



alBaraka Bank Egypt

Annual Report 2018





Sheikh
Saleh Abd Allah Kamel
Chairman
alBaraka Banking Group

HIS EXCELLENCY
Mr. Adnan Ahmed Yousif
Chairman



HIS EXCELLENCY
Mr. Ashraf Ahmed El Ghamrawy
Vice Chairman and Chief Executive



CONTENTS

- Introduction
- Shareholders
- Board of Directors' Report
- Governance
- Report of Shari'a Supervisory Board
- Auditors' Report
- Separate Balance Sheet
- Separate Income Statement
- Separate Cash Flows Statement
- Separate Statement of Changes in Equity
- Profit Appropriation Statement
- Notes of the Separate Financial Statements
- Fund of Zakah and Charity Donations
 - Auditors' Report
 - Balance Sheet
 - Income and Expenses
 - Notes to Financial Statements
- Head Office & Branches

INTRODUCTION

alBaraka Bank Egypt, S.A.E. started to practice its different businesses and activities pursuant to the provisions of the tolerant Islamic shari'a since almost thirty years, and was able as a pioneer Islamic institution throughout such years to impose itself strongly in the banking market in Egypt in view of the integrated system of Islamic developed services and products that it provides. The message of our Bank is represented in accompanying our partners on the road of success by the renewable and innovated banking solutions that it provides via an integrated work team that complies with respecting the principles of the tolerant Islamic Shari'a that guarantees the due ethical practices in commercial and financial transactions.

In this concern it is worth mentioning that alBaraka Bank Egypt always launches new and developed financing programs for banking retail transactions that satisfy the requirements of the different brackets of the community, that are unprecedented in the Egyptian banking market; all of which conform to Islamic shari'a, among which is financing medical treatment (surgeries), foreign education and private universities as well as participation in clubs, and touristic voyages ... etc. besides financing automobiles, real estates financing, fitting medical clinics and durable goods. Moreover, the bank launches an integrated system of saving pools in the Egyptian pound and foreign currencies (deposits - certificates - sukuk) that satisfy the requirements of wide sectors of transactors with regards to the term and the periodicity of paying the return. The bank has actually issued the first Islamic credit card in the Egyptian market (AlBaraka Card) in addition to providing several other banking services. Our bank provides direct finance to the different economic activities to companies

and institutions with high credit worthiness and rating. It also participates in syndicated finances for large economically feasible projects that provide numerous employment opportunities via murabaha and mudaraba transactions (that directly contributes to supporting the Egyptian economy). The Bank also expanded in financing small and medium enterprises in cooperation with the Micro, Small, and Medium Enterprise Development Agency, and the World Bank by the system of risk sharing as well as the Islamic Development Bank in the Kingdom of Saudi Arabia. In addition, the incorporation of a holding company for developmental financial investments was endorsed as an investment arm to alBaraka Bank Egypt by capital amounting to EGP 200 million within the framework of the endeavor of the bank to raise its financial investments and continue its contribution to the system of investments in Egypt via founding new funds and companies that aim to provide integrated investment financial services that conform to the provisions of the Islamic shari'a. The Bank has several contributions to companies such as the Egyptian Saudi Insurance House, the Egyptian Company for the Shopping Centers Development, Al-Tawfiq Leasing Company, and the Egyptian Takaful (Property and Liability) Company ...etc.

On the other hand, the Bank does not disregard its social role as a pioneer Islamic institution via endeavoring to satisfy the requirements of the society via its Zakah Fund by establishing therapeutic units for neurology, the spinal cord, dialysis and child cancer treatment as well as others for the poor for free, holding an annual contest for memorizing the Holy Quran for the different age groups at the level of the country in participation with Al Azhar Al Sharif as well as donating for the development of slum areas and Tahya Misr Fund to contribute to

propelling the wheel of the Egyptian economy and other works; in its belief in the social responsibility of the Bank and the importance of maximizing it.

It is worth mentioning that our Bank during 2018 by the Grace of Allah Almighty was able to achieve net profits amounting to approximately EGP 1,003.6 million at a rate of growth amounting to 38%; for our Bank to be able to distribute dividends amounting to EGP 281.2 million among shareholders. The reserve was also supported by a sum of EGP 420 million in the endeavor to more support to equity and preserving a safe level of capital adequacy ratio. The balance sheet total at 31 December 2018 amounted to EGP 62.5 billion at a rate of growth of approx. 24% above the previous year; the matter that actually reflects the confidence in the bank on part of the transactors in the market and the positive development occurring in the volume of the business of the Bank and the growth of its activities.

It is worth mentioning that our Bank continued its success in maintaining the quality of its assets via keeping a high rate of coverage for bad debts and that the total revenues as at 31 December 2018 amounted to a sum of EGP 734.05 million at a rate of growth of approx. 35%; the matter that evidences the success of the strategy of the Bank and the presence of a wide base of customers that increase from one year to another in depositing and investing; consequently, raising its market share, where the customers total saving pools reached EGP 54.5 billion as at 31 December 2018, at the rate of growth of 23% above the previous year in spite of the severe competition over deposits in the market among banks.

In this concern, our Bank endeavors to maintain the base of its saving customers and developing it via its saving pools system that

is constantly updated and developed, the last of which was the launch of our bank to a new saving pools (investment current account with a daily distinct rate of return) in addition to launching new saving certificates in the local currency (four year with a monthly return) to attract more relatively long-term individual customers' deposits at a distinct rate of return that is paid on a monthly basis.

The Bank practices its business from its new headquarters in the Fifth Settlement Area in New Cairo which was equipped with the latest techniques; the matter that is considered a quantum and civilized leap to the Bank, and via its branches that currently amount to 32 that are distributed over major Egyptian cities & governorates, in addition to our foreign currency exchange offices. The Islamic International Rating Agency (IIRA) has granted our Bank credit rating at the international scale B-/B and at the national scale A-(eg)/A2 (eg)with positive outlook.

alBaraka Bank Egypt is considered one of the tributaries of alBaraka Banking Group (ABG) whose headquarters are located in Bahrain. The group is considered among the pioneers in the Islamic banking business at the level of the world, where it provides its distinct banking services to approximately one billion individuals to the countries in which it operates, where the authorized capital of the group amounts to USD 2.5 billion.

The Group has a wide geographic spread represented in subsidiary banking units and representation offices in three continents in seventeen countries and manages approximately 700 branches.

SHAREHOLDERS

As at 31 December 2018

Shareholders	Nationality	%
alBaraka Banking Group	Bahrain	73.68
Misr Life Insurance Company	Egypt	5.25
Others (Individuals)	Egypt	4.65
Misr Insurance Company	Egypt	4.50
Dallah Company for Real Estate Investment	Egypt	3.81
Private Sector	Foreigners	3.48
Change Global Frontier Markets LP	USA	1.25
Mohsen Badr Ali Khalaf Allah	Egypt	1.15
King Abdullah University of Science and Technology	Saudi Arabia	1.04
Others (Private Sector)	Egypt	0.81
Others (Individuals)	Foreigners	0.39

REPORT OF THE BOARD OF DIRECTORS

**ATTACHED TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING AS AT 31 DECEMBER, 2018**

(Prepared in compliance with the provisions of Article "40" of the Registration Regulations"

Company's Name alBaraka Bank Egypt S.A.E.

Profile

Company's Objectives

The Company's objectives is conducting all banking, financial and commercial services and operations which commercial banks are authorized to carry out, in compliance with Law number 43 for the year 1974, amended, Law number 163 for the year 1957 amended, Law number 120 for the year 1975 and such other Egyptian Laws regulating banking business in Egyptian pounds and foreign currencies, whether for its own behalf, for third party's account or in participation therewith; performing commercial business which commercial banks are authorized to assume and meeting all needs of development projects.

In general, the Company assumes all banking, commercial, financial and investment business allowed for commercial banks and in all cases it is conditioned that the Company's practice of its activity should not be usurious and should be carried out in compliance with the principles of the tolerant Islamic Shari'a.

Company's Duration	25 years ending on 28/4/2030	Date of registration at the Stock Exchange	25/12/1984
Governing Law	Law number 8 for the year 1997	Nominal value per share	7 Egyptian pounds
Last authorized capital	2 billion Egyptian pounds	Last issued capital	EGP 1 266 541 549
Last paid up capital	EGP 1 266 541 549	Number & date of registration in the commercial register	143761on 10/10/2001

Investors Relations

Contact Person name	Sabry Makeen Samweel		
Head Office Address	60 Mohei Eldin Abu El-Ezz Street - Dokki - Giza		
Telephone numbers	37481777-37481222	Fax Numbers	37611437-37611436
Website	www.alBaraka-bank.com.eg		
E-mail	financial@alBaraka-bank.com.eg		

Auditors

Auditor's name	Mr. Mohamed Mortada Abdel Hamid - BDO Office Khaled & Partners		
Date of appointment	March 3, 2018		
Number of registration at the Authority	157	Date of registration at the Authority	December 7, 2006
Auditor's name	Mr. Hossam Eldin Abdel Wahab Ahmed Ismail - "KPMG" Office Hazem Hassan & Partners		
Date of appointment	March 3, 2018		
Number of registration at the Authority	380	Date of registration at the Authority	February 8, 2017

Shareholders' Structure and Percentage of Ownership of the Board Members

Holders of 5% or more of the Company's shares	Number of shares on the date of preparing the financial statements	Percentage %
alBaraka Banking Group	133315422	73.6816%
Misr Life Insurance Company	9507447	5.2546%
Total	142822869	78.9362%

Board Members Ownership of the Company's Shares	Number of shares on the date of preparing the financial statements	Percentage %
alBaraka Banking Group	133315422	73.6816%
Misr Life Insurance Company	9507447	5.2546%
Misr Insurance Company	8150285	4.5045%
Mr. Ashraf Ahmed Moustafa El-Ghamrawy	2528	0.0014%
Dr. Rokaya Riad Ismail	1849	0.0010%
Mr. Samy Fathy Mohamed Abdul Gawad	1000	0.0006%
Mr. Ismail Saleh Abd El-Fattah	1000	0.0006%
Total of the Board Members Ownership	150979531	83.4443%

Treasury Shares kept by the Company, as per their purchase date	Number of shares as per last disclosure	Percentage %
Nil	Nil	Nil

BOARD OF DIRECTORS

Last Formation of the Board of Directors

Name	Post	Quarter Represented	Capacity
Mr. Ibrahim Fayez Al-Shamsi	Member	alBaraka Banking Group	Non-Executive
Mr. Ashraf Ahmed Moustafa El-Ghamrawy	Vice- Chairman & Chief Executive	Shareholders	Executive
Dr. Mohamed Nasser Salem Mohamed Abu Hamour	Member	alBaraka Banking Group	Non-Executive
Mr. Abd El-latif Abd El-Hafiz Ali El-Kaib	Member	alBaraka Banking Group	Non-Executive
Dr. Rokaya Riad Ismail	Member	Shareholders	Executive
Mr. Mohamed Abdullah Nour El-Din	Member	alBaraka Banking Group	Non-Executive
Mr. Ismail Saleh Abd El-Fattah	Member	Shareholders	Non-Executive
Mr. Hamad Abdullah Al-Akkab	Member	alBaraka Banking Group	Non-Executive
Mr. Samy Fathy Mohamed Abdul Gawad	Member	Shareholders	Executive
Mr. Ahmed Moustafa Abd-El-Hamid – Representative of (Misr Insurance Company)	Member	Shareholders	Non-Executive
Misr Life Insurance Company	Member	Shareholders	Non-Executive
Mrs. Nevine Essam El-Din Gamea, pursuant to the approval of the Prime Minister	Member	alBaraka Banking Group	Non-Executive

Meetings of the Board of Directors

The Board of Directors convened eight times during the year.

Changes having occurred to the Board formation during the year

- We have been informed by the Central Bank that the membership of the below mentioned members is not approved:
 - Mr. Ali Mohamed Abd El-Shafy Al-Laban
 - Mr. Mohsen Badr Ali Khalaf Allah
 - Dr. Adel Mounir Abd El-Hamid Rabeh
- On August 7, 2018, the Central Bank of Egypt approved the appointment of Mr. Ismail Saleh Abd El-Fattah as non-executive member, representative of the other shareholders at the Bank's Board of Directors.
- Pursuant to the letter of Misr Insurance Company, Mr. Ahmed Moustafa Abd El-Hamid has been appointed as the Company's Representative at the Bank's Board of Directors, to replace Mr. Hussein Attalla Hussein Mohamed.
- By virtue of the letters of alBaraka Banking Group, the two following persons have been appointed at the Bank's Board of Directors as the Group Representatives:
 - Mr. Ibrahim Fayez Hameed El Shamsi (non-executive)
 - Mr. Hamad Abdullah El-Akkab (non-executive)Instead of the two members whose membership duration at the Board of Directors has ended.
- Mr. Osama Mohamed Abd El-Aziz, the Board Member Representative of-Misr Life Insurance Company, passed away. On December 16, 2018, the registers of the Central Bank of Egypt were annotated to the effect of removing his name from the membership of the Bank's Board of Directors. The Board's Agenda and the subject-matters submitted before the Board are to be dispatched to the Company's Chairman until appointing a representative.

Audit Committee

Last Formation of the Audit Committee

Mr. Osama Mohamed Abd El-Aziz *	Member of the Board of Directors	President
Mr. Hussein Attalla Hussein**	Member of the Board of Directors	Member
Dr. Mohamed Abdullah Nour El-Din	Member of the Board of Directors	Member

Committee Competences and the Tasks Assigned to it

Committee Objectives

Assisting the Board of Directors in assuming its supervisory responsibilities, supervise the internal control process and reviewing the financial data decided to be submitted before the Bank's shareholders and investors.

Committee Tasks and Competences

- Direct supervision on the Internal Auditing & Inspection Sector and assessment of their performance. This comprises ratification of the auditing programs, the annual work plans, the periodic reporting system, the type of reports and the administrative levels before which they are submitted and directing to the major risks facing the bank, taking into consideration its entire commitment to the professional practice standards of the auditing process.
- Recommendation with regard to the two auditors' appointment, the fixation of their fees, considering their resignation or discharge, in compliance with the provisions of Law number 88 for the year 2003 and the Law governing the Accountability State Authority.
- Suggesting the auditors' assignment to perform services to the bank other than auditing the financial statements and also regarding the fees estimated for such services, without prejudice to their independence requisites.
- Discussing such issues which the Committee deems important to discuss with the "Head of the inspection & internal auditing Sector" & the Compliance Responsible at the Bank and also with the two auditors and the officials in charge as well as all issues which any of these officials find necessary to discuss with the Committee.
- Studying the annual financial statements before submitting them for ratification by the Board of Directors.
- Peruse the annual financial statements before publishing thereof and ascertaining their conformity to the data of financial statements and the publishing rules issued by the Central Bank.
- Coordination between internal and external auditing tasks and ascertaining the absence of any obstacles hindering communication between the Head of the Inspection & Internal Auditing Sector and the two Auditors on the one hand and each of the Board of Directors and the Audit Committee on the other hand.
- Reviewing the annual internal audit plan and ratifying thereof.
- Reviewing the reports prepared by the Internal Auditing & Follow-up Sectors including those related to the extent of adequacy & efficiency of the internal control systems at the Bank and the extent of compliance thereto, as well as following up the recommendations of these sectors and the extent of the Bank's management response thereto.
- Reviewing the reports prepared by the Compliance Responsible at the bank, particularly with regard to the infringement of the enforceable regulations and the Bank's bylaws as well as the regulatory instructions issued by the Central Bank.
- Studying the obstacles facing the internal auditing process or the tasks of the Compliance Responsible and propose the methods of tackling thereof.
- Reviewing the report of the Internal Auditing & Follow up Sectors at the Bank with regard to the extent of availability of qualified personnel for these sectors and the extent of qualifying the Compliance Responsible at the bank and their training levels.
- Ascertainment that the Bank's Executive Management has reviewed the values of the collaterals submitted by customers against the finance and credit facilities offered to them periodically and determination of the procedures that should be adopted to face any decrease in these values and reporting them to the Bank's Board of Directors to decide them.
- Reviewing the measures adopted by the Bank's Management regarding compliance to the supervisory standards and regulations laid down by the Central Bank and ascertaining the Management's adoption of rectifying procedures in cases of inconveniences.
- Ascertaining that the Bank has constituted a supervisory system and has adopted executive measures against money laundering transactions.
- Studying the remarks of the Central Bank stated in its inspection reports and its remarks on the Bank's financial statements and reporting them to the Board of Directors, attached by the committee recommendations.
- Studying the auditors' remarks stated in their reports on the Bank's financial statements and their other reports dispatched to the Bank's Management through the year and reporting them to the Board of Directors, attached by the committee recommendations.

- Studying the adopted accounting policies and the changes ensuing upon applying new accounting standards.
- Examining and reviewing the periodic administrative reports submitted to the various levels of management, the systems adopted upon their preparations and the timing of their presentation.
- Examining the procedures adopted for preparing & reviewing the following:
 - Prospectuses, initial public and private offering
 - Budgets including cash flows statements and estimated income statement.
- Ascertaining the preparation of a report by the independent financial advisor for submission to the Board of Directors about transactions with related parties, before the ratification of such transactions.
- The Board of Directors should reply to the Committee recommendations within 15 days to the notification date, by means of serving notice by the Committee President to the Stock Exchange and the Authority, briefing them on the report, the proposals and recommendations it contained and the reply of the Board of Directors thereto.

Committee Meetings

- The Committee convenes on quarterly basis at least and its sessions are attended by the Bank's two Auditors, by virtue of an invitation to be served to them by the Committee President or at the request of any of the Auditors. The Committee may seek the assistance of whoever it deems appropriate. The Committee President shall submit the minutes of its meetings and its recommendations before the Bank Board of Directors so as to adopt the measures it may deem appropriate.
- The Committee sessions are attended by the Head of the Inspection & Internal Auditing Sector & the Compliance Responsible at the Bank, in addition to any of the other board members or executive managers at the Bank which the Committee finds appropriate to invite, without having countable votes.
- The Head of the Inspection & Internal Auditing Sector shall assume the post of the committee secretary. The Committee shall have to prepare an annual report on its work and recommendations, to be submitted before the Bank's Board of Directors.

Performance of the Committee during the Year

Times of holding the Audit Committee	Eleven sessions during 2018
Have the committee reports been submitted before the Company's Board of Directors?	Yes, they have been submitted before the Board.
Have such reports comprised significant remarks that should be tackled?	There are no substantial remarks. They are merely remarks concerning executive and procedural aspects. The Committee issues its recommendations which execution follow-up results are reported to the Committee.
Has the Board of Directors tackled such substantial remarks?	No, since there are no significant remarks constituting a risk to the bank's assets, as also reflected by the reports of the external auditing quarters. The Board of Directors admired the Committee performance in this regard.

Data concerning the Company's Personnel

Average number of the Bank Personnel during the year	953 employees
Average basic salary of the employee during the year	9051 pound/employee monthly

Rewarding and Incentives System for the Bank's Employees & Managers

The Bank adopts a quarterly incentives systems, linked to targets & objectives achievement.

Total available shares according to the employees and managers rewarding and incentives system	Nil
Total rewarding and incentive shares granted to employees and managers during the year	Nil
Number of the employees and manager, beneficiaries of the rewarding and incentives system	Nil
Total rewarding and incentive shares granted to employees and managers since the system enforcement	Nil
Names and capacities of every individual having obtained 5% or more of the total available shares (or 1% of the company's capital) pursuant to the System	Nil

Infringements and Procedures pertaining to the Capital Market Law and the Registration Regulations

As a result of surpassing the time limit set for the accomplishment of the procedures of the capital increase registration, for reasons beyond the Bank's will, a financial liability in the amount of 10 thousand Egyptian Pounds has been imposed on the Bank.

The Bank's Contribution to Society Development and Environment Protection during the Year

The Bank has never neglected its social role as a leading Islamic Foundation. It has always responded and reacted toward the Society's financial needs since it performs its business based on the ethics derived from the graceful Islamic Shari'a, taking into consideration to apply the best professional standards ever, in a way enabling it to comply to the principle of sharing the realized gains with its society partners. The Social Responsibility Committee at the Bank has acknowledged and adopted the objectives of alBaraka Banking Group – the Principal Investor – and has set a plan to operate within its framework, endeavoring to realize the following:

- Providing appropriate volume of new employment opportunities within the framework of the finance & investment operations provided by Our Bank, whether individually or through syndicated loans and finances.
- Providing subsidy in general, and particularly to hospitals and medical centers covering all fields of health services.
- Subsidizing and financing educational foundations and all fields related to education in Egypt.
- Sponsoring the "Holy Quran" Competition for all ages in the principal cities in Egypt, in participation with Al Azhar Al Sharif.

Statement of Transactions with Related Parties

alBaraka Banking Group – the Principal Shareholder at the Bank – owns 73% of the ordinary shares. The remaining percentage, of 27%, is owned by other shareholders.

Several transactions have been concluded with related parties through the ordinary course of the Bank business.

(A) Deposits by Related Parties

	Members of the Top Management and Close Family Members		Subsidiaries and Sister Companies	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	EGP	EGP	EGP	EGP
Dues to customers				
Balance as at January 1st	792 794 679	1 180 048 887	--	4 471 537
Deposits executed during the year	472 784 430	13 901 792	--	751
Deposits recovered during the year	(336 874 127)	(401 156 000)		(4 472 288)
End of year balance	928 704 982	792 794 679	--	--
Cost of deposits during the year	41 130 242	43 116 871	--	90 178

(B) Other Finances – Subordinated Finance by the Principal Investor

On March 16, 2008, an agreement (investment mudaraba deposit contract) has been concluded with alBaraka Banking Group – the Principal Shareholder at the Bank – to support the Bank's subordinated capital in an amount of 20 million US Dollars, having fallen due on 31 March 2013.

On 31 March, 2013, alBaraka Banking Group deposited the amount of 20 million US Dollars, through an offset between the values of the old and the new contracts, as an (investment mudaraba deposit), in order to support the Bank's subordinated capital. The maturity date of this deposit is on 30 June 2018 and its profits are calculated according to the return rates applied on the Bank's depositors in US Dollars over five years. Their returns are paid annually after relinquishing 10% of the Bank's share as the "mudareb". alBaraka Banking Group is not entitled to withdraw this deposit unless with the approval of the Central Bank of Egypt. On 20 October 2015, the deposit maturity date has been extended so as to fall due on 20 June 2021. On 7 June 2017, the deposit maturity date has been extended once more to fall due on 30 June, 2025.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at January 1st	354 554 000	154 602 000
Foreign exchange valuation differences	3 718 000	210 728 000
End of year balance	358 272 000	365 330 000

(C) Other Finances – Other Shareholders

On 5 February 2017, an (investment mudaraba deposit contract) has been concluded with Misr Insurance Company (one of the largest shareholders of our Bank) to support the Bank's subordinated capital in the amount of 25 million US Dollars. The contract's enforceability started as of 23 February 2017 for seven years. The deposit bears return of 6.75% approximately, paid on quarterly basis.

On 2 July 2017, another contract has been concluded with Misr Insurance Company (investment mudaraba deposit contract) to support the Bank's subordinated capital in the amount of 20 million US Dollars, for eight years. The deposit bears return of 6.25% approximately, paid on quarterly basis.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at January 1st	797 746 500	---
Additions during the year	---	806 462 000
Foreign exchange valuation differences	8 365 500	(8 715 500)
End of year balance	806 112 000	797 746 500

Honorable Shareholders

Allah's peace and blessings upon you.....

On behalf of the Board of Directors and myself, I have the honour to submit before you the annual report on the performance of alBaraka Bank Egypt – S.A.E. – for the financial year ending as at December 31, 2018. In this regard, I'd like to refer to the fact that, although most of the economic activities have not yet recovered due to the continuity of such difficult economic conditions which Egypt is undergoing at present, yet, thanks to Almighty God, and to the sincere efforts of its executive staff, the strategy of the Board of Directors and the continuous follow up of the committees branching thereof, our Bank was able to increase its market share. It has managed to develop its customers' deposits at 23% approx. to the previous year, so that their value has become 54.5 billion Egyptian pounds. Likewise, the murabaha transactions, financial investment operations and financial investments achieved a growth of 25% to the previous year, so as to become 55 billion pounds approximately, despite the economic difficulties & their negative influence on most sectors of activity and in the light of the selective policy adopted by our Bank regarding its customers. The total balance sheet also increased to be 62.5 billion Egyptian pounds at a growth percentage of 24% to the previous year. The Bank achieved net profits for the year 2018 in the amount of 1003.6 million pounds, against 725.3 million pounds for the year 2017, at a growth rate of 38%. This enabled the Bank to prepare a draft for the proposed profit dividends for shareholders, to be submitted before your respectful Assembly in the amount of 281.2 million pounds, taking into account that the profits proposed to be distributed shall all be in the form of cash dividends, pursuant to the approval of your respectful Assembly and the Central Bank of Egypt.

According to the proposed dividends draft, the general reserve shall be subsidized in the amount of 420 million pounds, for realizing more support to the Bank's shareholders' equity and maintaining a secured level of capital adequacy ratio. A risk reserve shall be formed pursuant to the IFRS9 in the amount of 50 million pounds, to realize more caution with regard to the instructions of the Central Bank concerning starting actual implementation of the (international financial reporting standard 9) as of the financial year 2019.

This report tackles the most important results achieved by your Bank during the financial year 2018, reflecting the positive effort exerted by both of the Board of Directors and the Bank's Executive Management.

Most Important Indicators of the Balance Sheet

As at 31 December 2018

Total Balance Sheet

The total balance sheet as at 31 December, 2018 amounted to 62.5 billion Egyptian pounds at a growth rate of 24% approximately to the previous year. This reflects the deep trust in our Bank with regard those who deal in the market and the positive development of the volume of its business and the growth of its activities, in spite of the fact that most of the economic activity sectors have not yet recovered.

Murabaha Transactions, Investment Operations & Financial Investments

The value of murabaha transactions, investment operations & financial investments as at 31 December, 2018 amounted to 55 billion Egyptian pounds against 43.9 billion Egyptian pounds by the end of the previous year, at a growth rate of 25% approximately, in a way reflecting the Bank's strategy, its executive plans and its continuous vigorous heading towards investments, basically with its customers of high creditworthiness, taking into consideration to maintain the liquidity ratios decided by the Central Bank of Egypt.

Fixed Assets

The balances of fixed assets – after depreciation – as at 31 December 2018 amounted to 407.7 million Egyptian pounds, against 423.9 million Egyptian pounds as at 31 December, 2017, with a decrease of 16.2 million Egyptian pounds. The total depreciation of the year amounted to 36.5 million Egyptian pounds in addition to an increase of 20.3 million pounds, represented in the renewal of some of the Bank's existing branches and some of the Bank's cars, in addition to the amounts disbursed on the information technology and the automatic systems.

Customers' Deposits

The total of customers' saving pools amounted to 54.5 billion Egyptian pounds as at 31 December, 2018, at a growth rate of 23% to the previous year, despite the severe competition among banks on deposits at the market, and particularly the banks owned by the government and the investment banks, some of which suffer lack of liquidity and the absence of a wide base of depositors. Such banks still issue proportionally long-term savings certificates with high fixed rates. Our Bank seeks not only to maintain its customers base but also to develop it through its saving pools system which is updated and developed continuously, the last of which is when our Bank offered a new savings account (investment current account at a daily distinguished return rate), in addition to offering a new savings certificate in local currency, so as to attract more proportionally long-term deposits of individual customers, of distinguished monthly return rate.

Business Results of the Financial Year

Ending as at 31 December, 2018

Under the strategy adopted by our Bank, emerging with the assumption of its current executive management, the enormous positive efforts exerted and their success in implementing the strategies and policies laid down by the Board of Director and its plans aiming at keeping on the growth of activity and business volume so as to increase the Bank's market share and the working on the diversity of its profit positions and not to confine it to the investment returns, and targeting at maximizing commissions and other revenues and providing more banking services, in addition to the expansion of retail finance operations, due to the current circumstances and their negative impact on various sectors of society, such as the sectors of tourism, export and others, as well as financing small and medium enterprises, in cooperation with the micro, small & medium Enterprises Development Agency & the World Bank, using the "Risk-Sharing System and also with the Islamic Development Bank and participating in syndicated finances with the biggest domestic and international banks in financing huge and strategic projects of economic benefit, our Bank was capable by the grace of Allah Almighty to achieve net profits during the year 2018 in the amount of 1003.6 million Egyptian pounds approximately, against 725.3 million Egyptian pounds during the previous year, with a growth rate of 38% to the previous year. This enabled our Bank to prepare the proposed dividends draft, in the amount of 281.2 million Egyptian pounds for shareholders dividends, taking into consideration that the profits proposed to be distributed shall all be in the form of cash dividends, pursuant to the approval of your respectful Assembly and the Central Bank of Egypt.

Likewise, pursuant to the proposed profit distribution draft, the general reserve shall be supported by the amount of 420 million Egyptian pounds, in order to acquire more subsidy to the Bank's shareholders' equity and maintaining a secured level of capital adequacy ratio. A risk reserve shall be formed pursuant to (IFRS 9) in the amount of 50 million pounds, to realize more caution with regard to the instructions of the Central Bank concerning starting actual application of the (International Financial Reporting Standard 9) as of the financial year 2019.

Total Revenues

The total revenues as at 31 December, 2018 amounted to 7340.5 million Egyptian pounds, against 5428.3 million Egyptian pounds during 2017, with an increase of 1912.2 million pounds, at a growth rate of 35% approximately, evidencing the success of the Bank's strategy and the existence of a large base of depositors and investing customers that increases year by year, and subsequently evidencing the increase of its market share.

