



ANNUAL  
REPORT  

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2017

*Al Baraka Bank Egypt*

alBaraka 



alBaraka 

Sheikh  
**Saleh Abd Allah Kamel**  
Chairman  
Al Baraka Banking Group



HIS EXCELLENCY  
**Mr. Adnan Ahmed Yousif**  
Chairman



**Mr. Ashraf Ahmed El Ghamrawy**  
Vice Chairman and Chief Executive

## CONTENTS

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

## INTRODUCTION

Al Baraka Bank Egypt SAE has started to practice its businesses and different activities pursuant to the provisions of the tolerant Islamic Shari'a since more than twenty five years. The Bank was able as a pioneer Islamic Institution during these years to impose itself strongly in the banking market arena in Egypt by the integrated system of Islamic developed products and services that it provides. The message of our Bank is represented in accompanying our partners along the course of success by the renewed and innovative banking solutions that it provides via an integrated work team, complying with the principles of the tolerant Islamic Shari'a by the guarantee of the ethical practices in the commercial and the financial transactions.

In this regard, it is worth mentioning that the Bank launches permanently new, innovative and unprecedented financing programs in the Egyptian banking market that satisfies the needs of different segments of the society, all of which comply with the provisions of Islamic shari'a , among which are the financing of medical treatments (surgeries) foreign education , private universities, participation in clubs, and touristic tours.....etc., besides financing cars, real estate financing, fitting medical clinics and durable goods. The bank also provides direct finance for different economic activities to companies and institutions that enjoy high credit worthiness and rating, and participates in the syndicated finances of economically feasible large projects that provide many employment opportunities through the murabaha & mudaraba transactions. The bank also expands in financing small and medium projects that directly contribute to support the Egyptian economy.

In addition, the bank launches an integrated system of savings pools in Egyptian pound and foreign currencies (deposits, and certificates) to meet the requirements of a wide range of customers in terms of duration and periodic payment of returns. The Bank has also issued the first Islamic credit card in the Egyptian market (Al Baraka card) and several other various banking services. On the other hand, the Bank does not ignore its social role as a pioneer Islamic institution, through endeavoring to fulfill the requirements of the society where through the Fund of Zakah & Charity Donations the bank established therapeutic units for neurology treatment and dialysis units for poor for free in addition to denoting to Children's Cancer Hospital 57357 for the treatment of children suffering from cancer. The establishment of the "Holy" Quran competition for all ages at the level of the Republic in participation with Al Azhar Al Sharif, as well as the donation to develop slums and "Tahya Masr Fund" to contribute to propelling the wheels of national economy and other works in the belief of the social responsibility of the Bank and its importance , by seeking to achieve the following:

- Providing new employment opportunities within the framework of the finance & investment operations provided by Our Bank, whether individually or through loans and syndicated finances.
- Providing subsidy in general, and particularly to hospitals and medical centers covering all health services fields.

- Subsidizing and financing educational foundations and all fields related to education in Egypt.

It's worth mentioning that our Bank was able by the grace of Allah Almighty to achieve net profits during the year 2017 in the amount of EGP 725.3 million approximately, against EGP 512.5 million during the previous year, with a growth rate of 42%.

The total Balance Sheet as at 31 December 2017 amounted EGP 50.3 billion at a growth rate of 18% 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 occurring to the volume of its business and the growth of its activities.

The total revenues as at 31 December 2017 amounted EGP 5428.3 million, against EGP 3596.2 million during 2016, with an increase of EGP 1832.1 million, at a growth rate of 51% 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.

The total of customers' savings pools amounted EGP 44.2 billion as at 31 December 2017, at a growth rate of 17% to the previous year, despite the exceptional circumstance this year, as the Central Bank desired to control inflation by means of largely increasing the interest rates on savings. However, thanks to Almighty God, our Bank did not only maintain its depositors' base but also increased it significantly during 2017, relying in this regard on its good reputation, high performance and its response to its customers' needs and requisites, through advanced and up-to-date products and savings pools, not to mention its Islamic identity and its affiliation to Al Baraka Banking Group the Leader of Islamic Banking in the Region.

The number of the Bank's branches currently amounts "32" branches distributed over major Egyptian governorates and cities, in addition to the foreign currencies exchange offices.

Moreover, currently all necessary arrangements in the latest technology are underway to move the Head Office to its new headquarter in New Cairo. This will be considered a quantum and civilized leap for the Bank.

Al Baraka Bank Egypt is considered one of the tributaries of Al Baraka Banking Group (ABG) which takes Bahrain as its headquarters. The Group is considered among the pioneers in the Islamic banking business at the level of the world. It provides its distinct banking services to approximately one billion persons in the countries in which it operates. The authorized capital of the Group amounts USD 1.5 billion, and the total shareholders' equity amounts USD 2.1 billion. The Group has a wide and geographic propagation represented in subsidiary banking units and representative offices in three continents in fifteen states that run more than 700 branches.

## SHAREHOLDERS

As at 31 December 2017

Shareholders	Nationality	%
Al Baraka Banking Group	Bahrain	73.68
Misr Life Insurance Company	Egypt	5.25
Misr Insurance Company	Egypt	4.50
Others (Individuals)	Egypt	4.47
Dallah Company for Real Estate Investment	Egypt	3.81
Zad Holding Co.	Qatar	2.19
Private Sector	Foreigners	1.96
Mohsen Badr Ali Khalaf Allah	Egypt	1.15
Others (Private Sector)	Egypt	1.10
King Abdullah University of Science and Technology	Saudi Arabia	1.0
Others (Individuals)	Foreigners	0.89

**THE BOARD OF DIRECTORS REPORT  
ATTACHED TO THE FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDING AS AT 31 DECEMBER 2017**

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

**Company's Name**

**Al Baraka Bank Egypt S.A.E.**

### Profile

<b>Company's Objectives</b>	<p>The Company's objectives is conducting all banking, financial and commercial services and operations which commercial banks are allowed 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 organizing 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 allowed for commercial banks &amp; meeting all needs of development projects.</p> <p>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 Sharia.</p>		
<b>Company's Duration</b>	25 years ending on 28/4/2030	<b>Date of registration at the Stock Exchange</b>	25/12/1984
<b>Governing Law</b>	Law number 8 for the year 1997	<b>Nominal value per share</b>	7 EGP
<b>Last authorized capital</b>	2 billion EGP	<b>Last issued capital</b>	EGP 1 266 541 549
<b>Last paid up capital</b>	EGP 1 266 541 549	<b>Number &amp; date of registration in the commercial register</b>	143761on 10/10/2001

### Investors Relations

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

### Auditors

<b>Auditor's name</b>	Mr. Wahid Abdel Ghaffar – Baker Tilly Office		
<b>Date of appointment</b>	29/3/2017		
<b>Number of registration at the Authority</b>	6	<b>Date of registration at the Authority</b>	20/7/1994
<b>Auditor's name</b>	Mr. Mohamed Ahmed Mahmoud Abu El-Kassim – Allied for Accounting & Auditing		
<b>Date of appointment</b>	23/2/2013		
<b>Number of registration at the Authority</b>	359	<b>Date of registration at the Authority</b>	13/10/2008



## Shareholders' Structure & Percentage of Ownership of the Board Members

Holder of 5% or more of the Company's shares	Number of shares on the date of preparing the financial statements	Percentage %
Al-Baraka Banking Group	133315422	73.6816%
Misr Life Insurance Company	9507447	5.2546%
<b>Total</b>	<b>142822869</b>	<b>78.9362%</b>

Board Members Ownership of the Company's Shares	Number of shares on the date of preparing the financial statements	Percentage %
Al-Baraka Banking Group	133315422	73.6816%
Misr Life Insurance Company	9507447	5.2546%
Misr Insurance Company	8150285	4.5045%
Mr. Mohsen Badr Ali Khalaf Allah	2076939	1.1479%
Mr. Ashraf Ahmed Moustafa El-Ghamrawy	2528	0.0014%
Dr. Rokaya Riad Ismail	1849	0.0010%
Dr. Adel Mounir Abd El-Hameed Rabeh	1553	0.0009%
<b>Total of the Board Members Ownership</b>	<b>153056023</b>	<b>84.5919%</b>

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	Representation Entity	Capacity
Mr. Adnan Ahmed Yousif Abd El-Malek	Chairman	Al Baraka Banking Group	Non-Executive
Mr. Ashraf Ahmed Moustafa El-Ghamrawy	Vice-Chairman & Chief Executive	Shareholders	Executive
Dr. Mohamed Nasser Salem Mohamed Abu Hamour	Member	Al Baraka Banking Group	Non-Executive
Mr. Mohamed Abdullah Nour El-Din	Member	Al Baraka Banking Group	Non-Executive
Mr. Abd El-Latif Abd El-Hafiz Ali El-Kaib	Member	Al Baraka Banking Group	Non-Executive
Mr. Ali Mohamed Abd El -Shafy Al-Laban	Member	Al Baraka Banking Group	Non-Executive
Mr. Ahmed Abu Bakr Ali Abd El-Aty	Member	Al Baraka Banking Group	Non-Executive
Dr. Adel Mounir Abd El-Hameed Rabeh	Member	Shareholders	Non-Executive
Misr Insurance Company represented by Mr. Hussein Attallah Hussein Mohamed Shams	Member	Shareholders	Non-Executive
Dr. Rokaya Riad Ismail	Member	Shareholders	Executive
Mr. Mohsen Badr Ali Khalaf Allah	Member	Shareholders	Non-Executive
Misr Life Insurance Company, represented by Mr. Osama Mohamed Abd El-Aziz Mohamed	Member	Shareholders	Non-Executive

### Changes having occurred to the Board formation during the year

On March 29, 2017, the Bank's General Assembly convened and elected the members of the Bank's Board of Directors, due to the termination of the previous Board legal duration. Elections revealed the above stated formation.

