,235	172,977	775,635	-	-	-	**5,562,847**
Treasury bills	4,847,354	1,091,627	6,293,308	-	-	-	**12,232,289**
Financing and facilities to banks	-	-	59,486	-	-	-	**59,486**
Financing and facilities to customers	6,118,015	7,204,233	24,308,557	9,810,750	4,655,974	-	**52,097,529**
Financial investments:							
Financial investments at FVPL	-	-	23,595	-	-	-	**23,595**
Financial investments at FVOCI	159,244	-	-	116,149	-	-	**275,393**
Financial investments at amortized cost	25,770,444	-	-	-	-	-	**25,770,444**
Investments in associates	-	-	-	-	157,367	-	**157,367**
Other financial assets	-	1,413	-	-	2,657,375	-	**2,658,788**
Total financial assets	**42,105,153**	**8,470,250**	**31,460,581**	**14,204,344**	**7,470,716**	-	**103,711,044**
Financial Liabilities							
Due to banks	1,391,677	244,039	159,956	-	-	-	**1,795,672**
Customer deposits	8,306,106	7,236,985	12,225,353	52,835,083	1,149,182	-	**81,752,709**
Subordinated financing	-	-	-	1,980,165	534,421	-	**2,514,586**
Other financial liabilities	595,272	-	-	-	13,126,322	-	**13,721,594**
Total financial liabilities	**10,293,055**	**7,481,024**	**12,385,309**	**54,815,248**	**14,809,925**	-	**99,784,561**
Current Gap	**31,812,098**	**989,226**	**19,075,272**	**(40,610,904)**	**(7,339,209)**	-	**3,926,483**

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4/4 Fair value of financial assets and liabilities and fair value sources

A- Financial instruments measured at fair value

Financial assets classified as trading financial assets at fair value with changes in fair value are recognized 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 the difference in fair value recognized in other comprehensive income in the "fair value reserve". For investments in equity instruments, equity securities listed on the stock exchange are measured at fair value at the quoted market price at the date of the consolidated financial statements. For non-listed shares, except for strategic investments, they are evaluated on an "acceptable technical basis", and the inclusion of valuation differences in other comprehensive income within the "fair value reserve"; for strategic investments, the cost or nominal value is considered to be the fair value of those investments.

Due from Banks

The fair value of overnight deposits and deposits with variable yield represents their present value. The expected fair value of variable yield deposits is estimated based on discounted cash flows using the prevailing market profit rate on debt with a credit risk and a similar due date.

Financing and facilities to customers

Financings and facilities to banks consist of financings other than due from banks. The expected fair value of financings and facilities represents the discounted value of future cash flows expected to be recovered. Cash flows are discounted using the current market profit rate to determine the fair value. Financings and facilities are presented net of provision for impairment losses.

Investments in securities

Investments in securities include only financial assets with a fixed or determinable maturity date and the business model is intended to be retained in order to obtain the principal and profit of the investment only. The fair values of financial assets held to maturity are determined based on market prices or prices obtained from brokers. If these data are not available, fair value is estimated using quoted market prices of quoted securities with credit characteristics, due date and similar rates.

Customers' Deposits and Due to other banks

The estimated fair value of deposits with an undetermined due date, including non-yield bearing deposits, represents the amount to be repaid on demand.

The fair value of fixed rate deposits and other non-current financings is determined on an active market based on discounted cash flows using the profit rate on new debts with a similar due date.

4/5 Capital management

ADIB's objectives behind managing capital include other elements in addition to the equity shown in the statement of financial position are represented in the following:

- To comply with the legal capital requirements in the Arab Republic of Egypt and other countries in which ADIB's branches operate.
- To protect ADIB's ability to continue and enable it to continue to generate interest for shareholders and other parties dealing with ADIB.
- To maintain a strong capital base that supports growth in activity.

Capital adequacy and capital uses are reviewed in accordance with the requirements of the regulatory body (the Central Bank of Egypt in the Arab Republic of Egypt or the supervisory bodies in which the foreign branches of ADIB operate) daily through ADIB's management, through models based on Basel Committee guidelines for banking supervision. The required data are provided to the Central Bank of Egypt on a quarterly basis.

CBE requires the following from ADIB:

- Retaining EGP 500 million as a minimum limit of paid and issued capital.
- Maintaining a ratio between the capital base and the total credit risk, market and operational risks is equal to or more than 10%.

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It is the basic capital, and it consists of paid up capital after deducting the deducting the carrying amount of treasury shares, retained earnings and reserves resulting from the dividends, except for the general banking risk reserve, less any previously recognised goodwill and any carried-forward losses.

Tier 2: It is the subordinated capital, which consists of the equivalent of the general risk provision according to the creditworthiness principles issued by CBE at no more than 1.25% of the total risk-weighted assets and contingent liabilities, and the subordinated financing / deposits with more than five years' maturity terms (amortisation of 20% of their value at each of the last five years of maturity).

When calculating the total numerator of capital adequacy criterion, subordinated capital should not exceed the basic capital, and subordinated financing (deposits) should not exceed half the basic capital.

ADIB has complied with all local capital requirements and in the countries in which its external branches operate during the past two years.

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The following table summarizes the basic and subordinated capital components and capital adequacy ratios.

According to Basel II	31 December 2021 000's EGP	31 December 2020 000's EGP
Capital		
Tier 1 after disposals		
Basic going concern capital		
Issued and paid up capital	2,000,000	2,000,000
Paid under capital increase	1,861,418	1,861,418
Reserves	343,644	282,563
Fair value reserve	66,601	59,864
Retained earnings / (Retained losses)	1,882,577	928,702
Less: The bank's investments in financial companies (banks or companies) and insurance companies (shares and investment funds)	(81,077)	(61,578)
Deferred tax	(59,094)	(6,908)
Intangible assets	(44,546)	(25,646)
Total basic going concern capital after disposal	5,969,523	5,038,415
Additional basic capital		
Difference between FV and PV for subordinated financing	30,864	44,767
Total additional basic capital	30,864	44,767
Total Tier 1 after disposal (basic capital)	6,000,387	5,083,182
Tier 2 after disposals		
Equivalent of required provisions balances against debt instruments / loans and credit facilities incorporated in stage 1	652,051	532,008
Subordinated financing	720,632	934,512
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates and associates	109,336	130,859
45% of special reserve	10,210	9,602
Total Tier 2 after disposal	**1,492,229**	**1,606,981**
Total capital base after disposal	**7,492,616**	**6,690,163**
Total credit risks	52,171,472	42,568,727
Capital requirements for market risks	67,172	20,172
Capital requirements for operating risks	6,018,547	5,497,249
Total assets and contingent liabilities weighted by credit, market, operational risks	**58,257,191**	**48,086,148**
Capital adequacy ratio of tier 1	**10.30%**	**10.57%**
Capital Adequacy Ratio	**12.86%**	**13.91%**

4/6 Leverage ratio

- The Board of Directors of the Central Bank of Egypt (CBE) at its session dated 7 July 2015 issued a resolution approving the supervisory instructions for the financial leverage, with the banks' commitment to the minimum rate of 3% on a quarterly basis as a binding control ratio starting from 2019.

In preparation for consideration of the first pillar of Basel (Minimum Capital Adequacy) in order to preserve the strength and integrity of the Egyptian banking system and to comply with the best international supervisory practices in this regard. The leverage reflects the relationship between the first tier of capital used in the standard of capital adequacy (after exclusions), and bank assets (both within and outside the financial position) are not weighted by risk weights.

Ratio components:

The numerator components

The numerator consists of tier 1 of capital (after exclusions) that is used in the numerator of capital adequacy standard currently applied in accordance with the instructions of the Central Bank of Egypt.

The denominator elements

The denominator consists of all ADIB's assets on and off-the financial position items according to the financial statements, called "Bank Exposures" including the following totals:

1- On-the financial position exposure items after deducting Tier 1 exclusions for capital base.

2- Exposures resulting from derivatives contracts.

3- Exposures resulting from financing securities.

4- Off-the financial position exposures (weighted exchange transactions).