Expenses

1- Returns Expenses

The value of returns expenses for the year 2018 amounted to 5075.1 million Egyptian pounds, against 3585.6 million pounds for the year 2017. This is due to the increase in customers' deposits during 2018 and the increase of the return rates on the savings pools at the Egyptian Banking Sector in general, as the banks owned by the State and other investment banks kept on issuing savings pools with fixed interests. Therefore, our bank issued new savings pools with competitive return rates and granted distinguished rates of return to some of its customers, by means of waiving a part of the Bank's share in its capacity as Mudareb.

(2) Administrative & Other Operating Expenses

The administrative & other operating expenses as at 31 December 2018 amounted to 486.1 million Egyptian pounds, with an increase to the amount of the previous year of 35 million Egyptian pound, with a percentage of increase of 8% only, in spite of the continuous increase in the volume and costs of operating requisites, electricity, water, gas, inks, paper, fuels, etc. and services (security and others, which increase is expected to continue in the coming period), in a way consolidating the great efforts exerted to decrease and rationalize these expenses.

Net Profit

Our Bank achieved a net profit during the year 2018 in the amount of 1003.6 million Egyptian pounds, against 725.3 million Egyptian pounds during the previous year, at a growth rate of 38%. This enabled our Bank to prepare the proposed dividends draft in a value of 281.2 million pounds, for the shareholders distributions, taking into consideration that the profits proposed to be distributed shall all be in the form of cash dividends, pursuant to the approval of your respectful Assembly and the Central Bank of Egypt.

Likewise, pursuant to the proposed profit distribution draft, the general reserve shall be supported by the amount of 420 million pounds, for realizing more support to the Bank's shareholders equity and maintaining a secured level of capital adequacy ratio. A risk reserve shall be formed pursuant to the (IFRS 9) in the amount of 50 million Egyptian pounds, to realize more caution with regard to the instructions of the Central Bank concerning starting actual application of the (International Financial Reporting Standard 9) as of the financial year 2019

Growth Rates Achieved during the Financial Year 2018

Item	Annual growth rates during 2018
Total asset	24%
Customers' deposits	23%
Total investments	25%
Total shareholders' equity	30%
Net profit	38%

It is noteworthy that the Bank succeeded in maintaining the quality of its assets through preserving a high rate of non-performing debts coverage – taking into consideration the collaterals kept by the Bank – in spite of the difficult economic conditions and their negative influence on most of the business sectors, and this has been admired by all supervisory authorities, the last of which was the field inspection of the Central Bank of Egypt in its session during 2018.

The Bank's Social Responsibility

The Bank has never neglected its social role as a leading Islamic Foundation. It has always responded and reacted toward the Society's financial needs since it performs its business based on the ethics derived from the tolerant Islamic Shari'a, taking into consideration to apply the best professional standards ever, in a way enabling it to realize the principle of sharing the realized gains with its society partners. The "Social Responsibility Committee" at the Bank has acknowledged and adopted the objectives determined by Al-Baraka Banking Group – the Principal Investor – and has set a plan to operate within its framework, endeavoring to realize the following:

- Providing an appropriate volume of new employment opportunities within the framework of the finance & investment operations provided by Our Bank, whether individually or through syndicated loans and finances.
- Providing subsidy in general and particularly to hospitals and medical centers covering all health services.
- Subsidizing and financing educational foundations and all fields related to education in Egypt.
- Sponsoring the "Holy Quran" Competition for all ages in the principal cities in Egypt, in participation with Al Azhar Al Sharif.

Training & Optimum Employment of Human Resources

The human element is considered the most important asset of our Bank. Therefore, the Bank adopts several measures and procedures for supporting its human resources & enhancing their efficiency. The absolute priority of the Bank's Executive Management is to train the Bank's employees of all vocational grades and enlighten them about the Shari'a restrictions governing banking transactions, train them on the up-to-date systems and technology and the advanced banking industry.

Personnel are also trained on applying the best professional standards and practices of the highest possible skills. Meanwhile, the Bank's administrative, professional and financial structure is developed and modified all the time in order to create a strong and substantial second-row leaders, capable of assuming responsibility efficiently in the coming phase, with maintaining low employees turnover rate in order to preserve the Bank's experienced staff and mitigate the probabilities of their leakage out of the Bank,

Taking into consideration that as of 2019, the personnel shall be obliged to pass vocational tests and personal interviews as well as certain training hours to link the annual promotion movement to the ability of passing successfully such tests and training hours.

Future Overview on Our Bank's Strategies during the year 2019

The Bank's strategies during the coming year concentrate on maintaining the renovation, activation and updating of the principal aspects adopted by the Bank in this regard, in conformity to the "coming five-year ratified strategy" of the Bank, through the implementation of effective, real, short, medium term plans, taking into consideration the instructions and directions of the Central Bank of Egypt and alBaraka Banking Group – the Principal Investor. Hereunder is a display of such aspects:

Financial Strategies

- Maximizing profitability and return on equity & shareholders' dividends
- Multiplicity of profit positions
- Maintaining the increase of the Bank's paid up capital and support the Bank's shareholders' equity.
- Maintaining cash distributions on shareholders
- More improvement of assets quality

Strategies for Maximizing the Market Share

- Enlargement of the customers' investments' portfolio
- Products & savings pools innovation and providing best services
- Carefully studied geographical widespread
- Keeping on promotional & advertising campaigns
- Customer service improvement

Strategies of Technology & Procedural Policies Support

- Keeping on the technological evolution plan & digital transformation
- Risks & governance policies and compliance with international standards
- Work procedures and centralizations

Strategies of Optimum Utilization of Human Resources & Social Responsibility

- Optimum utilization of human resources
- Maximizing the Bank's role in the field of social responsibility

Finally, we are looking forward to the near future, praying to God to protect our precious Country, Egypt, hoping that things will settle down, conditions will get better and the economy will retrieve its strength and recover so as to be able to achieve high growth rates, God willing. We have faith in our Foundation alBaraka Bank Egypt and we are sure that it is capable of achieving its targets for the coming phase, being supported by alBaraka Banking Group – the Principal Investor – the Board of Directors and the Committees branching thereof, with the efforts of its sincere executive staff, to keep on our Bank's progress and forgoing ahead.

May Allah guide us and you to prosperity and success by His will.

Allah's peace and blessings upon you all.

Ashraf Ahmed El Ghamrawy



Vice-Chairman & Chief Executive

Board of Directors

The Board of Directors is set up of a group of members who are qualified for their posts from among individual acquiring various potentials, skills and experiences. They are fully aware, knowledgeable and understandable of the tasks of the Board of Directors, the committees in which they participate and the supervisory and legal environment surrounding the Bank.

The Board of Directors pays special attention to control and apply the rules of governance. It issues several decisions that guarantee the compliance with the requirements of governance in all aspects of work at the Bank. It also endeavors to propagate and consolidate the culture of governance, whether among its members or among all staff of the Bank.

The Board of Directors endorses and follows up the implementation of strategies and policies that determine the current and future targets and govern the work of the main activities at the Bank within the framework of the accurate specification of the trend of risks and their acceptable levels pursuant the business circumstances and environment surrounding the Bank and within the framework of specified procedures to determine, measure and control the different risks pursuant to the activities of the targeted sector; together with endorsing the limits, competencies and exceptions accepted for each type of them.

The Board of Directors assumes its specified and endorsed competencies directly either by itself and/or via the authorizations issued to the committees branching off it. It follows up continuously their work and ensures their effectiveness

The Members of Board of Directors

Mr. Ibrahim Fayez Al Shamsi

Chairman

Mr. Ibrahim is a highly regarded senior banker with over five decades of banking and financial services experience. Holds a Bachelor's Degree in Economics 1974 and several international training courses in Public Finance and Management/ Regional Program of the United Nations. As well as in the evaluation and management of public projects from The Institute for International Development – World Bank Washington DC in the United States and The International Advanced Management program at the Center for International Management Education - Geneva.

In addition of being the non-executive Chairman of alBaraka Bank Egypt, His Excellency is currently the Head of the Audit and Governance Committee and a member of the Board of Directors of alBaraka Banking Group in Bahrain. As well as a member of the Board of Directors of alBaraka Bank Syria and alBaraka Turk Participation Bank- Turkey

As for previous experience, (for example but not all) His Excellency has served as Executive Chairman of Emirates Islamic Bank – Dubai, Board member of Emirates Fund Limited, Jersey and Board member of Dubai Islamic Bank – Dubai, Head of Al Mazaya and Board members Affairs Committee alBaraka Banking Group - Bahrain, As well as a member of the Board of Directors of Arab Fund For Economic And Social Development- Kuwait, member of the Board of Directors of Europe Arab Bank, Luxembourg. Chairman of the Board of Directors of the UAE- Bangladesh Investment Company Limited (UBINCO) Member of the Board of the Emirates Industrial Bank, Abu Dhabi ...Vice Chairman of the Board of Directors of Société Arabe des Engrais Phosphatés Tunisia ... Member of the Board of Directors of the Austria Center - vienna... Assistant General Manager- Abu Dhabi Fund for Arab Economic Development... Manager of Financial Affairs, Ministry of Infrastructure Development, UAE.

Mr. Ashraf Ahmed Moustafa El-Ghamrawy

Vice Chairman and Chief Executive

Mr. Ashraf El-Ghamrawy Vice Chairman and Chief Executive of alBaraka Bank Egypt has an experience that extend to 41 years. Mr. Ashraf started his career since the year 1977 as a chartered accountant specializing in the field of Financial Institutions and Banks. He then moved to the banking sector during the year 1979 and has graduated in various banking jobs, till In year 2003 reached position of the Chief executive and Managing Director of alBaraka Bank Egypt – formerly Egyptian Saudi Finance Bank. At that time the number of branches were 10 branches with a total balance sheet of EGP 3.3 billion.

Mr. Ashraf has managed since his presidency of the Executive Management to develop the Bank as a leading Islamic institution that has strongly imposed itself on the Egyptian banking market by the various products and services that it provides, also being one of the tributaries of alBaraka Banking Group, the pioneer of Islamic banking in the region, as the number of branches reached now 32 in addition to two exchange offices in Giza, and Hurgada. By 2018, the bank's total balance sheet amounted to EGP 62.5 billion, and the net Profit exceeded 1 billion EGP.

Awards:

- 1- The Gold Medal of Merit for his leadership in the Arab region from the Academy of Excellence in December 2014.
- 2- Association otherways Management & Consulting Paris - France:
 - The Global Award for Perfection Quality & Ideal Performance in July, 2017.
 - The Platinum Technology Award for Quality and Best Trade Name in May 2018.
 - The International Achievement Award for Quality and Business Excellence in September 2018
- 3- The IFN Awards Ceremony, Dubai from Islamic Finance Awards In March 2018
- 4- The Best Practice Award in May 2018 from The European society For Quality Research.
- 5- The Arabian Eagle Award as a Leading Banking Figure from Tatweej Academy in December 2018.

He also holds the following positions:

1. Member of the Board of Directors and member of the Executive Committee, alBaraka Islamic Bank, Kingdom of Bahrain.
2. Member of the Board of Directors of the Egyptian Company for the Shopping Centers Development.
3. Member of the Board of Trustees and Treasurer of the Egyptian Zakat Institution,
4. Member of the Board of Directors and Chairman of the Credit Committee Al-Tawfiq Leasing Company.
5. Member of the Board of Directors and Chairman of the Audit Committee of the Egyptian Takaful (Property & Liability).
6. Chairman of the Board of Directors of the Private Insurance Fund for employees of alBaraka Bank Egypt.

His Excellency has a current and previous membership in some other legal bodies including:

1. Member of the world Union of Arab Bankers.
2. Member of the American Chamber of Commerce in Egypt.
3. Member of Accounting and Auditing Organization for Islamic Financial Institutions.
4. Member of the General Council for Islamic Banks and Financial Institutions.
5. Member of Arab Academy for Management, Banking and Financial Sciences.

Mr. Hamad Abdullah Al-Akkab

Board Member (Non-Executive)

An executive financial expert with 25 years of experience in the financial field (banks, regulatory bodies and financial sector), with a track record of financial excellence, management, auditing and corporate governance.

Currently, Mr. Hamad is the chief executive - Head of Financial Management at alBaraka Banking Group - Bahrain, He was member of the Board of Directors of Jordan Islamic Bank - alBaraka Turk participation Bank –Banque alBaraka d'Algerie- Also he is Chief of Accounting criterion in the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

Mr. Hamad holds a bachelor's degree in accounting from the University of Bahrain in 1993 in addition to educational and professional qualifications, including CPA accredited from Michigan, United States of America in 1996, and is accredited by AICPA and CIMA (since August 2012).

He worked in many financial institutions in the Arab world: Central Bank of Bahrain, Bahrain, Senior Manager - Internal Audit of Ithmaar Bank 2002-2005. He represented alBaraka Banking Group in Board of some units and professional organizations. Reviewing and maintaining alBaraka Banking Group accounting policies to assure its compliance with the changes in the criterion of the Accounting and Auditing Organization for Islamic Financial Institutions and with the International Criterion of the financial reports reflecting such changes in the best banking practices.

Mr. Abd El-Latif Abd El-Hafiz Ali El-Kaib

Board Member (Non-Executive)

Bachelor of Accounting and Business Administration 1964 (University of Benghazi).

A member of the Board of Directors of the United Bank for Commerce and Investment (Tripoli - Libya) , Chairman of the Board of Directors and Executive Committee Banca UBAE SpA (Rome – Italy) , Chairman of the Board of Directors of Sahara Bank (Tripoli - Libya) 2007-2011. Managing Director of Arab International Bank (Cairo – Egypt) 1977-1991, Formerly member of the Board of Directors of the Banco Arabe Espanol (Madrid – Spain).

Dr. Rokaya Riad Ismail

Board Member (Executive)

She holds Bachelor of Law, Cairo University, doctorate in public law in addition to the post-graduate diploma in public law and administrative sciences .Occupied the position of Member of the Board of Directors of several companies - member of Union Internationale des Avocats and certified International Arbitrator. Participates as a lecturer in specialized institutes as well as local and international seminars and has many studies and researches. Dr. Rokaya occupies the position of legal adviser for the Federation of Egyptian Banks (part-time) as well as a legal adviser to the Bank and supervising the Legal Sector.

Mr. Samy Fathy Abdul Gawad

Deputy CEO (Executive)

Bachelor of Commerce - Accounting Division - Ain Shams University in 1981 and a postgraduate diploma "Banking Studies" from Ain Shams University in 1987, plus many professional certificates including:

Professional diploma in financial markets and investment portfolios as well as professional diploma in accounting and auditing, both from the Arab Academy for Management, Banking and Financial Sciences in cooperation with the American Institute of Banking, in addition to many training programs from local, regional and international institutions, for example: "Certificate of effective board member" from the IFC in collaboration with the Egyptian Banking Institute and the Global Business for Efficient Manager from the Academic Union - London.

Mr. Samy Fathy has more than 36 years of banking experience in various banking fields: treasury, strategic planning, financial investments, corporate finance, banking operations management, business development, credit lines. He represented the bank in many meetings and conferences inside and outside Egypt. He is currently the Deputy chief executive of alBaraka Bank Egypt. He is also a member and chairman of several committees at the Bank: Executive Management Committee, Assets and Liabilities Management Committee, Debt Review and Provision Formation Committee, Social Responsibility Management Committee and Higher Computer Polices Committee. He also oversaw some of the major projects in the Bank, such as the implementation of IFRS9, the application of the current Core banking system ""Equation (2011) and the implementation of the new Core banking system (application of 2020).

Mrs. Nevine Essam El-Din Gamea

Board member (Non-Executive)

A prestigious development banker who has more than 30 years of experience in the fields of banking and financial development services and holds a Bachelor of Commerce in accounting department from Cairo University in 1984, in addition to many different training programs. She is currently the chief Director of the Micro, Small, and Medium Enterprise Development Agency.

Mrs. Nevine Gamea has a considerable banking experience of over 30 years, began her career in the credit sector of the National Bank for Development and then moved to work in the credit sector at Alwatany Bank of Egypt (Currently National Bank of Kuwait), and then established a specialized department of retail banking in the bank, In January 2005 joined to work in the Social Fund for Development, in view of her experience in the development of credit policies, she worked on the development of mechanisms and methods of financing and contributed to the preparation of the first credit policy for financing small and micro-enterprises in the Social Fund for Development in April 2005.

Following the decision to establish a Micro, Small and Medium Enterprise Development Agency to replace the Social Fund for Development and the integration of some other entities, Mrs. Nevine Gamea was selected as the first CEO of Micro, Small, and Medium Enterprise Development Agency.

She is currently the chief Executive of Micro, Small, and Medium Enterprise Development Agency. Mrs. Nevine Gamea is also a member of the board of directors of some institutions such as Takaful insurance companies (property and liabilities), Reefy for Micro Finance, Ayadi Co., and the Economic Committee of the National Council for Women, the Industrial Modernization Council.

Mr. Ahmed Moustafa Abd El-Hamid Moustafa

Board member (Non-Executive)

He holds a Bachelor of information, Faculty of Media, Cairo University in 1990, Diploma in Public Relations, Cairo University in 1986, CIP certificate and ACII certificate both from the Chartered Insurance Institute , London, in addition to many courses in various fields with local and international institutions, in addition to receiving Rafik – Chartered Insurance Institute in London.

Mr. Ahmed Moustafa Abdel Hamid worked in all areas of investment, evaluation, governance, anti-money laundering, fraud and corruption.

He represented Misr Insurance Company at many external conferences and seminars in many areas including investment, insurance, governance and risk management.

He is currently the head of investment sector at Misr Insurance Company.

Mr. Mohamed Abdullah Nour El-Din

Board Member (Non-Executive)

Holds Bachelor in business Administration from University of Bahrain 1985, He worked in several Banks and Financial institutions in Kingdom of Bahrain, Held many Positions in these Institutions most notably: Advisor to the CEO- Arcapita Bank , Bahrain (2008 till 2011), Board member in Tadhamon Capital- Bahrain, Board member in Itqan Capital- Jeddah, Chairman of Newbury Investment-Bahrain.

Mr. Ismail Saleh Abd El Fattah

Board Member (Non-Executive)

A prominent bank figure with deep experience in many banking fields, lead to his position as a board member and executive manager with strategic vision in the areas of credit, assets and liabilities management, and executive banking. He owns about 58 years of banking experience in all of its fields, which he started with the National Bank of Egypt – Egypt for 18 years and for 40 years at National Bank of Egypt – London.

He is currently General Manager and board member of the National Bank of Egypt's management Committee – London from 1998 to the present.

Top executive management

The Board of Directors always endeavors to keep attracting a unique group of members of the top management for the Bank that enjoys distinct experiences, high potentials and future vision for practicing good management and leadership for the staff of the Bank; together with determining the methods and means of communication via appropriate opened channels to achieve the required harmony between the top management of the Bank and the Board of Directors and its committees in the manner that achieves to the Board the constant supervision and the follow up of the work of the executive management at the Bank.

This is achieved by an organization chart with specific responsibilities that guarantee the presence of an effective system for internal control of all banking transactions continuously, based on segregating the tasks and avoiding conflict of interests.

The top management of the Bank applies strategies and policies that are ratified by the Board of Directors and ensures their activation. Its submits proposals for their development or amendment and implements the required steps and procedures to determine, measure, follow up, control and reduce risks and their minimizing methods.

Credit rating

alBaraka Bank Egypt is rated B-/B on an international scale and A-/A2 on a national scale with Positive outlook by Islamic International Rating Agency (January 2019).

Governance & Compliance

Our Bank has complied and concurred with the instructions of governance starting from Feb. 2011 in the wake of the ratification of our Bank to the institutional system guide and the rules of good governance. The Bank continued applying the rules and standards of governance in the manner mentioned in the Governance Guide (Supervisory Instructions) which was endorsed in Aug. 2012 which agrees with the instructions of the Central Bank of Egypt. It also complied with the best international practices in the field of internal control systems and anchored the concept of governance at the banking sector issued by the Central Bank of Egypt in Sept. 2014 which included (Risk management Position, Internal Audit Position and The Role of The Legal department in the Internal Audit Framework).

The Board of Directors adopted several decisions pertaining to the aspects of applying governance, whether related to the Board itself or the committees branching off it, including determining the tasks, duties and responsibilities that guarantee the harmony of the administrative structure of the Bank and the correlated relationships among the Board, its committees, the executive management and the other parties pursuant to the rules of governance that regulate such relationships within the framework of the general strategy of the Bank that determines the targets, the means of achieving them and following up their implementation on part of the executive management and ensuring the effectiveness of the internal control systems and risk management in the manner that guarantees that the activity of the Bank is conducted in a safe and sound approach within the framework of complying with the laws and guidelines in force and applying the principles of disclosure and transparency.

The Board evaluates its performance as a whole and at the level of each member of the Board separately, including the evaluation of the performance of the committees branching off it.

Major shareholder of the Bank - alBaraka Banking Group

alBaraka Banking Group is a Bahraini joint-stock company licensed as an Islamic Wholesale Bank by the Central Bank of Bahrain. It is listed on Bahrain Stock-Exchange and on Dubai NASDAQ Stock-Exchange. alBaraka Banking Group is considered among the pioneers in the Islamic banking business at the level of the world, as it provides its distinctive banking services to approximately one billion persons in the countries wherein it operates. The Group has earned a credit rating BBB+ (long term) / A3 (short term) by Islamic International Rating Agency and BB+ (long term) / B (short term) by Standard & Poor's. alBaraka banks provide their banking and financial products and services pursuant to the principles of the provisions of the magnanimous Islamic Shari'a in the fields of retail banking, trade and investment in addition to treasury services.

The authorized capital of the Group amounts to US\$ 2.5 billion and total equity amounts to approx. US\$ 2.25 billion as of Dec. 2018.

Performance evaluation

Coping with the approved policy of governance ratified for our Bank, our Bank has taken official procedures with the objective of enabling the Board of Directors to officially evaluate its performance as a whole, its members as individuals and the committees branching off it pursuant to authenticated models.

Disclosure and transparency

The bank applies the principle of disclosure and transparency in all its businesses within the framework of complying with the governance instructions, the rules issued by supervisory entities and the requirements of banking standards by providing the data and information that it is authorized to publish via the different mass media on the webpage of the official website of the Bank (www.alBaraka-bank.com.eg) in a full manner that agrees with the requirements of alBaraka Banking Group (main investor of the Bank) in the manner that guarantees giving access to all visitors and concerned persons to all what relates to conformity, compliance and anti-money laundering and combating the finance of terrorism to the competent entities. They also include an overview of the compliance of our Bank with the Foreign Account Tax Compliance Act (FATCA) of America.

Conflict of interests

The Board of Directors endorses policies related to the management of any conflict of interests and applies them to the Board of Directors, the executive management, the staff and direct or indirect related entities.

The annual financial report of the Bank shows a detailed explanation of any transactions that could represent conflict of interests. Any transactions that could represent conflict of interests whether with regards to the members of the Board of Directors, the executive management, the staff of the Bank and other related entities are put forward and endorsed by the Board of Directors.

Preserving rights of shareholders

The Board of Directors adopts the policy of opening communication channels with the shareholders within the framework of learning of the opinions of major shareholders with regards to the performance of the Bank. This is carried out via the meetings of the general assembly of the Bank's shareholders that are held annually to encourage their effective participation in such meetings. Shareholders are provided with sufficient information at the right time with regards to the date, venue and the agenda of the assembly, and they are given the opportunity and are enabled to address their questions, whether oral or written within the framework of the compliance with Corporate Law no. 159/1981.

Social responsibility

alBaraka Bank Egypt has a pioneering role in achieving and activating the concept of social responsibility since 2012 as social responsibility is one of the determinants of the strategy of the Bank in order to reach the best practices at the local and regional level, where the bank is working to create a renaissance and development in the fields of life in the Egyptian society by promoting the values and principles of tolerant Islamic Sharia in dealing and strengthening the bonds of cooperation and cohesion, which encourage attention to the environment and society.

This is done through the application of alBaraka social Responsibility program in accordance with an approved policy and regulation, and our bank has tools to achieve the objectives of alBaraka Social Responsibility program annually (e.g. the objectives of alBaraka Social Responsibility Program 2016-2020) through the Management Committee (Internal), the Committee of branches, Zakat and social responsibility emanating from the Board of directors and in coordination with the social Responsibility Committee of alBaraka Banking Group as a whole.

Spreading the culture of governance at our Bank

Our Bank endeavors to spread the culture of governance and encourage the top management, all employees as well as the customers of the Bank to apply the practices of governance. Such rules are established via the training courses that the employees at the Bank obtain from specialized training entities with the aim to spread the culture and raise the knowledge of all employees of the principles and applications of good governance through ambitious plans to lay the rules of governance and the constant intensification of the training courses in this field for all employees at the Bank and the top management; the matter that will have a good turnout for the comprehension and the good application of such rules.

Compliance with applying conformity & compliance policies

Since 2008 our Bank has laid down policies for conformity and compliance aiming to document the tasks and responsibilities correlated to them. Such policy is updated periodically based on the principles mentioned in the legislation, laws, decisions and instructions issued by the supervisory authorities, in addition to the policies and procedures of the Bank and the trends of alBaraka Banking Group, the main investor of the Bank that influence the transactions implemented at the Bank in the manner that conforms to the banking customs, international rules and the

principles of corporate governance and the compliance of the ethical standards and the practices of good business together with complying with transparency in the manner that maintains the highest amount of good reputation to our Bank. What consolidates such policies is that all employees at the Bank are responsible and are committed to the rules, procedures and responsibilities of conformity and compliance in all their work and they are shared in doing so by all managers including the top management of the Bank.

A periodic quarterly report is submitted on the activity of conformity and compliance to the Audit Committee branching off the Board of Directors after furnishing the Vice-Chairman of the Board of Directors and the CEO with a copy of it at the same time to take the required rectifying procedures (if need may be), together with putting it forward before the Audit Committee in its first following meeting in the manner that guarantees the following:

- The implementation of the transactions of the Bank via an integrated framework of internal and external instructions, the compliance with the banking rules (such as the rules of Know Your Customer "KYC"), controlling the money laundering and combating the finance of terrorism operations as well as international trends such as the Foreign Account Tax Compliance Act (FATCA) for Americans.
- Notifying the Compliance Chief/Officer with the default of any manager or employee in his duties towards the process of complying with the laws and regulations.

Islamic Shari'a operating risks

Our Bank, alBaraka Bank Egypt practices all banking services and transactions, businesses and investments authorized to commercial banks on a non-usurious basis in the manner that agrees with the provisions and principles of the magnanimous Islamic Shari'a under the laws that regulate the foregoing.

Our bank belongs to alBaraka Banking Group (main investors of the bank) considering it one of its units, where the group represents one of the biggest banking entities in the world that complies with applying the provisions and principles of the Islamic Shari'a in all its transactions.

This is consolidated by the fact that the organization chart of the Bank includes the Shari'a Supervisory Board that reports directly to the Board of Directors. It comprises three individuals from among the biggest scientists specialized in Islamic financial transactions and Shari'a well known for their sound Islamic opinion and profound knowledge of the transactions jurisprudence. The Board studies and scrutinizes the models of practical contracts and agreements, the procedural and technical evidences and the models used in the activities of the Bank, as well as any new products from the Islamic aspect. It issues decisions, recommendation and opinions that form to the Islamic Shari'a "Fatwa" in their final form. Its decisions are considered binding.

The Board through the endorsed mechanism inspects and audits the transactions of the Bank and audits and inspects the revenues of the Bank and their sources through the quarterly financial positions before their endorsement. It submits reports through its periodic meetings, in addition to its annual independent report on the compliance extent of the Bank with all requirements of the Islamic Shari'a which it publishes within the annual financial report of the Bank.

In deepening this role, the Bank has appointed an internal Islamic Shari'a auditor that follows up and implements all Religious opinions, "Fatwa" provisions and recommendations issued by the Shari'a Supervisory Board pays field visits to all branches of the Bank to ensure the compliance with the foregoing in the daily businesses that the Bank performs, explains and draws the points of view of the Islamic Shari'a visions and the problems of application closer to each other. He puts forward the reports before the Shari'a Supervisory Board and the top management of the Bank. He has the authority to direct the competent entities to rectify the detected faults that do not conform to the Islamic Shari'a that could be corrected immediately.

The Board of Directors Committees

The Board of Directors issues its decisions on establishing and forming committees branching off it as stipulated by the supervisory instructions of governance, in addition to the other committees that branch off it which contribute to managing and controlling the bank's activities and sectors; together with correlating the formation of the committees and their competencies to the experiences of their members with regards to the financial, banking, economic and legal aspects pursuant to the competencies issued to such committees.

The committees branching off the Board of Directors practice their responsibilities and duties within the framework of the competencies, powers and authorizations issued to them by the Board of Directors which agree with the requirements of governance by adopting the latest and best banking methods in following up and controlling the banking businesses entrusted to them. The formation of the committees and convening number of times also agrees with the requirements of governance and the Laws and guidelines in force.

1. Governance & Nominations Committee

The committee comprises of four non-executive members of the Board of Directors. It is basically concerned, in addition to the other tasks, with the periodic evaluation of the governance system at the Bank, the proposal of the appropriate changes in the ratified governance policies, the submittal of proposals, the periodic supervision of the governance policies and practices in addition to ensuring the compliance of the Bank with the optimum practice standards, the local laws and legislation, the supervisory instructions and the directives of alBaraka Banking Group in this concern as well as all what relates to nominating the independent members of the Board of Directors, the appointment or renewal of the membership or the dismissal of one of the members of the Board of Directors.