### Meetings of the Board of Directors

The Board of Directors convened seven times during the year.

## Audit Committee

### Last Formation of the Audit Committee

Mr. Ahmed Abu Bakr Ali	Board Member	President
Mr. Hussein Attallah Hussein	Board Member	Member
Dr. Adel Mounir Abd El-Hameed	Board Member	Member

### Committee Competences & the Tasks Assigned to it

#### Committee Objectives

Assisting the Board of Directors to assume 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 & Competences

- Direct supervision on the internal auditing & follow up sectors and estimating 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.
- Making recommendations 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.
- Expressing opinion with regard to 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 "CEO First Assistant for Internal Auditing and Follow-up", 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 CEO First Assistant for Internal Auditing & Follow-up 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 audit 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 at 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 guarantees 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 take a decision in their concern.
- 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 control 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 before 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, and 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 the notification given 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 CEO First Assistant for Internal Auditing and Follow-Up, 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 CEO First Assistant for Internal Auditing and Follow-Up 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

<b>Times of holding the Audit Committee</b>	Seven sessions during 2017
<b>Have the committee reports been submitted before the Company's Board of Directors?</b>	Yes, they have been submitted before the Board.
<b>Have such reports comprised significant remarks that should be tackled?</b>	There are no essential 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.
<b>Have the Board of Directors tackled such essential remarks?</b>	No, since there are no essential remarks constituting a risk on the bank's assets, as also reflected by the reports of the external auditing quarters. The Board of Directors admired the Committee in this regard.

## Data concerning the Company's Personnel

<b>Average number of the Bank Personnel during the year</b>	949 employees
<b>Average basic salary of the employee during the year</b>	8,866 pound/employee monthly

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

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

<b>Total available shares according to the employees and managers rewarding and incentives system</b>	Nil
<b>Total rewarding and incentive shares granted to employees and managers during the year</b>	Nil
<b>Number of beneficiaries of the employees and managers rewarding and incentives system</b>	Nil
<b>Total rewarding and incentive shares granted to employees and managers since the system enforcement</b>	Nil
<b>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</b>	Nil

### Infringements & Procedures pertaining to the Capital Market Law & the Registration Regulations:

The Bank exceeded the time limit set for accomplishing the procedures of its capital increase registration, for reasons beyond its will, as the security inquiry about foreign shareholders at the General Authority for Investment surpassed that time limit. Consequently, a financial liability in the amount of 10 thousand EGP was imposed on the Bank.

### The Bank's Contribution to Society Development & 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 "Al-Baraka Banking Group" – the Principal Investor – and has set a plan to operate within its framework up to 2020, endeavoring to realize the following:

- Providing new employment opportunities within the framework of the finance & investment operations provided by Our Bank, whether individually or through loans and syndicated finances.
- Providing subsidy in general, and particularly to hospitals and medical centers covering all health services fields.

- 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.

Through the "Fund of Zakah & Charity Donations" affiliated to it, the Bank has donated in favour of several hospitals during the financial year 2017, in a total amount of 6.4 million EGP:

- "Kasr Al Aini University Hospital"
- "Zahraa University Hospital"
- "El Sayed Galal University Hospital"

## 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 Al Baraka Bank Egypt S.A.E. for the financial year ending as at December 31, 2017. 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 efforts of the Bank's sincere 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 managed to develop its customers' deposits at 17% to the previous year, so that their value has become 44.2 billion EGP. Likewise, Murabaha Transactions, Investment Operations and Financial Investment achieved a growth of 17% to the previous year, so as to become 43.9 billion EGP approximately, despite the prevailing recession and in the light of the selective policy adopted by our Bank regarding its customers. The total balance sheet also increased to be 50.3 billion EGP at a growth rate of 18% to the previous year. Of course, these growth rates are quite satisfactory if compared to other similar banks and in the light of these inconvenient circumstances. The Bank achieved net profits for the year 2017 in the amount of 725.3 million EGP approximately, against 512.5 million EGP for the year 2016, at a growth rate of 42%. This enabled our Bank to propose distribution profit dividends on your respectful Assembly at 20% of the issued and paid up capital in the amount of 253.3 million EGP, taking into account that the percentage and amount of the profits proposed to be distributed exceed those of the previous year (15% only in the amount of 165.2 million EGP). It is noteworthy that these profits shall be distributed pursuant to the approval of the Central Bank of Egypt and the ratification of your respectful General Assembly as follows:

- 15% of the issued and paid up capital, in the amount of 190 million EGP approximately, is in the form of cash dividends.
- 5% of the issued and paid up capital, in the amount of 63.3 million EGP, is in the form of stock dividends used for increasing the Bank's issued and paid up capital, so as to support shareholders equity and face the increasing growth in the Bank's business and activity, taking into consideration that the market value of the Bank's shares at the Stock Exchange exceeds its nominal value at about 80%.

Pursuant to the proposed profit distribution draft, the general reserve shall be supported with the amount of 42.8 million EGP, so that its balance will reach 209.8 million EGP for realizing more support to the Bank's Shareholders' equity and maintaining a safe level of capital adequacy ratio. The IFRS9 risk reserve ratio will be formed with the amount of 237.2 Million EGP in compliance with the Central Bank of Egypt instructions on this concern.

This report will deal with the most important results achieved by your Bank during the financial year 2017, reflecting the positive efforts 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 2017

### Total Balance Sheet

The total Balance Sheet as at 31 December 2017 amounted 50.3 billion EGP at a growth rate of 18% 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 occurring to 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 Murabaha Transactions, Investment Operations & Financial Investments as at 31 December, 2017 amounted to 43.9 billion EGP against 37.5 billion EGP by the end of the previous year, at a growth rate of 17% approximately, in a way reflecting the Bank's strategy, its executive plans and its continuous vigorous heading towards investments, basically with customers of high creditworthiness, and not to rely on governmental debt instruments, taking into consideration not only to maintain the liquidity rates decided by the Central Bank of Egypt but also maintaining high rates of liquidity under such difficult inconvenient current circumstances.

### Fixed Assets

The balances of fixed assets – after depreciation – as at 31 December 2017 amounted to 423.9 million EGP, against 349.8 million EGP as at 31 December, 2016, with an increase of 74.1 million EGP. The total depreciation of the year amounted to 31.5 million EGP and the value of fixed assets additions amounted to 105.7 million EGP, represented in the repurchase of the Bank's branch at the Fifth Settlement and the termination of its finance lease, in addition to the value of the Bank's branch at Madinaty, inaugurated during 2017.

### Customers' Deposits

The total of customers' saving pools amounted to 44.2 billion EGP as at 31 December, 2017, at a growth rate of 17% to the previous year, despite the difficult exceptional circumstance this year, as the Central Bank desired to control inflation by means of largely increasing the interest rates on savings. However, thanks to Almighty God, our Bank did not only maintain its depositors' base but also increased it significantly during 2017, relying in this regard on its good reputation, high performance and its response to its customers' needs and requisites, through advanced and up-to-date products and saving pools, not to mention its Islamic identity and its affiliation to Al Baraka Banking Group, the Leader of Islamic Banking in the Region, notwithstanding the challenges having faced the Bank during 2017, as the governmental banks affiliated to the State and the other traditional banks, particularly those facing shortage in liquidity, kept on issuing saving pools of high fixed interests, that reached 20% annually. This forced our Bank to adopt several measures to face these changes and challenges, so as to maintain its competitive position and the base of its depositors and moreover to increase it, the most important of such measures are:

- Offering a new saving pool, namely the "Golden Saving Account" in EGP with a quarterly paid-up distinguished return rate, so as to attract a new category of individual depositors, distinguished for being more stable. This account has actually attracted a large number of the Bank's customers as its balance exceeded more than one billion EGP in such a short period since its issuance.
- The Bank also offered a new savings certificate in EGP "Al Barakat Certificate" with a prize in kind, in addition to an insurance benefit granted to the holders of this certificate, allowing them to acquire an insurance amount equal to the certificates value in cases of death – God forbids. These certificates are of proportionally medium-term (three years), having various return-rate paying terms (monthly, semi-annual, annual, accumulative). Such return rates are competitive, attractive to customers and still conformable to the provisions of the tolerant Islamic Shari'a.
- Granting distinguished return rates within a proportionally limited scope for some of the large savings pools customers of our Bank, by means of assigning all or a part of the Bank's share as a mudareb.