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The following table summarizes the leverage ratio:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Tier 1 capital after disposals (1)	**6,000,387**	**5,083,182**
Cash and due from CBE	6,952,845	5,514,473
Due from Banks	3,972,446	2,952,611
Treasury bills and other government securities	11,527,484	10,584,576
Financial assets designated initially at FVPL	23,595	8,228
Financial investments at FVOCI	229,201	142,187
Financial investments at amortized cost	18,611,071	10,915,535
Investments in subsidiaries and associates	213,010	224,015
Total financings and credit facilities to customers	45,600,268	40,757,997
Fixed assets (net of impairment loss provision & accumulated depreciation)	510,089	533,689
Other assets	3,251,819	2,631,386
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	(184,717)	(94,133)
Total on-balance sheet exposures items after deducting tier 1 disposals	**90,707,111**	**74,170,564**
Replacement cost	1,558	2,909
Expected future value	7,496	6,174
Derivatives contracts exposures	**9,054**	**9,083**
Treasury bills sale with repurchase commitment	7,460	9,783
Exposure resulting from securities financing	**7,460**	**9,783**
Total on-balance sheet exposures, financial derivatives contracts and financing financial securities	**90,723,625**	**74,189,430**
Letters of credit -import	652,460	279,067
Letters of credit -export	175,156	35,456
letters of guarantee	5,420,987	2,904,084
letters of guarantee requested or guaranteed by external banks	318,523	204,998
Contingent liabilities for general collaterals for financing facilities and similar collaterals	3,153	9,768
Bank acceptance	2,269,755	988,980
Total contingent liabilities	**8,840,034**	**4,422,353**
Capital commitments	10,949	14,102
Operating lease commitments	341,768	352,255
Financing commitments to clients /banks (unutilized part) original maturity period	2,425,650	3,073,838
Total commitments	**2,778,367**	**3,440,195**
Total exposures off-balance sheet	**11,618,401**	**7,862,548**
Total exposures on-balance sheet and off-balance sheet (2)	**102,342,026**	**82,051,978**
Financial leverage ratio (1/2)	**5.86%**	**6.20%**

5- Significant accounting estimates and assumptions

ADIB uses estimates and assumptions that affect the amounts of assets and liabilities disclosed during the next fiscal period / year. Estimates and assumptions are continually 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.

A) **Estimates:**

Information on estimates used in applying accounting policies that have a material impact on the amounts recognized in the financial statements:

- **Classification of financial assets**: Valuation of the business model in which the asset shall be retained and evaluated whether contractual terms of the financial asset shall result in the generating of cash flows in the form of payment of profit and installments on the outstanding balances of those assets.

B) **Uncertainty Related with Assumptions and Estimates:**

Uncertainties related with assumptions and estimates of significant risks that may result in material adjustments in the financial period ended on 31 December 2021 shall be appeared in the following notes:

- **Impairment of financial instruments**: An assessment of whether there has been a significant increase in credit risk on financial assets since the initial recognition, taking into account, the impact of future information upon measuring the expected credit losses.
- **Determination of the fair value of financial instruments**: using unobservable inputs upon measuring.
- **Measurement of defined benefit liabilities**: Key actuarial assumptions.
- **Recognition of deferred tax assets**: The existence of future taxable profits that may be benefited from forward tax losses.

6- Segment analysis

The activity segments include the operations, assets used in the provision of banking services, the management of the risks surrounding them, and the profit related with this activity, which may differ from other activities. The segment analysis of operations in accordance with the banking business include:

Large, medium and small enterprises

These include the activities of current accounts, deposits, current accounts receivable (Mudaraba), financing and credit facilities, and financial derivatives.

Investment

This includes activities of corporate mergers, investment purchasing, financing of corporate restructuring and financial instruments.

Retail

This includes activities of current accounts, savings, deposits, credit cards, personal finance and real estate finance.

Other activities

These include other banking activities as the management of funds and transactions between activity segments in accordance with the normal course of business of ADIB; assets and liabilities shall include operating assets and liabilities as presented in ADIB's financial position.

000's EGP

31 December 2021	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1.238.943	1.001.717	1.568.455	551.248	4,360,363
Expenses of activity segment	(509.785)	(44.808)	(1.221.468)	(326.301)	(2,102,362)
Net profit for the year before tax	729,158	956,909	346,987	224,947	2,258,001
Tax	(169.142)	(644.900)	(109.020)	115.584	(807,478)
Net profit for the year	**560,016**	**312,009**	**237,967**	**340,531**	**1,450,523**
Assets and liabilities by activity segment					
Assets of activity segment	32.784.494	34.739.804	13.497.324	-	81,021,622
Un-classified assets	-	-	-	9.532.990	9,532,990
Total assets	**32,784,494**	**34,739,804**	**13,497,324**	**9,532,990**	**90,554,612**
Liabilities of activity segment	24,765,000	3,599,040	50,077,809	-	78,441,849
Un-classified liabilities	-	-	-	5.233.155	5,233,155
Total liabilities	**24,765,000**	**3,599,040**	**50,077,809**	**5,233,155**	**83,675,004**

000's EGP

31 December 2020	Wholesale	Investment	Retail	Other activities	Total
Revenues and expenses by activity segment					
Revenues of activity segment	1.347.777	715.024	1.430.513	292.924	3,786,238
Expenses of activity sectors	(728.426)	(31.784)	(1.145.221)	(128.655)	(2,034,086)
Profit for the year before tax	**619,351**	**683,240**	**285,292**	**164,269**	**1,752,152**
Tax	(142.965)	(498.909)	(95.969)	181.560	(556,283)
Profit for the year	**476,386**	**184,331**	**189,323**	**345,829**	**1,195,869**
Assets and liabilities by activity segment					
Assets of activity sectors	29.325.405	24.882.368	11.996.102	-	66,203,875
Non-Classified assets	-	-	-	7.332.687	7,332,687
Total assets	**29,325,405**	**24,882,368**	**11,996,102**	**7,332,687**	**73,536,562**
Liabilities of activity sectors	20.231.856	1.473.516	41.753.411	-	63,458,783
Non-classified liabilities	-	-	-	4.529.472	4,529,472
Total liabilities	**20,231,856**	**1,473,516**	**41,753,411**	**4,529,472**	**67,988,255**

7- Net profit income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Income from Murabaha, Musharaka, Mudaraba and other similar income		
Financing and facilities		
To customers	4,724,353	4,538,845
Total	**4,724,353**	**4,538,845**
Financial investments in debt instruments at AC and FVOCI	-	2,356,374
Deposits and current accounts*	3,353,215	252,541
Income from Lease Receivable	120,306	84,556
Total	**8,197,874**	**7,232,316**
Cost of deposits and similar costs		
Deposits and current accounts:		
To banks	(132,744)	(140,649)
To customers	(4,298,863)	(3,701,018)
other financings	(147,055)	(119,134)
Financing financial instruments and sales transactions of financial instruments with a repurchase commitment	(3,302)	(80,382)
Total	**(4,581,964)**	**(4,041,183)**
Net profit income	**3,615,910**	**3,191,133**

* The Income from deposits and current accounts with banks includes the income resulting from the Murabaha concluded with a local bank, and the income, profits and losses resulting from financial investments in government debt instruments belong to this bank according to the restricted Wakala which requires investing these amounts in government debt instruments within the limits of the expected and agreed return.

The net interest income includes interest income and expenses calculated using the effective interest method which related to the following items:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Financial investments at AC	20,962,309	13,580,114
Financial investments at FVOCI	9,394,277	8,113,728
Financing and facilities to customers	45,229,308	40,192,107
Financial assets that are not measured at FVPL	4,675,219	3,718,769
Net profit income	**80,261,113**	**65,604,718**

8- Net fees and commissions income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Fees and commissions income:		
Credit related fees and commissions	431,346	287,041
Fees of corporate financing	102,233	100,363
Other fees	196,487	221,555
Total	**730,066**	**608,959**
Fees and commissions expenses:		
Paid brokerage fees	(192)	(365)
Various banking commission	(16,227)	(9,491)
Credit cards paid commissions	(114,843)	(93,659)
Other fees and commissions paid	(44,590)	(41,908)
Total	**(175,852)**	**(145,423)**
Net fees and commission income	**554,214**	**463,536**

9- Dividends

	31 December 2021 000's EGP	31 December 2020 000's EGP
Equity instruments at FVPL	135	1,097
Equity instruments at FVOCI	4,643	1,399
Mutual funds at FVPL	46	136
Total	**4,824**	**2,632**

10- Net trading income

	31 December 2021 000's EGP	31 December 2020 000's EGP
Foreign currencies operations:		
Gains from fx deals	95,243	181,616
(Losses) of Islamic forward contracts revaluation	(15,076)	(1,296)
(Losses) / Gains of currency option contracts revaluation	(8)	3
Debt Instruments at FVPL	-	114
Equity Instruments at FVPL	650	(1,969)
Mutual funds at FVPL	3,165	3,392
Total	**83,974**	**181,860**

11- Administrative expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Employees' cost		
Salaries and wages and benefits	(693,811)	(673,362)
Social insurance	(36,056)	(34,583)
Pension cost		
Defined contribution plans	(20,172)	(19,888)
Defined benefit plans	(81,397)	(68,969)
Depreciation and amortization	(110,587)	(148,448)
Other administrative expenses	(501,448)	(397,912)
Total	**(1,443,471)**	**(1,343,162)**