2. Executive Committee

The committee is set up pursuant to what is mentioned in Article no. 82 of law no. 88/2003 from 6 members and is chaired by the Vice-Chairman of the Board of Directors and the CEO. It is particularly competent, pursuant to what is mentioned in Article no. 29 of the Executive Regulations of the same law in addition to the other competencies entrusted to it by the Board of Directors, to study and make decisions in connection with the financing and the facilities that the Bank grants within the framework of the competencies granted by the Board of Directors, express the opinion with regards to the customers' internal credit rating reports and express the opinion with regards to the organization chart and the job structure at the Bank.

3. Audit Committee

The committee is set up pursuant to what is mentioned in Article no. 82 of Law no. 88/2003 from three non-executive members. Its competencies, pursuant to what is mentioned in Article no. 27 of the Executive Regulations of the same law, is represented mainly in assisting the Board of Directors in managing its supervisory responsibilities, verifying the independence of the internal audit at the Bank as well as the Bank's external auditors, evaluating the integrity of the financial data of the Bank and guaranteeing the compliance of the Bank with effective internal audit procedures in addition to the other competencies entrusted to it by the Board of Directors. Its meetings are attended by the Head of the Internal Audit and Follow up Sectors at the bank.

4. Risk Committee

The committee is set up from four members. Its meetings are attended by the Head of the Risk Sector at the Bank. The committee is competent to follow up the compliance extent with the strategies and policies endorsed for the Bank, submits proposals in their concern and in particular what relates to the strategies of the capital, management of the credit risks, the liquidity risks, the market risks, operational risk and the compliance and reputation risks. It lays down and implements a framework for the Risk and Control Departments at the Bank, follow up their work and evaluate the effects of such risks on achieving the targets of the Bank; together with guaranteeing the application of effective work policies, systems and evidences to manage all types of risks that the Bank faces and ensuring the effectiveness and efficiency of the Risk Department at the Bank with regards to determining, monitoring, measuring, following-up, controlling and reducing, minimizing the Bank's overall exposures to risks.

5. Payrolls Committee

The committee is set up from three non-executive members of the Board of Directors (in addition to the CEO of the Bank). The committee is chaired by an independent non-executive member. It is competent to ensure the independent supervision of all elements of the payrolls and the other incentives structure agreed upon in addition to determining the remunerations of the senior executives at the Bank, submitting its proposals with regards to the remunerations of the members of the Board of Directors, together with its concern with the supervisory jobs at the Bank (Risk Department — Compliance Department — Internal Audit) so that their variable salaries would reflect the performance level of the Bank and the risks to which it was exposed, and in general audit, develop and update the nominations and remunerations' policies at the Bank

with the objective of evaluating them, measuring the extent of their appropriateness with other institutions and ensuring the ability of the Bank to attract and maintain the best elements.

The succession plan at the Bank which covers the labor turnover risk and which aim to provide a second and third row of leaders acquiring the potential and the efficiency to run the business in an effective way in case a job is vacated from its original occupant has been endorsed.

6. Credit Committee

The Committee verifies that the handling of the executive management of the Bank to the credit risks conforms to the decisions of the Board of Directors of the Bank in connection with the degrees of the accepted risk appetite, the minimum levels of credit rating and the utilization and financing policies at the Bank.

It verifies and ensures that the executive management of the Bank adopts the appropriate procedure to identify — and determine — the problems existing in the utilization and investment portfolio at an early stage in order to take the required rectifiable procedures and to form the sufficient volume of provision to face the utilization and investment losses and the preservation of this provision.

The Committee also decides whether or not the systems of controlling the utilization and investment risks are carried out according to what is required in the manner that guarantees the compliance with the laws, instructions and systems correlated to credit.

The Committee also evaluates the credit applications (pursuant to the powers granted to it by the Board) and evaluates the credit risks in all other business activities such as trading in securities, transactions of the foreign market exchange and borrowing by the collateral of shares .

A decision is issued by the Board of Directors on the set up of the Committee, the capacity of its members, its convening periodicity, its responsibilities, duties and powers.

7. Branches, Zakah Fund and Social Responsibility Committee

• The committee's responsibilities with respect to the branches operations:

This Committee is entrusted with the process of purchasing, fitting, preparing and renovating branches, ratifying the spending of the amounts prescribed in the items of the ratified budget as well as the special and/or determined approvals issued by the Board of Directors for establishing, fitting and renovating branches, Foreign currencies exchange outlets and service offices. The preparation of the required studies on the foregoing for opening new branches, Foreign exchange outlets , and offices, including required budgets and cost estimation along with their recommendation to the Board of Directors for examination and ratification.

The Committee also reviews the tenders and mutual practices' policies at the Bank in the manner that guarantees verifying that the Bank adopts the best approaches with regards to tenders' procedures in the manner that also guarantees the compliance with all laws and the regulations of the Bank during looking into such tenders.

• The committee's responsibilities with respect to the Social Responsibility:

The general targets of the Committee is represented in submitting recommendations to the Board of Directors with regards to any and all issues that arise from the program of alBaraka Bank Egypt for social responsibility in addition to taking along other relevant issues. Moreover, the targets of the Committee includes as well guaranteeing that alBaraka Bank Egypt's social responsibility program would be a pioneer in the social responsibility in its vision and strategy.

• The committee's responsibilities with respect to The Zakah Fund:

The main task of the Zakah Fund Committee is to look into spending the Zakah due on the Financial results of the Bank's activity achievement in its legal outlets pursuant to what is determined in the work system ratified for the Fund and in light of what is ratified and approved by the Islamic Shari'a advisor of alBaraka Bank Egypt.

A decision is issued by the Board of Directors on the set up of the Committee, the capacity of its members, its convening periodicity, its responsibilities, duties and powers.

8. Top Management Committee

The Top Management Committee branching off the Board of Directors (Board Committee) represents the highest administrative authority after the Board of Directors. It is the main entity in charge of the detailed audits of the operating activities and information. The committee practices its work within the framework of the competencies and authorities prescribed for it by the Board of Directors. It acts on behalf of the Board and delegates by its powers in cases of necessity, hastiness and the difficult convening of the Board in full for any reason. This Committee is chaired by the Chairman of the Board of Directors and its formation includes the majority of members of the Board of Directors; consequently, its decisions acquire the force of the decisions of the Board of Directors by the majority.

A decision is issued by the Board of Directors on the set up of the Committee, the capacity of its members, its convening periodicity, its responsibilities, duties and powers.

9. Shari'a Supervisory Board

The Shari'a Supervisory Board of alBaraka Bank Egypt is an independent body comprising scientists specialized in the Islamic Shari'a and the transactions jurisprudence. It is entrusted with directing the activities of the Bank, controlling and supervising them to ensure that they comply — in all fields of business, services and products — with the principles and provisions of the Islamic Shari'a.

10. Internal Shari'a Audit

An independent unit that reports directly to the Shari'a Supervisory Board from the technical aspect. It comprises one person or more entrusted with the task and responsibility of inspecting, rectifying and ensuring the compliance extent of the Bank with the Islamic Shari'a application in its transactions pursuant to the decisions and Religious opinions "Fatwa" of the Shari'a Supervisory Board.

The Board directs the internal Shari'a auditor to assume auditing and controlling the compliance with the decisions issued by the Shari'a Supervisory Board and the requirements of the compliance with the Islamic Shari'a at the Bank upon carrying out, processing transactions and the immediate amendment, correction of any deficiency aspects that does not comply with Islamic Shari'a. It prepares a bi-annual report on the results of the foregoing to be tabled before the Board, together with furnishing the Audit Committee branching off the Board of Directors with a summary of this report.

11. Members of the Top Executive Management of the Bank

NAME	Title
Mr. Samy Fathy Mohamed Abdul-Gawad	Deputy CEO and Board Member
Mr. Hazem Mohamed Moustafa	CEO Deputy for Marketing, Finance & Investment
Mr. Mahmoud Mohamed Saad Maher	In Charge of Legal Affairs Sector
Mr. Khaled Sahry Ahmed Mohamed El-Ammary	Head of Risk Sector
Dr. Adel Mohamed Ahmed El-Alem	In Charge of Information Systems Sector
Mr. Osama Mohamed Effat El Semyry	Senior Deputy Head sector of Human Resources Sector
Mr. Sabry Makeen Samweel	In Charge of Financial Sector
Mr. Radwan Ibrahim Abo El-Azem Radwan	First Deputy Head sector of Inspection and Internal Auditing
Mr. Ehab Farid Necola	Senior General Manager of Foreign Operations Sector
Mr. Abdul Maqsood Allam Attia Elbery	In Charge of debts' collection, adjustment and statistic sector
Mr. Emad Mohamed Shalaby Mohamed	Senior General Manager of General Department for Compliance
Mr. Sherif Salah Abd El-Salam	In Charge of Correspondent Banking

Report of the Shari'a Supervisory Board

To The Shareholders of alBaraka Bank Egypt

Allah's peace and blessings upon you all

Pursuant to Article 29 of the Articles of Association of the Bank, the Shari'a Supervisory Board hereby submits its following report to the shareholders of alBaraka Bank Egypt.

We have monitored the principles used and the contracts related to the dealings and the applications that the Bank has launched during and until the end of December 2018. Our monitoring was carried out to ensure that the Bank has complied with the provisions and principles of the Islamic Shari'a as well as the specific Fatwas, decisions and recommendations that we have issued.

We have carried out our monitoring that included documentation bases and the procedures adopted by the Bank on basis of testing each kind of transaction.

It is the responsibility of the management to ensure that the Bank operates pursuant to the provisions and principles of the Islamic Shari'a. Our responsibility is confined in expressing an independent opinion pursuant to our monitoring to the Bank's transactions and in preparing a report to you.

We have planned and implemented our monitoring in order to obtain all information and interpretations that we have considered necessary to provide us with sufficient evidences to give reasonable confirmation that the bank did not violate the provisions and principles of the Islamic Shari'a

We believe that

- The contracts, transactions and dealings that the Bank concluded during the year ended 31 December 2018 were carried out pursuant to the provisions and principles of the Islamic Shari'a.
- That the distribution of profits agrees with the basis that was accredited and that the dividends distributed among the holders of equity and the owners of investment accounts were paid according to the contracts concluded with them.
- In view of the fact that the Articles of Association compels the Bank to pay the Zakah, it was calculated and paid in its legitimate outlets.

We pray to Allah Almighty to guide us to victory and prosperity.

Allah's peace and blessing upon you.

Dr. Abdul Sattar Abu Ghudah

Dr. Ahmed Mohiyeldin

Dr. Mohamed Naguib Awadeen

Dr. Hassanein A. Monem Hassanein



Chairman
Shari'a Supervisory Board



Deputy Chairman
Shari'a Supervisory Board



Member
Shari'a Supervisory Board



Supervisor Member
Shari'a Supervisory Board

Cairo: 10/1/2019

Auditors' Report
and
Financial statements for the
year ended 31 December 2018

Auditors' Report

Messrs/ Shareholders of alBaraka Bank Egypt

An Egyptian Joint-Stock Company

Report on the Separate Financial Statements

We have audited the attached separate financial statements of alBaraka Bank Egypt, an "Egyptian Joint-Stock Company", represented in the separate balance sheet as at 31 December 2018 as well as the separate Income, cash flows and change in equity statements for the financial year ending as at that date as well as a summary of the important accounting policies and such other clarifications.

Responsibility of the Management for the Separate Financial Statements

The preparation of these separate financial statements is the responsibility of the Bank's management since the management is responsible for the preparation and presentation of the financial statements fairly & clearly according to the principles of banks' financial statements preparation and presentation, the recognition and assessment bases ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008 and in the light of the Egyptian laws in force. The management's responsibility also includes designing, implementing and maintaining an internal control relevant to the preparation and presentation of the separate financial statements fairly and clearly, free from any important and effective misstatements whether resulting from fraud or error. Such responsibility also comprises the selection of the appropriate accounting policies, the implementation thereof and preparing the accounting estimates appropriate to circumstances.

Responsibility of the Auditor

Our own responsibility is confined to express our opinion on these separate financial statements in the light of our auditing thereof. Our auditing process has been carried out according to the Egyptian Auditing Standards and in the light of the Egyptian Laws in force. These Standards require commitment to the requirements of professional conduct & planning and performing auditing so as to obtain an adequate assurance that the financial statements are free from any significant and effective errors.

The auditing works comprise carrying out certain procedures in order to obtain auditing evidences concerning the values and disclosures in the separate financial statements. The selected procedures depend on the professional judgement of the Auditor. This comprises an evaluation of the risks of important & effective misstatements in the separate financial statements, whether resulting from fraud or error. Upon the assessment of these risks, the auditor puts into his consideration the internal control relative to the Bank's preparation of the separate financial statements and the fair and clear presentation thereof in order to design the auditing procedures appropriate to circumstances, not for the purpose of expressing opinion on the efficiency of the internal control at the Bank. The auditing process also comprises an assessment of the extent of appropriateness of the accounting policies & the important accounting estimates prepared by the management as well as the soundness of the separate financial statements presentation.

We are of the opinion that the auditing evidences which we obtained are sufficient and adequate and are deemed an appropriate basis for expressing our opinion on the separate financial statements.

Opinion

In our opinion, the separate financial statements referred to above clearly & fairly express in all their important aspects the separate financial position of alBaraka Bank Egypt – an Egyptian Joint-Stock Company – as at 31 December 2018, its financial performance & its separate cash flows for the financial year ending as at that date, according to the rules governing the preparation and presentation of banks' financial statements, the bases of recognition & measurement ratified by the Board of Directors of the Central Bank of Egypt on December 16, 2008 and in the light of the Egyptian laws and regulations related to the preparation of the separate financial statements.

Report on the other legal & organizational requirements

No infringement has been found to be made by the Bank during the financial year ending as at 31 December, 2018 of any of the provisions of the Law of the Central Bank of Egypt, the Banking & Monetary System number 88 for the year 2003.

The Bank keeps regular financial accounts including all that should be established therein according to the stipulation of the law and the Bank’s articles of association. The separate financial statements have been found conformable to what is stated in these accounts.

The financial data stated in the report of the Board of Directors – prepared according to the requirements of Law no. 159/1981 and its executive regulations – are conformable to what is stated in the Bank’s registers, within the limits with which such data are stated therein.

Cairo: 16 January 2019

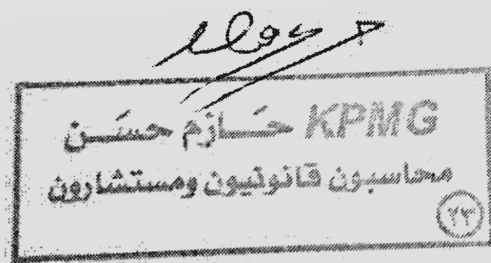
Auditors

Mohamed Mortada Abdel-Hamid



Recorded at the "Egyptian Financial Supervisory Authority" number 157
BDO - Khaled & Partners

Hossam Eldin Abdel-Wahab Ahmed



Recorded at the "Egyptian Financial Supervisory Authority" number (380)
KPMG Hazem Hassan
Chartered Accountants & Consultants

SEPARATE BALANCE SHEET

FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note No.	31 December2018 EGP	31 December2017 EGP
Assets			
Cash & due from Central Bank of Egypt	(15)	4 816 057 164	4 307 858 296
Due from banks	(16)	14 931 219 867	10 503 364 324
Governmental notes	(17)	10 477 659 419	6 018 129 415
Investment operations with banks	(18)	3 481 593 377	3 157 118 700
Murabaha, Mudaraba & Musharaka to customers	(19)	15 746 156 160	13 672 423 275
Financial investments			
Available- for- Sale	(20)	68 544 095	55 783 269
Held- to- maturity	(20)	11 149 592 421	10 920 504 701
Investments in subsidiaries & sister companies	(21)	49 000 000	---
Other assets	(22)	1 393 718 491	1 219 906 676
Fixed assets	(24)	407 707 815	423 886 346
Total assets		62 521 248 809	50 278 975 002
Liabilities and Equity			
Liabilities			
Due to banks	(25)	1 496 931 709	606 368 404
Customers' deposits	(26)	54 535 400 868	44 169 712 081
Other financing	(27)	1 178 893 561	1 177 267 771
Other liabilities	(28)	1 583 815 362	1 470 732 543
Other provisions	(29)	86 654 656	83 593 846
Current income tax liabilities		205 494 722	135 507 697
Deferred tax liabilities	(23)	2 402 066	3 067 937
Total liabilities		59 089 592 944	47 646 250 279
Equity			
Issued & paid- up capital	(30)	1 266 541 549	1 266 541 549
Set aside on account of the capital increase	(30)	139 319 572	---
Reserves	(31)	903 349 111	548 250 618
Retained earnings	(32)	1 122 445 633	817 932 556
Total equity		3 431 655 865	2 632 724 723
Total liabilities and equity		62 521 248 809	50 278 975 002

Ashraf Ahmed El-Ghamrawy



Vice-Chairman & Chief Executive

- The attached notes from (1) to (38) are an integral part of the financial statements.
- Auditor's report is attached.

SEPARATE INCOME STATEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note No.	31 December 2018 EGP	31 December 2017 EGP
Return on Murabaha, Mudaraba , Musharaka and similar revenues	(6)	6 960 115 487	5 102 334 189
Cost of deposits and similar costs	(6)	(5 075 115 729)	(3 585 607 354)
Net income from return		1 884 999 758	1 516 726 835
Fees and commissions income	(7)	287 977 397	241 095 663
Fees and commissions expenses	(7)	(16 552 541)	(12 341 937)
Net income of fees and commissions		271 424 856	228 753 726
Dividends income	(8)	6 346 405	8 461 602
Net trading income	(9)	73 391 038	75 612 657
Financial investments gains	(20)	12 696 137	810 411
(Burden) of credit losses impairment	(12)	(337 476 443)	(248 764 318)
Administrative expenses	(10)	(485 496 465)	(425 794 944)
Zakah and Charity Donations Fund Support		(10 777 940)	(8 308 805)
Other operating (expenses)	(11)	(597 236)	(25 342 077)
Year profits before income tax		1 414 510 110	1 122 155 087
Income Tax (expenses)	(13)	(410 872 605)	(396 896 656)
Net year profits		1 003 637 505	725 258 431
Earnings per share	(14)	4.82	3.41

Ashraf Ahmed El-Ghamrawy



Vice-Chairman & Chief Executive

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

SEPARATE CASH FLOWS STATEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note No.	31 December2018 EGP	31 December2017 EGP
Cash flows of operating activities			
Net year profits before income tax		1 414 510 110	1 122 155 087
Adjustments to reconcile net profits with cash flows of operating activities:			
Fixed assets depreciation	(24)	36 456 170	31 540 346
Bonds premium/discount amortization	(20)	(12 491 863)	(17 184 136)
Assets impairment burden	(12)	337 476 443	248 764 318
Other provisions burden	(11)	3 208 189	1 943 372
Impairment of available for sale equity instruments	(20)	--	636 650
Foreign exchange revaluation differences of other provisions	(29)	63 081	(199 651)
(Gains) of selling financial investments	(20)	(12 696 137)	(1 447 061)
Foreign exchange revaluation differences of financial investments	(20/31-f)	(18 364 074)	21 198 565
(Gains) of selling fixed assets	(11)	(1 817 115)	(1 234 930)
Dividends income	(8)	(6 346 405)	(8 461 602)
Used from the other provisions	(29)	(210 460)	(9 807 113)
Evaluation difference of subordinated finances	(27/B&C)	12 083 500	(19 491 500)
Operating profits before changes in assets and liabilities of operating activities		1 751 871 439	1 368 412 345
Net decrease (increase) in assets & liabilities			
Balances with central banks within the limit of the required reserve ratio	(15)	(555 793 880)	(1 603 533 535)
Balances with banks of more than three-months term	(16)	--	22 000 000
Governmental notes of more than three-months term	(17)	(4 459 530 004)	1 490 917 185
Investment operations with banks	(18)	(324 474 677)	(1 926 984 971)
Murabaha, Musharaka & Mudaraba for customers	(19)	(2 345 916 047)	(187 601 116)
Other Assets	(22)	(237 321 787)	(249 986 267)
Balances due to banks	(25)	890 563 305	(313 953 802)
Customers' Deposits	(26)	10 365 688 787	6 477 823 640
Other Liabilities	(28)	113 082 819	141 111 782
Payments of current income tax		(341 551 451)	(398 233 639)
Net cash flows ensuing of operating activities		4 856 618 504	4 819 971 622
Cash flows of investment activities			
(Payments) for purchasing fixed assets and branches preparation and fitting	(24)	(20 369 627)	(72 740 195)
Proceeds of selling fixed assets		1 909 103	1 293 800
Proceeds of recovering financial investments other than financial assets for trading	(20)	2 637 746 387	1 046 212 504

	Note	31 December 2018	31 December 2017
	No.	EGP	EGP
(Purchases) of financial investments other than financial assets for trading	(20)	(2 820 015 092)	(1 069 700 473)
Proceeds from subsidiaries & sister companies disposal		--	3 722 061
(Payments) of investments in subsidiaries & sister companies		(49 000 000)	--
Collected dividends	(8)	6 346 405	8 461 602
Net cash flows (used in) investment activities		(243 382 824)	(82 750 701)
Cash flows of financing activities			
Receipts of long-term restricted finances		--	12 500 000
(Payments) of long-term restricted finances	(27-A)	(10 457 710)	(7 069 949)
Receipts of subordinated finances from other shareholders		--	806 462 000
Paid dividends	(32)	(222 517 439)	(65 261 000)
Net cash flows (used in) ensuing from financing activities		(232 975 149)	746 631 051
Net increase in cash and cash equivalents		4 380 260 531	5 483 851 972
Cash and cash equivalents at the beginning of the year		11 085 116 779	5 601 264 807
Cash & cash equivalents at the end of the year		15 465 377 310	11 085 116 779
Cash & cash equivalents are represented in the following:			
Cash & balances with the Central Bank		4 816 057 164	4 307 858 296
Balances with banks		14 931 219 867	10 503 364 324
Governmental notes		10 477 659 419	6 018 129 415
Balances with central banks within the limits of the required reserve ratio		(4 281 899 721)	(3 726 105 841)
More than three-month-term balances with banks		--	--
More than three-month-term governmental notes		(10 477 659 419)	(6 018 129 415)
Cash & cash equivalents	(33)	15 465 377 310	11 085 116 779

Non-cash Transactions

For purposes of preparing the cash flows statement, the change in the item of "Murabaha, Musharaka & Mudaraba" to customers has been reconciled in a value equal to the change in the item of the assets devolving to the bank (included in the item of "Other Assets"), in an amount of EGP 63 509 972 currency evaluation differences in the amount of EGP 1 869 393, written off debts in the amount of EGP 202 897 081 as well as recovered amounts of previously written off debts in the amount of EGP 3 264 549.

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

SEPARATE STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	Note No.	Paid-up Capital	Set aside on account of capital increase	Reserves	Retained earnings	Total
		EGP	EGP	EGP	EGP	EGP
Balances as at January 1, 2017		957 687 374	143 653 104	327 119 571	542 863 282	1 971 323 331
Net change in financial investments available for sale		--	--	1 403 961	--	1 403 961
Net year profit		--	--	--	725 258 431	725 258 431
Total income of the year		957 687 374	143 653 104	328 523 532	1 268 121 713	2 697 985 723
Distributions of previous year profits (employees share & remuneration of the Board Members)		---	---	---	(65 261 000)	(65 261 000)
Dividends to shareholders used in increasing the capital, of the profits of 2015		143 653 104	(308 854 175)	---	---	(165 201 071)
Dividends to shareholders used in increasing the capital, of the profits of 2016		165 201 071	165 201 071	--	(165 201 071)	165 201 071
Transferred to the legal reserve		--	--	51 208 126	(51 208 126)	--
Transferred to the general reserve		--	--	167 000 000	(167 000 000)	--
Transferred to the capital reserve		--	--	377 393	(377 393)	--
Transferred to the general banking risks reserve		--	--	1 141 567	(1 141 567)	--
Balances as of 31 December 2017		1 266 541 549	--	548 250 618	817 932 556	2 632 724 723
	Note No.	Paid-up Capital	Set aside on account of capital increase	Reserves	Retained earnings	Total
		EGP	EGP	EGP	EGP	EGP
Balances as at January 1, 2018		1 266 541 549	--	548 250 618	817 932 556	2 632 724 723
Net change in financial investments available for sale	(31-f)	--	--	17 811 076	--	17 811 076
Net year profit		--	--	--	1 003 637 505	1 003 637 505
Total income of the year		1 266 541 549	--	566 061 694	1 821 570 061	3 654 173 304
Distributions of previous year profits (employees share & remuneration of the Board Members and shareholders "cash")	(32)	--	--	--	(222 517 439)	(222 517 439)
Dividends to shareholders used in increasing the capital, of the profits of 2017	(32)	--	139 319 572	--	(139 319 572)	--
Transferred to the reserve set for the risks of the IFRS9	(31-l- 32)	--	--	237 165 510	(237 165 510)	--
Transferred to the legal reserve	(31-b/ 32)	--	--	72 402 350	(72 402 350)	--
Transferred to the general reserve	31-c/32)	--	--	42 834 490	(42 834 490)	--
Transferred to the capital reserve	(31-d/32)	--	--	1 234 930	(1 234 930)	--
Transferred (from) the general banking risks reserve	(31-a/32)	--	--	(16 349 863)	16 349 863	--
Balances as at 31 December 2018		1 266 541 549	139 319 572	903 349 111	1 122 445 633	3 431 655 865

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

PROPOSED PROFIT APPROPRIATION STATEMENT FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

	31 December 2018	31 December 2017
	EGP	EGP
Net year profits according to the income statement	1 003 637 505	725 258 431
Transferred (to) the capital reserve	(1 817 115)	(1 234 930)
	1 001 820 390	724 023 501
Transferred (to) the general banking risks reserve	16 349 863	(1 141 567)
Reserve of the IFRS 9	(50 000 000)	(237 165 510)
Net distributable profits of the year	968 170 253	485 716 424
Added: Retained earnings at the beginning of the year	102 458 265	93 815 692
Total	1 070 628 518	579 532 116
Distributed as follows:		
Legal Reserve	100 182 039	72 402 350
General Reserve	420 000 000	42 834 490
Shareholders' dividends first quota – shares	63 327 075	63 327 075
Personnel quota	112 063 000	81 700 000
Remuneration of the Board Members	20 000 000	26 828 700
Shareholders' dividends second quota – shares	77 259 035	75 992 497
Shareholders' dividends additional quota – cash	140 586 114	113 988 739
End of year retained earnings	137 211 255	102 458 265
Total	1 070 628 518	579 532 116

The value of the shareholders' dividends proposed quota for the profits realized for the year ending as at December 31, 2018, amounts to EGP 281 172 224.

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

NOTES OF THE SEPARATE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2018

1- GENERAL INFORMATION

(Al Ahram Bank) – an Egyptian Joint-Stock Company – has been incorporated as a commercial bank on March 19, 1980, under Law 43 for the year 1974 and its amendments, replaced by the Investment Law.

Pursuant to the resolution of the Extraordinary General Assembly held on September 21, 1988, the Bank's name was amended to become the Egyptian Saudi Finance Bank. The Bank provides all corporate and retail banking services and investment pursuant to the provisions of the Islamic Shari'a in the Arab Republic of Egypt, through 32 branches. It employs 955 employees on the date of preparing the balance sheet. Its head office is located at 60 Mohei Eldin Abu El Ezz Street, Dokki, Giza. It is recorded in the (Cairo & Alexandria) Stock Exchanges.

The Bank's Extraordinary General Assembly held on April 30, 2009 decided to change the Bank's name to alBaraka Bank Egypt.

The Bank doesn't deal in financial derivatives, forward contracts or loans, pursuant to the nature of its Islamic business system. This applies to any of these terms wherever mentioned in the notes complementary to the financial statements.

The Bank's Board of Directors ratified the issuance of the financial statements for the financial year ending as at 31 December 2018, at its session held on January 16, 2019.

(2) Summary of the Accounting Policies

Hereunder is a statement of the most important accounting policies adopted upon preparing these financial statements. Such policies have been steadily adopted all over the reported years, unless otherwise is disclosed.

(A) Bases of Financial Statements Preparations

The financial statements are prepared pursuant to the Egyptian Accounting Standards issued during 2006 and their amendments, according to the instructions of the Central Bank of Egypt, ratified by its Board of Directors on December 16, 2008, conformable to the standards referred to, and on basis of the historical cost amended by revaluating the financial assets and liabilities for trading and the available for sale financial investments.

These separate financial statements of the Bank have been prepared according to the provisions of the related local laws.

Hereunder is a summary of the most important changes having occurred to the accounting policies and the financial statements as a result of applying such accounting modifications:

- The disclosure requirements pertaining to the objectives, policies and methods of financial risk management, capital adequacy management and some other notes have changed.
- Related parties have been determined according to the adjusted requirements and new notes have been added regarding these parties.
- The method of measuring impairment of "Murabaha, Musharaka & Mudaraba" and other debt instruments, which are usually measured at the depreciated cost, has changed. This resulted in writing off of the general provision formed for "Murabaha, Musharaka & Mudaraba" and instead total provisions have been constituted for the groups of assets bearing similar credit risks & specifications or individual provisions. Changing the method of provisions formation also resulted in the increase of the specific provisions used to be constituted for certain items in an amount of EGP 46 635 245 for the direct liabilities and the amount of EGP (4 226 483) for contingent liabilities. The total increase in the provisions constituted for the direct liabilities outstanding as at January First, 2009 to the provisions formed pursuant to the new methods have been carried

forward to a special reserve under "Shareholders' equity" and the opening balance of other provisions has been amended by the differences of contingent liabilities provisions.