- Offering a new savings pool “the 3-year Baraka Suk” with competitive return rates, in compliance with the tolerant Islamic Shari’a, which has met the customers’ satisfaction.
- Our Bank kept on its endeavor to attract the Family Sector deposits, distinguished for its stability, particularly at the branches located at areas inhabited by a large, classy and socially refined family sector.
- The Bank continued its intensive successful advertising campaigns of its saving pools on the various published and audio-visual mass media.
- Providing various banking services to the deposits’ holders to attract more of their savings at the Bank.



## Business Results of the Financial Year Ending as at 31 December 2017

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 cautious 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 projects, in cooperation with the Small & Medium Enterprise Development Agency & the World Bank for the first time 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 huge and strategic projects of economic benefit, our Bank was capable by the grace of Allah Almighty to achieve net profits during the year 2017 in the amount of 725.3 million EGP approximately, against 512.5 million EGP during the previous year, with a growth rate of 42%. This enabled our Bank to prepare the proposed dividends distribution to your respectful Assembly, at 20% of the issued and paid up capital, in the amount of 253.3 million EGP, taking into consideration that the profits proposed to be distributed exceed the distributions of the previous year, in terms of their percentage and amount (15% only of the paid up capital in the amount of 165.2 million EGP). It is noteworthy to refer to the fact that these profits are proposed to be distributed as follows, subject to the approval of the Central Bank of Egypt and the ratification of your respectful Assembly:

- 15% of the issued and paid up capital, in the amount of 190 million EGP approximately, in the form of cash dividends.
- 5% of the issued and paid up capital, in the amount of 63.3 million EGP, in the form of Stock dividend, used in increasing the Bank's issued and paid up capital, so as to support shareholders' equity and face the increasing growth in the Bank's business, taking into consideration that the market value of the Bank's share at the Egyptian Stock Exchange is approximately 80% above its nominal value.

Likewise, pursuant to the proposed profit distribution draft, the general reserve shall be supported by the amount of 42.8 million EGP, so that its balance reaches 209.8 million EGP, to increase the Bank's shareholders equity and maintain a safe level of capital adequacy ratio, also the IFRS9 risk reserve ratio will be formed with the amount of 237.2 million EGP in compliance with the Central Bank of Egypt instructions on this concern.

### Total Revenues

The total revenues as at 31 December 2017 amounted to 5428.3 million EGP, against 3596.2 million EGP during 2016, with an increase of 1832.1 million EGP, at a growth rate of 51% 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 2017 amounted to 3585.6 million EGP, against 2206.9 million EGP for the year 2016. This is due to the increase in customers' deposits during 2017 and the increase of the return rates on the savings pools at the Egyptian Banking Sector in general during that year, as the banks owned by the State and other investment banks kept on issuing savings pools with fixed interests, reaching 20% annually. Therefore, our bank issued new savings pools with competitive returns rates and granted benefits 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 2017 amounted to 451.1 million EGP, with an increase to the amount of the previous year of 11.4 million EGP, with a slight percentage of increase 2.6% only, in spite of the continuous increase in the volume and costs of operating requisites, services, guarding and other costs, due to the current circumstances, as well as the cost of services paid in US Dollars, after the exchange rate floating. Moreover, the Bank

inaugurated a new branch for retail operations services, namely the branch in “Madinaty”. At the same time, the volume of business at the existing branches increased, leading to the increase in all general expenses items.

It is noteworthy to refer to the fact that the Bank terminated the finance lease of the Bank’s building at the Fifth Settlement during 2017, and this has had a direct positive influence on the decrease of such expenses.

## Net Profit

Our Bank achieved a net profit during the year 2017 in the amount of 725.2 million EGP, against 512.5 million EGP during the previous year, at a growth rate of 42%. This enabled our Bank to propose dividends to shareholders at the rate of 20% for the financial year 2017 in the amount of 253.3 million EGP, taking into consideration that the profits proposed to be distributed exceed the distributions of the previous year, in terms of their percentage and amount (15% only of the paid up capital in the amount of 165.2 million EGP). It is noteworthy to refer to the fact that these profits are proposed to be distributed as follows, subject to the approval of the Central Bank of Egypt and the ratification of the General Assembly:

- 15% of the issued and paid up capital, in the amount of 190 million EGP approximately, in the form of cash dividends.
- 5% of the issued and paid up capital, in the amount of 63.3 million EGP, in the form of stock dividend, used in increasing the Bank’s issued and paid up capital, so as to support shareholders’ equity and face the increasing growth in the Bank’s business and activity, taking into consideration that the market value of the Bank’s share at the Egyptian Stock Exchange is approximately 80% above its nominal value.

Likewise, pursuant to the proposed profit distribution draft, the general reserve shall be supported by the amount of 42.8 million EGP, so that its balance reaches 209.8 million EGP, to increase the shareholders’ equity and maintain a safe level of capital adequacy ratio, also the IFRS9 risk reserve ratio will be formed with the amount of 237.2 million EGP in compliance with the Central Bank of Egypt instructions on this concern.

## Growth Rates Achieved during the Financial Year 2017

Item	Annual growth rates during 2017
Total assets	18%
Customers’ deposits	17%
Total investments	17%
Total Shareholders’ equity	34%
Net profit	42%

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 the strict instructions of the Central Bank, in the light of such conditions, in a way that necessitated reducing customers’ rating and the formation of provisions for defaulting or rescheduling and settlement cases.

## 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 up to 2020, endeavoring to realize the following:

- Providing new employment opportunities within the framework of the finance & investment operations provided by our Bank, whether individually or through loans and syndicated finances.

- Providing subsidy in general, and particularly to hospitals and medical centers covering all health services fields.
- 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.

Through the "Fund of Zakah & Charity Donations" affiliated to it, the Bank has donated in favour of several hospitals during the financial year 2017, in a total amount of 6.4 million EGP:

- "Kasr Al Aini University Hospital"
- "Zahraa University Hospital"
- "El Sayed Galal University Hospital"

### 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.

## Future outlook on Our Bank's Business Strategies during the year 2018

The Bank's strategies during the coming year are concentrated on keeping on renovation, activation and updating of the principal aspects adopted by the Bank in this regard, through the implementation of effective, real, short, medium and long-term plans, pursuant to the directions of Al Baraka Banking Group - the Principal Investor . Such aspects are represented in the following:

### Financial Strategies

- Maximizing profitability, return on equity & shareholders' dividends
- Profit positions multiplicity
- Maintaining the increase of the Bank's paid-up capital
- 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
- Maintaining more relationships with the units of Al Baraka Banking Group.

### Strategies of Technology & Procedural Policies support

- Keeping on the technological evolution plan & digital transformation
- Risks & Governance Policies and compliance with international standards, the last of which is the IFRS 9
- Work Procedures and Centralizations

### Strategies of Customers & Personnel Satisfaction & Social Responsibility

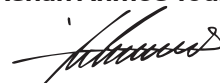
- Achievement of the utmost degree of satisfaction for the Bank's Customers
- Optimum Utilization of Human Resources
- Maximizing the Bank's Role in the Field of Social Responsibility

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 Al Baraka Bank Egypt and we are sure that it is capable of achieving its targets for the coming phase, being supported by Al Baraka 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 forging ahead.

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

Allah's peace and blessings upon you all.

**Adnan Ahmed Yousif**



Chairman

## 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. Adnan Ahmed Yousif

#### Chairman

Mr. Adnan Ahmed Yousif is a highly regarded senior banker with over three decades of international banking experience. He holds a Master of Business Administration degree from University of Hull, UK. He was earlier with Arab Banking Corporation, for over 20 years and last served as Director on its Board.

As President & Chief Executive, Mr. Yousif has led Al Baraka Banking Group (ABG) since inception, developing the Group into one of the largest and most diversified Islamic banking groups in the world operating a network of over 700 branches in 15 countries, with its Head Office in the Kingdom of Bahrain. He is also the Chairman of Al Baraka Turk Participation Bank, Banque Al Baraka D'Algerie, Al Baraka Bank Ltd. South Africa, Al Baraka Bank Lebanon, Jordan Islamic Bank, Al Baraka Bank Egypt, Al Baraka Bank Syria, Al Baraka Bank Sudan, Al Baraka Bank Pakistan Ltd., Vice Chairman of Al Baraka Islamic Bank, Bahrain and a Board member of Al Baraka Bank Tunisia and Itqan Capital in Saudi Arabia.