12- Other operating expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
(Loss) on translation of monetary assets and liabilities denominated in foreign currencies other than those held for trading or initially designated	(23,828)	(65,238)
Gain on sale of assets reverted to bank	9,450	404
Gain on sale of fixed assets	365	7,953
Gain on sale of investment properties	921	4,620
Software cost	(94,472)	(86,937)
operating lease expense	(105,909)	(100,560)
Restructuring costs	(5,000)	(16,875)
(Charge) of impairment other assets	(1,415)	(7,193)
Impairment losses of investment properties	2,392	(2,944)
Impairment losses of financing leased assets	(6,060)	(12,363)
Other provisions (net of reversed provision)*	(214,728)	(88,910)
Other income (expense)	(44,940)	25,951
Total	**(483,224)**	**(342,092)**

13- Impairment credit losses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Financing and facilities to customers	(175,587)	(444,286)
Due from banks	(80)	(75)
Financial investments at amortized cost	-	(345)
Total	**(175,667)**	**(444,706)**

14- Income tax expenses

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current tax	(871,074)	(614,877)
Deferred tax	63,596	58,594
Total	**(807,478)**	**(556,283)**

Additional information on deferred income tax was presented in Note (32). Taxes on ADIB's profits are different from the value resulting from the application of tax rates as follows:

Reconciliation to calculate effective tax rate:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Profit before tax	2,280,860	1,752,152
Applicable tax rate	22.5%	22.5%
Income tax (expenses) based on applied tax rate	513,194	394,234
Tax impact for		
Non-taxable revenues	(656,965)	(414,466)
Non-deductible tax expenses	398,526	228,977
Tax of treasury bills and bonds and dividends	552,723	347,538
Income tax expenses according to effective tax rate	**807,478**	**556,283**
Effective tax rate	**35.40%**	**31.75%**

15- Cash and balances with the Central Bank of Egypt

	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash	485,239	572,241
Balances with CBE within mandatory reserve ratio	5,583,144	4,060,971
Total	**6,068,383**	**4,633,212**
Non-Profit bearing balances	6,068,383	4,633,212
Total	**6,068,383**	**4,633,212**

16-Due from banks

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current accounts	190,996	503,724
Bank deposits	4,484,351	3,215,100
Murabaha due from local banks*	33,014,467	23,729,428
Restricted wakala due to local banks*	(33,014,467)	(23,729,428)
	4,675,347	**3,718,824**
(less) Impairment loss provision	(128)	(55)
Total	**4,675,219**	**3,718,769**
Balances with CBE other than mandatory reserve ratio	884,495	884,113
Local banks	3,137,723	2,039,451
Murabaha due from local banks*	33,014,467	23,729,428
Restricted wakala due to local banks*	(33,014,467)	(23,729,428)
Foreign Banks	653,129	795,260
(less) Impairment loss provision	(128)	(55)
Total	**4,675,219**	**3,718,769**
Non-Profit bearing balances	190,996	503,724
Variable profit bearing balances	3,599,856	2,330,987
Fixed profit bearing balances	884,495	884,113
(less) Impairment loss provision	(128)	(55)
Total	**4,675,219**	**3,718,769**
Due from banks' impairment loss provision analysis		
Balance at beginning of the year	55	24
Adjusted balance as of Jan 1, 2019	**55**	**24**
Net impairment loss during the year	80	75
Foreign exchange translation differences	(7)	(44)
Total	**128**	**55**

*Balances at banks include an amount of EGP 33,014,467 representing a Wakala with a local bank corresponding to an investment-restricted Wakala due to the same bank for the same amount to invest the amount of the restricted Wakala in government debt instruments, An offset was conducted between both Wakalas as they fulfil the requirements of offsetting between the assets and liabilities mentioned in the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 16 December 2008.

17- Financing and facilities to banks

	31 December 2021 000's EGP	31 December 2020 000's EGP
Debit current accounts	30	60
Syndicated financing	60,369	123,676
Total	**60,399**	**123,736**
less:		
Impairment loss provision	(13)	-
Profit in suspense	(1,279)	(5,530)
Total	**(1,292)**	**(5,530)**
Net	**59,107**	**118,206**

18- Financing and facilities to customers

- Total financing and facilities to customers (net of deferred profit)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Retail		
Debit current accounts	8,128	6,394
Credit cards	536,814	562,847
Personal financing	12,465,852	11,420,441
Real estate Financing	36,653	40
Total	**13,047,447**	**11,989,722**
Corporate (including SMEs)		
Debit current accounts	6,694,884	7,553,934
Direct financing	27,039,170	21,688,756
Syndicated financing	253,366	540,265
Credit cards	359	133
Total	**33,987,779**	**29,783,088**
Total financing and facilities to customers	**47,035,226**	**41,772,810**
Deduct:		
Impairment loss provision	(1,749,473)	(1,630,634)
Profit in suspense	(115,552)	(68,275)
Total	**(1,865,025)**	**(1,698,909)**
Net	**45,170,201**	**40,073,901**
Classified in balance sheet as follow		
Conventional financing to customers (net of impairment	12,172	10,434
Financing to customers (net of impairment losses)	45,158,029	40,063,467
Net	**45,170,201**	**40,073,901**
Variable-profit bearing balances	29,582,941	25,256,102
Fixed-profit bearing balances	15,587,260	14,817,799
Total	**45,170,201**	**40,073,901**

Financing and Facilities to customers' impairment loss provision analysis	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at beginning of the year	**1,630,634**	**1,480,631**
Adjusted balance as of Jan 1, 2019	**1,630,634**	**1,480,631**
Net impairment loss during the year	175,574	444,286
Recoveries from previously written-off financings	11,287	9,031
Used from provision during the year	(66,770)	(298,440)
Foreign exchange translation differences	(1,252)	(4,874)
Total	**1,749,473**	**1,630,634**

18- Financing and facilities to customers - Continued

- Total financing and facilities to customers

	31 December 2021 000's EGP	31 December 2020 000's EGP
Retail		
Debit current accounts	8,128	6,394
Credit cards	1,039,134	1,622,316
Personal financing	15,390,909	14,455,176
Real estate Financing	36,653	40
Total	**16,474,824**	**16,083,926**
Corporate (including SMEs)		
Debit current accounts	6,694,884	7,553,934
Direct financing	27,089,977	21,694,610
Syndicated financing	253,366	546,307
Credit cards	359	133
Total	**34,038,586**	**29,794,984**
Total financing and facilities	**50,513,410**	**45,878,910**
Less:		
Impairment loss provision	(1,749,473)	(1,630,634)
Profit in suspense*	(115,552)	(68,275)
Deferred profit	(3,478,184)	(4,106,100)
Total	**(5,343,209)**	**(5,805,009)**
Net	**45,170,201**	**40,073,901**
Classified in the interim balance sheet as follows:		
Conventional financing to customers (net of impairment losses)	12,172	10,434
Financing to customers (net of impairment losses)	45,158,029	40,063,467
Net	**45,170,201**	**40,073,901**

18- Financing and facilities to customers - Continued

The analysis of movement of the provision for impairment losses for financings and facilities to customers classified according to their types is as follows:

000's EGP

Retail

31 December 2021	Debit current accounts	Credit cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	59,144	401,572	-	460,716
Net impairment charge during the year	-	45,183	125,534	132	170,849
Recoveries from previously written-off financings	-	6,497	179	-	6,676
Used from provision during the year	-	(55,876)	(10,885)	-	(66,761)
Balance at 31 December 2021	-	54,948	516,400	132	571,480

Corporate

31 December 2021	Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	112,046	1,037,347	20,525	-	1,169,918
Net impairment charge during the year	(57,448)	51,858	10,315	-	4,725
Recoveries from previously written-off financings	-	4,611	-	-	4,611
Used from provision during the year	-	(9)	-	-	(9)
Foreign exchange translation differences	-	(1,251)	-	-	(1,251)
Balance at 31 December 2021	54,598	1,092,555	30,840	-	1,177,993

000's EGP

Retail

31 December 2020	Debit current accounts	Credit cards	Personal financing	Real estate Financing	Total
Balance at beginning of the year	-	36,065	279,587	-	315,652
Net impairment charge during the year	-	29,207	141,716	-	170,923
Recoveries from previously written-off financings	-	3,696	1,127	-	4,823
Used from provision during the year	-	(9,824)	(20,858)	-	(30,682)
Balance at 31 December 2019	-	59,144	401,572	-	460,716

Corporate

31 December 2020	Debit current accounts	Direct financing	Syndicated financing	Other financings	Total
Balance at beginning of the year	100,541	1,056,251	8,187	-	1,164,979
Net impairment charge during the year	11,505	249,520	12,338	-	273,363
Recoveries from previously written-off financings	-	4,207	-	-	4,207
Used from provision during the year	-	(267,759)	-	-	(267,759)
Foreign exchange translation differences	-	(4,872)	-	-	(4,872)
Balance at 31 December 2019	112,046	1,037,347	20,525	-	1,169,918