- Upon determining the effective rate of return for the purpose of applying the method of amortized cost in order to calculate the revenues and cost of return on debt instruments, the commissions and fees related to the process of debt instruments acquisition or issuance have been determined. They have been added to or discounted of the acquisition/issuance value being a part of the transaction cost. This resulted in changing the effective return rate of such instruments.
- The Bank studied the assets which devolved to it against debt payment in order to ascertain the applicability of the rules of their classification among the noncurrent assets held for sale among other assets. This has not resulted in any difference in classification or in the value of measuring such assets. However, the classification of assets sold in installments has changed and also the effective return rate thereon has changed.
- The Bank has changed the classification and value of subordinated finance by the main Shareholder, as it has been reported at the present value, with reporting the difference to the nominal value under the item of "Difference of nominal value to present value of the subordinated finance by the main investor". Moreover, the income statement has been charged with the cost of the subordinated finance, with reducing the item of the (differences of nominal value to present value) annually against the increase of profits carried forward.

B- Subsidiaries & Sister Companies

B-1 Subsidiaries

- They are the companies (including Special Purpose Entities/SPEs) which financial and operational policies are directly or indirectly controlled by the Bank. Usually in this case, the Bank owns a stake exceeding one half of the voting rights, taking into consideration the existence and influence of the future voting rights that can be practiced or transferred at present, upon deciding whether or not the Bank is capable to have control on the company.

B-2 Sister companies

- Sister companies are the entities on which the Bank has, directly or indirectly, influential power but not to the extent of entire control and usually the Bank has an ownership share ranging from 20% to 50% of the voting rights.
- The "Purchase Method" is used in settling the accounts of the Bank's acquisition of these companies. The cost of acquisition is measured at the fair value or the consideration offered by the bank, whether assets for purchase &/or issued equity instruments &/or liabilities incurred by the bank &/or liabilities which it accepts on behalf of the acquired company, on the exchange date, added to which are any costs directly related to the acquisition process. The net assets, including the potential acquired determinable liabilities, are measured at the fair value on the acquisition date, regardless of any rights of minorities and the increase of the acquisition cost to the fair value of the Bank's share in this net is considered "goodwill", while if this cost of acquisition falls below the fair value of the net referred to, the difference shall directly be reported in the income statement under the item of [Other Operating income (expenses)].
- Accounts of subsidiaries and sister companies are settled in the separate financial statements of the Bank using the cost method. According to this method, investments are established at the acquisition cost, including goodwill, less any losses of impairment in value. Profit distributions are reported in the income statement upon their ratification and attesting the Bank's entitlement to collect them.

C- Sector Reports

- The activity sector is a group of assets and the operations related to providing products or services having common risks and benefits distinguished from those related to other activity sectors. The geographical sector provides products or services inside the same economic environment having its own common risks and benefits different from those related to the geographical sectors operating at a different economic environment.

D- Foreign Currencies Translation

D-1 Functional and presentation Currency

- The items included in the financial statements of the Bank's foreign branches are measured using the currency of the basic economic environment where the foreign branch practices its business (functional currency).
- The Bank's financial statements are displayed in Egyptian Pounds, which represents both the functional and presentation currency of the Bank.

D-2 Transactions and balances in foreign currencies

- The Bank keeps its accounts in Egyptian pounds. The transactions in other currencies during the financial year are established on basis of the exchange rates prevailing upon the transaction implementation. The balances of monetary assets and liabilities in other currencies are revaluated by the end of the financial year on basis of the exchange rates prevailing on that date. The profits & losses ensuing of the settlement of these transactions are recognized in the income statement and the revaluation differences are recognized in the following items:
 - Net trading income or the net income of the financial instruments classified upon their institution at the fair value through profits or losses for the assets/liabilities held for trading or those classified upon institution at the fair value through profits or losses, per each type
 - Other operating income (expenses) for the remaining items
- The changes in the fair value of the monetary financial instruments in foreign currencies, classified as available-for-sale Investments (debt instruments) are analyzed either as evaluation differences resulting of the changes in the instrument amortized cost, differences resulting of changing the prevailing exchange rates and differences resulting of the change of the instrument fair value.
- The evaluation differences related to changes of the amortized cost are recognized in the income statement under the item of "return on murabaha, musharaka, mudaraba" and similar revenues, while the differences related to the change of the exchange rates are recognized under the item of "other operating income (expenses)". The differences of the change in the fair value are recognized among "shareholders' equity" (fair value reserve/financial investments available for sale).
- The non-monetary items evaluation differences comprise the gains and losses ensuing of the change in the fair value such as the shareholders' equity instruments held at the fair value through profits and losses. The evaluation differences resulting of the equity instruments classified as "financial investments available-for-sale" are recognized in the fair value reserve under shareholders' equity.

D-3 Foreign branches

- The work proceeds and financial position of foreign branches are translated to the presentation currency (if none of them is operating in a rapidly inflating economy), which functional currency is different from the Bank's presentation currency, as follows:
 - The assets and liabilities in every displayed balance sheet of the foreign branch is translated using the closing rate on the date of that balance sheet.
 - The revenues and expenses in every displayed income statement is translated using the average exchange rate, unless this average doesn't represent a reasonable approximation of the accumulated effect of the rates prevailing on the transaction dates. In this case, the revenues and expenses are translated using the exchange rates prevailing upon the transactions' dates.
- The ensuing currency differences are recognized in an independent item (foreign currencies translation differences) under the "shareholders' equity". Likewise, the currency differences resulting of evaluating net investment in foreign branches, loans and financial instruments in foreign currency allocated for hedging this investment are also carried forward to the "shareholders' equity" under the same item. These differences are recognized in the income statement upon disposal of the foreign branch, under the item of (other operating revenues "expenses").

E- Financial Assets

- The Bank classifies financial assets in the following groups: Financial assets classified at the fair value through profits & losses, facilities, debts and financial investments held-to-maturity & available-for-sale. The Management classifies investments upon their initial recognition.

E-1 Financial assets classified at the fair value through profits and losses

- This group comprises financial assets held for trading and the assets classified upon their institution through profits & losses.
- The financial instrument is classified as held for trading if acquired and if its value is basically incurred for the purpose of selling thereof on short-term or else if it represents a part of a certain financial instruments portfolio managed as a whole and in case of an evidence to recent actual transactions indicating the obtaining of gains on the short term. Derivatives are classified as held for trading if allocated as hedging instruments.
- The financial assets are classified upon their institution as the fair value through profits and losses in the following cases:
 - When this extenuates contradiction of measurement which may result if the concerned derivative is treated as held for trading at the time when the financial instrument is evaluated in replacement to a derivative at the amortized cost for the loans and facilities to banks and customers and the issued debt instruments.
 - Upon the management of some investments in equity instruments and evaluating them at the fair value according to the investment strategy or the management of risks and reporting them to the Top Management on this basis, then these investments are classified at the fair value through profits and losses.
 - The financial instruments, such as the held debt instruments, which include one or more of the implicit derivatives which intensely influence the cash flows, are classified at the fair value through profits and losses.
- Profits and losses ensuing of changes in the fair value are recorded under the financial derivatives managed in relation to the financial assets and liabilities classified upon institution at the fair value through profits and losses in the income statement, under the item of "net income of financial instruments classified upon institution at the fair value through profits & losses".
- The financial derivatives of the group of financial instruments evaluated at the fair value through profits or losses are not reclassified during the period of holding them or their validity. Likewise, the financial instruments transferred of the group of financial instruments at the fair value through profits or losses are not reclassified if this instrument is allocated by the Bank upon initial recognition as an instrument classified at the fair value through profits & losses.

E-2 Facilities and debts

- They represent non-derivative financial assets having a fixed value, or a value liable to be determined, and which are not traded in an active market, except for:
 - The assets which the Bank intends to sell immediately or on short term, which in this case are classified among the assets held for trading
 - The assets which the Bank classifies as available for sale upon initial recognition
 - The assets which the Bank shall not be basically able to recover the value of its original investment for reasons other than credit deterioration.

E-3 Financial investments held-to-maturity

- The Financial investments held-to-maturity represent non-derivative financial assets of a fixed value, or a value liable to be determined, and a fixed maturity date and which the bank management intends to and is capable of holding up to their maturity date. The whole group is reclassified as available-for-sale if the Bank sells a significant amount of the financial assets held-to-maturity, except in cases of necessity.

E-4 Financial Investments available for sale

- The Financial Investments available for sale represent non-derivative financial assets intended to be held for an indefinite period. They may be sold in response to the need of liquidity or the changes in the return rates or exchange rates or shares.

- The following measures are adopted regarding financial assets:
 - The regular purchase and sale operations of financial assets are recognized on the trading date, which is the date on which the Bank undertakes to purchase or sell the asset. This applies to the assets classified at the fair value through profits and losses, the "held-to-maturity" financial investments and the "available for sale" Financial Investments.
 - The financial assets which are not classified upon their institution at the fair value through profits and losses are initially recognized at the fair value, added to which are the transaction costs. The financial assets classified upon their institution at the fair value through profits and losses are classified at the fair value only, with charging the costs of the transaction to the income statement, under the Item of "net trading income".
 - Financial assets are eliminated upon the termination of the validity of the contractual right to obtain cash flows of the financial asset or when the Bank transfers most of the risks and benefits related to ownership to third party. Liabilities are eliminated upon their termination, whether by getting rid or abrogation thereof or in case of the termination of their contractual duration.
 - Each of the financial investments available for sale & the financial assets classified at the fair value through profits and losses shall be subsequently measured at the fair value, while the facilities, debts and investments held-to-maturity shall be measured at the amortized cost.
 - On the one hand, the profits and losses ensuing of the changes in the fair value of the financial assets classified at the fair value through profits and losses shall be recognized in the income statement in the year during which they occur, on the other hand the profits and losses ensuing of the changes in the fair value of financial investments available for sale shall be directly recognized under the equity, until eliminating the asset or the impairment of its value, at which point the accumulated profits and losses previously recognized under equity shall then be recognized in the income statement.
 - The returns calculated using the amortized cost method & the profits & losses of foreign currencies of the monetary assets classified as available for sale are recognized in the income statement, and so are the profit distributions ensuing of the equity instruments classified as available for sale, when the Bank becomes entitled to collect them.
 - The fair value of the investments which prices are proclaimed at active markets shall be determined on basis of the bid prices. However, in case there is no active market for the financial asset or in case of the unavailability of bid prices, the Bank shall determine the fair value using one of the evaluation methods. This includes using recent neutral transactions or analyzing the discounted cash flows, using the "option pricing models" or the other evaluation methods prevailing among the traders at the market. If the Bank fails to evaluate the fair value of the equity instruments classified as available for sale, their value shall be measured at the cost price after discounting any impairment in value.
 - The Bank reclassifies the financial asset classified among the group of financial instruments available for sale, defined as debts (bonds), by transferring thereof from the group of financial instruments available for sale to the group of the financial assets held-to-maturity when the Bank intends to and is capable of maintaining these financial assets in the near future or up to maturity. Reclassification is made at the fair value on that date and any gains or losses pertaining to these assets, previously recognized under equity, shall be handled as follows:
 1. In case of the reclassified financial asset having a fixed maturity date, the profits and losses shall be depreciated over the remaining lifespan of the held-to-maturity investment, using the effective return method. Any difference between the value on basis of the amortized cost and the value on basis of the maturity date shall be amortized over the remaining lifespan of the financial asset, using the effective return method. In case of subsequent impairment of the financial asset value, any previously recognized gains or losses shall be directly recognized among the equity in profits & losses.
 2. In case of the financial asset having no fixed maturity date, the profits or losses shall remain among the equity until selling the asset or disposing thereof, after which they shall be recognized in the profits & losses. In case of subsequent impairment in the financial asset value, the previously recognized profits or losses shall be directly recognized among the equity in the Profits & Losses.
 - If the Bank amends its estimates of payments or receivables, reconciliation of the book value of the financial asset (or the group of financial assets) shall be made so as to reflect the effective cash flows and the amended estimates, so that the book value shall be recalculated by calculating the present value of the future cash flows estimated at the effective return rate of the financial instrument. This reconciliation shall be recognized as revenue or expense in the profits & losses.
 - In all cases, if the Bank reclassifies a financial asset as referred to above, and if it later increases its estimates of the future cash receipts as a result of the increase of what may be recovered of these cash receipts, the influence of this increase shall be recognized as reconciliation of the effective return rate as of the date of the estimate change and not as reconciliation of the asset's book value on the date of the estimate change.

F- Offsetting Financial Instruments

- Offset shall be made between financial assets & liabilities in case of an enforceable legal right to perform clearing between the recognized amounts and in case of the intention to perform reconciliation on basis of the net amounts or to receive the asset and settle the liability at the same time. The Treasury bills with repos and reverse repos agreements are netted in the balance sheet under "Government notes".

G- Return Revenues and Expenses

- The maturity principle is adopted upon reporting the "murabaha" revenue, as the value of this revenue is reported in advance and is charged to the "murabaha" Account. This return is proportionally distributed over the period of "Murabaha" all over the year, as of the date of paying funds up to the settlement date. The unrealized portion of the "murabaha" revenues shall be reported by the end of the year under the Item of "credit balances and other liabilities" under the "liabilities" in the balance sheet, being a deferred revenue. It shall be discounted of the total of "Murabaha" in the balance sheet. Reporting the "murabaha" revenues under the item of "revenues" shall be suspended when recovering the value of these revenues or the principal "murabaha" is uncertain.

H- Fees & Commissions Income

- The fees due for the service of murabaha, musharaka & mudaraba are recognized among revenues upon providing the service. Recognition of the fees and commissions revenues pertaining to non-performing or impaired debts of murabaha, musharaka & mudaraba shall be suspended, as they shall be recorded in subsidiary books off the financial statements. They shall be recognized among revenues according to the cash basis upon recognizing the return revenues as stated under note (G-2). As for the fees representing a complementary part of the effective return of the financial asset in general, they are handled as an amendment to the effective return rate.
- The commitment fees due on murabaha, musharaka & mudaraba shall be postponed in case of the probability of withdrawing these murabaha, musharaka & mudaraba, since the commitment fees collected by the Bank are considered as a compensation for the perpetual interference to acquire the financial instrument. They are recognized by means of amending the effective return rate on the murabaha, musharaka & mudaraba. In case of the termination of the commitment period without issuing the murabaha, musharaka & mudaraba by the Bank, the fees shall be recognized among revenues upon the termination of the commitment validity.
- The fees pertaining to the debt instruments, measured at the fair value, shall be recognized among revenues upon initial recognition. The fees of promoting syndicated murabaha, musharaka & mudaraba shall be recognized among revenues upon accomplishment of promotion, when the Bank doesn't keep any part of the murabaha, musharaka & mudaraba or if it keeps a part having the same effective return rate available to other participants.
- The fees and commissions ensuing of negotiation or participation in negotiation on a transaction in favour of a third party, such as arranging the purchase of shares or other financial instruments, acquisition or sale of entities, shall be recognized in the income statement upon accomplishment of the concerned transaction. The fees of administrative consultations and other services are usually recognized on basis of proportional time distribution over the period of service provision. The fees of financial planning management and custodian services provided on long terms are recognized over the year during which the service is provided.

I- Dividends Income

- Profit distributions are recognized in the income statement upon the issuance of the right of collecting them.

J- Financial Assets Impairment

J-1- Financial assets recorded at amortized costs

- The Bank decides, on the date of preparing each balance sheet, whether or not there is objective evidence to the impairment of any financial asset or group of assets. The financial asset or group of financial assets are considered impaired and their impairment losses are incurred when there is objective evidence to impairment as a result of one or more events having occurred after initial recognition of the asset (Loss Event) and if this event influences

the future cash flows of the financial asset or group of assets which can be reliably assessed.

- The indicators used by the Bank to decide the existence of objective evidence to the impairment losses include:
 - Significant financial difficulties facing the debtor
 - Violation of the terms of the murabaha, musharaka & mudaraba agreement, such as nonpayment
 - Expecting the borrower's bankruptcy or his involvement in a receivership lawsuit or else rescheduling the finance granted to him
 - Deterioration of the competitive situation of the borrower
 - If the Bank grants the borrower exceptional privileges or terms which it doesn't usually agree to grant in normal cases, due to economic or legal reasons related to financial difficulties facing him
 - Impairment of the collateral's value
 - Deterioration of his creditworthiness
- The objective evidences to the impairment loss of a group of financial assets include the existence of clear data indicating a measurable reduction in the future cash flows expected of this group since initial recognition, in spite of the inability to determine such reduction per each asset independently. An example to the foregoing is the increase in the cases of payment default regarding a banking product.
- The Bank estimates the period lapsing between the loss occurrence and its identification for each definite portfolio, which generally ranges between three to twelve months.
- The Bank first decides whether there is objective evidence to the impairment of each financial asset independently if significant by itself. This is carried out generally or individually for the financial assets having no importance by themselves. In this concern, it should be taken into consideration:
 - If the Bank has decided that there is no objective evidence to the impairment of a financial asset studied individually, whether or not significant by itself, in which case such asset shall be joined to other financial assets having similar credit risk characteristics, and then they shall be assessed together to decide impairment according to the historical default rates.
 - If the Bank has decided that there is objective evidence to the impairment of a financial asset, in which case it shall be studied independently to assess impairment. If the study reveals impairment losses, the asset shall not be added to the group for which impairment losses are collectively calculated.
 - If the previous study reveals no impairment losses, the asset shall be added to the group.
- The impairment loss provision shall be measured at the difference between the asset book value and the current value of expected future cash flows. This doesn't include the future credit losses which haven't yet been incurred, discounted using the original effective return rate of the financial asset. The book value of the asset shall be reduced using the impairment loss provision. The credit loss impairment burden is recognized in the income statement.
- If the murabaha, musharaka & mudaraba or the investment held to maturity bears variable return rate, the discount rate used for measuring any impairment losses shall be the effective return rate, according to the contract. Upon determining the existence of objective evidence to the asset impairment and for practical purposes, the Bank may measure the value impairment losses on basis of the instrument fair value using announced market prices. As for the guaranteed financial assets, it should be taken into consideration to add the present value of the future cash flows expected of the financial asset as well as the flows ensuing of the collateral implementation and sale, after discounting all related expenses.
- For purposes of estimating total impairment, the financial assets shall be collected into groups having similar characteristics in terms of credit risks, i.e. on basis of the classification process carried out by the Bank, taking into account the type of asset, industry, geographical location, type of collateral, the delays situation and such other related factors. These characteristics are related to the estimation of the future cash flows of the groups of assets, for being an indicator to the debtors' capability to pay the due amounts pursuant to the contractual terms of the assets – subject-matter of study.
- Upon estimating the impairment of a group of financial assets on basis of historical default rates, the future cash flows of the group are estimated on basis of the contractual cash flows of assets at the Bank and the amount of historical losses of the assets having credit risk characteristics similar to the assets owned by the Bank. The amount of historical losses are amended based on the current announced particulars so as to reflect the influence of current conditions which were not available in the year during which the amount of historical losses were estimated, in order to eliminate the influence of the conditions that prevailed during historical periods but does no longer exist.

- The Bank is keen on ascertaining that the expected changes in the cash flows of a group of financial assets, together with the changes in the related reliable particulars reflect this relation from one period to the other. Examples of such changes are the changes in the unemployment rates, the real estate properties prices, the settlements situation and such other factors indicating changes in the group loss probabilities and amount. The Bank periodically reviews the method and the assumptions used for estimating future cash flows.

J-2- Available-for-sale financial investments

- On the date of preparing each balance sheet, the Bank decides whether or not there is objective evidence to the impairment of one or a group of financial assets classified among the "available-for-sale financial investments". In case of investment in equity instruments classified as "available for sale", the significant or extended reduction in the instrument fair value to less than its book value should be taken into account upon deciding whether or not the asset is impaired.
- As for the periods starting from January First, 2009, reduction is considered significant if reaching 10% of the book value cost and extended if lasting for more than nine months. If such evidences are available, the cumulative losses shall be transferred of the shareholders' equity and recognized in the income statement. The value impairment pertaining to shareholders' equity instruments, recognized in the income statement, shall not be reversed in case of subsequent increase in the fair value. However, in case of the increase of the fair value of the debt instruments classified as available for sale and if this increase can be objectively linked to an event having occurred after recognizing impairment in the income statement, impairment can be reversed through the income statement.

K- Real Estate Investments

- The real estate investments are represented in the lands and buildings owned by the Bank for the purpose of obtaining rental returns or capital increase. Accordingly, they don't include the real estate assets through which the Bank practices its business or those which devolved to it against payment of debts. Accounts of the real estate investments shall be settled by the same accounting method applied on fixed assets.

L- Intangible Assets

L-1 Goodwill

- The goodwill is represented in the increase in the acquisition cost to the fair value of the Bank's share in the net assets, including the probable acquired liabilities, liable to be determined, of the subsidiary or sister company on the acquisition date in the Bank's separate financial statements. The extent of the goodwill impairment is considered annually, provided that the income statement is to be debited by the value of goodwill depreciation at 20% annually or the impairment of its value, whichever is larger. The goodwill of subsidiaries and sister companies represents an element upon determining the gains and losses of selling such companies (note B-2).
- The goodwill is distributed on the cash generating units for purposes of examining impairment. The cash generating units are represented in the Bank's main sectors. (Note C-2).

L-2 Computer programs

- The expenses related to computer development or maintenance are recognized as an expense in the income statement upon incurring thereof. The expenses directly related to specific programs, under the Bank control, which are expected to generate economic benefits with a cost exceeding one year, shall be recognized as intangible asset. The direct expenses comprise the cost of the personnel of the programs development team in addition to an appropriate share of the related general expenses.
- The expenses leading to the enhancement and expansion of the computer programs performance to their original specifications shall be recognized as development cost and shall be added to the programs original cost.
- The cost of computer programs recognized as an asset shall be depreciated over the period during which it is expected to be benefited of, with a maximum of three years.

L-3 Other intangible assets

- This is represented in intangible assets other than the goodwill and computer programs (as for instance trademarks, licenses and lease contracts benefits)
- The other intangible assets are established at the cost of their acquisition and are depreciated using the fixed installment method or on basis of the economic benefits expected to be realized, over the estimated useful lives thereof. As for the assets having no specific production lifetime, they are not depreciated. However, the impairment in their value is considered annually and the impairment value – if any – is charged to the income statement.

M- Fixed Assets

- The lands and buildings are basically represented in the premises of the head office, branches and offices. All fixed assets are reported at the historical cost less depreciation and impairment losses. The historical cost comprises the expenses directly related to the acquisition of the fixed assets items.
- The subsequent expenses are recognized among the book value of the outstanding asset or as an independent asset, as appropriate, when it is probable that future economic benefits related to the asset inflows to the Bank and when it is possible to determine this cost reliably. The maintenance and repair expenses shall be recognized during the year when they are incurred among other operating expenses.
- Lands are not depreciated and the depreciation of other fixed assets shall be calculated using the straight line method for distributing cost so as to reach the scrap value over the useful lives, as follows:

Buildings and constructions	20 years
Refurbishments of leased properties	As per the asset type – (4-20 years)
Office furniture and safes	4 years
Means of transportation	4 years
Computers/Integrated automatic systems	2 years
Fittings and installations	20 years

- The scrap value and the useful lives of fixed assets are reviewed on the date of preparing each balance sheet and amended when necessary. The depreciated assets are reviewed for the purpose of determining impairment upon the occurrence of events or changes in circumstances indicating that the book value may not be recovered. If the book value exceeds the redemption value it shall be immediately reduced to be equal to that value.
- The redemption value represents the higher of the net realizable value of the asset or its utilization value. The profits and losses of excluded fixed assets shall be determined by means of comparing net receivables to the book value. Profits (losses) shall be reported under the item of other operating income (expenses) in the income statement.

N- Impairment of Non-Financial Assets

- Except for the goodwill, the assets having no fixed useful life are not depreciated. Their impairment is tested annually. Impairment of the depreciated assets is studied upon the occurrence of events or changes in circumstances indicating that the book value may not be recovered.
- The impairment loss is recognized and the asset value is decreased in the amount representing the difference between the asset book value and its recovery value. The recovery value represents the net realizable value of the asset or its utilization value, whichever is higher. The asset is attached to the least possible cash generating unit for purposes of estimating impairment. The non-financial assets revealing impairment shall be reviewed to find out whether impairment is reversed to the income statement on the date of preparing each balance sheet. The decrease in the assets value shall be reversed to the extent where the asset book value doesn't exceed its recoverable value which shall be determined after discounting depreciation, had no impairment loss been recognized for the asset value.

O- Leases

- Accounts of the finance lease are settled pursuant to Law number 95/1995 governing finance lease, if the contract authorizes the lessee to purchase the asset on a fixed date and against a fixed value and if the contract duration represents at least 75% of the useful life expected for the asset, or if the current value of the total lease payments represents at least 90% of the asset value. Other lease contracts are considered "operating lease contract".

O-1 Rentals

- Regarding finance lease contracts, the lease cost, including the maintenance cost of leased assets, is recognized under expenses in the income statement of the year when they occur. If the Bank decides to exercise the right of purchasing leased assets, the cost of the purchase right is capitalized as a fixed asset and is depreciated over the remaining expected useful life of the asset, in the same way adopted with similar assets.
- Payments on account of operating lease is recognized, less any discounts acquired from the Lessor, under expenses in the income statement, using the straight line method over the contract duration.

O-2 Lease out

- Regarding the finance leased out assets, they are reported in the balance sheet among fixed assets, and are depreciated over the expected useful life of the asset using the same way adopted with similar assets. The lease revenues are recognized on basis of the rate of return on the lease contract, in addition to an amount equal to the year depreciation cost. The difference between the revenue of the lease recognized in the income statement and the total accounts of finance lease customers is carried forward in the balance sheet until the lapse of the lease contract duration, where it is used for carrying out a clearing with the net book value of the leased asset. The maintenance and insurance expenses are charged to the income statement upon their occurrence, to the extent that the lessee is not charged therewith.
- When there is objective evidence that the Bank won't be able to collect all the balances of finance lease debtors, they shall be reduced to the value expected to be recovered.
- As for the operating leased assets, they are reported among fixed assets in the balance sheet and are depreciated over the expected useful life of the asset, the same way applied to similar assets. The lease revenue is reported less any discounts granted to the lessee, using the straight line method over the contract duration.

P- Cash & Cash equivalent

- For the purposes of presentation of the cash flows statement, the item of "cash and cash equivalent" includes the balances which maturity doesn't exceed three months to the acquisition date. This item includes cash, balances with the Central Bank outside the framework of required reserve ratio, balances with banks and other governmental notes.

Q- Other Provisions

- The provision of the restructuring costs and legal claims is recognized when there is a current legal obligation resulting of past events, which may probably require the use of the Bank's resources for settling such obligations, with the possibility of reaching a reliable assessment of the value of this obligation.
- In case of similar obligations, the outgoing cash flow that can be used in settlement should be determined, taking into consideration this group of obligations. The provision shall be recognized even in case of a very slight probability of having an outgoing cash flow for an item of this group.
- The provisions which are no longer required shall be totally or partially reversed under the Item of "other operating income (expenses)".
- The present value of the payments estimated to be made for the settlement of the obligations, having a one-year value date as of the date of the balance sheet, is measured using a rate appropriate to the obligation settlement term – without being influenced by the prevailing tax rate – which reflects the time value of money. If this value date is less than one year, the obligation estimated value shall be calculated at the present value, unless having substantial influence.

R- Financial Collateral Contracts

- The financial collaterals contracts are the contracts issued by the Bank as a guarantee to the murabaha, musharaka & mudaraba or debit current accounts submitted to its customers of various quarters. They require that the Bank make certain settlements to compensate the beneficiary for a loss which he has incurred due to nonpayment of a debtor, upon maturity of settlement as per the conditions of the debt instrument. Such financial collaterals are submitted to banks, financial institutions and other quarters on behalf of the Bank customers.

- The fair value, which may reflect the collateral charges, is initially recognized in the financial statements on the date of granting the collateral. Subsequently, the Bank's obligation under the collateral is measured on basis of the initial measurement amount, less the calculated depreciation for recognizing the collateral charges in the income statement using the straight line method all over the collateral useful life, or the best estimate of the payments required for settling any financial obligation resulting of the financial collateral on the reporting date, whichever is higher. These estimates are determined pursuant to the experience in similar transactions and historical losses, confirmed by the Management judgement.
- Any increase in the obligations resulting of the financial collateral is recognized in the income statement, under the Item of "other operating income (expenses)".

S- Income Taxes

- The income tax on the year's profits or losses includes each of the year tax & the deferred tax. It is recognized in the income statement, except for the income tax pertaining to shareholders' equity items, which is directly recognized in the shareholders' equity.
- The income tax is recognized on basis of the net taxable profit using the tax rates prevailing on the date of preparing the balance sheet, in addition to the tax settlements of previous years.
- The deferred taxes ensuing of temporary time differences between the book value of assets and liabilities on accounting bases and their tax-based amount is recognized. The deferred tax is determined pursuant to the method expected for reconciling the assets and liabilities values using the tax rates prevailing on the date of preparing the balance sheet.
- The Bank's deferred tax assets are recognized when there is a strong probability to achieve taxable profits in future, through which this asset may be benefited of. The value of the deferred tax assets shall be discounted with the value of the part which is not expected to achieve the tax benefit throughout the following years. However, in case of the increase of the expected tax benefit, the deferred tax asset shall be increased within the limits of the part previously decreased thereof.