Mr. Adnan Yousif was the Chairman of the Union of Arab Banks, Lebanon for two terms (2007-2013). Besides having received many international awards he is the recipient of the Medal of Efficiency, a unique honor conferred by His Royal Highness - King Hamad Bin Isa Al Khalifa, the King of the Kingdom of Bahrain during the year 2011. Mr. Yousif received the title of the CSR International Ambassador (Kingdom of Bahrain) from the CSR Regional Network, including twice the Islamic Banker of the Year award (2004 and 2009).

In addition, he was awarded by LARIBA American Finance House the 2012 "LARIBA Award for Excellence in Achievement", in recognition of his leadership role in consolidating and operating the largest diversified Islamic Banking Group in the world.

In recognition of Mr. Yousif's outstanding contribution in the field of contemporary Islamic Finance in terms of modernizing its fundamentals in practice and theorization, the Al Jinan University of Lebanon granted him an Honorary Doctorate of Philosophy in Business Administration. Furthermore, in recognition of his efforts in evolving a unique business model that is integrated with the noble goals of Islamic Banking, Mr. Yousif has been awarded the Accolade of the Sudanese Presidency for Excellency in Social Responsibility in December 2015.

In Dec. 2016 Mr. Adnan Yousif was decorated with the Title of "High Commissioner to preach the United Nations Sustainable Development Goals 2030". He also won the Gold Award for Sustainable Development in recognition of his major role in the service and social responsibility programs both nationally and internationally, as well as recognition for the leading role of Al Baraka Group in the field of CSR activities at Oman International Conference on Social Responsibility 2016. Mr. Yousif has been elected during 2017 as the Chairman of Bahrain Association of Banks.

### **Mr. Ashraf Ahmed Moustafa El-Ghamrawy**

#### **Vice Chairman and Chief Executive**

Bachelor of Commerce, 1977, Ain Shams University; Professional Diploma in Advanced Bank Credit, 2000. Currently, Chairman of the Egyptian Saudi Finance Company for Real-Estate Investment; Board Member and Chairman of the Audit Committee of the Egyptian Takaful (Property & Liability); Board Member of the Egyptian Company for the Shopping Centers Development; and of Al-Tawfeek Leasing Co., and Board Member of Trustees and Treasurer of the Egyptian Zakat Institution. Board Member and Member of the Risk Committee of Al Baraka Islamic Bank -Bahrain; and Member of the Faculty of Commerce (Males) Council, Al-Azhar University; Member of the Accounting and Auditing Organization for Islamic Financial Institutions, and Member of the General Council for Islamic Banks and Financial Institutions. Member of the Union of Arab Banks; Member of Arab Academy for Banking and Financial Sciences; Member of the Islamic Financial Services Board; and Representative of AlBaraka Bank Egypt in the Federation of Egyptian Banks (FEB)

### **Dr. Mohamed Nasser Salem Abu Hamour**

#### **Board Member (Non-Executive)**

PHD Economics, UK 1997; Occupied position of Minister of Finance, Jordan, 2009-2011; and Minister of Industry and Trade, Jordan, 7/2003 - 10/2003; Secretary General of the Ministry of Finance, 2000 -2003. Worked at the Central Bank of Jordan from 1987 to 1998. Part time Lecturer at University of Jordan, 1988. Occupying the Post of Chairman of the Board of Directors of a number of Jordanian Companies and Corporations, such as: (Arab Potash Company Ltd.; Irbid District Electricity Co; Free-Zone Corporation; Industrial Estates Corporation, Jordan Institution for Investment).

### **Mr. Abd El-Latif Abd El-Hafiz Ali Al-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).

### **Mr. Ahmed Abu Bakr Ali Abd EL-Aty**

#### **Board Member (Non-Executive)**

Bachelor of Commerce, 1964; and joined the service of the National Bank of Egypt since graduation till 2001. Appointed as Vice- Chairman for Dream Land Group, and as, Vice-Chairman of the National Bank of Egypt 2002-2005.

### **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 (2008-2011), Board Member in Tadhamon Capital –Bahrain, Board Member in Itqan Capital, Jeddah, Chairman of Newbury Investment, Bahrain.

### **Mr. Hussein Atallah Hussein ( Misr Insurance Company Representative)**

#### **Board Member (Non-Executive)**

Bachelor of Commerce Accounting section, Ain Shams University 1983, Post Graduate Diploma in Insurance, Cairo University 1990, Advanced Insurance Post Graduate Diploma - Chartered Insurance Institute -London (Grade Rafik) 2004. Mr. Hussein worked in all fields of business insurance since 1986 especially domestic and external aviation insurance, compensation aviation and special risks. He received specialized training courses in the fields of aviation insurance, specialized re-insurance and subscription training course in aviation insurance. In addition of a specialized course in satellite engineering industrial during the period from 15/12/2013 to 19/12/2013 at University of Southampton. He succeeded in representing Misr Insurance Company in many aviation and aerospace insurance conferences, occupied various positions in the company, currently he is Head of Special Risk Sector.

**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.Osama Mohamed Abd El-Aziz****Board Member (Non-Executive)**

Bachelor of Commerce, Accounting Department, Ain-Shams University 1983, High Diploma –Economics from Ain-Shams University, Pre MBA –Dallas University USA (2001), He worked in many financial consultancy institutions and Financial institutions in Egypt and over The Arab World most notably Senior Financial manager in Deloitte & Touche Co-Egypt (1993-2002),Executive Manager in FinCorp Financial Consulting –Qatar (2005-2010), GROUP Financial Advisor in Real Estate Service Group – Qatar(2011-2012),Partner Financial Advisory Services in Mazars - Qatar (2013-2014) , and Executive Board Member –Financial Affairs in Misr Life Insurance Company since 2014.

## 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.

## 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).

During 2017 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 - Al Baraka Banking Group

Al Baraka 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. Al Baraka 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 of BB+ "for long term liabilities" and B "for short term liabilities" by Standard & Poor's International Company. Al Baraka 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\$ 1.5 billion and total equity amounts to approx. US\$ 2.51 billion.

## 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](http://www.albaraka-bank.com.eg)) in a full manner that agrees with the requirements of Al Baraka 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

This is one of the strategic determinants that the Bank adopts with the aim of attaining the best practices at the local and regional level. The Bank endeavors to provide high quality financial and banking services to all categories and all type of sectors/segments of the community. Its work is governed by complying with the principles of the magnanimous Islamic Shari'a that prompt paying attention to the environment and the community. The Bank endeavors to achieve continued results based on the trust emanating from the content of the Bank's customers and shareholders, deepening the sense of allegiance and belonging for all employees of the Bank and the watchful follow up of the requirements of the community and the environment.

Our Bank complies with protecting human rights, admitting the principles of employees' rights and the contribution to fighting financial crimes.

Within the framework of activating the role of the Bank in the field of social responsibility, the Board of Directors established a committee branching off it (Branches, Zakah Fund and Social Responsibility Committee) and determined for it the powers, responsibilities and competencies to look after the activities of the social responsibility programs addressed to the surrounding environment as determined by the Board of Directors and as agreed upon pursuant the sums of the budget appropriated for this activity during each financial year. In addition, it established the Social Responsibility Committee (internally) to cooperate with the committee branching off the Board of Directors in performing its tasks.

## 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 was updated 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 Al Baraka 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, Al Baraka 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 Al Baraka 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 three 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 Al Baraka 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 7 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 three non-executive 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**

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 Al Baraka Bank Egypt for social responsibility in addition to taking along other relevant issues. Moreover, the targets of the Committee includes as well guaranteeing that Al Baraka 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 Al Baraka 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 Al Baraka 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 Islamic 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 Islamic 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

**Mr. Samy Fathy Mohamed Abd El Gawwad,**  
Senior Deputy CEO

**Mr. Salah Hassan Sweify Ali,**  
CEO First Assistant for Internal Audit & Follow Up.

**Mr. Hazem Mohamed Moustafa,**  
CEO First Assistant of Marketing, Finance & Investment.

**Mrs. Mushira Mohamed Fathy Dakrouy,**  
Head of Risk Division

**Mr. Sherif Salah Abd El-Salam,**

In Charge of International Relations & Accounts Investments Division

**Mr. Mohamed Reda Ahmed Mostafa,**

Consultant of Foreign Operations Sector.