19- Financial investments

19/1 Financial investments at FVPL	31 December 2021 000's EGP	31 December 2020 000's EGP
A) Listed equity instruments		
Local corporate shares	6,945	5,233
Total equity instruments	**6,945**	**5,233**
B) Mutual funds certificates		
Un-Listed in stock exchange market	16,650	3,406
Total mutual funds certificates	**16,650**	**3,406**
Total financial investments at FVPL (1)	**23,595**	**8,639**

19/2 Financial investments at FVOCI	31 December 2021	31 December 2020
A) Treasury bonds - at FV		
Listed in stock exchange market	101,440	51,631
Total Treasury bonds	**101,440**	**51,631**
B) Government treasury bills - at FV		
Un-Listed in stock exchange market	9,176,324	7,945,355
Total Government treasury bills	**9,176,324**	**7,945,355**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	20,925	1,706,075
Treasury bills of 182 days maturity	1,202,275	1,634,725
Treasury bills of 273 days maturity	1,361,150	2,983,000
Treasury bills of 364 days maturity	7,124,150	2,100,000
Total	**9,708,500**	**8,423,800**
Unearned revenues	(550,453)	(504,355)
Valuation differences of treasury bills at FV	18,277	25,910
Net	**9,176,324**	**7,945,355**
C) Equity instruments at FV		
Listed in stock exchange market	28,068	16,697
Un-Listed in stock exchange market	67,142	80,613
Total equity instruments	**95,210**	**97,310**
D) Mutual funds certificates at FV		
Un-Listed in stock exchange market	21,302	19,432
Total mutual funds certificates	**21,302**	**19,432**
Total financial investments at FVOCI (2)	**9,394,276**	**8,113,728**

19-Financial investments _ continued

19/3 Financial investments at AC	31 December 2021 000's EGP	31 December 2020 000's EGP
A) Government treasury bonds		
Listed in stock exchange market	18,423,151	10,721,520
Un-Listed in stock exchange market	187,920	194,015
Less: Impairment loss provision	(1,604)	(1,605)
Total government treasury bonds	**18,609,467**	**10,913,930**
B) Government treasury bills		
Un-Listed in stock exchange market	2,465,920	2,837,798
Less: Impairment loss provision	(16,596)	(16,668)
Total government treasury bills	**2,449,324**	**2,821,130**
Detailed T-bills maturities as the following:		
Treasury bills of 91 days maturity	50,000	1,789,252
Treasury bills of 182 days maturity	-	78,661
Treasury bills of 273 days maturity	50,000	678,100
Treasury bills of 364 days maturity	2,408,320	360,528
Total	**2,508,320**	**2,906,541**
Unearned revenues	(42,400)	(68,743)
Deduct: Impairment loss provision	(16,596)	(16,668)
Net (1)	**2,449,324**	**2,821,130**
REPOs		
Treasury bills sold with repurchase commitment within one weel	(95,764)	(150,409)
Total	**(95,764)**	**(150,409)**
Unearned revenues	(718)	(4,537)
Net (2)	**(96,482)**	**(154,946)**
Net (1+2)	**2,352,842**	**2,666,184**
Total financial investments at AC (3)	**20,962,309**	**13,580,114**
Total financial investments (1+2+3)	**30,380,180**	**21,702,481**
Non-profit bearing balances	116,512	116,742
Fixed-profit bearing balances	30,263,668	21,585,739
Total financial investments	**30,380,180**	**21,702,481**

Debt instruments impairment loss analysis	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	18,273	18,218
Net impairment loss during the year	-	345
Foreign exchange translation differences	(73)	(290)
Total	**18,200**	**18,273**

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19-Financial investments _ continued

- **Mutual funds**
- ***Sanabel Mutual Fund**

▪ The financial investments at fair value through other comprehensive income include ADIB's contribution in Sanabel Mutual Fund between ADIB and the Arab International Banking Company under the management of HC company for managing mutual funds.

▪ The total number of documents invested in by ADIB is 25,000 documents at market value of EGP 142,27 at 2.5% of total number of documents outstanding to reach total amount of EGP 3,557 thousand as at 31 December 2021 (31 December 2020: EGP 2,903 thousand).

- ****Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda)**

▪ ADIB has established Abu Dhabi Islamic Bank - Egypt Monetary Fund with Accumulative Daily Return (El-Naharda) compatible with the principles of Islamic Sharia law, as the fund is managed by Beltone for managing investment funds.

▪ The total number of documents invested in by ADIB is 87,165 documents at market value of EGP 203.59 at 3% of the fund's total number of documents outstanding, so the total amount is EGP 17,746 thousand as at 31 December 2021 (31 December 2020: EGP 16,527 thousand).

The following is a summary of the movement of financial investments during the year:

LE 000's

31 December 2021	FVOCI	Amortized cost	Total
Balance at beginning of the year	**8,113,728**	**13,580,114**	**21,693,842**
Additions	27,509,720	11,841,084	**39,350,804**
Premium / discount Amortization	2,348,736	69,950	**2,418,686**
Disposals (Sale / redemption)	(28,549,609)	(4,518,667)	**(33,068,276)**
Translation difference of monetary assets in foreign currencies	(159)	(10,245)	**(10,404)**
Changes in fair value reserve	(6,140)	-	**(6,140)**
Prior Year Adjustment /Subsidiaries	(21,999)	-	**(21,999)**
Less: impairment loss provision	-	73	**73**
Balance at 31 December 2021	**9,394,277**	**20,962,309**	**30,356,586**

31 December 2020	FVOCI	Amortized cost	Total
Balance at beginning of the year	**10,055,252**	**10,303,229**	**20,358,481**
Impact of IFRS 9 first implementation	-	-	-
Additions	18,190,617	7,848,395	**26,039,012**
Premium / discount Amortization	1,506,165	521,500	**2,027,665**
Disposals (Sale / redemption)	(21,634,664)	(5,053,037)	**(26,687,701)**
Translation difference of monetary assets in foreign currencies	**(560)**	**(39,918)**	**(40,478)**
Changes in fair value reserve	(3,082)	-	**(3,082)**
Less: impairment loss provision	-	(55)	**(55)**
Financial investments re-classification	-	-	-
Balance at 31 December 2020	**8,113,728**	**13,580,114**	**21,693,842**

19/4 Gains / (losses) of financial investments

	31 December 2021 000's EGP	31 December 2020 000's EGP
Gains on sale of debt instruments at FVOCI	-	11,301
Gains (Losses) from sale of equity instruments at FVOCI	235	(448)
Total	**235**	**10,853**

* The Income from deposits and current accounts with banks includes the income resulting from the Murabaha concluded with a local bank, and the income, profits and losses resulting from financial investments in government debt instruments belong to this bank according to the restricted Wakala which requires investing these amounts in government debt instruments within the limits of the expected and agreed return.

20- Investments in associates

LE 000's

	31 December 2021		31 December 2020	
Contribution in Associates	Value	Share %	Value	Share %
Orient Takaful Insurance - Egypt	157,342	20.0%	119,296	20.0%
Consumer Cooperative Society	25	71.4%	-	0%
Assiut National Development Company	-	0%	16,988	30.9%
United Group for Trading & Engineering Co.	-	0%	592	24.0%
Total	**157,367**		**136,876**	

21- Intangible Assets (after deducting accumulated depreciation)

	31 December 2021 000's EGP	31 December 2020 000's EGP
Net book value at the beginning of the year	25,646	60,487
Additions	42,001	7,005
Amortization for the year	(23,101)	(41,846)
Net book value ate the end of the year	**44,546**	**25,646**

22- Other assets

	31 December 2021 000's EGP	31 December 2020 000's EGP
Accrued revenues	1,335,096	975,758
prepaid expenses	337,442	249,383
Advance payments for purchase of fixed assets	149,002	156,640
Assets reverted to the bank in settlement of debts (Net of impairment losses)	39,042	40,873
Deposits and custodies	4,885	8,123
Suspense account-correspondent banks	79,030	74,015
Inventory	2,731	93,987
Other debit balances	164,549	227,479
Total	**2,111,777**	**1,826,258**
Provision for impairment of other assets	(9,589)	(13,577)
Net other assets	**2,102,188**	**1,812,681**