T- Borrowing

- The facilities obtained by the Bank are initially recognized at the fair value, less the cost of the facility acquisition and is subsequently measured at the amortized cost. The difference between the net receivables and the payment value shall be charged to the income statement over the borrowing duration, using the effective return method.

U- Capital

U-1 Cost of capital

- The issuance expenses directly related to the issuance of new shares or shares against an entity acquisition or else options issuance are displayed, being discounted of the shareholders' equity, at the net collections after taxation.

U-2 Dividends

- Dividends are reported, being discounted of the shareholders' equity, for the year during which the shareholders' general assembly ratifies such distributions. Dividends include the personnel share in profits and the board of directors' remuneration stipulated in the articles of association and the law.

U-3 Treasury shares

- If the Bank purchases capital shares, the purchase amount shall be discounted of the total equity, as this represents treasury shares cost until they are abrogated. In case of selling these shares or reissuing them at a subsequent period, all collected amounts shall be credited to the equity.

V- Trust Activities

- The Bank doesn't practice custody activities. However, in case of practicing such an activity, resulting in the ownership or management of third party's assets, the assets and the ensuing profits shall be excluded from the Bank's financial statements, since they are not among the Bank's assets.

W- Comparative Figures

- The comparative figures are reclassified whenever necessary so as to conform to the changes of the presentation adopted for the current period.

3- Financial Risk Management

The Bank is exposed to various financial risks resulting of the activities it practices & risk tolerance is the basis of financial business. Some or a group of risks are collectively analyzed, assessed and managed and therefore the Bank aims at realizing equilibrium between risk and return and at extenuating the probable negative effects on its financial performance. The most significant types of risks are the risk of credit, the market risk, the liquidity risk and such other operating risks. The market risk includes each of the foreign currencies exchange risk, the return rates risk and the risks of other rates.

Risk management policies have been laid down so as to determine, analyze, mitigate and control risks, supervise them and comply with such limits through reliable methods and updated information systems. The Bank periodically reviews risk management policies and systems and amend them so as to reflect changes at markets, products and services as well as the best up-to-date applications.

Risks are managed by the risk sector in the light of the policies ratified by the board of directors. The risk sector determines, assesses and hedges financial risks, with the cooperation of the various operating units at the Bank. The board of directors provides the risk sector with written risk management principles as a whole, in addition to the written policies hedging certain risk areas such as the credit risk, the foreign currencies exchange risk, the return rates risk, the use of financial derivative and non-derivative instruments. Besides, the risk sector is responsible for carrying out periodic review of risk management and the supervisory environment independently.

A- Credit Risk

The Bank is exposed to the credit risk which results of any party's failure to fulfill his undertakings. The credit risk is considered the most significant to the Bank, therefore the management carefully works on managing thereof. The credit risk is basically represented in the lending activities, resulting in murabaha, musharaka & mudaraba, as well as the investment activities resulting in having debt instruments among the Bank's assets. There is also credit risk related to the financial instruments off the balance sheet, such as the commitments of murabaha, musharaka & mudaraba. The processes of credit risk management and control are mainly carried out by the credit risk management team at the risk sector which periodically reports to the board of directors, the top management and the heads of the activity units.

A/1 Credit risk measurement

- **murabaha, musharaka & mudaraba to customers**
- In order to measure the credit risk pertaining to murabaha, musharaka & mudaraba to banks and customers, the Bank considers three factors:
 - The probability of default by the customer or the third party to fulfill his contractual obligations
 - The current status and future probable development of which the Bank can deduce the balance exposed to default (Exposure at default).
 - The loss given default
- The Bank daily management tasks include these measurements of credit risks reflecting expected loss (the expected loss model), required by basel committee on banking supervision. Operating standards may contradict with the impairment charges according to the Egyptian accounting standard number 26 which relies on the losses incurred on the reporting date (realized loss model) and not the expected losses model "note number 3/A".
- The Bank assesses the probability of default of each customer, using internal assessment methods so as to classify creditworthiness of the customers' various categories. These assessment methods have been developed internally, taking into consideration statistical analysis together with the personal judgement of the officials in charge with credit risk management so as to realize the appropriate creditworthiness classification. The Bank customers have been divided into four categories in terms of creditworthiness. The creditworthiness structure used by the Bank, as shown in the following table, reflects the probability of default for each category, basically meaning that the credit positions transfer among the creditworthiness categories pursuant to the change in the probability of default assessment. The assessment methods are reviewed and developed whenever necessary. The Bank periodically assesses the credit rating methods and the extent of their capability to predict cases of default.

- The Bank's internal credit rating categories:

Rating	Rating indication
1	Performing debts
2	Regular watching
3	Watch list
4	Non performing debts

- The position exposed to default relies on the amounts which the Bank expects to be outstanding upon the default occurrence. For instance, in cases of murabaha, musharaka & mudaraba, this position is the nominal value while in case of commitments, the Bank enlists all actually withdrawn amounts in addition to such other amounts which it expects to be withdrawn up to the date of default, if any.
- The given or acute loss represents the Bank's expectation of the extent of loss upon claiming the debt in case of default. This is expressed by the ratio of loss to debt. This inevitably differs as per the type of debtor, claim priority and the availability of collaterals or other methods for hedging credit.
- **Debt instruments, treasury bills & other bills**
- Regarding debt instruments and bills, the Bank uses external ratings for managing credit risk, such as Standard & Poor's Rating and such similar ratings. If such ratings are not available, methods similar to those applied on the credit customers are also used. Investments in securities and governmental notes are regarded as a method for acquiring a better credit quality and at the same time provide an available source for fulfilling the finance requirements.

A/2 Risk mitigation and avoidance policies

- The Bank manages, mitigates and controls credit risk concentration over debtors, groups, industries and countries. It sets acceptable credit risk levels and acceptable limits over each borrower, group of borrowers, economic activities and geographical sectors. Such risks are perpetually controlled and are subject to annual or repeated review whenever necessary. Limits of credit risks are quarterly ratified by the board of directors over the borrower/group of borrowers, producer, sector and the State.
- The credit limits of any borrower, including banks, are subdivided comprising all amounts in and off the balance sheet and the daily risk limit pertaining to operating items such as the deferred foreign exchange contracts. Real amounts are compared daily to the limits. The credit risks are also managed through periodic analysis of the capability of borrowers and potential borrowers to settle their liabilities and through amending the lending limits whenever appropriate.

Stated hereunder are some risk mitigation methods:

Collaterals

- The Bank lays down several policies and restrictions to mitigate credit risks, including obtaining collaterals against offered funds. The Bank also sets guiding rules to certain categories of acceptable collaterals. The principal types of murabaha, musharaka & mudaraba collaterals include:
 - Real estate mortgage
 - Mortgage of the business assets such as machines and commodities
 - Mortgage of financial instruments such as the equity & debt instruments
- Most probably the long-term finance and the loans for companies are guaranteed while the credit facilities granted to individuals are without collateral. In order to minimize credit losses, the Bank seeks the obtainment of additional collaterals from the parties concerned immediately upon the revelation of indicators to the impairment of any "murabaha, musharaka & mudaraba" or facilities.
- The collaterals taken as a guarantee to assets other than "murabaha, musharaka & mudaraba" are determined pro rata the instrument nature and usually the debt instruments and treasury bills are without collaterals, except for the groups of (asset-backed securities) and similar instruments which are guaranteed by a "financial instruments portfolio".

- The risk of settlement arises in the situation when settlement is effected in cash or through equity instruments, other financial securities or against the expectation to acquire cash, equity instruments or other financial securities. Daily settlement limits shall be laid down for each of the other parties so as to hedge the consolidated settlement risks ensuing of the Bank's transactions on any day.

Master Netting Arrangements

- The Bank mitigates credit risks via entering into "master netting arrangements" with the parties representing a significant volume of transactions. The master netting arrangements don't generally result in performing netting between the assets and liabilities reported in the balance sheet, since such settlement is usually carried out on collective basis. However, the credit risk accompanying the contracts in favour of the Bank is mitigated through the Master Netting Arrangements, since in case of default, all amounts shall be settled with the other party via performing netting. The extent of the Bank's exposure to the credit risk resulting of the derivative instruments subject to the Master Netting Arrangements may change on short terms since it is influenced by every transaction subject to these arrangements.

Commitments Pertaining to Credit

- The main purpose of commitments pertaining to credit is to ascertain the availability of funds to the customer on demand. The guarantees and standby letters of credit have the same credit risk pertaining to murabaha, musharaka & mudaraba". The documentary and commercial letters of credit issued by the Bank on behalf of its customer to grant a third party the right of withdrawing from the Bank within certain amounts and by virtue of specific provisions and terms are probably guaranteed by the shipped commodities and consequently bear a less degree of risk than the direct murabaha, musharaka & mudaraba.
- The credit commitments represent the unused part of the limit allowed for granting "murabaha, musharaka & mudaraba", collaterals or documentary credits. The Bank is exposed to a probable loss in an amount equal to the total unused commitments regarding the credit risk ensuing of credit granting commitments, yet the probable loss is actually less than the unused commitments, since most of the credit commitments represent probable liabilities for customers having certain credit specifications. The Bank monitors the period of credit commitments up to the maturity date, since the long-term commitments usually bear a higher degree of credit risk if compared to short-term commitments.

A/3 Provisions & impairment policies

- The internal assessment systems previously stated in note (1/A) largely concentrate on planning credit quality starting of establishing the lending and investment activities. The impairment losses having occurred on the date of balance sheet are recognized for the purpose of preparing financial reports, based on objective evidences indicating impairment, as shall be stated in this note. Due to the variation of the adopted methods, the credit losses reported in the financial statements are usually less than the loss estimated using the expected loss model used on the balance sheet date, according to the regulations of the Central Bank of Egypt (note 4/A).
- The impairment loss provision reported in the balance sheet is derived of the four internal ratings. The following table shows the percentage of the items reported in the balance sheet pertaining to "murabaha, musharaka & mudaraba" and the impairment related to them for each of the Bank's internal ratings:

31 December, 2018				EGP	
The Bank's Ratings	Murabaha, Musharaka & Mudaraba to Customers	%	Impairment loss provision	%	
1- Performing debts	14 809 784 474	81.5%	103 750 159	8.2%	
2- Regular watching	1 773 615 569	9.8%	263 375 627	20.8%	
3- Watch list	808 318 478	4.4%	265 443 704	21.0%	
4- Non performing debts	782 248 397	4.3%	632 332 296	50.0%	
	18 173 966 918	100%	1 264 901 786	100%	

31 December, 2017				EGP	
The Bank's Ratings	Murabaha, Musharaka & Mudaraba to Customers	%	Impairment loss provision	%	
1- Performing debts	12 639 778 879	79.8%	60 819 039	5.4%	
2- Regular watching	1 853 890 331	11.7%	126 731 878	11.2%	
3- Watch list	318 864 259	2.0%	66 607 575	5.9%	
4- Non performing debts	1 033 287 336	6.5%	872 813 299	77.5%	
	15 845 820 805	100%	1 126 971 791	100%	

- The internal assessment methods help the management to detect any objective evidences indicating impairment, pursuant to the Egyptian Accounting Standard number 26, based on the following indicators fixed by the Bank:
 - Significant financial difficulties facing the borrower or debtor
 - Violation of the terms of the "murabaha, musharaka & mudaraba" agreement, such as nonpayment
 - Expecting the borrower's bankruptcy or his involvement in a liquidation lawsuit or else rescheduling the finance granted to him
 - Deterioration of the competitive situation of the borrower
 - If the Bank grants the borrower exceptional privileges or concessions which it doesn't usually agree to grant in normal cases, due to economic or legal reasons related to financial difficulties facing him
 - Impairment of the collateral value
 - Deterioration of the creditworthiness
- The Bank policies require reviewing all the financial assets exceeding certain proportional importance, at least on annual intervals or more, when necessary. The burden of impairment on the accounts individually assessed is determined by means of assessing the loss incurred on the balance sheet date, for each case independently, and to be applied on all proportionally significant accounts individually. Assessment usually comprises the outstanding guarantee, including the reassurance of using the guarantee and the collections expected of these accounts.
- The impairment loss provision is formed of a group of homogenous assets using available historical experience, personal judgement and statistical methods.

A/4 The general banking risk measurement model

- Further to the four credit rating categories stated in note number (A/1), the Management makes classifications in the form of more detailed subgroups in conformity with the requirements of the Central Bank of Egypt. The assets exposed to credit risks are classified in these groups according to more detailed rules and conditions, largely relying on the information related to the customer, his business, financial position and his regularity in payment.
- The Bank sets the provisions required for the impairment of the assets exposed to credit risk, including the credit commitments, based on percentages fixed by the Central Bank of Egypt. If the impairment loss provision required according to the regulations of the Central Bank of Egypt exceeds the one required for the purposes of preparing financial statements according to the Egyptian Accounting Standards, the general banking risk reserve shall be set aside

among shareholders' equity items, by discounting this increase from the retained profits. This reserve is periodically modified, by increase or decrease so as to always remain equal to the difference between the two provisions. This reserve shall always be non-distributable. note number (33/A) shows the movement on the account of the general banking risk reserve throughout the financial year.

- Hereunder is a statement of the corporate credit ratings according to the internal assessment bases, compared by the assessment bases of the Central Bank of Egypt and the percentages of the provisions required for the impairment of the assets exposed to credit risk:

Central Bank of Egypt Classification	Classification indicators	Percentage of the required provision %	Internal Classification	Internal classification indicators
1	Low risks	Zero	1	Performing debts
2	Average risks	1%	1	Performing debts
3	Satisfactory risks	1%	1	Performing debts
4	Reasonable risks	2%	1	Performing debts
5	Acceptable risks	2%	1	Performing debts
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch list	5%	3	Special follow up
8	Sub standard	20%	4	Non-performing debts
9	Doubtful debts	50%	4	Non-performing debts
10	Bad debts	100%	4	Non-performing debts

A/5 Maximum credit risk before collaterals

	31 December 2018	31 December 2017
	EGP	EGP
Balance sheet Items exposed to the credit risk (Net)		
Governmental notes	10 477 659 419	6 018 129 415
Financial assets for trading:		
Debt instruments	--	--
Investment operations with banks	3 481 593 377	3 157 118 700
Murabaha, mudaraba & musharaka for customers:		
Individuals:		
Debit current accounts	--	--
Credit cards	18 776 812	14 996 091
Personal murabaha, mudaraba and musharaka transactions	1 023 328 237	956 375 725
Real estate murabaha, mudaraba and musharaka transactions	314 510 583	255 067 057
Corporate:		
Debit current accounts	--	--
Direct murabaha, mudaraba and musharaka transactions	11 340 405 157	10 345 820 650
Joint murabaha, mudaraba and musharaka transactions	3 033 727 158	2 083 197 573
Other murabaha, mudaraba and musharaka transactions	15 408 213	16 966 179
Financial investments:		
Debt instruments	11 124 941 625	10 894 070 596
Total	40 830 350 581	33 741 741 986

	31 December 2018	31 December 2017
	EGP	EGP
Off Balance sheet Items exposed to the credit risk (Net)		
Acceptable notes for suppliers facilities	231 860 014	303 290 561
Letters of guarantee	1 613 088 269	1 164 568 182
Documentary credits	404 442 356	673 822 642
Total	<u>2 249 390 639</u>	<u>2 141 681 385</u>

- The above table represents maximum exposure as at the date of financial statements, without taking into consideration any collaterals regarding the balance sheet items. The reported amounts rely on the net book value displayed in the balance sheet.
- As stated in the table above, 39% of the maximum exposed to the risk of credit result of murabaha, mudaraba & musharaka to customers, against 41% as at 31 December 2017, while the investments in debt instruments represent 27% against 32% as at 31 December 2017.
- The Management trusts its capability to retain control and maintain the minimum credit risk resulting of each of the portfolios of murabaha, mudaraba & musharaka and debt instruments, on basis of the following:
 - 91% of the portfolio of murabaha, mudaraba & musharaka is rated at the two highest degrees of internal rating, against 91% as at 31December2017.
 - 94% of the portfolio of murabaha, mudaraba & musharakam has no delays or impairment indicators, against 91% as at 31 December 2017.
 - The murabaha, mudaraba & musharaka having been individually assessed amount to EGP 782 248 397 against EGP 1 033 287 336 as at 31 December 2017. Less than 81% thereof showed impairment, against 85% as at 31 December2017.
- All investments in debt instruments & governmental notes represent debt instruments on the Egyptian Government.

A/6 murabaha, mudaraba & musharaka transactions

- Hereunder is the position of murabaha, mudaraba & musharaka in terms of credit worthiness:

	31 December 2018	
Bank's Rating	Murabaha, Mudaraba & Musharaka to customers	Investment Operations with banks
	EGP	EGP
With no delays or impairment	17 081 754 521	3 481 593 377
Delays not subject to impairment	309 964 000	--
Subject to impairment	782 248 397	--
Total	<u>18 173 966 918</u>	<u>3 481 593 377</u>
Less:		
Returns under settlement	(1 162 908 972)	--
Impairment loss provision	(1 264 901 786)	--
Net	<u>15 746 156 160</u>	<u>3 481 593 377</u>

31 December 2017

Bank's Rating	Murabaha, Mudaraba & Musharaka to customers	Investment operations with banks
	EGP	EGP
With no delays or impairment	14 428 856 469	3 157 118 700
Delays not subject to impairment	383 677 000	--
Subject to impairment	1 033 287 336	--
Total	15 845 820 805	3 157 118 700
Less:		
Returns under settlement	(1 046 425 739)	--
Impairment loss provision	(1 126 971 791)	--
Net	13 672 423 275	3 157 118 700

- The total burden of impairment of (murabaha, mudaraba & musharaka) amounts to EGP 1 264 901 786 against EGP 1 126 971 791 as at 31 December 2017, of which the amount of EGP 632 332 295, against EGP 872 813 298 as at 31 December 2017, representing impairment of individual (murabaha, mudaraba & musharaka). The remaining, in the amount of EGP 632 569 491, represents impairment burden on group basis of the credit portfolio.

"Murabaha, mudaraba & musharaka" bearing no delays & not subject-matter of impairment

- The credit quality of the portfolio of murabaha, mudaraba & musharaka with no delays and not subject-matter of impairment shall be rated by means of referring to the internal rating used by the Bank.

"Murabaha, Mudaraba & Musharaka" to Customers & Banks (At net value)

31 December 2018	Retail				Corporate		EGP	
	Credit Cards	Personal Murabaha, Mudaraba & Musharaka	Real estate Murabaha, Mudaraba & Musharaka	Direct Murabaha, Mudaraba & Musharaka	Joint Murabaha, Mudaraba & Musharaka	Other Murabaha, Mudaraba & Musharaka	Total Murabaha, Mudaraba & Musharaka to customers	Investment operations with banks
Performing	10 765 711	348 082 101	311 251 490	10 178 524 959	3 033 727 158	--	13 882 351 419	3 481 593 377
Regular watching	7 614 333	655 001 437	---	546 271 827	--	14 445 898	1 223 333 495	--
Watch list	--	--	--	509 807 136	--	--	509 807 136	--
Non-performing	396 768	20 244 699	3 259 093	105 801 235	--	962 315	130 664 110	--
Total	18 776 812	1 023 328 237	314 510 583	11 340 405 157	3 033 727 158	15 408 213	15 746 156 160	3 481 593 377

The guaranteed (murabaha, mudaraba & musharaka) haven't been considered as subject-matter of impairment, regarding the "non-performing" category, taking into consideration the eligibility of such collaterals for collection.

31 December 2017	Retail				Corporate		EGP	
	Credit Cards	Personal Murabaha, Mudaraba & Musharaka	Real estate Murabaha, Mudaraba & Musharaka	Direct Murabaha, Mudaraba & Musharaka	Joint Murabaha, Mudaraba & Musharaka	Other Murabaha, Mudaraba & Musharaka	Total Murabaha, Mudaraba & Musharaka to customers	Investment operations with banks
Performing	7 068 252	287 339 371	252 876 643	9 279 627 228	2 083 197 573	--	11 910 109 067	3 157 118 700
Regular watching	7 497 594	648 104 033	--	737 902 272	--	15 300 849	1 408 804 748	--
Watch list	--	--	--	239 699 150	--	--	239 699 150	--
Non-performing	430 245	20 932 321	2 190 414	88 592 000	--	1 665 330	113 810 310	--
Total	14 996 091	956 375 725	255 067 057	10 345 820 650	2 083 197 573	16 966 179	13 672 423 275	3 157 118 700

- These are the “murabaha, mudaraba & musharaka” bearing delays up to 90 days but are not subject to impairment, unless other information attesting the contrary is available. The “Murabaha” to customers bearing delays but not subject to impairment & the fair value of the related collaterals are represented in the following:

31 December 2018		Retail		EGP
	Credit Cards	Personal Murabaha, Mudaraba & Musharaka	Real estate Murabaha, Mudaraba & Musharaka	Total
Delays up to 30 days	--	13 094 000	17 000	13 111 000
Delays more than 30 days up to 60 days	--	3 919 000	97 000	4 016 000
Delays more than 60 days up to 90 days	--	--	--	--
Total	--	17 013 000	114 000	17 127 000
Collaterals fair value	--	4 067 000	17 000	4 084 000

31 December 2018		Corporate		EGP
	Direct Murabaha, Mudaraba & Musharaka	Joint Murabaha, Mudaraba & Musharaka	Other Murabaha, Mudaraba & Musharaka	Total
Delays up to 30 days	278 724 000	--	--	278 724 000
Delays more than 30 days up to 60 days	13 293 000	--	61 000	13 354 000
Delays more than 60 days up to 90 days	759 000	--	--	759 000
Total	292 776 000	--	61 000	292 837 000
Collaterals fair value	140 775 000	--	48 000	140 823 000

Upon initial recognition of murabaha, mudaraba & musharaka, the collaterals fair value shall be evaluated using the assessment methods usually adopted with similar assets, and at subsequent periods the fair value shall be updated according to the market prices or the similar assets' prices.

31 December 2017		Retail		EGP
	Credit Cards	Personal Murabaha, Mudaraba & Musharaka	Real estate Murabaha, Mudaraba & Musharaka	Total
Delays up to 30 days	--	17 986 000	198 000	18 184 000
Delays more than 30 days up to 60 days	--	2 870 000	117 000	2 987 000
Delays more than 60 days up to 90 days	--	327 000	941 000	1 268 000
Total	--	21 183 000	1 256 000	22 439 000
Collaterals fair value	--	2 835 000	1 256 000	4 091 000

31 December 2017		Corporate		EGP
	Direct Murabaha, Mudaraba & Musharaka	Joint Murabaha, Mudaraba & Musharaka	Other Murabaha, Mudaraba & Musharaka	Total
Delays up to 30 days	344 598 000	--	289 000	344 887 000
Delays more than 30 days up to 60 days	15 752 000	--	--	15 752 000
Delays more than 60 days up to 90 days	599 000	--	--	599 000
Total	360 949 000	--	289 000	361 238 000
Collaterals fair value	336 033	--	--	336 033

murabaha, mudaraba & musharaka to customers, subject to impairment individually

- The balance of murabaha, mudaraba & musharaka, transactions subject to impairment on an individual basis, before taking into consideration the cash flows of collaterals, amounts to EGP 880 433 112, against EGP 1 033 287 336 as at 31 December 2017.

- Hereunder is an analysis in the total value of the murabaha, mudaraba & musharaka subject to impairment on an individual basis, including the fair value of the collaterals obtained by the Bank in return to these murabaha, mudaraba & musharaka, transactions.

EGP	31 December 2018		31 December 2017	
	Murabaha, Mudaraba & Musharaka, on an individual basis subject to impairment	Collaterals Fair value	Murabaha, Mudaraba & Musharaka, on an individual basis subject to impairment	collaterals Fair value
Retail				
Debit current accounts	--	--	--	--
Credit cards	404 000	--	437 641	--
Personal Murabaha, Mudaraba & Musharaka	25 435 194	--	26 276 219	--
Real estate Murabaha, Mudaraba & Musharaka	4 241 615	--	2 682 995	--
Corporate				
Debit current accounts	--	--	--	--
Direct Murabaha, Mudaraba & Musharaka	520 407 151	387 657 922	615 721 089	437 054 066
Joint Murabaha, Mudaraba & Musharaka	230 481 163	--	386 123 997	--
Other Murabaha, Mudaraba & Musharaka	1 279 274	--	2 045 395	--
Total	782 248 397	387 657 922	1 033 287 336	437 054 066

A/7 Debt instruments and other governmental notes

The following table represents the analysis of the debt instruments and governmental notes according to the rating agencies, pursuant to Standard & Poor's Rating and its equivalent.

31 December 2018				EGP
	Governmental notes	Trading Securities	Investments in Securities	Total
AAA	--	--	--	--
AA- to AA+	--	--	--	--
A- to A+	--	--	--	--
Less than A-	11 048 896 320	--	11 124 941 625	22 173 837 945
Unrated	--	--	--	--
Total	11 048 896 320	--	11 124 941 625	22 173 837 945

A/8 Acquisition of collaterals

- During the current period, the Bank obtained assets by means of acquiring some collaterals as follows:

Asset's Nature	Book Value (EGP)
Units	900 000

- The acquired assets are classified in the balance sheet under the item of other assets. Such assets are sold whenever practical.

A/9 Concentration of the risks of financial assets exposed to the credit risk

Geographical segments

- The following table represents the analysis of the most important limits of the credit risk of the Bank in the book value, distributed according to the geographical segments as at the end of the current year. Upon preparing this table, risks have been distributed on the geographical sectors according to the areas related to the Bank customers:

31 December 2018	Arab Republic of Egypt						EGP
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total	The Arab Gulf Countries	Other Countries	
Governmental notes	11 048 896 320	---	-	11 048 896 320	--	--	11 048 896 320
Financial assets for trading:							
Debt instruments	--	--	-	--	--	--	--
Investments with banks	1 963 165 825	--	-	1 963 165 825	818 005 792	700 421 760	3 481 593 377
Murabaha, Mudaraba & Musharaka to customers:							
Retail:							
Debit current accounts	--	--	-	--	--	--	--
Credit cards	15 564 841	3 357 948	-	18 922 789	--	--	18 922 789
Personal Murabaha, Mudaraba & Musharaka	1 108 344 598	181 453 448	-	1 289 798 046	--	--	1 289 798 046
Real estate Murabaha, Mudaraba & Musharaka	258 871 886	111 357 719	-	370 229 605	--	--	370 229 605
Corporate:							
Debit current accounts	--	--	-	--	--	--	--
Direct Murabaha, Mudaraba & Musharaka	10 591 685 292	2 434 289 746	-	13 025 975 038	--	--	13 025 975 038
Joint Murabaha, Mudaraba & Musharaka	3 450 661 151	--	-	3 450 661 151	--	--	3 450 661 151
Other Murabaha, Mudaraba & Musharaka	18 006 109	374 180	-	18 380 289	--	--	18 380 289
Financial investments :							
Debt instruments	11 124 941 625	--	-	11 124 941 625	--	--	11 124 941 625
Total	39 580 137 647	2 730 833 041	-	42 310 970 688	818 005 792	700 421 760	43 829 398 240
31 December 2017	32 593 851 377	2 718 854 499	-	35 312 705 876	628 725 085	179 049 770	36 120 480 731

Business Segments

- The following table represents an analysis of the most important limits of the credit risk of the bank at the book value, distributed according to the business carried out by the Bank Customers.

31 December 2018	EGP							
	Financial institutions	Industrial Institutions	Real estate activity	Wholesale and retail trading	Governmental sector	Other activities	Retail	Total
Governmental notes	--	--	--	--	11 048 896 320	--	--	11 048 896 320
Financial assets for trading:								
Debt instruments	--	--	--	--	--	--	--	--
Investments with banks	3 481 593 377	--	--	--	--	--	--	3 481 593 377
Murabaha, Mudaraba & Musharaka to customers:								
Retail:								
Debit current accounts	--	--	--	--	--	--	--	--
Credit cards	--	--	--	--	--	--	18 922 789	18 922 789
Personal Murabaha, Mudaraba & Musharaka	--	--	--	--	--	--	1 289 798 046	1 289 798 046
Real estate Murabaha, Mudaraba & Musharaka	--	--	--	--	--	--	370 229 605	370 229 605
Corporates:								
Debit current accounts	--	--	--	--	--	--	--	--
Direct Murabaha, Mudaraba & Musharaka	72 142 216	5 933 384 819	123 327 632	3 158 113 697	319 941 395	3 419 065 279	--	13 025 975 038
Joint Murabaha, Mudaraba & Musharaka	--	1 046 157 404	--	110 858 354	2 016 896 821	276 748 572	--	3 450 661 151
Other Murabaha, Mudaraba & Musharaka	--	--	--	--	--	18 380 289	--	18 380 289
Financial investments:								
Debt instruments	--	--	--	--	11 124 941 625	--	--	11 124 941 625
Total	3 553 735 593	6 979 542 223	123 327 632	3 268 972 051	24 510 676 161	3 714 194 140	1 678 950 440	43 829 398 240
31 December 2017	3 399 769 791	5 715 619 394	102 980 272	3 095 463 082	18 677 499 394	3 623 110 109	1 506 038 689	36 120 480 731

B- The Market Risk

- The Bank is exposed to the market risks, represented in the fluctuation of the fair value or the future cash flows ensuing of the change in the market prices. The market risk results of the open positions of the return rate, currency and the equity products, since each of them is exposed to the general and special market movements and the changes in the level of sensitivity to the market rates such as the return rates, the exchange rates and the prices of the equity instruments. The Bank classifies the extent of its exposure to the market risk into trading or non-trading portfolios.
- The trading portfolios include the positions ensuing of the Bank's direct transaction with customers or the market, while the non-trading portfolios are basically originated from managing the return rates of the assets and liabilities pertaining to the retail transactions. These portfolios include the risks of foreign currencies exchange and the equity instruments resulting of the investments held to maturity and the available for sale investments.