**Mr. Ehab Helmy Nadeem**

Deputy Head of Division - Branches and Centralization Sector

**Mr. Mahmoud Mohamed Saad Maher,**

In Charge of Legal Affairs Sector

**Dr. Adel Mohamed Ahmed El Alem,**

In Charge of Information Systems Sector

**Mr. Emad Mohamed Shalaby Mohamed,**

In Charge of General Department for Compliance

## Report of the Shari'a Supervisory Board

### To The Shareholders of Al Baraka 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 Al Baraka 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 2017. 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

- A. The contracts, transactions and dealings that the Bank concluded during the year ended 31 December 2017 were carried out pursuant to the provisions and principles of the Islamic Shari'a.
- B. 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.
- C. 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**



Chairman  
Shari'a Supervisory Board

**Dr. Ahmed Mohiyeldin**



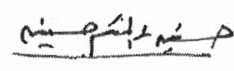
Deputy Chairman  
Shari'a Supervisory Board

**Dr. Mohamed Naguib Awadeen**



Member  
Shari'a Supervisory Board

**Dr. Hassanein A. Monem Hassanein**



Supervisor Member  
Shari'a Supervisory Board

Cairo: 17/1/2018

## Auditors' Report

### To the Shareholders of Al Baraka Bank Egypt

#### Report on the financial statements

We have audited the accompanying financial statements of Al Baraka Bank Egypt (S.A.E) which comprise of the balance sheet as at 31 December 2017 and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

These financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in a fair and clear manner in accordance with the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 16 December 2008 and in light of the prevailing Egyptian laws. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; this responsibility also includes selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

#### Auditor's Responsibility

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

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

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

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Al Baraka Bank Egypt (S.A.E) as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the rules of preparing and presenting the financial statements issued by the Central Bank of Egypt on 16 December 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements

#### Report on Legal and Other Regulatory Requirements

According to the information and explanations given to us during the financial year ended 31 December 2017, no contravention of the Central Bank, banking and monetary institutions Law no. 88 of 2003 and articles of incorporation were noted.

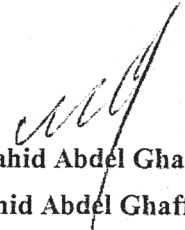
The bank maintains proper books of account, which include all that is required by law and by the statutes of the bank; the financial statements are in agreement thereto.



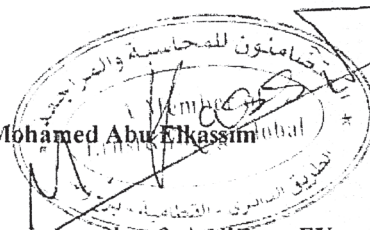
The financial information included in the Board of Directors' report which is prepared according to the law no. 159 of 1981 and its executive regulations, is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo: 29 January 2018

**Auditors**

  
**Wahid Abdel Ghaffar**  
**Wahid Abdel Ghaffar & Co. B.T**  
**Public Accountants & Consultants**



  
**Mohamed Abu Elkassim**  
**Allied for Accounting & Auditing - EY**  
**Public Accountants & Consultants**

## BALANCE SHEET

For The Year Ended 31 December 2017

	Note	31 December 2017	31 December 2016
	No.	EGP	EGP
<b>Assets</b>			
Cash and due from Central Bank of Egypt	(15)	4 307 858 296	2 873 490 507
Due from banks	(16)	10 503 364 324	4 862 508 452
Governmental notes	(17)	6 018 129 415	7 518 884 754
Investment operations with banks	(18)	3 157 118 700	1 230 133 729
Murabaha, Mudaraba and Musharaka for customers	(19)	13 672 423 275	13 728 602 391
Al Ahrām Bank loans	(19)	-	-
<b>Financial investments</b>			
Available -for- sale	(20)	55 783 269	54 450 876
Held -to- maturity	(20)	10 920 504 701	10 896 633 931
Investments in subsidiaries and associates	(21)	-	2 275 000
Other assets	(22)	1 219 906 676	1 012 793 391
Fixed assets	(24)	423 886 346	349 818 783
<b>Total assets</b>		<b>50 278 975 002</b>	<b>42 529 591 814</b>
<b>Liabilities and Equity</b>			
<b>Liabilities</b>			
Due to banks	(25)	606 368 404	920 322 206
Customers' deposits	(26)	44 169 712 081	37 691 888 441
Other finances	(27)	1 177 267 771	384 867 220
Other liabilities	(28)	1 470 732 543	1 329 620 761
Other provisions	(29)	83 593 846	91 657 238
Current income tax liabilities		135 507 697	137 344 075
Deferred tax liabilities	(23)	3 067 937	2 568 542
<b>Total liabilities</b>		<b>47 646 250 279</b>	<b>40 558 268 483</b>
<b>Equity</b>			
Paid-up capital	(30)	1 266 541 549	957 687 374
Set aside under capital increase	(30)	-	143 653 104
Reserves	(31)	548 250 618	327 119 571
Retained earnings	(32)	817 932 556	542 863 282
<b>Total equity</b>		<b>2 632 724 723</b>	<b>1 971 323 331</b>
<b>Total liabilities and equity</b>		<b>50 278 975 002</b>	<b>42 529 591 814</b>

Ashraf Ahmed El-Ghamrawy



Vice Chairman & Chief Executive

Adnan Ahmed Yousif



Chairman

- The accompanying notes from (1) to (37) are an integral part of these financial statements.
- Auditors' report attached.

## STATEMENT OF INCOME

For The Year Ended 31 December 2017

	Note	31 December 2017	31 December 2016
	No.	EGP	EGP
Return on Murabaha, Mudaraba, Musharaka and similar revenues	(6)	5 102 334 189	3 364 029 945
Cost of deposits and similar costs	(6)	(3 585 607 354)	(2 206 886 268)
<b>Net income from return</b>		<b>1 516 726 835</b>	<b>1 157 143 677</b>
Fees and commissions income	(7)	241 095 663	150 726 865
Fees and commissions expenses	(7)	(12 341 937)	(7 913 025)
<b>Net income from fees and commissions</b>		<b>228 753 726</b>	<b>142 813 840</b>
Dividends income	(8)	8 461 602	4 398 382
Net trading income	(9)	75 612 657	77 022 961
Financial investments gains	(20)	810 411	-
Impairment of credit losses (burden)	(12)	(248 764 318)	(96 685 541)
Administrative expenses	(10)	(425 794 944)	(354 612 339)
Zakah and Charity Donations Fund support		(8 308 805)	(6 111 476)
Other operating (expenses)	(11)	(25 342 077)	(85 060 770)
<b>Profit before income tax</b>		<b>1 122 155 087</b>	<b>838 908 734</b>
Income tax (expenses)	(13)	(396 896 656)	(326 450 079)
Net profit for the year		725 258 431	512 458 655
<b>Earnings per share</b>	(14)	<b>3.38</b>	<b>2.47</b>

Ashraf Ahmed El-Ghamrawy



Vice Chairman & Chief Executive

Adnan Ahmed Yousif



Chairman

- The accompanying notes from (1) to (37) are an integral part of these financial statements

## STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2017

	Note	31 December 2017	31 December 2016
	No.	EGP	EGP
<b>Cash flows from operating activities</b>			
<b>Net profit before income tax</b>		<b>1 122 155 087</b>	838 908 734
<b>Adjustments to reconcile net profit to cash flows from operating activities</b>			
Fixed assets depreciation	(24)	31 540 346	24 741 042
Bonds premium / discount amortization	(20)	(17 184 136)	(8 715 174)
Impairment of assets burden	(12)	248 764 318	96 685 541
Other provisions burden	(11)	1 943 372	6 569 371
Foreign exchange revaluation differences of other provisions	(29)	(199 651)	6 629 284
(Gain) from sale of financial investments		(1 447 061)	-
Impairment of available for sale equity instruments		636 650	-
Foreign exchange revaluation differences of financial investments	(20/31F)	21 198 565	(414 670 908)
Gain from sale of fixed assets	(11)	(1 234 930)	(377 393)
Dividends income	(8)	(8 461 602)	(4 398 382)
Used from the other provisions	(29)	(9 807 113)	(7 103 771)
Evaluation difference of subordinated finances	(27B)	(19 491 500)	210 728 000
<b>Operating profit before changes in assets and liabilities provided from operating activities</b>		<b>1 368 412 345</b>	748 996 344
vw			
<b>Net decrease (increase) in assets and liabilities</b>			
Balances with Central Banks within the mandatory reserve percentage	(15)	(1 603 533 535)	(300 783 831)
Due from banks for more than three months maturity	(16)	22 000 000	276 003 085
Governmental notes of more than three months maturity	(17)	1 490 917 185	(2 914 247 940)
Investment operations with banks	(18)	(1 926 984 971)	(602 604 927)
Murabaha, Mudaraba and Musharaka for customers	(19)	(187 601 116)	(4 499 604 609)
Al Ahram Bank customers' loans		-	92 879
Other assets	(22)	(249 986 267)	(278 368 894)
Due to banks	(25)	(313 953 802)	250 634 070
Customers' deposits	(26)	6 477 823 640	12 340 000 794
Other liabilities	(28)	141 111 782	301 343 159
Payment of current income tax		(398 233 639)	(287 053 491)
<b>Net cash flow provided from operating activities</b>		<b>4 819 971 622</b>	5 034 406 639
<b>Cash flows from investing activities</b>			
(Payments) to purchase fixed assets and preparing branches	(24)	(72 740 195)	(20 376 279)
Proceeds from sale of fixed assets		1 293 800	680 000
Proceeds from recovery of financial investments other than financial assets held -for- trading	(20)	1 046 212 504	271 063 332