23- Fixed assets

000's EGP

31 December 2020	Lands & Premises	& Machinery Equipment	Other assets	Total
Cost	257,445	101,488	849,448	1,208,381
Accumulated Depreciation	(33,558)	(53,998)	(396,184)	(483,740)
Net Book Value	**223,887**	**47,490**	**453,264**	**724,641**
Net Book Value at the beginning of the year	225,996	63,360	424,261	713,617
Additions	5,781	4,246	106,833	116,860
Disposals	(1,716)	(280)	(6,516)	(8,512)
Disposals' Accumulated Depreciation	1,270	278	6,517	8,065
Depreciation for the year	(7,444)	(20,114)	(77,831)	(105,389)
Net Book Value	**223,887**	**47,490**	**453,264**	**724,641**

000's EGP

31 December 2021	Lands & Premises	& Machinery Equipment	Other assets	Total
Cost	257,460	104,181	898,653	1,260,294
Accumulated Depreciation	(39,524)	(54,585)	(466,259)	(560,368)
Disposals resulting from the sale and reclassification of subsidiaries	(77,100)	(41,286)	(63,269)	(181,655)
Net Book Value	**140,836**	**8,310**	**369,125**	**518,271**
Net Book Value at the beginning of the year	223,887	47,490	453,264	724,641
Additions	15	3,617	59,215	62,847
Disposals	-	(924)	(10,010)	(10,934)
Disposals' Accumulated Depreciation	-	887	9,350	10,237
Depreciation for the year	(5,966)	(1,474)	(79,425)	(86,865)
Disposals resulting from the sale and reclassification of subsidiaries	(77,100)	(41,286)	(63,269)	(181,655)
Net Book Value	**140,836**	**8,310**	**369,125**	**518,271**

- Fixed assets on 31 December 2021 include an amount of EGP 23 million (31 December 2020: EGP 23 million) representing the cost of assets not yet registered in the name of ADIB. The required legal procedures to register these assets are being taken.

24- Investment property

000's EGP

31 December 2020	Lands	Premises	Other Equipment	Total
Balance at the beginning of the year	11,320	15,657	-	26,977
Additions	-	-	-	-
Disposals	(3,698)	(5,667)	-	(9,365)
Depreciation for the year	-	(1,211)	-	(1,211)
Disposals' Accumulated Depreciation	-	1,317	-	1,317
Balance at the end of the year	**7,622**	**10,096**	-	**17,718**

31 December 2021	Lands	Premises	Other Equipment	Total
Balance at the beginning of the year	7,622	10,096	-	17,718
Additions	-	2,392	-	2,392
Disposals	-	(474)	-	(474)
Depreciation for the year	-	(1,103)	-	(1,103)
Disposals' Accumulated Depreciation	-	171	-	171
Balance at the end of the year	**7,622**	**11,082**	-	**18,704**

25- Financial Leased Assets to Others

	31 December 2021 000's EGP	31 December 2020 000's EGP
Cost		
Total investments in finance lease contract	2,319,571	927,255
Down Payment - Leasing Contracts	(1,259,276)	(348,492)
Net Invest in Lease contract	**1,060,295**	**578,763**
Less: impairment loss provision	(19,761)	(12,421)
Net at the end of the year	**1,040,534**	**566,342**

* The comparative figures have been amended to reflect the appropriate classification for the items referred to in Note No. (42).

26- Due to banks

	31 December 2021 000's EGP	31 December 2020 000's EGP
Current Accounts	39,820	386,738
Deposits	2,312,443	300,000
Total	**2,352,263**	**686,738**
Local Banks	2,322,029	310,178
Foreign Banks	30,234	376,560
Total	**2,352,263**	**686,738**
Non-profit bearing balances	39,821	386,738
Variable profit bearing balances	2,312,442	300,000
Total	**2,352,263**	**686,738**

27- Customers' deposits

	31 December 2021 000's EGP	31 December 2020 000's EGP
Demand Deposits	20,962,200	18,785,533
Time and call deposits	16,992,875	13,758,099
Saving and deposit certificates	24,391,820	18,047,999
Saving Deposits	11,477,980	10,892,792
Other Deposits	1,854,664	1,188,856
Total	**75,679,539**	**62,673,279**
Corporate deposits	28,356,161	23,330,023
Retail deposits	47,323,378	39,343,256
Total	**75,679,539**	**62,673,279**
Non-profit bearing balances	6,679,848	5,901,188
Fixed profit bearing balances	68,999,691	56,772,091
Total	**75,679,539**	**62,673,279**

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28- Islamic forward contracts / Islamic currency swap contracts

Currency forwards contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Future foreign currency exchange contracts and/or interest rates are contractual obligations to receive or pay a net amount based on changes in currency rates, interest rates and/or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.
Credit risk at ADIB is considered low. Forward interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These agreements require financial settlements on a future date for the difference between the contractual interest rate and the interest rate prevailing in the market on the basis of an agreed contractual amount/ nominal value.

000's EGP

	31 December 2021		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	566,957,930	-	15,076
Islamic currency swap contracts	218,224	-	8
Total	**567,176,154**	**-**	**15,084**

	31 December 2020		
	/ Contractual nominal amount	Assets	Liabilities
Islamic forward exchange contracts	411,352	-	1,296
Islamic currency swap contracts	124,207	3	-
Total	**535,559**	**3**	**1,296**

29- Subordinated financing – Other Islamic Financings

	31 December 2021	31 December 2020
	000's EGP	000's EGP
Subordinated Financing without coupon*	534,421	499,536
Subordinated Financing with coupon**	754,402	755,141
Other Financings ***	691,342	359,117
Total	**1,980,165**	**1,613,794**
Subordinated Financing without coupon*		
Balance at the beginning of the financial year- face value of subordinated financing	499,536	475,665
Subordinated financing cost using effective interest rate method	35,348	33,283
Foreign currency valuation differences	(463)	(9,412)
Total	**534,421**	**499,536**

Subordinated financing

Non-interest subordinated financing represents an amount of USD 39 million granted by Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 6 years starting from 27 December 2012. On 27 March 2016, a supplementary agreement to the subordinated financing contract has been made to increase the tenor period for three tranches of the contract to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 29,250 thousands. Further, another supplementary agreement has been made on 27 December 2016 to extend the fourth tranche of the same finance to end on 27 December 2023 instead of 27 December 2018 for an amount of USD 9,750 thousand. ADIB has recorded the first three tranches at the present value using discount rate of 7.51% and the fourth tranche at discount rate of 5.88%. These supplementary agreements resulted in charging equity by a net amount of LE 54,581 thousand, which represents the difference between the face value and the present value of the financing as at the date of term extension agreement.

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 6.50% from the investment amount, which is not significantly different from the market discount rate.

**On 29 September 2016, ADIB was granted an additional subordinated financing of USD 9 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 29 September 2016 with an expected profit rate of 5.88% from the investment amount, which is not significantly different from the market discount rate.

**On 28 March 2019, ADIB was granted an additional subordinated financing of USD 30 million from Abu Dhabi Islamic Bank, UAE under Wakala Investment Framework Agreement for 7 years starting from 28 March 2019 with an expected profit rate of 9.88% from the investment amount, which is not significantly different from the market discount rate.

Other Financings

- On 21 May 2020, ADIB obtained a financing in the amount of USD 5 million from the Arab Trade Finance Corporation for a period of one and a half years, starting from 1 June 2020, and it entails an expected profit in the first six months at LIBOR + 1.25% of the investment amount.
- The balance of other Islamic financing granted to ADI Finance Company on 31 December 2021 amounted to EGP 691 million (31 December 2020: EGP 306 million).

30- Other liabilities

	31 December 2021	31 December 2020
	000's EGP	000's EGP
Accrued revenues	159,687	112,456
Accrued expenses	407,358	377,258
Other credit balances	657,924	706,769
Total	**1,224,969**	**1,196,483**

* The comparative figures have been amended to reflect the appropriate classification for the items referred to in Note No. (42).

31- Other provisions

000's EGP

31 December 2021	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Other Provisions	Total
Balance at beginning of the year	1,247,501	47,038	243,358	2,010	1,539,907
Impairment charged during the year	68,819	6,572	184,452	-	259,843
Used provision during the year	(2,613)	(8,529)	-	-	(11,142)
Provisions no longer required	(7,827)	(231)	(37,057)	-	(45,115)
Foreign exchange translation differences	(1)	-	(2,953)	-	(2,954)
Prior Year Adjustment /Subsidiaries	-	(6,502)	-	-	(6,502)
Balance at 31 December 2021	1,305,879	38,348	387,800	2,010	1,734,037

31 December 2020	Provisions for Contingent Claims*	Tax Provision	Provision for Contingent Liabilities	Other Provisions	Total
Balance at beginning of the year	1,292,504	45,414	113,686	2,010	1,453,614
Impairment charged during the year	63,955	5,459	166,741	-	236,155
Used from provision during the year	(5,167)	(1,302)	-	-	(6,469)
Provisions no longer required	(103,777)	(2,533)	(40,667)	-	(146,977)
Foreign exchange translation differences	(14)	-	3,598	-	3,584
Balance at 31 December 2020	1,247,501	47,038	243,358	2,010	1,539,907

In reference to what was stated in the minutes of the Ordinary General Assembly of ADIB dated 18 October 2015, different opinions were expressed regarding the basis of calculation of the USD amounts paid under the Capital Increase Account by ADIB - UAE as amounts paid in Egyptian Pounds, which results a potential claim from ADIB – UAE. Based on the estimation of the external legal advisor of ADIB - Egypt as regards the possible loss resulting from change in the exchange rate, during this year, bank re-examined this potential claim due to ADIB –UAE and accordingly has provided a provision for potential claims in an amount of EGP 1,278 million which represents the present value of the expected cash flow of this potential claim.