B/1 Methods of measuring the market risk

- Hereunder are the most important measurement methods used for controlling the market risks:

Value at Risk

- The Bank applies the method of "Value at Risk" both for the trading and non-trading portfolios in order to estimate the market risks of the outstanding positions and the maximum expected loss, based on a number of assumptions of the variable changes of the market circumstances. The board of directors sets limits to the (value at risk) acceptable by the Bank for both the trading and non-trading portfolios independently.
- The (Value at Risk) is a statistical expectation of the probable loss of the current portfolio resulting of the market reversal movements. It expresses the maximum value that the Bank may lose, yet through using a fixed confidence coefficient (98%). Accordingly, there is a (2%) statistical probability that the real loss is larger than the expected (value at risk). The (Value at Risk Model) assumes having a definite retention period (ten days) before closing the opened positions, with assuming that during this retention period, the market movement shall be the same as it was during the prior ten days. The Bank estimates the prior movement pursuant to the data of the previous five years and applies these historical changes in rates, prices and indicators directly to the current positions, and this is known to be the "Historical Simulation Method". Actual outputs are monitored on regular basis to measure the soundness of the assumptions and factors used for calculating the (Value at Risk).
- Adoption of this method doesn't however guarantee that the loss won't surpass these limits in case of larger market movements.
- Whereas the (value at risk) is considered a principal part of the system adopted by the Bank for controlling the market risk, the board of directors annually sets the limits of the (value at risk) of each trading and non-trading operation and divide them on the activity units. The real values at risk are compared to the limits laid down by the Bank.
- The quality of the (Value at Risk Model) is perpetually reviewed through testing the results of the value at risk of the trading portfolio and reporting the tests results to the top management and the board of directors.

Stress testing

- The "Stress Testing" gives an indicator to the volume of expected loss which may result of intense reverse circumstances. The stress testing is appropriately designed for the activity, using stereotype analyses of specific scenarios. The stress testing carried out by the risk management at the Bank comprises risk factors stress testing, by means of applying a group of intense movements on each category of risk. It also comprises developing markets stress testing, as these developing markets are exposed to intense movements and special stress testing including probable incidents influencing certain positions or areas, as for instance the consequences of liberating a certain currency at a certain area. The senior management & the board of directors review the results of stress testing.

B/2 Summary of the value at risk

- Total value at risk as per the risk type

	31 December 2018			31 December 2017		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	9 383 820	36 061 000	5 902 000	9 596 090	35 303 000	856 000
Return rate risk	--	--	--	--	--	--
Total value at risk	9 383 820	36 061 000	5 902 000	9 596 090	35 303 000	856 000

- Total value at risk of the trading portfolio according to the type of risk

EGP

	31 December 2018			31 December 2017		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	--	--	--	--	--	--
Return rate risk	--	--	--	--	--	--
Total value at risk	--	--	--	--	--	--

- Total value at risk of the non-trading portfolio according to the type of risk

EGP

	31 December 2018			31 December 2017		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	9 383 820	36 061 000	5 902 000	9 596 090	35 303 000	856 000
Return rate risk	--	--	--	--	--	--
Total value at risk	9 383 820	36 061 000	5 902 000	9 596 090	35 303 000	856 000

The Bank isn't exposed to the return rate risk as it distributes variable returns on its customers as per the quarterly achieved revenues and returns.

The increase in the value at risk, particularly the return rate, is linked to the increase of the return rate sensitivity at the world financial markets.

The three previous results of the value at risk have been calculated independently for the concerned positions and the markets' historical movements. The total value at risk of the trading and non-trading portfolios doesn't represent the Bank's value at risk due to the relationship between the type of risk and the types of portfolios and the subsequent variable influences.

B/3 Risk of fluctuation of foreign currencies exchange rates

- The Bank is exposed to the risk of fluctuation of the foreign currencies exchange rates on the financial position and cash flows. The board of directors has set limits for foreign currencies at the total value for each position by the end of the day and also during the day as they are instantly monitored. The following table briefs the extent of the Bank's exposure to the risk of foreign currencies exchange rates fluctuation by the end of the reported period. The table reveals the book value of the financial instruments distributed on the currencies thereof:

Equivalent in EGP

31 December 2018	Egyptian Pounds	US Dollars	European Euro	Sterling Pounds	Other Currencies	Total
Financial Assets						
Cash & balances with the Central Bank of Egypt	4 629 564 045	137 422 291	35 448 271	3 940 926	9 681 631	4 816 057 164
Balances with banks	12 964 661 972	1 598 457 817	311 665 358	21 862 558	34 572 162	14 931 219 867
Governmental notes	7 700 000 000	2 896 629 120	452 267 200			11 048 896 320
Financial assets for trading						--
Investment operations with banks	--	3 348 051 840		19 540 225	114 001 312	3 481 593 377
Murabaha, Mudaraba & Musharaka for customers	15 253 177 582	2 845 329 078	72 765 215	2 695 043		18 173 966 918
Financial Investments						
Available for sale	56 112 721				12 431 374	68 544 095
Held to maturity	8 367 324 921	2 690 369 917	91 897 583			11 149 592 421
Total financial assets	48 970 841 241	13 516 260 063	964 043 627	48 038 752	170 686 479	63 669 870 162

31 December 2018						Equivalent in EGP
	Egyptian Pounds	US Dollars	European Euro	Sterling Pounds	Other Currencies	Total
Financial Liabilities						
Balances due to banks	367 833 714	929 668 949	199 429 046			1 496 931 709
deposits to customers	42 557 951 133	11 066 252 761	703 210 627	46 294 330	161 692 017	54 535 400 868
Other finances	14 509 561	1 164 384 000				1 178 893 561
Total financial liabilities	42 940 294 408	13 160 305 710	902 639 673	46 294 330	161 692 017	57 211 226 138
Net financial position	6 030 546 833	355 954 353	61 403 954	1 744 422	8 994 462	6 458 644 024
31 December 2017						
Total Financial Assets	37 882 366 789	12 203 707 285	725 852 940	48 502 710	153 491 001	51 013 920 725
Total financial liabilities	33 376 700 299	11 746 592 426	649 651 934	46 438 989	133 964 608	45 953 348 256
Net financial position	4 505 666 490	457 114 859	76 201 006	2 063 721	19 526 393	5 060 572 469

B/4 return rate risk

- The Bank is exposed to the impact of fluctuations in the levels of the return rates prevailing at the market, which is the risk of cash flows of the return rate, represented in the fluctuation of the future cash flows of the financial instrument due to the changes in the instrument return rate, and the risk of the fair value of the return rate which is the risk of fluctuation of the financial instrument value due to the change in the return rates at the market. The return margin may increase due to these changes. Yet, profits may decrease in case of the occurrence of unexpected movements. The board of directors sets limits to the level of differences in re-pricing the return which the Bank may retain. The following table briefs the extent of the Bank's exposure to the risk of return rate fluctuation. It includes the book value of the financial instruments distributed on basis of the nearer of the re-pricing or maturity dates.

31 December 2018							EGP
	Up to one month	More than a month to three months	More than three months to one year	More than a year up to five years	More than five years	Without return	Total
Financial assets							
Cash & balances with the Central Bank of Egypt	--	--	--	--	--	4 816 057 164	4 816 057 164
Balances with banks	12 944 000 000	1 126 245 946	--	--	--	860 973 921	14 931 219 867
Governmental notes	--	2 029 715 840	9 019 180 480	--	--	--	11 048 896 320
Financial assets for trading	--	--	--	--	--	--	--
Investment operations with banks	1 631 363 869	976 314 718	845 253 030	28 661 760	--	--	3 481 593 377
Murabaha, Mudaraba & Musharaka for customers	8 759 683 604	1 643 662 439	3 420 045 521	3 092 666 375	1 257 908 979	--	18 173 966 918
Financial Investments							
Available for sale	--	--	--	--	--	68 544 095	68 544 095
Held to maturity	--	438 711 893	238 704 855	7 296 330 799	3 151 194 078	24 650 796	11 149 592 421
Total financial assets	23 335 047 473	6 214 650 836	13 523 183 886	10 417 658 934	4 409 103 057	5 770 225 976	63 669 870 162
Financial Liabilities							
Balances due to banks	1 052 746 407	90 998 822	--	--	--	353 186 480	1 496 931 709
Customers' deposits	23 971 356 395	23 857 250 503	--	--	--	6 706 793 970	54 535 400 868
Other finances	--	14 509 561	--	--	1 164 384 000	--	1 178 893 561
Total financial liabilities	25 024 102 802	23 962 758 886	--	--	1 164 384 000	7 059 980 450	57 211 226 138
Re-pricing gap	(1 689 055 329)	(17 748 108 050)	13 523 183 886	10 417 658 934	3 244 719 057	(1 289 754 474)	6 458 644 024
31 December, 2017							
Total Financial Assets	18 089 884 118	6 490 569 471	8 951 838 925	8 415 776 647	4 219 664 255	4 846 187 309	51 013 920 725
Total financial liabilities	18 078 134 800	20 370 389 898	105 700 000	--	1 152 300 500	6 246 823 058	45 953 348 256
Re-pricing Gap	11 749 318	(13 879 820 427)	8 846 138 925	8 415 776 647	3 067 363 755	(1 400 635 749)	5 060 572 469

C- Risk of Liquidity

- The risk of liquidity is the risk of the Bank's exposure to difficulties in fulfilling its commitments related to its financial liabilities upon maturity and exchanging the withdrawn amounts. This may result in the failure to fulfill the liabilities pertaining to payment to depositors and the lending commitments.

Management of Liquidity Risks

- The liquidity risk management operations, adopted by the liquidity risks department at the Bank, comprise the following:
 - Management of daily finance through controlling the future cash flows to ascertain the possibility of fulfilling all requirements. This includes availability of funds upon their maturity or upon lending to customers. The Bank exists in the global financial markets to assure the realization of this target.
 - Maintaining a portfolio of highly marketable assets that can be easily liquidated for facing any unexpected disturbances in the cash flows
 - Monitoring liquidity percentages in comparison to the Bank's internal requirements and those of the Central Bank of Egypt.
 - Managing concentrations and stating facilities maturities
- For purposes of control and reporting, the cash flows of the following day, week and month, which are the principal periods for managing liquidity, are measured and forecasted. The starting point of these forecasts is represented in analyzing contractual maturities of the financial liabilities and the dates of expected collections of the financial assets.
- The liquidity risk department also controls inconsistency between the medium-term assets, the level and type of the unused part of the commitments of murabaha, musharaka & mudaraba, the extent of utilizing the facilities of the debit current accounts and the influence of contingent liabilities such as the letters of guarantee and the documentary credits.

Finance Methodology

- The liquidity sources are reviewed by an independent team at the liquidity risk department at the Bank for providing ample diversity of currencies, geographical areas, resources, products and terms.

Non-Derivative Cash Flows

- The following table represents the cash flows paid by the Bank using the non-derivative financial liabilities method, distributed on basis of the remaining period of contractual maturities on the date of balance sheet. The amounts displayed in the table represent the undiscounted contractual cash flows, while the Bank manages the risk of liquidity on basis of the expected and not the contractual undiscounted cash flows.

31 December 2018						EGP
	Up to one month	More than a month to three months	More than three months to one year	More than a year up to five years	More than five years	Total
Financial liabilities						
Balances due to banks	1 405 932 887	90 998 822	--	--	--	1 496 931 709
Deposits to customers	14 123 336 434	7 777 977 199	15 361 527 438	9 353 589 977	7 918 969 850	54 535 400 868
Other finances	--	--	--	14 509 561	1 164 384 000	1 178 893 561
Total financial liabilities	15 529 269 321	7 868 976 021	15 361 527 438	9 368 099 538	9 083 353 820	57 211 226 138
Total financial assets	30 655 993 149	6 648 381 593	16 484 479 031	8 598 456 616	1 282 559 773	63 669 870 162

31 December 2017						EGP
	Up to one month	More than a month to three months	More than three months to one year	More than a year up to five years	More than five years	Total
Financial liabilities						
Balances due to banks	374 855 582	125 812 822	105 700 000	--	--	606 368 404
Deposits to customers	11 411 735 464	6 344 524 557	12 499 818 300	7 546 723 059	6 366 910 701	44 169 712 081
Other finances	--	--	--	24 967 271	1 152 300 500	1 177 267 771
Total financial liabilities	11 786 591 046	6 470 337 379	12 605 518 300	7 571 690 330	7 519 211 201	45 953 348 256
Total financial assets	30 021 818 806	5 003 755 855	6 760 161 729	7 909 329 953	1 318 854 382	51 013 920 725

The available assets for facing all liabilities and for hedging the commitments related to murabaha, musharaka & mudaraba include cash, balances with central banks, balances with banks, governmental notes, murabaha, musharaka & mudaraba to banks and customers. The term of a percentage of the murabaha, musharaka & mudaraba to customers that mature within a year is extended during the ordinary course of the Bank business. Besides, some debt instruments and governmental notes are mortgaged to guarantee liabilities. The Bank is capable of facing the net unexpected cash flows through selling securities and finding other sources of finance.

Off Balance Sheet Items (Gross)

31 December 2018					EGP
	Not more than 1 year	More than 1 year & less than 5 years	More than 5 years	Total	
Acceptances	276 645 181	--	--	276 645 181	
Letters of guarantees	2 784 934 567	251 791 867	1 008 761	3 037 735 195	
Import letters of credit	753 076 615	--	--	753 076 615	
Export letters of credit	--	--	--	--	
Capital commitments	25 187 932	--	--	25 187 932	
Total	3 839 844 295	251 791 867	1 008 761	4 092 644 923	

31 December 2017					EGP
	Not more than 1 year	More than 1 year & less than 5 years	More than 5 years	Total	
Acceptances	465 648 964	--	--	465 648 964	
Letters of guarantees	1 932 058 071	264 368 420	108 968	2 196 535 459	
Import letters of credit	958 064 001	--	--	958 064 001	
Export letters of credit	26 229 069	--	--	26 229 069	
Capital commitments	102 273 813	--	--	102 273 813	
Total	3 484 273 918	264 368 420	108 968	3 748 751 306	

In the light of the strategy of the Central Bank of Egypt for applying the best international practices in the field of banking supervision, and in particular "Basel Committee" requirements, the Central Bank issued some instructions concerning the liquidity risks management, including the liquidity coverage ratio "LCR" and the net stable financing ratio.

First: The LCR – Liquidity Coverage Ratio

(With a minimum of 70% for the year 2016, 80% for 2017, 90% for 2018 and 100% for 2019)

The liquidity coverage ratio consists of:

	EGP'000	EGP'000
	31 December 2018	31 December 2017
Numerator ratio: High quality liquidated assets	24 846 466	18 659 847
Denominator ratio: Net cash outflows during 30 days	1 999 558	1 496 790
Liquidity coverage ratio LCR	1242.6%	1246.7%

Second: The net stable financing ratio NSFR

(With a minimum of 100%)

The net stable funding ratio consists of:

	EGP'000	EGP'000
	31 December 2018	31 December 2017
Numerator ratio: value of available stable financing	43 314 003	34 024 933
Denominator ratio: value of required stable financing	14 475 877	12 631 315
Net stable financing ratio NSFR	299.2%	269.4%

D- Fair Value of Financial Assets & Liabilities

D/1 Financial instruments measured at the fair value using evaluation methods

- None of the financial assets and liabilities have been assessed using the evaluation methods during the financial period ending as at the date of preparing the financial statements.

D/2 Financial instruments not measured at the fair value

- The following table briefs the current and fair values of the financial assets and liabilities which have not been reported in the Bank's balance sheet at the fair value:

	Book value		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Financial Assets				
Balances with banks	14 931 219 867	10 503 364 324	15 126 763 513	10 598 348 608
Investment operations with banks	3 481 593 377	3 157 118 700	3 501 133 567	3 162 552 645
Murabaha, mudarabah & musharaka to customers				
Retail	1 356 615 632	1 226 438 873	1 356 615 632	1 226 438 873
Corporates	14 389 540 528	12 445 984 402	14 389 540 528	12 445 984 402
Financial Investments				
Held to maturity	11 149 592 421	10 920 504 701	10 775 040 175	10 796 637 483
Financial Liabilities				
Balances due to banks	1 496 931 709	606 368 404	1 507 058 193	626 371 038
Customers' deposits	54 535 400 868	44 169 712 081	55 605 181 791	44 927 858 993
Other finances	1 178 893 561	1 177 267 771	1 200 397 143	1 199 813 653

Due from banks

- The value of deposits and overnight deposits of variable return represents the present value thereof. The expected fair value of the deposits bearing variable return is estimated pursuant to the discounted cash flows using the return rate prevailing at the financial markets for debts with similar credit risks and value date.

Investment operations with Banks

- The investment operations with Banks is represented in facilities other than deposits with banks. The expected fair value of the investment with banks represents the discounted value of future cash flows expected to be collected. The cash flows are discounted using the return rate prevailing at the market so as to determine the fair value.

Murabaha, musharaka & mudaraba for Customers

- Represents the net murabaha, musharaka & mudaraba transactions after discounting the impairment losses provision - The expected fair value of murabaha, musharaka & mudaraba to customers represents the discounted value of the future cash flows expected to be collected. The cash flows are discounted using the return rate prevailing at the market for determining the fair value.

Investments in Securities

- In the previous table, the investments in securities comprise only the return-earning assets held to maturity, as the assets available for sale are evaluated at the fair value, except for equity instruments which the Bank can't reliably assess their value. The fair value of the financial assets held to maturity is determined according to the market rates or those obtained from brokers. If such data is not available, the fair value is assessed using the financial market rates for the traded securities having similar credit characteristics, value dates and rates.

Dues to other Banks & Customers

- The fair value estimated for the deposits with no fixed maturity date, including deposits with no return, represents the amount to be paid on demand.
- The fair value of the deposits bearing fixed return and other finances which are not traded in active markets is determined according to the discounted cash flows, using the return rate on the new debts having similar maturity dates.

E- Capital Management

- The Bank's goals upon capital management, comprising other elements in addition to shareholders' equity reported in the balance sheet, are represented in the following:
 - Compliance to the capital legal requirements in the Arab Republic of Egypt and in the Countries where the Bank's branches operate
 - Sustainability of the Bank's business and enabling it to continue generating return to shareholders and other parties that deal with the bank.
 - Maintaining a strong capital base supporting growth of its activity
- The capital adequacy and utilizations are daily reviewed by the bank's management pursuant to the requirements of the supervisory authority (The Central Bank of Egypt in the Arab Republic of Egypt), through models relying on the guidelines of Basel Committee on Banking Supervision. The required data are prepared and submitted to the Central Bank of Egypt on quarterly basis.
- The Central Bank of Egypt requires that the Bank
 - Retains the amount of 500 million Egyptian Pounds as a minimum limit of issued and paid up capital
 - Retains a certain ratio between the capital elements and the risk-weighted assets and contingent liabilities, equal to or exceeding 10%.
- The Bank's branches operating abroad are subject to the supervisory regulations organizing banking business in the countries where they conduct their business.

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

- **Tier One:** Tier 1 consists of two parts: The basic capital, & the basic supplementary capital.
- **Tier Two:** The subordinated capital, consisting of:
 - 45% of the value of the reserve of positive foreign currencies translation differences
 - 45% of the value of the special reserve
 - 45% of the increase in the fair value to the book value of financial investments (if positive)
 - 45% of the balance of the reserve of the fair value of the available-for-sale financial investments
 - 45% of the increase in the fair value to the book value of the held-to-maturity financial investments
 - 45% of the increase in the fair value to the book value of the financial investments in sister companies & subsidiaries
 - Loans (subordinated deposits, with depreciating 20% of their value over each of the last five years of their terms)
 - Reserve of the impairment losses of regular loans, facilities and contingent liabilities of a maximum of 1.25% of the credit risks of risk-weighted regular assets and contingent liabilities

The denominator of the capital adequacy ratio consists of the following:

- Credit risks
- Market risks
- Operating risks

The risk-weighted assets range from zero to 200%, classified according to the nature of the debtor of each asset so as to reflect the related credit risks, taking cash collaterals into consideration. The off-balance sheet amounts shall be handled the same way, after carrying out modifications so as to reflect the contingent nature and the probable losses concerning these amounts.

The Bank has always been committed to all local capital requirements. The following table briefs the calculation of the capital adequacy ratio according to "Basel Committee" requirements by the end of the financial period:

	31 December 2018	31 December 2017
Capital	EGP '000	EGP '000
Tier 1		
Sustained basic Capital		
Issued & Paid up capital	1 405 862	1 405 862
Reserves	460 358	460 358
Reserve of the IFRS9 Risks	237 166	237 166
Retained earnings	849 796	102 458
Total basic Capital	2 953 182	2 205 844
Additional basic Capital	--	--
Differences of nominal value to present value of subordinated finance	--	--
Total deductions of the sustained basic capital	(59 521)	--
Total of Tier 1 after deductions	2 893 661	2 205 844
Tier 2		
45% of the special reserve value		
45% of the increase of fair value to book value of financial investments	18 963	89 557
Subordinated finance by the Principal Investor/subordinated deposits	1 164 384	1 102 921
Impairment losses provision for regular contingent liabilities, facilities & loans	287 700	261 094
Total of Tier 2	1 471 047	1 453 572
Total capital	4 364 708	3 659 416
Total credit, market & operating risk-weighted contingent liabilities and assets	27 413 232	23 716 551
Capital adequacy ratio (%)	15.92%	15.43%

The "capital adequacy ratio" has been added pursuant to the instructions dispatched by the Central Bank of Egypt.

- The comparison figures have been adjusted so as to conform to the ratified profit distribution draft for the financial year 2017.
- Within the framework of its endeavor to apply the best international practices in the field of banking supervisory regulations, the Central Bank of Egypt issued its instructions for the measurement of the adequacy of "Tier 1" of the capital base, in comparison to the total risk-weighted assets (the financial leverage), committing banks to the minimum ratio of 3% on quarterly basis, as follows:
 - As a guiding ratio as of the end of September 2015 up to 2017
 - As a mandatory ratio as of 2018

The financial leverage numerator & denominator consist of the following:

Numerator's components:

- The ratio nominator consists of "Tier 1" of the capital (after exclusions) used in the numerator of the currently applied "capital adequacy ratio" pursuant to the instructions of the Central Bank of Egypt.

Denominator's components:

- The ratio denominator consists of all the Bank's on and off balance sheet assets, called "The Bank's exposures", comprising the total of:
 - Exposure of the "balance sheet" items after deducting some of the excluded items of the first tier of the capital base
 - Exposures resulting of the derivatives contracts
 - Exposures resulting of securitization
 - Off-balance sheet exposures

	31 December 2018	31 December 2017
	EGP'000	EGP'000
First: Ratio Numerator		
Total basic capital	2 893 661	2 205 844
Second: Ratio Denominator		
Total on balance sheet exposures, financial derivatives operations & securities funding	62 463 675	50 278 975
Total off balance sheet exposure	2 213 819	2 390 918
Total on & off balance sheet exposures	64 677 494	52 669 893
Financial leverage ratio (%)	4.47%	4.19%

The comparison figures have been adjusted so as to conform to the ratified profit distribution draft for the financial year 2017.

4- Important Accounting Estimates & Assumptions

The Bank uses estimates and assumptions that influence the assets and liabilities amounts, which are disclosed during the following financial years. The estimates and assumptions are perpetually evaluated on basis of historical experience and such other factors, including the future events expectations thought to be reasonable in the light of available circumstances and information.

A- Impairment Losses of Murabaha, Musharaka & Mudaraba

- The Bank reviews the "murabaha, musharaka & mudaraba" portfolio to evaluate impairment on quarterly basis as a minimum. It depends on personal judgement upon deciding whether or not the impairment burden is to be reported in the income statement, so as to realize if there is any reliable information indicating a measurable decrease in the expected future cash flows of the "murabaha, musharaka & mudaraba" portfolio, before recognizing the decrease over each "murabaha, musharaka & mudaraba" in this portfolio. Evidences may comprise the existence of any particulars indicating any negative change in the ability of the borrowers' portfolio to repay the Bank, or any local or economic circumstances related to default in the bank's assets upon scheduling the future cash flows. The Management uses estimates according to its previous experiences regarding the losses of assets having similar credit risk characteristics to those included in the portfolio. The manner and assumptions used for estimating every amount and the timing of the future cash flows are regularly reviewed so as to extenuate any differences between estimated and real loss according to experience.

B- Impairment of Investments in Available-for-Sale Equity Instruments

- The Bank determines the impairment of Investments in available-for-sale equity instruments when there is a significant or extended decrease in their fair value to their cost. Deciding whether or not the decrease is significant or extended needs personal judgement, which in its turn requires that the Bank evaluates, among other factors, the regular volatility of the share price. Besides, impairment can be detected when there is evidence to the deterioration of the financial status of the company invested in or its operating & financing cash flows, the industry or sector performance or changes in technology.

C- Held-to-Maturity Financial Investments

- The non-derivative financial assets, having fixed maturity dates and payments, or liable to be fixed, are classified as investments held to maturity. This classification requires using personal judgement to a high extent. In order to adopt such a decision, the Bank decides whether it has the intention and ability to retain such investments up to their maturity dates. If the Bank fails to retain them up to maturity, except for some special circumstances such as the sale of an insignificant quantity shortly before their maturity date, such "held-to-maturity" investments shall be converted into "available-for-sale" investments. Accordingly, they shall be measured at the fair value and not the amortized cost. In addition to suspension of classifying any investments under the said item.

- If the classification of investments as held-to-maturity is suspended, the book value shall be decreased in the amount of EGP 374 552 246 so as to reach the fair value by recording a counter-entry in the fair value reserve under the shareholders' equity.

D- Income Taxes

- On the occasion of issuing the income tax law number 91/2005 and its executive regulations, the income tax shall be calculated on the net taxable profits according to the tax return issued in compliance with the law, using the tax rates prevailing upon preparing the financial statements, to be charged to the income statement.

(5) Sectorial Reports

A- Sectorial Analysis of Activities

- The sector activity comprises the operating processes and the assets used for providing banking services and managing the risks pertaining to them as well as the return on this activity which may differ from other activities. The operating sector analysis of banking business comprises:
 - The bank's head office
 - Giza governorate branches
 - Other governorates branches
 - Cairo governorate branches
 - Alexandria governorate branches

31 December 2018						EGP
	Bank Head Office	Cairo Governorate Branches	Giza Governorate Branches	Alexandria Governorate Branches	Other Governorates Branches	Total
Income & expenses according to sector activity						
Sectorial activity income	4 940 570 359	4 395 961 019	1 386 070 695	599 526 667	730 115 822	12 052 244 562
Sectorial activity expenses	(5 409 925 841)	(3 371 979 708)	(954 361 919)	(410 002 004)	(491 464 980)	(10 637 734 452)
Profit before tax	(469 355 482)	1 023 981 311	431 708 776	189 524 663	238 650 842	1 414 510 110
Tax	(410 872 605)	--	--	--	--	(410 872 605)
Profit after tax	(880 228 087)	1 023 981 311	431 708 776	189 524 663	238 650 842	1 003 637 505
Assets & liabilities according to the sector activity						
Total sectorial activity's assets	4 301 806 087	36 312 061 424	11 554 681 236	4 959 242 005	5 393 458 057	62 521 248 809
Total sectorial activity's liabilities	870 150 222	36 312 061 424	11 554 681 236	4 959 242 005	5 393 458 057	59 089 592 944
Other items of the sector activity						
Capital expenses	20 369 627					
Depreciation	36 456 170					
(Burden) of credit losses impairment	(337 476 443)					

31 December 2017						EGP
	Head office	Cairo Governorate Branches	Giza Governorate Branches	Alexandria Governorate Branches	Other Governorates Branches	Total
Income & expenses according to sector activity						
Sectorial activity income	3 464 090 102	3 081 149 284	1 164 076 882	427 308 722	551 014 047	8 687 639 037
Sectorial activity expenses	(3 799 368 787)	(2 358 532 662)	(796 145 115)	(265 353 413)	(346 083 973)	(7 565 483 950)
Profit before tax	(335 278 685)	722 616 622	367 931 767	161 955 309	204 930 074	1 122 155 087
Tax	(396 896 656)	--	--	--	--	(396 896 656)
Profit after tax	(732 175 341)	722 616 622	367 931 767	161 955 309	204 930 074	725 258 431
Assets & liabilities according to the sector activity						
Total sectorial activity's assets	3 298 164 901	28 607 855 923	10 212 067 533	3 767 632 612	4 393 254 033	50 278 975 002

31 December 2017						EGP
	Head office	Cairo Governorate Branches	Giza Governorate Branches	Alexandria Governorate Branches	Other Governorates Branches	Total
Total sectorial activity's liabilities	665 440 178	28 607 855 923	10 212 067 533	3 767 632 612	4 393 254 033	47 646 250 279
Other items of the sector activity						
Capital expenses	72 740 195					
Depreciation	31 540 246					
(Burden) of credit losses impairment	(248 764 318)					

B- Geographical Segment Analysis

31 December 2018				EGP
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total
Income and expenses according to geographical segments				
Geographical revenues	11 093 269 742	958 974 820	-	12 052 244 562
Geographical expenses	(9 987 232 646)	(650 501 806)	-	(10 637 734 452)
Profit before tax	1 106 037 096	308 473 014		1 414 510 110
Tax	(410 872 605)	--	-	(410 872 605)
Profit after tax	695 164 491	308 473 014	-	1 003 637 505
Assets and liabilities according to geographical segments				
Total geographical segments assets	55 110 514 807	7 410 734 002	-	62 521 248 809
Total geographical segments liabilities	51 678 858 942	7 410 734 002	-	59 089 592 944
Other items of geographical segments				
Capital expenses	20 369 627			
Depreciation	36 456 170			
(Burden) of credit losses impairment	(337 476 443)			

31 December 2017				EGP
	Greater Cairo	Alexandria, Delta & Sinai	Upper Egypt	Total
Income and expenses according to geographical segments				
Geographical revenues	7 986 468 064	701 170 973	-	8 687 639 037
Geographical expenses	(7 129 971 290)	(435 512 660)	-	(7 565 483 950)
Profit before tax	856 496 774	265 658 313		1 122 155 087
Tax	(396 896 656)	--	-	(396 896 656)
Profit after tax	459 600 118	265 658 313	-	725 258 431
Assets and liabilities according to geographical segments				
Total geographical segments assets	44 607 333 771	5 671 641 231	-	50 278 975 002
Total geographical segments liabilities	41 974 609 048	5 671 641 231	-	47 646 250 279
Other items of geographical segments				
Capital expenses	72 740 195			
Depreciation	31 540 346			
(Burden) of credit losses impairment	(248 764 318)			

(6) Net Return Income

	31 December 2018	31 December 2017
	EGP	EGP
Return on murabaha, musharaka, mudarba & such similar revenues		
Banks	2 274 417 524	995 798 855
Customers	2 404 893 759	1 931 223 147
	4 679 311 283	2 927 022 002
Governmental notes	837 903 619	674 379 790
Investments in debt instruments held to maturity & available for sale	1 442 900 585	1 500 932 397
	6 960 115 487	5 102 334 189
Cost of deposits and similar costs of deposits & current accounts		
Banks	(78 075 775)	(49 200 058)
Customers	(4 930 143 655)	(3 482 218 912)
	(5 008 219 430)	(3 531 418 970)
Other finance	(66 896 299)	(54 188 384)
	(5 075 115 729)	(3 585 607 354)
Net	1 884 999 758	1 516 726 835

The Bank keeps debt instruments to cover the liquidity ratio of customers' balances according to the requirements of the competent authorities, and we usually recommend depositors to take this into consideration with regard to the returns of such instruments, taking into account that the "purification percentage" of the returns of such instruments is 26%.