	Note	31 December 2017	31 December 2016
	No.	EGP	EGP
(Payment) to purchase financial investments other than financial assets held -for- trading	(20)	(1 069 700 473)	(2 824 340 100)
Proceeds from associate and subsidiaries disposal	(21)	3 722 061	-
Collected dividends	(8)	8 461 602	4 398 382
<b>Net cash flows (used in) investing activities</b>		<b>(82 750 701)</b>	<b>(2 568 574 665)</b>
<b>Cash flows from financing activities</b>			
Receipts of long term restricted finances	(27A)	12 500 000	12 500 000
(Payments) of long term restricted finances	(27A)	(7 069 949)	(13 774 032)
Receipts of the subordinated finances from other shareholders		806 462 000	-
Paid dividends	(32)	(65 261 000)	(38 500 000)
<b>Net cash flows from (used in) financing activities</b>		<b>746 631 051</b>	<b>(39 774 032)</b>
Net increase in cash and cash equivalents		5 483 851 972	2 426 057 942
Cash and cash equivalents at the beginning of the year		5 601 264 807	3 175 206 865
<b>Cash and cash equivalents at the end of the year</b>		<b>11 085 116 779</b>	<b>5 601 264 807</b>
<b>Cash and cash equivalents are represented in the following:</b>			
Cash and due from Central Bank of Egypt		4 307 858 296	2 873 490 507
Due from banks		10 503 364 324	4 862 508 452
Governmental notes		6 018 129 415	7 518 884 754
Balance with Central Bank within the mandatory reserve ratio		(3 726 105 841)	(2 122 572 306)
Deposits with banks with maturity more than three months		-	(22 000 000)
Governmental notes with maturity more than three months		(6 018 129 415)	(7 509 046 600)
<b>Cash and cash equivalents</b>	<b>(33)</b>	<b>11 085 116 779</b>	<b>5 601 264 807</b>

### Non-monetary transactions

For the purpose of preparing the cash flows statement the change in Murabaha, Mudaraba and Musharaka for customers item was adjusted by the change in value of assets reverted to the bank (within other assets item) amounted EGP 9 946 398 foreign exchange differences amounted EGP 866 726 written-off debts amounted EGP 5 312 896 and recoveries from previously written-off debts amounted EGP 11 437 880.

The effect resulted from the transfer of EGP 32 926 584 from other assets (payments to purchase fixed assets) to fixed assets was eliminated as it represents purchasing and preparing new branches.

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

### For The Year Ended 31 December 2017

	Note No.	Paid-up Capital EGP	Set aside under Capital increase EGP	Reserves EGP	Retained earnings EGP	Total EGP
Balances as of 1 January 2016		957 687 374	-	283 312 435	247 684 759	1 488 684 568
Net change in available for sale investments		-	-	8 680 108	-	8 680 108
Net profit for the year		-	-	-	512 458 655	512 458 655
<b>Total income for the year</b>		<b>957 687 374</b>	<b>-</b>	<b>291 992 543</b>	<b>760 143 414</b>	<b>2 009 823 331</b>
Dividends (employees and BOD)		-	-	-	(38 500 000)	(38 500 000)
Shareholders' dividends (used in increasing capital)		-	143 653 104	-	(143 653 104)	-
Transferred to legal reserve		-	-	23 014 852	(23 014 852)	-
Transferred to capital reserve		-	-	1 371 463	(1 371 463)	-
Transferred to general banking risk reserve		-	-	10 740 713	(10 740 713)	-
<b>Balances as of 31 December 2016</b>		<b>957 687 374</b>	<b>143 653 104</b>	<b>327 119 571</b>	<b>542 863 282</b>	<b>1 971 323 331</b>

	Note No.	Paid-up Capital EGP	Set aside under Capital increase EGP	Reserves EGP	Retained earnings EGP	Total EGP
Balances as of 1 January 2017		957 687 374	143 653 104	327 119 571	542 863 282	1 971 323 331
Net change in available for sale investments	(31F)	-	-	1 403 961	-	1 403 961
Net profit for the year		-	-	-	725 258 431	725 258 431
<b>Total income for the year</b>		<b>957 687 374</b>	<b>143 653 104</b>	<b>328 523 532</b>	<b>1 268 121 713</b>	<b>2 697 985 723</b>
Dividends (employees and BOD)	(32)	-	-	-	(65 261 000)	(65 261 000)
Shareholders' dividends (used in increasing capital for profit 2015)	(32)	143 653 104	(308 854 175)	-	-	(165 201 071)
Shareholders' dividends (used in increasing capital for profit 2016)	(32)	165 201 071	165 201 071	-	(165 201 071)	165 201 071
Transferred to legal reserve	(31B)	-	-	51 208 126	(51 208 126)	-
Transferred to general reserve	(31C)	-	-	167 000 000	(167 000 000)	-
Transferred to capital reserve	(31D)	-	-	377 393	(377 393)	-
Transferred to general banking risk reserve	(31A)	-	-	1 141 567	(1 141 567)	-
<b>Balances as of 31 December 2017</b>		<b>1 266 541 549</b>	<b>-</b>	<b>548 250 618</b>	<b>817 932 556</b>	<b>2 632 724 723</b>

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

## STATEMENT OF PROFIT APPROPRIATION

For The Year Ended 31 December 2017

	31 December 2017	31 December 2016
	EGP	EGP
Net profit for the year as per income statement	725 258 431	512 458 655
Transferred (to) capital reserve	(1 234 930)	(377 393)
	<u>724 023 501</u>	<u>512 081 262</u>
Transferred (to) general banking risk reserve	(1 141 567)	(10 740 713)
IFRS 9 risk reserve	(237 165 510)	-
<b>Net distributable profit of the year</b>	<b>485 716 424</b>	<b>501 340 549</b>
Add: Retained earnings at the beginning of the year	93 815 692	41 145 340
<b>Total</b>	<b><u>579 532 116</u></b>	<b><u>542 485 889</u></b>
Distributed as follows:		
legal reserve	72 402 350	51 208 126
General reserve	42 834 490	167 000 000
Shareholders' first portion –used in capital increase	63 327 075	55 067 026
Employees' share	81 700 000	54 249 000
Board of Directors remuneration	26 828 700	11 012 000
Shareholders' additional portion -used in capital increase	75 992 497	110 134 045
Shareholders' second additional portion – cash dividends	113 988 739	-
Retained earnings at the end of the year	102 458 265	93 815 692
<b>Total</b>	<b><u>579 532 116</u></b>	<b><u>542 485 889</u></b>

The shareholders' portion in 2017 profits is 20% of issued and paid-up capital of which 11% is in the form of dividends shares used to increase issued and paid-up capital amounting EGP 139 319 572 and 9% cash dividends amounting EGP 113 988 739, against shareholders' portion of 15% of the profit of 2016 used in full in capital increase.

IFRS 9 risk reserve is formed at 1% of the total weighted credit risks in accordance with the instructions of The Central Bank of Egypt in this regards.

The retained earnings include the amount of EGP 88 000 000 which represents the additional support for the capital retained by the bank in accordance with the Central Bank of Egypt instructions

• The accompanying notes from (1) to (37) are an integral part of these financial statements.

## Notes to the Financial Statements

For The Year Ended 31 December 2017

### 1- GENERAL INFORMATION

Al Ahrām Bank (S.A.E) was established as a commercial bank on 19 March 1980 under law no. 43 for year 1974 and its amendments, which was replaced by the Investment law.

According to the decree of Extraordinary General Assembly held on 21 September 1988 the bank's name was changed to the Egyptian Saudi Finance Bank. The Bank provides corporate and retail banking and investment services under the provisions of the Islamic Sharia in the Arab Republic of Egypt through 32 branches. It employs more than 960 employees on the date of the balance sheet.

The head office of the bank is located at 60 Mohy El Din Abu El Ezz St. Dokki Giza. The Bank is listed in Cairo and Alexandria Stock-Exchanges.

The Extraordinary General Assembly of the Bank held on 30 April 2009 decided to change the bank's name to Al Baraka Bank Egypt.