32-Non-current assets held for sale

	31 December 2021 000's EGP	31 December 2020 000's EGP
Assets of National company for Glass	259,517	-
Assets of Cairo National Company for Brokerage & Securities	860	-
Assets of ADI Finance	440	945
Total	**260,817**	**945**
Assets of National company for Glass		
Due from banks	1,305	-
Fixed assets (net of accumulated depreciation)	131,244	-
Other assets	126,968	-
Total	**259,517**	-
Assets of Cairo National Company for Brokerage & Securities		
Due from banks	467	-
Fixed assets (net of accumulated depreciation)	23	-
Other assets	370	-
Total	**860**	-
Assets of ADI Finance		
Buildings & Properties held for sale	440	945
Total	**440**	**945**

- ADIB reclassified the value of its direct participation of both Cairo Notional Company for brokerage & securities and National company for Glass by EGP 923 K and EGP 1,098 K respectively to non – current asset held for sale based on the initiation of board of directors of the bank to sell both of companies.

32/2 - Non-Current Liabilities held for sale

	31 December 2021 000's EGP	31 December 2020 000's EGP
Liabilities of National company for Glass	61,296	-
Liabilities of Cairo National Company for Brokerage & Securities	651	-
Total	**61,947**	-
Liabilities of National company for Glass		
Defined benefits obligations	21,157	-
Other liabilities	40,139	-
Total	**61,296**	-
Liabilities of Cairo National Company for Brokerage & Securities		
Other liabilities	651	-
Total	**651**	-

33- Deferred tax liabilities

Deferred tax was calculated on all temporary tax differences using the liabilities method and using the effective tax rate for the current financial year.

Deferred tax assets and liabilities can be offset when there is a legal reason to offset between the current taxes on assets versus the current tax on liabilities, in addition, when the deferred tax is following the same tax authority.

ADIB reassesses the position of deferred tax assets unrecognized at each date of the financial position and recognizes the deferred tax assets that were not previously recognized to the extent that it becomes probable in the future that there will be a tax profit that allows the absorption of the value of the deferred tax asset.

Deferred tax assets and liabilities balances

000's EGP

	Deferred Tax Assets		Deferred Tax Liabilities	
Taxable Impact for Temporary differences on:	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Fixed Assets Depreciation	-	-	(55,172)	(56,820)
Provisions (other than provision for loans impairment loss)	107,607	61,972	-	-
Differences of changes in fair value for financial investments at FVOCI	-	-	(19,340)	(15,373)
Profit in suspense	25,999	15,362	-	-
Total Deferred Tax Assets / (Liabilities)	**133,606**	**77,334**	**(74,512)**	**(72,193)**
Net Deferred Tax Assets / (Liabilities)	**59,094**	**5,141**		

Movement of deferred tax assets and liabilities

	Deferred Tax Assets		Deferred Tax Liabilities	
	31 December 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Balance at the beginning of the year	77,334	16,211	(72,193)	(78,258)
Additions	56,272	61,123	(2,319)	6,065
Total balance at the end of the year	**133,606**	**77,334**	**(74,512)**	**(72,193)**

Deferred tax assets (liabilities) balances recognized directly within equity	**31 December 2021**	**31 December 2020**
Differences of changes in fair value for financial investments at FVOCI	(19,340)	(15,373)
Total reserves at the end of the year	**(19,340)**	**(15,373)**

- Deferred tax assets resulting from carried forward tax losses are not recognised unless it is probable that there are future tax profits to utilise the carried forward tax losses in the short term.

33/2- Unrealized Deferred Tax assets

Deferred tax assets are not recognized for the following:

Unrealized Deferred Tax assets	31 December 2021	31 December 2020
Differences of changes in fair value for financial investments at FVOCI of Subsidiaries	(23,769)	(501)
Unrealized Deferred Tax assets (22.5%)	**5,348**	**113**

- The deferred tax assets related to the previously mentioned items were not recognized due to the lack of certainty to have benefits from them or the presence of an appropriate degree to ensure the existence of sufficient future tax income which it can be taken an advantage of these assets.

- If the deferred tax asset of differences of changes in fair value for financial investments at FVOCI of Subsidiaries by amount EGP 5,348 thousands, tax impact related to other comprehensive income that will not be reclassified to the profit or loss will reach to EGP 358 thousands as a deferred tax liability instead of EGP 5,706 thousands.

34- Capital

34/1- Authorised capital

The authorized capital amounted to EGP 7 billion (31 December 2020: EGP 4 billion).

34/2- Issued and paid up capital

- The total issued and paid-up capital amounted EGP 2 billion (31 December 2020: EGP 2 billion) represented in 200 million shares with a nominal value of EGP 10 per share.
- In application of Article No. 64 of the Central Bank of Egypt, Law No. 194 of 2020, ADIB's board of director approved the proposed procedures to increase the bank's issued and paid-up capital in its session held on January 26, 2022 as follows:

  1. Approval of the bank's issued and paid-up capital increase, from 2 billion Egyptian pounds to 4 billion Egyptian pounds.
  2. Adopting the disclosure form to start the capital increase procedures.
  3. Inviting the ordinary and extra ordinary general assembly meeting to submit the capital increase after obtaining the approval of FRA (Financial regulatory authority) for publishing the mentioned disclosure form.

- In addition to the above, ADIB EG sent on July 2021 to CBE the capital increase plan with the time frame and the procedures will be taken to increase the paid up capital to 5 BN by end of August 2022.

35- Amounts paid under capital increase account

Until 2012, ADIB - UAE deposited an amount of EGP 1,662 million under the capital increase account. On 28 December 2011, ADIB – UAE has approved the transfer of ADIB's total amount of the subordinated finance granted to ADIB in amount of EGP 199 million to the capital increase account, so the total amount paid under the capital increase account amounted to EGP 1,861 million as at 31 December 2021 (31 December 2020: EGP 1,861 million).

36- Reserves

	31 December 2021 000's EGP	31 December 2020 000's EGP
Legal Reserve	80,261	22,878
General Reserve	42,522	42,522
Special Reserve	22,688	21,337
General Banking Risk Reserve	451,763	56,070
Capital Reserve	3,698	-
General Risk Reserve	273,022	273,022
Fair value reserve	66,613	76,720
Total reserves at the end of the year	**940,567**	**492,549**

36/1- Special Reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Adjustments resulting from the effect of change in the measurement policy of AFS financial investments for previous years	17,165	17,165
Adjustments resulted from changes in foreign currency of monetary items translation for	5,523	4,172
Total	**22,688**	**21,337**
Balance at the beginning of the year	21,337	22,549
Transferred from (to) retained losses	1,351	(1,212)
Total	**22,688**	**21,337**

36/2- General Banking Risk Reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	56,070	3,049
Transferred from (to) retained losses	395,693	53,021
Total	**451,763**	**56,070**

36- Reserves – continued

36/4- Fair value reserve

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	76,720	78,996
Net change in fair value of equity instruments during the year	1,588	1,421
Net change in fair value of debt instruments during the year	(7,728)	(4,503)
Deferred income tax recognized during the year	(3,967)	806
Total	**66,613**	**76,720**

37- Retained earnings

	31 December 2021 000's EGP	31 December 2020 000's EGP
Balance at the beginning of the year	1,130,942	(35,033)
Net profit for the year	1,453,132	1,192,389
Transferred to LegaL Reserve	(57,383)	-
Transferred to Capital Reserve	(3,698)	-
Remuneration for board members and Employees'	(90,311)	-
Remuneration for board members	(11,196)	-
Banking System Development Fund	(9,031)	-
Transferred from general banking risk reserve	(395,693)	(53,021)
Amortization of subordinated financing cost using effective	35,348	33,283
Subsidiaries prior years adjustments	16,635	(3,941)
Dividends paid - Associates	(4,624)	(2,735)
Total	**2,064,121**	**1,130,942**

38- Contingent liabilities and commitments

38/1- capital commitments

000's EGP

31 December 2021	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Capital commitments resulting from purchase of fixed assets	10,949	-	-	10,949