(7) Net Fees & Commissions Income

	31 December 2018	31 December 2017
	EGP	EGP
Fees and commissions income		
Fees & commissions pertaining to credit	126 270 253	86 890 954
Fees on the corporate financing services	326 726	1 502 718
Custody fees	525 696	517 520
Other fees	160 854 722	152 184 471
	287 977 397	241 095 663
Fees & Commissions Expenses		
Other paid fees	(16 552 541)	(12 341 937)
	(16 552 541)	(12 341 937)
Net	271 424 856	228 753 726

(8) Dividend Income

	31 December 2018	31 December 2017
	EGP	EGP
Available-for-sale securities	5 548 671	7 239 506
Held-to-maturity investments – mutual funds certificates	797 734	1 222 096
	6 346 405	8 461 602

(9) Net Trading Income

	31 December 2018	31 December 2017
	EGP	EGP
Foreign Currencies Operations		
Profit from dealing in foreign currencies	73 391 038	75 612 657
	73 391 038	75 612 657

(10) Administrative Expenses

	31 December 2018	31 December 2017
	EGP	EGP
Personnel costs		
Wages & salaries	(231 453 374)	(210 432 388)
Social insurance	(7 798 266)	(7 076 387)
	(239 251 640)	(217 508 775)
Other administrative expenses	(246 244 825)	(208 286 169)
	(485 496 465)	(425 794 944)

The monthly average of the net salaries, remunerations and monthly profits received by the twenty key personnel at the Bank combined during 2018, after taxes and insurance deductions, amounts to EGP 1 939 233, against EGP 1 760 051 during 2017.

(11) Other Operating (Expenses)

	31 December 2018	31 December 2017
	EGP	EGP
(Losses) of evaluation of the balances of monetary assets and liabilities in foreign currencies, other than those held for trading or those classified upon institution at the fair value through profits & losses	110 340	(8 648 766)
Gains of selling fixed assets	1 817 115	1 234 930
(Burden) of operating and finance lease	(3 336 201)	(21 467 403)
Other provisions (Burden)	(3 208 189)	(1 943 372)
Others	4 019 699	5 482 534
	(597 236)	(25 342 077)

(12) Credit Losses Impairment (Burden)

	31 December 2018	31 December 2017
	EGP	EGP
Murabaha, musharaka and mudaraba for customers	(335 693 134)	(253 726 630)
Held-to-maturity financial investments	(1 783 309)	4 962 312
	<u>(337 476 443)</u>	<u>(248 764 318)</u>

(13) Income Tax (Expenses)

	31 December 2018	31 December 2017
	EGP	EGP
Current income taxes	(411 538 476)	(396 397 261)
Deferred taxes (note 23)	665 871	(499 395)
	<u>(410 872 605)</u>	<u>(396 896 656)</u>

(14) Earnings per share

	31 December 2018	31 December 2017
	EGP	EGP
Net distributable profits to the bank's shareholders	871 574 505	616 729 731
Weighted average of the number of shares	180 934 507	180 934 507
	<u>4.82</u>	<u>3.41</u>

(15) Cash & balances with the Central Bank of Egypt

	31 December 2018	31 December 2017
	EGP	EGP
Cash	534 157 443	581 752 455
Balances at Central Bank of Egypt within the mandatory reserve ratio	4 281 899 721	3 726 105 841
	<u>4 816 057 164</u>	<u>4 307 858 296</u>
Non-bearing balances	4 816 057 164	4 307 858 296
	<u>4 816 057 164</u>	<u>4 307 858 296</u>

(16) Due from Banks

	31 December 2018	31 December 2017
	EGP	EGP
Current accounts	860 973 921	456 111 638
Deposits	14 070 245 946	10 047 252 686
	14 931 219 867	10 503 364 324
Central Bank of Egypt other than the mandatory reserve ratio	14 070 245 946	10 047 252 686
Local banks	99 620 530	97 621 271
Foreign banks	761 353 391	358 490 367
	14 931 219 867	10 503 364 324
Non-bearing balances	860 973 921	456 111 638
Bearing balances	14 070 245 946	10 047 252 686
	14 931 219 867	10 503 364 324
Current balances	14 931 219 867	10 503 364 324
	14 931 219 867	10 503 364 324

(17) Governmental Notes

	31 December 2018	31 December 2017
	EGP	EGP
Treasury bills due 91 days	-	-
Treasury bills due 182 days	300 000 000	1 101 000 000
Treasury bills due 273 days	3 200 000 000	831 475 000
Treasury bills due 364 days	4 200 000 000	952 050 000
Treasury bills due 364 days -USD	2 896 629 120	2 870 114 630
Treasury bills due 364 days -EUR	452 267 200	468 831 000
	11 048 896 320	6 223 470 630
Unearned returns	(571 236 901)	(205 341 215)
	10 477 659 419	6 018 129 415

The Bank keeps debt instruments to cover the liquidity ratio of customers' balances according to the requirements of the competent authorities, and we usually recommend depositors to take this into consideration with regard to the return of such instruments, taking into account that the "purification percentage" of the returns of such instruments is 26%.

(18) Investment operations with Banks*

	31 December 2018	31 December 2017
	EGP	EGP
Investment operations with banks	3 481 593 377	3 157 118 700
	3 481 593 377	3 157 118 700
Current balances	3 452 931 617	3 128 754 380
Non-current balances	28 661 760	28 364 320
	3 481 593 377	3 157 118 700

* Representing commodity murabaha with local and correspondent banks in foreign currencies.

Including the amount of EGP 175 553 280, representing investment operations with alBaraka Banking Group – the main Shareholder at the Bank – (against EGP 102 820 660 as at 31 December 2017). The return of these operations during the year amounted to EGP 3 263 938 (against EGP 19 765 during the previous year).

(19) Murabaha, Mudaraba and Musharaka to Customers

	31 December 2018	31 December 2017
	EGP	EGP
Retail		
Debit current accounts	--	--
Credit cards	18 922 789	15 132 375
Personal murabaha, musharaka & mudaraba	1 289 798 046	1 197 480 533
Real estate murabaha, musharaka & mudaraba	370 229 605	293 425 781
Total (1)	1 678 950 440	1 506 038 689
Corporate		
Debit current accounts	--	--
Direct murabaha, musharaka & mudaraba	13 025 975 038	11 791 867 095
Syndicated murabaha, musharaka & mudaraba	3 450 661 151	2 528 453 753
Other murabaha, musharaka & mudaraba	18 380 289	19 461 268
Total (2)	16 495 016 478	14 339 782 116
Total murabaha, musharaka & mudaraba to customers (1+2)	18 173 966 918	15 845 820 805
Less: return under settlement	(1 162 908 972)	(1 046 425 739)
Less: Impairment loss provision	(1 264 901 786)	(1 126 971 791)
Net	15 746 156 160	13 672 423 275
Current balances	10 178 524 959	9 279 627 228
Non-current balances	5 567 631 201	4 392 796 047
	<u>15 746 156 160</u>	<u>13 672 423 275</u>

Loans to (Al Ahram Bank) Customers

	31 December 2018	31 December 2017
	EGP	EGP
Loans to customers	241	241
Loans' provisions	(241)	(241)
Suspended returns	--	--
	<u>--</u>	<u>--</u>

The loans to Al Ahram Bank Customers are represented in the balances of old debts for which a 100% provision is formed for Al Ahram Bank Customers before being transferred to a bank operating in compliance with the provisions of the graceful Islamic Shari'a.

Movement of the Loans' Provision of Al Ahram Bank Customers

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at January 1	241	10 653
Impairment (reversal)	--	--
Written off amounts	--	(10 412)
Differences of foreign currencies evaluation	--	--
Closing balance	241	241

Impairment Loss Provision

- Analysis of the movement of the impairment loss provision of the "murabaha, musharaka & mudaraba" to customers, according to the types:

31 December 2018					
		Retail			EGP
	Debit current accounts	Credit cards	Personal "Murabaha, Musharaka & Mudaraba"	Real estate "Murabaha, Musharaka & Mudaraba"	Total
Balance as at 1 January 2018	--	136 284	14 981 827	5 545 953	20 664 064
Impairment (reversal) burden	--	(31 438)	(1 795 351)	(2 662 753)	(4 489 542)
Write offs	--	--	(553 750)	--	(553 750)
Recovered amounts	--	41 131	--	--	41 131
Balance as at 31 December 2018	--	145 977	12 632 726	2 883 200	15 661 903

Corporate					
	Debit current accounts	Direct "Murabaha, Musharaka & Mudaraba"	syndicated "Murabaha, Musharaka & Mudaraba"	Other "Murabaha, Musharaka & Mudaraba"	Total
Balance as at 1 January 2018	--	671 634 033	433 273 119	1 400 575	1 106 307 727
Impairment burden	--	286 435 613	53 416 361	330 702	340 182 676
Write offs	--	(61 543 255)	(140 800 076)	--	(202 343 331)
Recovered amounts	--	3 223 418	--	--	3 223 418
Differences of foreign currencies evaluation	--	681 590	1 187 803	--	1 869 393
Balance as at 31 December 2018	--	900 431 399	347 077 207	1 731 277	1 249 239 883

31 December 2017					
		Retail			EGP
	Debit current accounts	Credit cards	Personal "Murabaha, Musharaka & Mudaraba"	Real estate "Murabaha, Musharaka & Mudaraba"	Total
Balance as at 1 January 2017	--	103 296	15 949 273	4 603 860	20 656 429
Impairment burden	--	32 988	(837 797)	942 093	137 284
Write offs	--	--	(129 649)	--	(129 649)
Balance as at 31 December 2017	--	136 284	14 981 827	5 545 953	20 664 064

Corporate					
	Debit current accounts	Direct "Murabaha, Musharaka & Mudaraba"	syndicated "Murabaha, Musharaka & Mudaraba"	Other "Murabaha, Musharaka & Mudaraba"	Total
Balance as at 1 January 2017	--	413 235 827	431 433 695	927 500	845 597 022
Impairment (Reversal) burden	--	251 253 321	1 839 424	496 601	253 589 346
Write offs	--	(5 159 721)	--	(23 526)	(5 183 247)
Recovered amounts	--	11 437 880	--	--	11 437 880
Differences of foreign currencies evaluation	--	866 726	--	--	866 726
Balance as at 31 December 2017	--	671 634 033	433 273 119	1 400 575	1 106 307 727

(20) Financial Investments

	31 December 2018	31 December 2017
	EGP	EGP
Available for Sale Financial Investments		
Debt instruments – at the fair value		
Quoted	--	--
Debt instruments at cost		
Unquoted	--	--
Equity instruments – at fair value		
Quoted	48 606 779	35 595 953
Unquoted	19 937 316	20 187 316
Total Available-for sale investments (1)	68 544 095	55 783 269
Held-to-maturity Financial Investments		
Mutual funds certificates originating bank must hold	26 929 846	26 929 846
Debt instruments at amortized cost:		
Quoted	10 886 210 793	10 666 104 100
Unquoted	238 730 832	227 966 496
Less: Impairment losses provisions	(2 279 050)	(495 741)
Total Held-to-maturity financial investments (2)	11 149 592 421	10 920 504 701
Total financial investments (1+2)	11 218 136 516	10 976 287 970
Current balances	677 416 746	2 614 822 812
Non-current balances	10 540 719 770	8 361 465 158
	<u>11 218 136 516</u>	<u>10 976 287 970</u>
Fixed-return debt instruments	11 124 941 625	10 894 070 596
Variable-return debt instruments	--	--
	<u>11 124 941 625</u>	<u>10 894 070 596</u>

The Bank keeps debt instruments to cover the liquidity ratio of customers' balances according to the requirements of the competent authorities, and we usually recommend depositors to take this into consideration with regard to the returns of such instruments, taking into account that the "purification percentage" of the returns of such instruments is 26%.

31 December 2018	Available for sale financial investments	Held-to-maturity financial investment	Total
	EGP	EGP	EGP
Balance as at 1 January 2018	55 783 269	10 920 504 701	10 976 287 970
Additions during the year	--	2 820 015 092	2 820 015 092
disposal during the year	(5 050 250)	(2 620 000 000)	(2 625 050 250)
Differences of evaluating monetary assets in foreign currencies	--	18 364 074	18 364 074
Amortization of issuance premium & discount	--	12 491 863	12 491 863
Gains of change in the fair value (note 31-F)	17 811 076	--	17 811 076
(Burden) Impairment loss provision	--	(1 783 309)	(1 783 309)
Balance as at 31 December 2018	68 544 095	11 149 592 421	11 218 136 516

31 December 2017	Available for sale financial investments	Held-to-maturity financial investment	Total
	EGP	EGP	EGP
Balance as at 1 January 2017	54 450 876	10 896 633 931	10 951 084 807
Additions during the year	636 650	1 069 063 823	1 069 700 473
disposal during the year	(71 568)	(1 046 140 936)	(1 046 212 504)
Differences of evaluating monetary assets in foreign currencies	--	(21 198 565)	(21 198 565)
Amortization of issuance premium & discount	--	17 184 136	17 184 136
Gains of change in the fair value (note 31-F)	767 311	--	767 311
Reserval of Impairment loss provision	--	4 962 312	4 962 312
Balance as at 31 December 2017	<u>55 783 269</u>	<u>10 920 504 701</u>	<u>10 976 287 970</u>

Financial Investments Gains

	31 December 2018	31 December 2017
	EGP	EGP
Gains of selling available-for-sale financial investments	12 696 137	--
Impairment Losses of available-for-sale equity instruments	--	(636 650)
Gains of selling shares of subsidiaries & sister companies	--	1 447 061
	<u>12 696 137</u>	<u>810 411</u>

Settlements of the impairment losses provision of Held-to-maturity financial investments

	31 December 2018	31 December 2017
	EGP	EGP
Opening balance	(495 741)	(5 458 053)
Reversal of credit losses impairment	(1 783 309)	4 962 312
Closing balance	<u>(2 279 050)</u>	<u>(495 741)</u>

(21) Financial Investments in Subsidiaries and Sister Companies

	31 December 2018	31 December 2017
	EGP	EGP
alBaraka Company for Financial Investments	<u>49 000 000</u>	<u>--</u>
	<u>49 000 000</u>	<u>--</u>

During the financial year ending as at December 31, 2018, the Bank incorporated (alBaraka Company for Investments), (annotated in the commercial register on October 17, 2018), with an authorized capital EGP 200 million and an issued & paid up capital of EGP 50 million. The subscription percentage of the Bank in the Company's capital is 98%. The Company has not yet started practicing its activity up to the date of preparing the financial statements and consequently the Bank has not yet prepared consolidated financial statements.

(22) Other Assets

	31 December 2018	31 December 2017
	EGP	EGP
Accrued revenues	842 189 223	651 048 047
Prepaid expenses	6 867 259	6 231 315
Down payments for purchasing & fitting new branches	228 919 802	180 772 244
Assets which ownership devolved to the bank in settlement of debts (After deducting impairment)	137 123 269	200 633 241
Deposits and custody	5 252 562	4 704 339
Others	173 366 376	176 517 490
	1 393 718 491	1 219 906 676

(23) Deferred Income Taxes

The deferred income tax has been fully calculated on the deferred tax differences according to the "liabilities method".

The deferred tax assets ensuing of the carried forward tax losses are not recognized unless in case of probable future tax profits through which the carried forward tax losses can be benefited of.

An offset between the deferred tax assets and liabilities is to be carried out in case of a legal justification for carrying out an offset between the current tax on assets against the current tax on liabilities and also when the deferred income tax is appendant to the same tax administration.

Balances of Deferred Tax Assets & Liabilities

31 December 2018	Deferred Tax Assets	Deferred Tax Liabilities	31 December 2018
	EGP	EGP	EGP
Fixed Assets	--	(5 965 071)	(5 965 071)
Provisions (other than the impairment losses provision)	3 563 005	--	3 563 005
	3 563 005	(5 965 071)	(2 402 066)

31 December 2017	Deferred Tax Assets	Deferred Tax Liabilities	31 December 2017
	EGP	EGP	EGP
Fixed Assets	--	(6 203 668)	(6 203 668)
Provisions (other than the impairment losses provision)	3 135 731	--	3 135 731
	3 135 731	(6 203 668)	(3 067 937)

Movement of Deferred Tax Assets & Liabilities

31 December 2018	Deferred Tax Assets	Deferred Tax Liabilities	31 December 2018
	EGP	EGP	EGP
Balance as at 1 January 2018	3 135 731	(6 203 668)	(3 067 937)
Additions during the year	427 274	--	427 274
Disposal during the year	--	238 597	238 597
Balance as at 31 December 2018	3 563 005	(5 965 071)	(2 402 066)

31 December 2017	Deferred Tax Assets	Deferred Tax Liabilities	31 December 2017
	EGP		EGP
Balance as at 1 January 2017	3 231 167	(5 799 709)	(2 568 542)
Additions during the year	--	(403 959)	(403 959)
Disposal during the year	(95 436)	--	(95 436)
Balance as at 31 December 2017	3 135 731	(6 203 668)	(3 067 937)

(24) Fixed Assets

	Lands & buildings	Improvements on leased assets	Machines & Equipment	Other	Total
	EGP	EGP	EGP	EGP	EGP
Balance as at 1 January 2017					
Cost	325 895 078	4 895 364	22 347 950	176 163 042	529 301 434
Accumulated depreciation	(68 704 189)	(1 383 282)	(17 932 854)	(91 462 326)	(179 482 651)
Net book value	257 190 889	3 512 082	4 415 096	84 700 716	349 818 783
Additions	85 437 625	--	2 288 849	17 940 305	105 666 779
Exclusions	(150 000)	--	(52 834)	(909 339)	(1 112 173)
Depreciation cost	(14 743 503)	(116 124)	(2 450 361)	(14 230 358)	(31 540 346)
Exclusions accumulated depreciation	91 150	--	52 829	909 324	1 053 303
Net book value as at 31 December 2017	327 826 161	3 395 958	4 253 579	88 410 648	423 886 346
Balance as at 1 January 2018					
Cost	411 182 703	4 895 364	24 583 965	193 194 008	633 856 040
Accumulated depreciation	(83 356 542)	(1 499 406)	(20 330 386)	(104 783 360)	(209 969 694)
Net book value	327 826 161	3 395 958	4 253 579	88 410 648	423 886 346
Additions	2 651 553	--	3 260 559	14 457 515	20 369 627
Exclusions	(188 617)	--	--	(2 263 415)	(2 452 032)
Depreciation cost	(15 127 236)	(116 124)	(2 268 854)	(18 943 956)	(36 456 170)
Exclusions accumulated depreciation	96 649	--	--	2 263 395	2 360 044
Net book value as at 31 December 2018	315 258 510	3 279 834	5 245 284	83 924 187	407 707 815
Balance as at 31 December 2018					
Cost	413 645 639	4 895 364	27 844 524	205 388 108	651 773 635
Accumulated depreciation	(98 387 129)	(1 615 530)	(22 599 240)	(121 463 921)	(244 065 820)
Net book value	315 258 510	3 279 834	5 245 284	83 924 187	407 707 815

(25) Due to Banks

	31 December 2018	31 December 2017
	EGP	EGP
Current accounts	353 186 480	200 924 081
Deposits	1 143 745 229	405 444 323
	1 496 931 709	606 368 404
Local banks	429 506 513	279 631 500
Foreign banks	1 067 425 196	326 736 904
	1 496 931 709	606 368 404
Non- return bearing balances	353 186 480	200 924 081
Return bearing balances	1 143 745 229	405 444 323
	1 496 931 709	606 368 404
Current balances	1 496 931 709	606 368 404
	1 496 931 709	606 368 404

(26) Customers' Deposits

	31 December 2018	31 December 2017
	EGP	EGP
Demand deposits	5 392 010 225	4 829 429 907
Time and notice deposits	26 355 507 282	22 126 533 854
Certificates of deposit and saving	14 975 480 309	10 817 439 614
Savings deposits	6 497 619 307	5 179 839 637
Other deposits	1 314 783 745	1 216 469 069
	54 535 400 868	44 169 712 081
Corporate deposits	30 957 611 633	26 723 895 421
Individual deposits	23 577 789 235	17 445 816 660
	54 535 400 868	44 169 712 081
Non-return bearing balances	6 706 793 970	6 045 898 976
Variable return balances	47 828 606 898	38 123 813 105
	54 535 400 868	44 169 712 081
Current balances	40 302 016 461	34 057 391 799
Non-current balances	14 233 384 407	10 112 320 282
	54 535 400 868	44 169 712 081

(27) Other Finances

(A) Long-Term Restricted Finances

- This item is represented in the musharaka Contract concluded by and between the Bank and the Social Fund for Development with a capital of EGP 200 million (amended to be EGP 100 million only) to finance small enterprises with financing formulas conformable to the Islamic Shari'a. The contract is implemented on four equal payments each of EGP 50 million, 50% by each of the contract parties, over six years, starting as of the date of the transfer of the first payment by the Fund to the Bank on 28 February, 2013. On July 4, 2016 the Bank concluded a new contract with the Social Fund for Development in the amount of EGP 100 million for financing small enterprises by financing formulas conformable to the Islamic Shari'a. The contract is implemented on four equal payments each of EGP 25 million, 50% by each of the contract parties, over six years, starting as of the date of the transfer of the first payment by the Fund to the Bank on 28 August, 2016.
- The musharaka profits (resulted from financing operations) shall be equally distributed over the Bank and the Social Fund for Development, after deducting a percentage of that return in favour of the Bank in its capacity as the Fund Manager.
- The Bank undertakes to settle a return equal to the return rate applied by the Bank on deposits (3 months) for the least credit balance to the unused balance of the Fund's share in the musharaka capital.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	24 967 271	19 537 220
Additions during the year	--	12 500 000
Settlements during the year	(10 457 710)	(7 069 949)
End of year balance	<u>14 509 561</u>	<u>24 967 271</u>

(B) Subordinated Finance from Main Investor

- On March 16, 2008, an agreement (investment mudaraba deposit contract) has been concluded with (AlBaraka Banking Group) – the Principal Shareholder at the Bank – to support the Bank's subordinated capital in an amount of 20 million US Dollars, this deposit having fallen due on 31 March 2013.
- On 31 March, 2013, alBaraka Banking Group deposited the amount of 20 million US Dollars, through an offset between the values of the old and the new contracts, as an (investment mudaraba deposit), in order to support the Bank's subordinated capital. The maturity date of this deposit is on 30 June 2018 and its profits are calculated according to the return rates applied on the Bank's depositors in US Dollars for five years. In which it is paid annually after relinquishing 10% of the Bank's share as a mudarib". alBaraka Banking Group is not entitled to withdraw this deposit unless with the approval of the Central Bank of Egypt. On 20 October 2015, the deposit maturity date has been extended so as to fall due on 20 June 2021. On 7 June 2017, the deposit maturity date has been extended once more to fall due on 30 June 2025.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	354 554 000	365 330 000
Differences of foreign currencies evaluation	3 718 000	(10 776 000)
End of year balance	<u>358 272 000</u>	<u>354 554 000</u>

C- Subordinated Finance From Other Shareholders

- On 5 February 2017, an investment mudaraba deposit contract has been concluded with Misr Insurance Company (one of the largest shareholders of our Bank) to support the Bank's subordinated capital in the amount of 25 million US Dollars. The contract's enforceability started as of 23 February 2017 for seven years. with return around 6.75%, paid on quarterly basis.

- On 2 July 2017, another agreement has been concluded with Misr Insurance Company (investment mudaraba deposit contract) to support the Bank's subordinated capital in the amount of 20 million US Dollars, over eight years. with return around 6.25%, paid on quarterly basis.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	797 746 500	--
Additions during the year	--	806 462 000
Differences of foreign currencies evaluation	8 365 500	(8 715 500)
End of year balance	806 112 000	797 746 500
Total other finances (A+B+C)	1 178 893 561	1 177 267 771

(28) Other Liabilities

	31 December 2018	31 December 2017
	EGP	EGP
Accrued returns	1 101 438 220	1 006 530 999
Unearned revenues	64 631 675	86 470 665
Accrued expenses	69 818 367	69 987 424
Sundry credit balances	347 927 100	307 743 455
	1 583 815 362	1 470 732 543

(29) Other Provisions

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	83 593 846	91 657 238
Charged to the income statement during the year	3 208 189	1 943 372
Used during the year	(210 460)	(9 807 113)
Differences of foreign currencies evaluation	63 081	(199 651)
End of the year balance	86 654 656	83 593 846

The balances of other provisions are represented in the following:

	31 December 2018	31 December 2017
	EGP	EGP
Contingent liabilities provisions	32 333 173	31 032 020
Provision of probable claims & lawsuits	4 248 938	2 349 948
Tax provision	38 485 907	38 625 240
Provision of assets devolved to the bank, formed before 2010	11 586 638	11 586 638
	86 654 656	83 593 846

(30) Capital

The authorized capital amounts to 2 billion Egyptian Pounds, and the issued & paid-up capital amounts to 1 266 541 549 Egyptian Pounds as at the financial statement date, at nominal value per share being 7 Egyptian Pounds, all issued shares being settled in full.

31 December 2018	Number of shares	Ordinary shares	Total
	EGP	EGP	EGP
Balance as at 1 January 2018	180 934 507	1 266 541 549	1 266 541 549
Balance as at 31 December 2018	<u>180 934 507</u>	<u>1 266 541 549</u>	<u>1 266 541 549</u>

31 December 2017	Number of shares	Ordinary shares	Total
	EGP	EGP	EGP
Balance as at 1 January 2017	136 812 482	957 687 374	957 687 374
Shareholders' dividends of 2015, used for capital increase	20 521 872	143 653 104	143 653 104
Shareholders' dividends of 2016, used for capital increase	23 600 153	165 201 071	165 201 071
Balance as at 31 December 2017	<u>180 934 507</u>	<u>1 266 541 549</u>	<u>1 266 541 549</u>

On March 3, 2018, the Bank's General Assembly decided to ratify the capital increase in the amount of 139 319 572 Egyptian Pounds, through distributing bonus shares on the shareholders. Until accomplishment of the increase registration procedures, this amount has been inserted under the set aside on account of the capital increase.