**The bank does not engage in financial derivatives transactions, forward contracts or loans according to its Islamic business system. This applies to such terms whenever mentioned in the notes to the financial statements.**

**The Board of Director approved the financial statement for the year ended 31 Dec. 2017 on its meeting held on 29 January 2018.**

### 2- SUMMARY OF ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise is disclosed:

#### A- Basis of Preparation of Financial Statements

Financial statements have been prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments, and in accordance with the Central Bank of Egypt instructions approved by its Board of Directors on 16 December 2008 complying with the mentioned standards and on the historical cost basis modified by the revaluation of financial assets and liabilities held for trading and financial investments available for sale.

The financial statements of the Bank are prepared under the provisions of the relevant local laws.

The following is a summary of the significant changes in the accounting policies and financial statements consequent to the application of these accounting amendments:

- Disclosure requirements regarding the financial risks management objectives, policies and methods, and the capital adequacy management in addition to some of other notes.
- Related parties are identified according to the amended requirements and the relative new notes for those parties.
- Measurement of impairment losses of murabaha, musharaka, mudaraba transactions and other debt instruments at amortized cost has changed. Consequently, the general provision for murabaha, musharaka, mudaraba transactions is replaced with either aggregate provisions for groups of assets that bear credit risk and have similar specifications; or individual provision. The change in the applied method of charging provisions resulted in increase in the specific provisions charged for specific items by EGP 46 635 245 for direct liabilities and EGP (4 226 483) for contingent liabilities. The total increase in provisions charged for direct liabilities as of 1 January 2009 were transferred from the provisions according to the new method to a special reserve in shareholder`s equity. The opening balance of other provisions was adjusted by the differences in contingent liabilities provisions.
- When determining the effective rate of return in order to apply the amortized cost method in calculating income



and cost of return of debt instruments, fees and commissions related to debt instruments acquisition or issuance are identified and added or subtracted from the value of acquisitions/issuance as a part of the transaction cost. This has resulted in changing the effective rate of return for these instruments.

- The bank has reviewed the assets reverted to the bank in settlement of debts to confirm the compliance with the rules for classifying these assets as non-current assets held for sale in "Other Assets". No differences in the reclassification or the value at which those assets are measured occurred, only the reclassification of the assets sold in installments was changed along with its effective rate of return.
- The bank reclassified the subordinated finance from the main shareholder and changed its value as it recognized the balance at present value. The cost of the subordinated finance was charged to the income statement and the difference between the nominal value and present value is amortized annually against increasing the retained earnings.

## **B- Subsidiaries and Associates**

### **B-1 Subsidiaries**

- Companies - including special purpose entities (SPEs) - over which the bank has a direct or indirect power to control their financial and operational policies, generally the bank has ownership of more than one half of the voting rights. The existence of influence on the future voting right exercised or transferred in the present time is taken into consideration during the evaluation of whether the bank has a control over the entity or not.

### **B-2 Associates**

- The associates are entities which the bank has direct or indirect influence over them without reaching the extent of control. Normally the bank has ownership ranging between 20% and 50% of the voting rights.
- The purchase method is used in accounting for the bank's acquisition of companies and the acquisition cost is measured by fair value or the equivalent value which the bank offered from its assets for purchase and/or issued shareholders' equity's instruments and/or obligations the bank incurred and/or obligations the bank accepted on behalf of the acquired company to complete the acquisition process and that on the date of the exchange process plus any costs that can be directly attributed to the acquisition process. Net assets including acquired potential obligations that can be defined are measured at fair value on the acquisition date regardless of the existence minority's rights, the increase in the acquisition cost over the fair value of the bank share in the net assets is considered goodwill, if there is a decrease in the acquisition cost below the fair value of the said net, the difference is to be recorded immediately in the income statement within the item of "Other operating income" (expenses).
- The accounting for the subsidiaries and associates in the bank's financial statements is made using the cost method. These investments are recorded by the acquisition cost including any goodwill deducted from it any impairment losses of its value. The profits appropriations are recorded in the income statement at its approval and when the bank has the right to collect it.

## **C- Segment Reports**

- A business segment is a group of assets and operations related to providing products or services subjected to risks and rewards that differs from those of other business segments. The geographical segment is related to providing products and services in a particular economic environment subjected to risks and rewards that differs from those of other geographical segments operating in a different economic environment.

## **D- Foreign Currencies Translation**

### **D-1 Functional and presentation currency**

- Items included on the financial statements of foreign branches of the Bank are measured using the currency of the basic economic environment in which the foreign branch operates its business (functional currency).
- The bank's financial statements are presented in Egyptian pounds which represent the bank's functional and presentation currency

## D-2 Foreign currencies transactions and balances

- The bank's accounts are maintained in the Egyptian pound and foreign currencies transactions are translated during the year using the prevailing exchange rates at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at year-end using the prevailing exchange rates on that date. Foreign currencies exchange gains and losses resulted from settlement of such transactions and revaluation differences are recorded in the income statement in the following items:
  - Net trading income or net income from financial instruments held at fair value through the profit or loss for assets/liabilities held for trading or at fair value through profit or loss at inception according to its type.
  - Other operating income (expenses) for remaining items.
- Changes in the fair value of monetary financial instruments held in foreign currencies and classified as investments available for sale (debt instruments) are analyzed to either as revaluation differences resulting from changes in the amortized cost of the instruments, differences resulting from changes in the prevailing exchange rates, or differences resulted from changes in the fair value of the instrument. Differences resulted from changes in the amortized cost are recognized in the income statement in "return on murabaha, musharaka, or mudaraba and similar revenues", while differences related to changes in the prevailing exchange rates are recognized in "other operating income (expenses)". Differences resulted from changes in the fair value (fair value reserve/financial investments available for sale) are recognized in shareholders' equity.
- The evaluation differences resulted from items other than those with the monetary nature include the profits and losses resulted from the change of the fair value such as the equity instruments held in fair value through profits and losses. The evaluation differences resulted from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

## D-3 Foreign branches

- Operating results and the financial position of foreign branches are translated to the presentation currency (if not operating in a hyperinflationary economy) for which functional currency differs from the bank's presentation currency are accounted for as follows:
  - Assets and liabilities for each balance sheet presented for the foreign branch are translated using closing rates at the balance sheet date.
  - Revenues and expenses for each income statement presented are translated using the average exchange rate, and in case the average rate does not represent acceptable proximity for the cumulative effect of the rates prevailing at the transactions dates; revenues and expenses are translated using the exchange rates of the transactions' dates.
  - Revaluation differences are recognized as separate item (Foreign currencies translation differences) in equity. Exchange differences resulting from the translation of the net investment in foreign branches, loans and other foreign currency instruments designated as hedge of such investment are also recognized in equity section in the same item. Such differences are recognized in the income statement when the foreign branch is sold in "Other operating revenues (expenses)".

## E- Financial Assets

- The bank classifies its financial assets into the following categories: financial assets held at fair value through profit or loss facilities and debts, financial investments held to maturity and available for sale. Management determines the classification of its investments at initial recognition.

### E-1 Financial assets classified at fair value through profits or losses

- This category includes financial assets held for trading and those designated at fair value through profits or losses at inception.
- Financial instrument is classified as held for trading when it is acquired primarily for the purpose of selling it in the near term or if it represents a part of a specific financial instruments portfolio that is managed together and there is an evidence of a recent actual transactions that indicates that short-term profits will be obtained, Derivatives are categorized as for trading unless they were designated as hedging instruments.

- Financial assets are designated at their fair value through profit or loss at inception when:
  - This reduces the measurement inconsistency that may arise when the derivative is classified as held for trading at the time in which the derivative is embedded in the financial instrument, and is carried at amortized cost with regards to loan, facilities for banks and customers and issued debt instruments.
  - Some investments in equity instruments are managed and their performance is evaluated on a fair value according to investment strategy or risk management and reports about such investments is provided on that basis to the top management. Such investments are to be classified as at fair value through profit or loss.
  - Financial instruments such as debt instruments held to maturity include one or more embedded derivatives that significantly affect the cash flows. Such instruments are classified as at fair value through profit or loss.
  - Profits and losses resulting from changes in fair value of the financial derivatives managed in correlation with financial assets or liabilities designated at fair value through profit or loss at inception in income statement on the item "Net income from financial instruments classified at fair value through profit or loss at inception".
  - Any financial derivative from the group of financial instruments recognized at fair value through profit or loss is not reclassified during the retention period or its maturity.
  - Any financial instrument transferred from the group of financial instruments is not recognized at fair value through profit or loss if such instrument was classified by the bank at initial recognition as an instrument at the fair value through profit or loss.

## **E-2 Facilities and debts**

- Facilities and debts are non-derivative financial assets with fixed or determinable amount and they are not quoted in an active market with the exception of:
  - Assets which the bank intends to sell immediately or in the short term are classified as assets held for trading.
  - Assets the bank classified as available for sale at initial recognition.
  - Assets of which the bank will not be able to substantially recover the value of its original investment in them for reasons other than credit deterioration.