31 December 2020	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Capital commitments resulting from purchase of fixed assets	14,102	-	-	14,102

38/2- Liabilities of LGs, LCs and other commitments

	31 December 2021 000's EGP	31 December 2020 000's EGP
Letters of Credit (import / enhanced export)	4,142,179	1,579,373
Letters of guarantee	10,853,266	5,821,334
Accepted notes for suppliers facilities	2,269,771	996,388
Financial guarantees	637,047	409,996
Total	**17,902,263**	**8,807,091**

38/3- Commitments for operating leases

000's EGP

31 December 2021	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	86,074	249,658	6,036	341,768

31 December 2020	less than and up to 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Operating lease commitments	78,028	253,558	20,669	352,255

39- Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include the following balances with original maturities not exceeding three months from the date of acquisition:

	31 December 2021 000's EGP	31 December 2020 000's EGP
Cash and Due from CBE	6,068,383	4,633,212
Due from banks with less than 3 months maturity*	190,997	503,723
Treasury bills of 91 days maturity	4,847,357	3,313,674
Total	**11,106,737**	**8,450,609**

40- Transactions with related parties

40/1- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2021 000's EGP	31 December 2020 000's EGP
Major Shareholders	Assets	Due from banks	25,179	16,083
Major Shareholders	Assets	Other Assets	17,152	1,742
Major Shareholders	Liabilities	Due to banks	7,596	8,115
Major Shareholders	Liabilities	Subordinated financing	1,288,823	1,254,677
Major Shareholders	Liabilities	Other Liabilities	-	-
Major Shareholders	Liabilities	Management fees	106,464	86,531
Major Shareholders	Shareholders equity	Difference between face value and present value for subordinated financing	30,864	44,767
Major Shareholders	Shareholders equity	Paid under capital increase	1,861,418	1,861,418
Associates Companies	Liabilities	Customers deposits	168,986	142,257

40/2- Transactions with related parties' balances included during the period are as follows:

Relationship Nature	Account Nature	Transaction Nature	31 December 2021 000's EGP	31 December 2020 000's EGP
Major Shareholders	Revenues	Income from Murabaha, Musharaka, Mudaraba and other similar income	30	15
Major Shareholders	Expenses	Cost of subordinated financing with no coupon using EIR method	(65,141)	(65,836)
Major Shareholders	Expenses	Cost of subordinated financing with coupon	(35,348)	(33,283)
Major Shareholders	Expenses	Cost of subordinated financing with coupon	(550)	(5)

*The wages, salaries and benefits in kind on 31 December 2021 include an amount of EGP 47,118 thousand, which represents the total amount of the twenty largest employees who earn bonuses, salaries, and benefits in ADIB altogether.

41- Retirement benefits obligations

Liabilities recognised in the statement of financial position:

Amounts recognised in the statement of income:

Unrealized actuarial losses are amortized over the remaining average working years, and the amortization for the period amounted to EGP 45,171 thousands.

The main assumptions used by ADIB are as follows:

Liabilities recognized in statement of financial position:	31 December 2021 000's EGP	31 December 2020 000's EGP
post-retirement medical benefits	183,137	167,672
Total	**183,137**	**167,672**
Existing balances in balance sheet comprise:		
Present value of financed liabilities	447,232	356,942
Unrealized actuarial losses	(264,095)	(189,270)
Liabilities in balance sheet	**183,137**	**167,672**
Movement of liabilities during the year is as follows		
Estimated obligation at the beginning of year	356,942	328,172
Cost of current service	2,255	3,044
cost of income	50,316	44,478
Actuarial losses / (Gains)	73,945	8,750
Benefits paid	(36,226)	(27,502)
Estimated obligations during the year	**447,232**	**356,942**
Balance sheet settlement		
Liabilities (assets) in balance sheet	167,672	121,867
Calculation of recognized pension in profits or losses in the financial year	81,397	68,969
Subsidiaries and associates prior years adjustments *	(29,706)	4,338
Paid benefit directly by the company in financial year	(36,226)	(27,502)
Liabilities (assets) in balance sheet the end of year	**183,137**	**167,672**

Amounts recognized in income statements	31 December 2021 000's EGP	31 December 2020 000's EGP
post-retirement medical benefits	(81,397)	(68,969)
Total	**(81,397)**	**(68,969)**
Amounts recognized in income statements comprise:		
Cost of current service	81,397	68,969
Cost of early retirement recognized in profit or loss	**81,397**	**68,969**

The main actuarial assumptions used by the bank are as follows:	31 December 2021 000's EGP	31 December 2020 000's EGP
Average assumptions for defining benefits obligations		
Discount on medical benefits post retirement rate	14.70%	14.60%
Increase of compensation rate	7.00%	10.50%
Inflation rate	6.30%	4.50%

* During 2021, The retirement benefits obligation of National company of Glass by amount amounted by EGP 29,706 thousands (31 December 2020: EGP 4,338 thousands) is re-classified to non – current liabilities held for sale as the participation of ADIB in the mentioned company is re-classified to non – current assets held for sale.

41- Retirement benefits obligations - continued

41/1 Savings Insurance Fund for Employees

On 1 July 2013, ADIB established the Private Social Security Fund (the Fund) under Law No. 54 of 1975, regarding "The Private Insurance Funds Law and its Executive Regulations". ADIB registered the Fund on 14 January 2014 under registration number with the Financial Regulatory Authority (FRA) (884). The Fund started as of 1 April 2014. The provisions of this Fund and its amendments shall apply to all employees of the main office of ADIB and its branches in the Arab Republic of Egypt.

ADIB is obliged to pay the due contributions to the Fund for each month as calculated in accordance with the Fund's Regulations and its Amendments. The Fund is generally financed through monthly contributions and some other resources specified in the Fund's Regulations.

Insurance benefits are paid in the case of termination of service due to the member reaching the age of retirement, death, permanent disability or permanent partial disability that terminates the service. In the event that the term of membership is less than (3) three years, the member of the Fund will be paid the final balance of his account corresponding to the contributions paid by him to the Fund on the date of termination of service or membership.

The approval of FRA has been taken to start investing the employees' monthly contributions and depositing them in the investment account of the Fund Manager.

41/2 System of defined benefits for the medical care of the senior employees during the period of service and after retirement

ADIB has a defined benefit system for medical care for senior employees during the period of service and after retirement. ADIB has assigned an independent actuarial expert to estimate the liabilities arising from the above-mentioned medical care system using the projected unit credit method in calculating liabilities.

The most important assumptions used by the actuarial expert are as follow: -

- Mortality Rate Based on British table A67-70ULT for death rates
- The rate of inflation of medical care costs 6.30%.
- Profit rate used as a basis for deduction 14.70%.
- (Projected Unit Credit Method) is used in the calculation of liabilities.

42-Amending the comparative figures of prior years

Comparative figures have been amended to reflect appropriate classification. This information has already been included in the prior year's financial statements. These re-classifications did not result any changes in the bank's net profit or net assets from last year.

Income Statement	Note No	31 December 2020 Balance Before Adjustment 000's EGP	Adjustment 000's EGP	31 December 2020 Balance After Adjustment 000's EGP
Income from Murabaha, Musharaka, Mudaraba and similar income	7	7,147,760	84,556	7,232,316
Fees and commissions income	8	597,641	11,318	608,959
Other operating expenses	12	(246,218)	(95,874)	(342,092)

Financial Position	Note No	31 December 2020 Balance Before Adjustment 000's EGP	Adjustment 000's EGP	31 December 2020 Balance After Adjustment 000's EGP
Financial leased assets to others	25	914,834	(348,492)	566,342
Other liabilities	30	1,544,975	(348,492)	1,196,483

Financial Position	Note No	01 Jan 2020 Balance Before Adjustment 000's EGP	Adjustment 000's EGP	01 Jan 2020 Balance After Adjustment 000's EGP
Financial leased assets to others	25	509,883	(142,782)	367,101
Other liabilities	30	1,453,269	(142,782)	1,310,487

43- Tax Position

1. ADIB- Egypt

Tax on Corporate Profits

Years until 2017

- All taxes due for that period have been reviewed and paid.

Years 2018-2021

Tax return has been submitted at the specified legal dates.

Tax on Proceeds of Treasury Bills and Bonds

Years from 2009 /2012

- The decision of the appeal committee was issued for that period and was appealed. A case was filed and the first hearing was not set up to date. All taxes due for that period were settled and paid in accordance with the decision of the appeal committee after benefiting from the law for exceeding fines.

Years 2013- 2014

- The decision of the appeal committee was issued with lack of jurisdiction and that period has been re-examined and all taxes due for that period were settled and paid in accordance with the re-examination decision and has been transferred to the appeal committee.