(31) Reserves

	31 December 2018	31 December 2017
Reserves are represented in:	EGP	EGP
General banking risks reserve	134 043 805	150 393 668
Legal reserve	243 100 242	170 697 892
General reserve	209 834 490	167 000 000
Capital reserve	7 421 885	6 186 955
Special reserve	41 212 327	41 212 327
Reserve of the risks of the IFRS9	237 165 510	--
Reserve of the fair value – available-for-sale financial investments	30 570 852	12 759 776
	<u>903 349 111</u>	<u>548 250 618</u>

(A) General Banking Risks Reserve

The instructions of the Central Bank of Egypt stipulate the necessity of constituting a general banking risks reserve to face unpredicted risks. No distributions are to be made of this reserve unless after obtaining the approval of the Central Bank of Egypt.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	150 393 668	149 252 101
Transferred (to) from retained earnings	(16 349 863)	1 141 567
End of year balance	<u>134 043 805</u>	<u>150 393 668</u>

B- Legal Reserve

Pursuant to the Bank's Articles of Association, 10% of the year's net profits is set aside for feeding a non-distributable reserve, until its balance becomes 100% of the capital.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	170 697 892	119 489 766
Transferred from retained earnings	72 402 350	51 208 126
End of year balance	<u>243 100 242</u>	<u>170 697 892</u>

C- General Reserve

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	167 000 000	--
Transferred from retained earnings	42 834 490	167 000 000
End of year balance	<u>209 834 490</u>	<u>167 000 000</u>

D- Capital Reserve

It is supported by the profits ensuing of selling the fixed assets owned by the Bank, for the purpose of consolidating the Bank's financial position.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	6 186 955	5 809 562
Transferred from retained earnings	1 234 930	377 393
End of year balance	<u>7 421 885</u>	<u>6 186 955</u>

E- Special Reserve

In implementation to the regulations of banks' financial statements preparation & presentation, as well as the recognition and measurement rules ratified by the Board of Directors of the Central Bank of Egypt, at its session held on December 16, 2008, the Special Reserve is represented in the influence of change in accounting treatments.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	41 212 327	41 212 327
End of year balance	<u>41 212 327</u>	<u>41 212 327</u>

(F) Reserve of the Risks of "IFRS9" – (International Financial Reporting Standard number 9)

In implementation to the instructions of the Central Bank of Egypt, issued on January 28, 2018, a reserve has been formed for the risks of the (International Financial Reporting Standard 9) "IFRS9", at 1% of the total risk-weighted credit risks as at 31/12/2017.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	--	--
Transferred from retained earnings	237 165 510	--
End of year balance	<u>237 165 510</u>	<u>--</u>

(G) Fair Value Reserve – Available-for-Sale Financial Investments

In implementation to the regulations of banks' financial statements preparation & presentation, as well as the recognition and measurement rules ratified by the Board of Directors of the Central Bank of Egypt, at its session held on December 16, 2008, the profits and losses ensuing of changes in the fair value of the available-for-sale financial investments have been directly recognized under equity, until the asset is excluded off or until the impairment of its value, at which point the profits and losses previously recognized under equity are recognized in the income statement.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	12 759 776	11 355 815
Net profit of change in the fair value	17 811 076	767 311
Loss transferred to the income Statement resulting of impairment	--	636 650
End of year balance	<u>30 570 852</u>	<u>12 759 776</u>

(32) Retained earnings

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at January 1	817 932 556	542 863 282
Previous year dividends (Personnel share, Board Members remuneration & Shareholders cash distributions)	(222 517 439)	(65 261 000)
Transferred (to) the legal reserve	(72 402 350)	(51 208 126)
Transferred (to) the general reserve	(42 834 490)	(167 000 000)
Transferred (to) the capital reserve	(1 234 930)	(377 393)
Transferred (to) the reserve of the IFRS9	(237 165 510)	--
Shareholders dividends , used for capital increase	(139 319 572)	(165 201 071)
Net profit of period/year	1 003 637 505	725 258 431
Transferred from (to) the banking risks reserve	16 349 863	(1 141 567)
End of year balance	<u>1 122 445 633</u>	<u>817 932 556</u>

(33) Cash & Cash Equivalent

For purposes of the cash flows statement presentation, the item of cash & cash equivalent includes the following balances, which maturity dates don't exceed three months to the acquisition date.

	31 December 2018	31 December 2017
	EGP	EGP
Cash & balances with the Central Bank (note 15)	534 157 443	581 752 455
Balances with banks (note 16)	14 931 219 867	10 503 364 324
Governmental notes (note 17)	--	--
	<u>15 465 377 310</u>	<u>11 085 116 779</u>

(34) Contingent Liabilities & Commitments

(A) Judicial Claims

Several lawsuits have been filed versus the Bank and accordingly a provision has been formed for this purpose on December 31, 2018, in the amount of EGP 4 248 938 against EGP 2 349 948 as at December 31, 2017.

B- Capital Commitments

	31 December 2018	31 December 2017
	EGP	EGP
Capital commitments represented in contracts for purchasing fixed assets and branch fittings	25 187 932	52 273 813
Capital commitments represented in financial investments	--	50 000 000
	<u>25 187 932</u>	<u>102 273 813</u>

(C) Commitments for Finance, Guarantees & Facilities (Net)

The Bank's commitments related to finance, guarantees and facilities are represented in the following:

	31 December 2018	31 December 2017
	EGP	EGP
Acceptances	231 860 014	303 290 561
Letters of guarantee	1 613 088 269	1 164 568 182
Documentary credits	404 442 356	673 822 642
	<u>2 249 390 639</u>	<u>2 141 681 385</u>

(35) Tax Position of the Bank

Stock Companies Taxes

- No commitments are due on the Bank since starting transaction up to 31/12/2004, as all dues have been settled.
- The years 2005/2006 have been examined, revealing tax losses.
- The years from 2007 up to 2017 haven't been yet examined, taking into consideration that the tax returns for these years have been handed over to the Tax Administration on the due dates, revealing no commitment on the Bank.

Income Taxes

- No commitments are due on the Bank since starting transaction up to 31/12/2012, as all dues have been settled.
- The years from 2013 till 2017 haven't been examined, taking into consideration that taxes are paid on monthly basis.

Proportional Stamp-Duty Taxes

- The Bank branches have been examined up to 31/7/2006, revealing no due commitments.
- The Bank has been examined from 1/8/2006 up to 31/12/2010, revealing no commitment as all dues have been settled.
- The period from 1/1/2011 up to 31/12/2017 hasn't been yet examined.

(36) Transactions with Related Parties

alBaraka Banking Group (Bahrain) – the Principal Shareholder at the Bank – owns 73% of the ordinary shares, while the remaining 27% is owned by other shareholders. Several transactions have been entered in with related parties through the course of the Bank's regular practice of its business.

Hereunder is a statement of the balances and results of transactions with the members of the top management, subsidiaries & sister companies:

(A) Deposits by Related Parties

	Members of the Senior Management & Close Family Members		Subsidiaries & Sister Companies	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	EGP	EGP	EGP	EGP
Due to customers				
Balance as at 1 January	792 794 679	1 180 048 887	--	4 471 537
Deposits executed during the year	472 784 430	13 901 792	--	751
Deposits recovered during the year	(336 874 127)	(401 156 000)	--	(4 472 288)
End of year balance	<u>928 704 982</u>	<u>792 794 679</u>	<u>--</u>	<u>--</u>
Cost of deposits during the year	<u>41 130 242</u>	<u>43 116 871</u>	<u>--</u>	<u>--</u>

(B) Other Finances – Subordinated Finance by the Principal Investor:

On March 16, 2008, an agreement "Investment Mudaraba Deposit Contract" has been concluded with alBaraka Banking Group – the Principal Shareholder at the Bank – to support the Bank's subordinated capital in an amount of 20 million US Dollars, this deposit having fallen due on 31 March 2013.

On 31 March, 2013, alBaraka Banking Group deposited the amount of 20 million US Dollars, through an offset between the values of the old and the new contracts, as an investment mudaraba deposit, in order to support the Bank's subordinated capital. The maturity date of this deposit is on 30/6/2018 and its profits are calculated according to the return rates applied on the Bank's depositors in US Dollars over five years. Their returns are paid annually after relinquishing 10% of the Bank's share as a mudarib alBaraka Banking Group is not entitled to withdraw this deposit unless with the approval of the Central Bank of Egypt. On 20 October 2015, the deposit maturity date has been extended so as to fall due on 20 June 2021. On 7 June 2017, the deposit maturity date has been extended once more to fall due on 30 June, 2025.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	354 554 000	365 330 000
Differences of foreign currencies evaluation	3 718 000	(10 776 000)
End of year balance	<u>358 272 000</u>	<u>354 554 000</u>

(C) Other Finances – Other Shareholders

On 5 February 2017, an (Investment Mudaraba Deposit Contract) has been concluded with Misr Insurance Company (one of the largest shareholders of our Bank) to support the Bank's subordinated capital in the amount of 25 million US Dollars. The contract's enforceability started as of 23 February 2017 for seven years. The deposit bears of 6.75% approximately, paid on quarterly basis.

On 2 July 2017, another contract has been concluded with Misr Insurance Company (Investment Mudaraba Deposit Contract) to support the Bank's subordinated capital in the amount of 20 million US Dollars, for eight years. The deposit bears return of 6.25% approximately, paid on quarterly basis.

	31 December 2018	31 December 2017
	EGP	EGP
Balance as at 1 January	797 746 500	--
Additions during the year	--	806 462 000
Differences of foreign currencies evaluation	8 365 500	(8 715 500)
End of year balance	<u>806 112 000</u>	<u>797 746 500</u>

(D) Benefits of the Board of Directors & Top Management

	31 December 2018	31 December 2017
	EGP	EGP
Salaries and short-term benefits during the year	22 720 696	14 874 727
	<u>22 720 696</u>	<u>14 874 727</u>

(37) Mutual Funds

31 December 2018	alBaraka Bank Egypt Fund (alBaraka)	National Bank of Egypt & alBaraka Bank Egypt Fund (Bashayer)	alBaraka Bank Egypt Fund (Al Motawazen)
Date of foundation	30 March 2006	31 March 2009	10 May 2010
License	Number 246 issued by the Capital Market General Authority	Number 432 issued by the Capital Market General Authority	Number 580 issued by the Egyptian Financial Supervisory Authority
Fund Manager	Hermes Fund Management Company	The National Funds Management Company	Al Tawfik Company for Portfolio Management
Total number of the fund documents "Wathika"	342 217	1 569 730	211 625
Nominal value of the total number of the fund documents in (EGP)	34 221 700	156 973 000	21 162 500
Recoverable value of the total number of the fund documents in (EGP)	37 120 278	116 882 096	21 132 873
Bank's share of the Fund documents (Wathika)	147 630	45 403	52 700
Nominal value of the Bank's share of the Fund documents (EGP)	14 763 000	4 540 300	5 270 000
Recoverable value of the Bank's share of the Fund documents (EGP)	16 013 426	3 380 708	5 262 622
Fees and commissions reported under the item of "Fees & Commissions Revenues" – Other Fees – in the Income Statement (EGP)	277 708	293 487	111 102
Returns of the Bank's contribution to the Fund, reported under "dividends" in the income statement (EGP)	295 260	195 233	307 241

(38) Accounting Standards issued but not yet applied

International Financial Reporting Standard number "9" (IFRS9) (Financial Instruments) – Classification & Measurement:

Pursuant to the instructions of the Central Bank of Egypt issued on January 28, 2018, the Bank shall apply the "IFRS9" (Financial Instruments) as of January, 2019.

The implementation of the "IFRS9" (Financial Instruments) requires reviewing the accounting policies and supervisory procedures and such changes are still being developed and haven't yet been accomplished.

The Bank currently tests and assesses the supervisory procedures related to computer systems and the necessary changes of the current governance frame.

The new accounting policies, estimates and assumptions pertaining to the "IFRS9" (Financial Instruments) are still liable to reassessment during 2018 so that the Bank may finally issue the official statements according to the "IFRS9" as of January, 2019.

The "IFRS9" (Financial Instruments) comprises new classifications and a change in the bases of financial assets measurement, reflecting the "Business Models" according to which the management of these assets and the manner of dealing with the characteristics of their cash flows shall be determined.

Expected Credit Losses

The "IFRS9" for Financial Instruments substituted the concept of realized losses with that of the expected loss, comprising a future overview for predicting the loss event before its occurrence. Such concept requires a large extent of estimative judgements regarding the influence of economic factors on expected credit losses.

Business Models

The Bank currently determines the business models through which it keeps financial assets in each portfolio, so as to reflect the best method for the portfolio management and the information reported to the Management.

Such information comprises:

The ratified policies for each portfolio, in conformity with the Management strategy

The "IFRS9" (Financial Instruments) includes three main classifications of financial assets, which are:

- (1) Assets held at the amortized cost
- (2) Assets held at the fair value through the items of the other comprehensive income
- (3) Assets held at the fair value through the income statement

The "IFRS9" (Financial Instruments) abrogated the classification of financial assets held to maturity and the loans, debts and the available for sale.

In implementation to the instructions of the Central Bank of Egypt, issued on January 28, 2018, the Bank formed a risk reserve of 1% of the total risk-weighted credit risks of the net profit after taxation for the year 2017, in the amount of EGP 237 165 510, reported under the Capital in the capital base, to be used after obtaining the approval of the Central Bank of Egypt.

The final instructions of the Central Bank of Egypt concerning the implementation of the "IFRS9" haven't been yet issued, up to the date of ratifying these financial statements.

Fund of Zakah and Charity Donations

Financial Statements

For the year ended 31 December 2018

& Auditors' Report

Auditors' Report

Messrs/ Shareholders of (alBaraka Bank Egypt)

We have audited the attached financial statements of Zakah Fund at alBaraka Bank Egypt, represented in the balance sheet as December 31, 2018, as well as the cash income and expenses account for the financial year ending as at that date, and a brief statement of the important accounting policies and such other clarifications. The preparation of these financial statements is the responsibility of the Fund Management, while our own responsibility is to express our opinion on these financial statements, in the light of our auditing thereof.

Our auditing process has been carried out according to the Egyptian Auditing Standards and in the light of the Egyptian Laws in force. These Standards require planning and performing auditing so as to obtain an adequate assurance that the financial statements don't include any significant and effective errors. The auditing tasks comprise carrying out experimental examination of documents and the evidences supporting the values and clarifications stated in the financial statements. They also comprise carrying out assessment of the applied accounting policies and principles and the important estimates prepared by the Management as well as the soundness of the financial statement presentation. We obtained from the Management the particulars and clarifications which we deemed necessary for auditing purposes. We are of the opinion that the auditing works which we carried out are deemed an appropriate basis for expressing our opinion on these financial statements.

The "Fund" policy is based on preparing the attached financial statements pursuant to its work regulations and bylaws, based on cash receivables and payables. According to this base, revenue is considered achieved upon collection and not upon maturity. Likewise, expenses are deemed to be incurred upon settlement and not upon maturity.

In our opinion, the attached financial statements clearly & fairly express in all their important aspects the financial position of Zakah Fund of alBaraka Bank Egypt as at 31 December 2018, the collected revenues and paid up expenses by the Fund during the financial year ending as at that date, pursuant to the bases of cash receivables and payables, as stated under "note number 3".

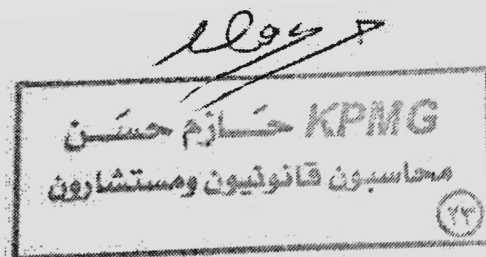
Auditors

Mohamed Mortada Abdel-Hamid

Hossam Eldin Abdel-Wahab Ahmed



Recorded at the "Egyptian Financial Supervisory Authority" number 157
BDO - Khaled & Partners



Recorded at the "Egyptian Financial Supervisory Authority" number (380)
KPMG Hazem Hassan
Chartered Accountants & Consultants

Cairo: 16 January 2019

BALANCE SHEET

For the year ended 31 December 2018

	Note No	31 December 2018 EGP	31 December 2017 EGP
Cash & Balances with the Bank:			
Investment current account		375 205	34 300
Limited term investment current account		139 000	195 000
Total Current Accounts		514 205	229 300
Charitable investment account with return on			
Fund (running alms)	(4)	1 623 000	1 623 000
Total		<u>2 137 205</u>	<u>1 852 300</u>
Income exceeds expenses			
		514 205	229 300
Against charitable investment			
		1 623 000	1 623 000
Total		<u>2 137 205</u>	<u>1 852 300</u>

Ashraf Ahmed El-Ghamrawy



Chairman

Fund of Zakah and Charity Donations

- Enclosed notes are an integral part of financial statements.
- Report of auditors enclosed.

INCOME & EXPENSES

For the year ended 31 December 2018

	31 December 2018 EGP	31 December 2017 EGP
Income		
Opening balance	229 300	63 834
Zakah Collected		
Islamically due on Bank's funds for previous year	8 308 805	6 111 476
Zakah provided by individuals	40 000	--
Total Zakah Collected	8 578 105	6 175 310
Investment account return (current/limited term)	16 611	240 538
Returns on charitable investment accounts "running alms"	149 803	207 706
Total Income	8 744 519	6 623 554
Expenses		
Zakah Spent		
Hospitals, Foundations & Charitable Associations	(8 229 882)	(6 365 269)
Total Zakah Spent	(8 229 882)	(6 365 269)
Administrative & general expenses	(432)	(28 985)
Total Expenses	(8 230 314)	(6 394 254)
Excess of Income above Expenses	514 205	229 300

- Enclosed notes are an integral part of financial statements.

Notes to Financial Statements

For the year ended 31 December 2018

1. Fund of Zakah and Charity Donations of alBaraka Bank Egypt was established pursuant to the decision of the Board of Directors held on 29 April 1994 with its head office located at the head office of the Bank. The funds of the Fund and its accounts are independent of the funds of the Bank and its accounts. The resources of the Fund comprise the following:

- Zakah imposed by Islam on the funds of the Bank.
- Donations, and monetary and in-kind grants that depositors or third part from among individuals or authorities provide as approved by the Fund Management Committee.

2. The Fund complies in all cases with spending Zakah in its Shari'a outlets.

3. The monetary basis is adopted at the time of establishing the Income and Expenses of the Fund.

4. The item "against charitable Investment "as at 31 December 2018 is represented in the following:

EGP 1 623 000 value of charity deposits donated by third party to the Fund, of which the principal should not be touched, provided that its return would be spent pursuant to the system of the Bank as running alms by the knowledge of Fund of Zakah and Charity Donations at the Bank.

HEAD OFFICE & BRANCHES

Head office

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Mohy El-din Abu El-Ezz Branch

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P.O.Box: 504 Dokki
Postal Code: 12311 Dokki
Tel.: (02)33383482-33383490 -33383494
Fax: (02) 37611438-37617305
Swift: ABRKEGCAEZZ
e-mail: mohyeldin@albaraka-bank.com.eg

Cairo Branch

Address: 12 Ettihad El-Mohamien El-Arab
Str., Garden City, Cairo, Egypt.
P.O.Box: 75 Maglesse El-Shaab, Cairo, Egypt.
Postal Code: 11516
Tel.: (02) 27947112 -27950673
Fax: (02) 27949641
Swift: ABRKEGCACAI
e-mail: cairo@albaraka-bank.com.eg

Adly Branch

Address: 9 Adly Street, Down Town Cairo, Egypt
P.O.Box: 1994 Attaba, Cairo, Egypt
Postal Code: 11511
Tel.: (02) 23919304-23919250-23919209
Fax: (02) 23919059
Swift: ABRKEGCAALF
e-mail: adly@albaraka-bank.com.eg

Zakat Department

Address: Address of Adly Branch

Heliopolis Branch

Address: 76 El-Sayed El-Merghany Str., Heliopolis, Cairo,
Egypt.
P.O.Box: 5986 Heliopolis West Cairo, Egypt
Postal Code: 11757
Tel.: (02) 24140018-24140019
Fax: (02) 24140013
Swift: ABRKEGCAMRG
e-mail: heliopolis@albaraka-bank.com.eg

Mohandessien Branch

Address: 45 Mohamed Hasan Helmy Str.,
Mohandessien, Giza, Egypt.
P.O.Box: 409 Imbaba, Giza, Egypt.
Postal Code: 12411
Tel.: (02) 33037840-33037842
Fax: (02) 33037841
Swift: ABRKEGCAMOH
e-mail: mohandessien@albaraka-bank.com.eg

Akkad Branch

Address: El-Akkad Trade Center -Al-Nour City, Nasr City
, Cairo ,Egypt.
P.O.Box: 9017 Nasr City, Cairo, Egypt.
Postal Code: 11765
Tel.: (02) 24146517-24146518
Fax: (02) 24146519
Swift: ABRKEGCAAKD
e-mail: akkad@albaraka-bank.com.eg

Maadi Branch

Address: 3 Waheib Dous Str., El-Mahata Square , Maadi ,
Cairo , Egypt
P.O.Box: 1259 Maadi
Postal Code: 11728
Tel.: (02) 27509879-27509881
Fax: (02) 27509885
Swift: ABRKEGCAMAD
e-mail: maadi@albaraka-bank.com.eg

6th of October Branch

Address: 1st /A Area, Services Center Fifth &
Sixth, in front of Vodafone 6th of October, Egypt.
P.O.Box: 349 (6th of October), Egypt
Postal Code: 12566
Tel.: (02) 38313964-38313965
Fax: (02) 38313963
Swift: ABRKEGCAOCT
e-mail: sixoctober@albaraka-bank.com.eg

Faisal Branch

Address: 2El-Salam Str., Faisal , Giza, Egypt
P.O.Box: 68 Rabeia El-Gizy,Giza, Egypt
Postal Code: 12515
Tel.: (02) 37800327-37800329
Fax: (02) 37800309
Swift: ABRKEGCAFSL
e-mail: faisal@albaraka-bank.com.eg

Nasr City Branch

Address: 18 Ahmed Fakhry Str., Nasr City,
Cairo, Egypt
P.O.Box: 43 El-Andalus
Postal Code: 11718
Tel.: (02) 26712948-26712947
Fax: (02) 26712928
Swift: ABRKEGCANSR
e-mail: nasrcity@albaraka-bank.com.eg

El-Messaha - Dokki Branch

Address: 33El-Mesaha Str.,Dokki, Giza, Egypt
P.O.Box: 112 Dokki
Postal Code: 12311 Dokki
Tel.: (02) 33366129-33366176
Fax: (02) 33366078
Swift: ABRKEGCADOK
e-mail: dokki@albaraka-bank.com.eg

Ahmed Orabi Branch

Address: 13 Corner of Alhady and Alamin Str., from Ahmed Orabi Str. Sahafieen City, Agouza , Giza, Egypt
P.O.Box: 20 Embaba
Postal Code: 12411
Tel.: (02) 33028543-33028544
Fax: (02) 33028535
Swift: ABRKEGCAORA
e-mail: orabi@albaraka-bank.com.eg

Al-Azhar Branch

Address: 391 Port said Str. Al-Azhar Mall, Cairo, Egypt
P.O.Box: 100 El-Ghoria
Postal Code: 11639
Tel.: (02) 25106191-25106192
Fax: (02) 25106194
Swift: ABRKEGCAZHR
e-mail: azhar@albaraka-bank.com.eg

Semuha Branch

Address: 5 Dr. Sayed Fahmy Str., Section No. 5 Block 27 Semuha,, Alexandria, Egypt
P.O.Box: 182 Semuha, Alexandria
Postal Code: 21648
Tel.: (03)4259142-4259145-4259146-4259147
Fax: (03) 4259316
Swift: ABRKEGCASOM
e-mail: semuha@albaraka-bank.com.eg

Alexandria Branch

Address: 8 Bani El-abbassi Str., Azarita, Alexandria, Egypt
P.O.Box: 279 Al-Manshya, Alexandria
Postal Code: 2111
Tel.: (03) 4875672-4875631
Fax: (03) 4869930
Swift: ABRKEGCAAZA
e-mail: alexandria@albaraka-bank.com.eg

Stanley Branch

Address: 46 Abdelaziz Fahmy Pasha, Stanley El-Raml, Alexandria, Egypt
P.O.Box: 211 Seedy Gaber
Postal Code: 21311
Tel.: (03) 5413893-5413892-5413897
Fax: (03) 5413895
Swift: ABRKEGCASTN
e-mail: stanley@albaraka-bank.com.eg

Borg El-Arab Branch

Address: Fifth District, Bank's Area , New Borg El-Arab City , Alexandria, Egypt
P.O.Box: 117 Borg El-Arab
Postal Code: 21934
Tel.: (03) 4595116-4595114
Fax: (03) 4595115
Swift: ABRKEGCABRG
e-mail: borgelarab@albaraka-bank.com.eg

Mansoura Branch

Address: Corner of Suez Canal & El-Falaky Str., Toreal Area, El-Mansoura, Egypt
P.O.Box: 90 El-Mansoura, Egypt
Postal Code: 35511
Tel.: (050) 2334503-2334504-2334505
Fax: (050) 2334501
Swift: ABRKEGCAMAN
e-mail: mansoura@albaraka-bank.com.eg

10th of Ramadan Branch

Address: 4th /A Area City Main Center, 10th of Ramadan, Egypt
P.O.Box: 1038 10th of Ramadan, Egypt
Postal Code: 44635
Tel.: (015) 389034-389035
Fax: (015) 389033
Swift: ABRKEGCAASH
e-mail: tenthramadan@albaraka-bank.com.eg

El-Rehab Branch

Address: Office Building No 6 Bank's Area, El-Rehab City , Cairo, Egypt
P.O.Box: 110 El-Rehab City
Postal Code: 11841
Tel.: (02) 26928758-26928757
Fax: (02) 26928759
Swift: ABRKEGCARHB
e-mail: rehab@albaraka-bank.com.eg

Sharm El-Sheikh Branch

Address: Al-Salam Str., South of El-Central District,Sharm, El-Sheikh, Egypt
P.O.Box: 408 Shram El-Sheikh
Postal Code: 46619 Sharm El-Sheikh
Tel.: (069) 3602674-3602675
Fax: (069) 3602676
Swift: ABRKEGCASHM
e-mail: sharmsheikh@albaraka-bank.com.eg

Shubra Branch

Address: 72Rod El-Farag Str., - Shubra Egypt
P.O.Box: 2 Dawaran Shubra
Postal Code: 11689 Shubra
Tel.: (02) 24330833-24330832
Fax: (02) 24330834
Swift: ABRKEGCASHB
e-mail: shobra@albaraka-bank.com.eg

Tanta Branch

Address: 32 El-Geash Str., Tanta, Gharbia Egypt
P.O.Box: 285 Tanta, Egypt
Postal Code: 31111 District Post Gharbia
Tel.: (040) 3405976-3405977
Fax: (040) 3405998
Swift: ABRKEGCATAN
e-mail: tanta@albaraka-bank.com.eg

El-Manial Branch

Address: 83/73 Abdul Aziz Al Saud Str., El-Manial , Cairo, Egypt
P.O.Box: 40 El-Malek El-Saleh
Postal Code: 11559
Tel.: (02) 23641374 - 23641366
Fax: (02) 23641352
Swift: ABRKEGCAMNL
e-mail: manial@albaraka-bank.com.eg

El-Laselky - New Maadi Branch

Address: 7/8 D/5 El-Laselky Str., New Maadi - Cairo, Egypt
P.O.Box: 45 Sakr Koreish – New Maadi
Postal Code: 11931
Tel.: (02) 25168571-25165870 - 25172810
Fax: (02) 25202120
Swift: ABRKEGCALSK
e-mail: laselky@albaraka-bank.com.eg

Al-Hadika Al-Dawlia Branch

Address: 70 Ahmed El Zomor, 8th District, Nasr City, Cairo, Egypt.
P.O.Box: 9501 children village
Postal Code: 11787
Tel.: (02) 22727582-22727583
Fax: (02) 22727584
Swift: ABRKEGCAHDW
e-mail: zomor@albaraka-bank.com.eg

Saint Fatima Branch

Address: 168 Al Nozha Street –Heliopolis, Cairo, Egypt
P.O.Box: 2218 El Horreya
Postal Code: 11736
Tel.: (02) 27756322- 27756321
Fax: (02) 27756016
Swift: ABRKEGCASFM
e-mail: santfatima@albaraka-bank.com.eg

Abbasyia Branch

Address: 43 Abbasyia Street ,Cairo, Egypt
P.O.Box: 29 Abbasya
Postal Code: 11517
Tel.: (02) 26842834-26842835-26842837
Fax: (02) 26842825
Swift: ABRKEGCAABS
e-mail: abasia@albaraka-bank.com.eg

Al- Haram Branch

Address: 48 Al-Haram Street ,Giza, Egypt
P.O.Box: 26 Al-Haram
Postal Code: 12556
Tel.: (02) 37713262- 37713263 -37713293
Fax: (02) 37713283
Swift: ABRKEGCAHRM
e-mail: haram@albaraka-bank.com.eg

Fifth Settlement Branch

Address : Plot 29 road 90, AL BARAKA BANK BULDING - City Center , First Sector,Fifth Setteltment - New Cairo,Egypt
Postal Code:11835
P.O.BOX. 305 Fifth Settlement
Telephone : (02) 28103511-28103516
Fax : (02) 28103513-28103514
Swift : ABRKEGCAFSB
e-mail: newcairo@albaraka-bank.com.eg

Sheikh Zayed Branch

Address :Plot No.3(I)Legenda Project 1st District,2nd Residential,Sheikh Zayed
Telephone : (02) 37944201 - 37944202
Fax : (02) 37944195 - 37944196
Swift : ABRKEGCAZYD
E-Mail : zayed@albaraka-bank.com.eg

Madinaty Branch

Address :Plot No.(C1B) Services Area-South Sector-first stage-Madinty project
Postal Code:19511
P.O.BOX : 64 Madinty
Swift : ABRKEGCAMDN
E-Mail : madenty@albaraka-bank.com.eg