Years 2015 - 2016 - 2017

- All taxes due on treasury bills and bonds has been paid for that period and has been objected and the dispute is being referred to appeal committee and the bank has received form 9A till 2017 paid all due taxes.

Years 2018- 2021

- ADIB has not been notified by the authority of examining these years, and the bank pays the tax from its point of view on treasury bills regularly

Salary Tax

- All taxes due up to 2017 have been reviewed and paid.
- The Tax authority has not been notified of the examination of years 2018- 2021.
- The bank pays the monthly salaries according to the specified legal dates.

43- Tax Position - continued

Stamp duty tax

Years until 2015

- The tax inspection was completed for that period and all taxes due were paid.

Years until 2016-2017-2018-2019

- The Bank has not yet been notified of examination thereof.

Sales Taxes

- The sales tax examination, base and payment were completed from the beginning of registration until 2015
- Years 2016/2017/2018 has not any examination thereof.

Real Estate Tax

Real estate tax on buildings owned by the bank is paid each year and all due tax has been paid till 2018.

2. National Company for Trade and Development - ENTAD

Sales taxes

- The tax inspection was carried out by the Sales Tax Department until 31/12/2011 and the company paid all the differences due from the inspection of the commission. By reviewing the computer division of the tax authority, found an unpaid amount of 43,361 pound and unpaid tax and is being settled.
- The period from 1/1/2012 to date has not been tax examined and the company provides tax returns on legal dates and payment of the receivable from the reality of these returns.

Stamp Duty and Development Fee

- The tax examination was conducted by the Shubra El-Khima Tax Authority until 31/12/2005. The company paid all the differences due from the examination as per the actual examination by the Authority.
- The period from 1/1/2005 till 31/12/2012 the company was notified of the demand for payment of an amount of 89,745 pound, and the company paid an amount of 30 thousand pound under the account, with an appeal against the tax authority's decision and referral of the dispute to the competent court.

43- Tax Position - continued

Salary Tax

- The tax examination was conducted by the Joint Stock Companies Tax Authority until 31/12/2004. The company paid all the differences due from the examination as per the actual examination by the Authority.
- The period from 1/1/2005 to date has not been tax examined and the company paid the due tax as per the actual monthly salaries payroll in the due dates in accordance with the Law.

Corporate Tax and Movable Values

- The tax examination was conducted by the Joint Stock Companies Tax Authority till 31/12/2004 and all dues has been settled and paid according to final settlement dated 28/11/2018 except for years 1999/2000 for issuance of primary judgment by total tax amounted 84,120 EGP and has been objected.
- The period from 1/1/2005 till 31/12/20019 tax return has been authorized and submitted by the company as a result of not notifying the company with tax inspection.
- The period from 1/1/2010 till 31/12/2012 The examination was conducted by the tax authority, and the company did not have to return the examination forms according to the computer statement. The forms are being received, tax appeals are made, and the examination is re-examined by the tax authority.
- The period from 1/1/2013 till 31/12/2018 The company has not yet been notified of examination according to computer statement and the company shall pay the tax due from the annual tax returns on the dates specified in accordance with the law.

43. Tax Position - Continued

3. Cairo National Company for Investment and Securities

Income Taxes

- The years from 1995 until 2012 has been examined, settled and paid.
- The tax return for the years from 2005 to 2018 has been prepared in accordance with the provisions of the Income Tax Law No. 91 of 2005 and its executive regulations to be submitted on the legal dates.
- The tax for the years 2013, 2014, 2015 has been estimated without inspection of company's books and the company objected on legal dates and currently in process of specifying internal committee date for re-examination process.

Tax on Salaries and the Equivalent

- The years from 1995 to 2014, the Company books were examined and all the due taxes and examination differences are settled and paid to the Authority by the Company.
- The years from 2015 until 2017 are being examined.
- The monthly payroll tax shall be paid regularly.

Stamp Duty

- The years from 1995 until 2010, the Company was examined and the due stamp duty is paid.
- The years from 2011 to 2017, have not been examined to date.

Real Estate Tax

- The company pays its due tax according to the latest valuation of the company's headquarters, and the tax has been paid until 31st December 2017 without any dispute with the Authority.

4. ADI Finance Company

Corporate Tax

- Inspection, settlement and payment have been made since the beginning of the activity till 2009.
- The company's books for the year 2010 have not been examined to date.

Salary Tax

- Inspection, settlement and payment have been made since the beginning of the activity till 2017.
- The company's books since 2018 up to date have not been checked to date.

Stamp Duty

- The examination of the stamp duty was completed up to 31/12/2010, and the settlement and all due the taxes were paid
- The company's books for the year 2011 have not been examined to date.

Notes to the consolidated financial statements

For the year ended 31 December 2021

43. Tax Position - Continued

5. Abu Dhabi Islamic Holding Company for Financial Investments

Corporate tax

- The company is subjected to provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- The company's books have not been examined to date.

Salary Tax

- The company is subjected to provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- The company pays monthly payments under the account of the business gains according to the Law.
- The company's books have not been examined to date.

Stamp Duty

- The company is subjected to the Stamp Law No. 111 of 1980 and its amendments.
- The company's books have not been examined to date.

VAT

- The company is not subjected to VAT.

6. ADI Capital Abu Dhabi Islamic Capital Co. for the Promotion and Hedge of Securities Subscription

Corporate Tax

- The company is subjected to the provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- The Company has not been examined till date.

Salary Tax

- The company is subjected to the provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- Years 2013/2014 have been examined and paid all due taxes.
- Years 2015/2018 have not been examined till date.
- The company deduct salaries tax and supply it on legal dates.

Stamp Duty

- The company is subjected to the Stamp Law No. 111 of 1980 and its amendments by law No.143 of 2006 and its amendments.
- The Company has not been examined till date.

VAT

- The company is not subjected to VAT.

Notes to the consolidated financial statements

For the year ended 31 December 2021

43. Tax Position - Continued

7. Abu Dhabi Real Estate Investment Company

Commercial and Industrial Profits Tax

- The company is subjected to the provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- The Company has not been examined till date.

Tax of Salaries, Wages and Equivalent

- The company is subjected to the provisions of the Income Tax Law No. 91 of 2005 and its amendments.
- The Company provides the tax return on legal dates.
- The Company has not been examined till date.

Stamp Duty

- The company is subjected to the Stamp Law No. 143 of 2006 and its amendments.
- The Company has not been examined till date.

44-Subsequent events

44/1 Impact of COVID-19

The coronavirus (COVID-19) pandemic has spread across different geographic regions globally, causing disruption to commercial and economic activities. Covid-19 created doubts in the global economic environment, as both local and international financial and monetary authorities announced various financial and incentive measures around the world to counter the potential negative effects.

Risk Management and Business Continuity Strategy:

ADIB has formed a permanent committee consisting of some key management personnel, and the committee is concerned with everything related to ensuring the continuity of business and managing all risks related to Covid-19, and the most important themes on which Abu Dhabi Islamic Bank relies on for facing this pandemic are as follows: -

- **Operating risk management**

ADIB has activated business continuity plans to ensure the safety, health and security of employees by activating remote work for some bank employees, whether from home or from different locations in line with the precautionary measures adopted by the State. ADIB emphasized on the continuity of providing services to customers, whether through bank branches or through modern technological means.

ADIB focused on providing and using all available communication channels to communicate with customers, including social media, in a way that ensures the continuity of the quality of services as in normal situations.

44- Subsequent events - continued

- **Credit risk management:**

For the purpose of measuring expected credit losses, including the impact of the Covid-19 pandemic according to available information, ADIB has carried out the following: -

- ADIB has reassessed the expected credit loss models, and the underlying assumptions including the available relevant macroeconomic data.
- ADIB has implemented the Central Bank's initiative to postpone the customers owed instalments for a period of six months.
- The incentive, compensation and insurance measures and packages that were approved by both the government and the Central Bank of Egypt

The impact of the current uncertain economic environment is discretionary and the management will continue to regularly assess the current situation and its related impact. It should also be taken into consideration that the assumptions used about the economic forecast are subject to a high degree of uncertainty and thus the actual result may significantly differ from the expected information. ADIB has taken into consideration the possible effects of the current economic fluctuations in determining the amounts offered for the financial and non-financial assets of ADIB, which represent the best evaluation of management based on the available information and thus the markets remain volatile and the recorded amounts remain sensitive to market fluctuations.

- **Liquidity management**

Liquidity risk is monitored and evaluated in accordance with internal rules, including conducting liquidity stress tests, value at risk, compliance with liquidity ratios, and meeting the requirements of the Basel Committee (Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)).

- **Capital management**

ADIB implements and follows a prudent capital management policy by conducting periodic stress tests, as well as periodically, and continuously conducting an internal capital adequacy assessment process (ICAAP) using stress tests.