## **E-3 Financial investments held to maturity**

- Financial investments held to maturity are non-derivative financial assets with fixed or determinable amount of payment and fixed maturity and while the bank management has the intention and the ability to hold to maturity. The whole group is to be reclassified as available for sale when the bank sells a significant amount of financial assets held to maturity except in cases of necessity.

## **E-4 Financial investments available for sale**

- Financial investments available for sale are non-derivative financial assets the bank has intention to hold for an indefinite period of time, which can be sold in response to the liquidity requirement or due to changes in return rates, exchange rates or equity prices.
- The following is to be applied with regards to financial assets:
  - Regular - way purchase and sale of financial assets is recognized using trade date accounting which is the date the bank is committed to purchase or sell the asset and this applies to assets classified at fair value through profit or loss financial investments held to maturity and available for sale.
  - Financial assets not recognized at fair value through profit or loss at inception are initially recognized at fair value plus direct attributable transaction costs whereas financial assets designated at fair value through profit or loss at inception are recognized at fair value only while the transaction costs are charged onto the income statement in the net trading income item.
  - Financial assets are derecognized when contractual rights to receive cash flows from the financial asset expires or when the bank transfers most of the risks and reward associated with ownership to another party. Liabilities are derecognized when discharged either by disposal, cancellation or expiry.
  - Financial investments available for sale and financial assets classified at fair value through profit or loss are subsequently carried at fair value while facilities, debts and financial investments held to maturity are subsequently carried at amortized cost.
  - Profits and losses resulting from changes in fair value of the financial assets classified at fair value through profit or loss are recognized in the income statement in the period in which they occur. Profits and losses resulting from changes in fair value of the financial investments available for sale are directly recognized in

equity, until the asset is derecognized or its value impaired upon which the accumulated profits and losses previously recognized in equity are recognized in the income statement.

- Returns calculated using amortized costs in addition to foreign currency revaluation gains or losses of monetary assets classified as available for sale are recognized in income statement. Dividends on equity instruments classified as available for sale are recognized in the income statement when the bank's right to receive payments is established.
- The fair value of the quoted investments in active markets is determined according to the current Bid Price. If the market for the assets is not active or the current Bid prices are unavailable, the bank determines the fair value using one of the valuation techniques. This includes recent arm length transactions, discounted cash flow analysis, options pricing models or other valuation techniques commonly used by market participants. If the bank is unable to estimate the fair value of equity instruments classified as available for sale it should be valued at cost after net of any impairment losses.
- The bank reclassifies the financial asset within the group of financial instruments available for sale - debts (bonds); transferred from the group of financial instruments available for sale to the group of financial assets held to maturity - whenever the bank has the intention and ability to hold these assets for the foreseeable future or until maturity. Reclassification is carried at fair value on that date, and any profits or losses related to these assets which were previously recognized in equity are treated as follows:
  1. In case of reclassified financial assets with fixed maturity, the profits or losses are amortized over the remaining life of the investment held to maturity using the effective return rate. Any difference between the amortized cost and maturity amount is to be amortized over the remaining life of the asset using the effective return rate. In case of subsequent impairment in the assets value any profits and losses previously recognized as directly in shareholders equity will be recognized in the profits and losses.
  2. In case of financial asset with no fixed maturity, the profits or losses remain in shareholders' equity till the asset is sold or disposed only then they are recognized in profits and losses. In case of subsequent impairment in the asset's value any profits or losses previously recognized as directly in equity will be recognized in the profits and losses as well.
- If the bank changed its estimates representing payments and receipts, then the book value of the financial asset (or group of financial assets) is adjusted to reflect the actual cash flows and the change in estimates through calculating the present value of future cash flows estimated using the effective rate of return of the financial instrument. The adjustment is recognized as revenue or expenses in the profits and losses.
- In all cases, if the bank reclassifies a financial asset as referred to above, and the bank subsequently increased its estimates of future cash receipts due to increase of the recoverable amount from these cash receipts, this increase is recognized as an adjustment to the effective rate of return from the date of the change in estimates and not as adjustment of the asset's book value on the date of estimates change.

#### **F- Offsetting Financial Instruments**

- A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, an entity:
  - (a) Currently has a legally enforceable right to set off the recognized amounts;
  - And
  - (b) Intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.
- Treasury bills with repos and reverse repos agreements are netted in the balance sheet under "Governmental notes".

#### **G- Return Income and Expenses**

- Return on murabaha transactions is recognized on accrual basis. Unearned return on murabaha is recorded and proportionately amortized on murabaha account over the murabaha period along the year as from the date of cashing of funds till the date of repayment. The unearned portion of murabaha returns is recorded at year-end in "Other Liabilities" item on the liabilities side of the balance sheet as it represents deferred revenues; such balance is deducted from the total murabaha transactions presented in the balance sheet. Recognizing the return on murabaha transactions as revenues is ceased when there is uncertain of recovering the value of such returns or the murabaha principal.

## H- Fees and Commission Income

- Fees due for murabaha, musharaka, or mudaraba services are recognized as income when the service is rendered while the fees and commissions related to non-performing or impaired debts are suspended and recorded off balance sheet. Then they are recognized as income on a cash basis when the return income is recognized according to Note (2-G), as for fees which represent an integral part of the effective rate of return of the financial assets, they are recorded as an adjustment to the effective rate return.
- Commitments fees on murabaha, musharaka, or mudaraba are to be suspended if there is a probability that these murabaha, musharaka, or mudaraba will be withdrawn on the ground that the bank receives these fees as a compensation for the continues intervention to acquire the financial instrument. Then they are recognized as adjustments to the effective rate of return on murabaha, musharaka, or mudaraba when the period of commitment expire without the bank's issuance of murabaha, musharaka, or mudaraba fees are recognized as revenue after the commitment expiry.
- Fees on debt instruments held at fair value are recognized in income at the initial recognition. Fees on promoting syndicated murabaha, musharaka, or mudaraba are recognized as revenue upon the promotion completion and the bank doesn't retain any portion of the murabaha, musharaka, or mudaraba or if the bank retains a portion for itself earning the rate of actual return that is made available to other participants as well.
- Fees and commission resulting from negotiations or participating in negotiation on a transaction in favor of other party are recognized within the income statement- such as arranging the acquisition of shares or other financial instruments and acquiring or selling premises- at the completion of the relevant transaction. The administrative consultations' fees and other services are normally recognized on the basis of distribution over time relative to the service performance period whereas the financial planning management fees and custody services fees which are provided for long periods of time are recognized over the period during which the service is performed.

## I- Dividends Income

- Dividends are recognized in the income statement when there is a right to collect them.

## J- Impairment Of Financial Assets

### J-1 Financial assets recorded at amortized costs

- On the balance sheet date the bank estimates whether there is any objective evidence that a financial asset or group of financial assets measured at amortized cost is impaired. If any such evidence exists. A financial asset or a group of financial assets is impaired and impairment losses are incurred if and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.
- The indicators that the bank uses in determining the presence of objective evidence on impairment losses include the following:
  - Significant financial difficulty of the issuer or obligor.
  - A breach of contract, such as a default or delinquency in interest or principal payments.
  - It is becoming probable that the borrower will enter bankruptcy or other financial reorganization.
  - Deterioration of the competitive position of the debtor.
  - The bank, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the bank would not otherwise consider.
  - The impairment of the collateral's value.
  - The deterioration of the credit situation and positions.
- Among the objective evidence on the impairment loss of a group of financial assets is the presence of clear data indicating a decline that can be measured in the expected cash flow of the group since the initial recognition though it is not possible to determine the decline of each individual asset separately, for example, the increase in cases of default payment for one or more of the banking products.

- The bank estimates the period between the loss occurrence and its identification for each specific portfolio. This period normally ranges between three to twelve months.
- Initially, the bank estimates whether there is objective evidence of impairment of each individual asset that has significance of its own whereas assets which do not possess individual significance are assessed at either aggregate or individual level. In this regard the following is to be taken into consideration:
  - If the bank identifies the non-presence of an objective evidence on the impairment of a financial asset studied separately whether it has a significance of its own or not then this asset will be added to the group of financial assets with similar credit risk features to be assessed together to estimate impairment according to historic default ratios.
  - If the bank identifies the presence of objective evidence on the impairment of a financial asset studied separately then this asset is not included in the group of assets which impairment losses are assessed on a consolidated basis.
  - If the aforementioned study resulted in the non-presence of impairment losses then the asset is included in the group.
- The amount of impairment losses provision is measured by the difference between the asset's book value and the present value of estimated future cash flows discounted by the financial asset's original effective return rate, (excluding future credit losses that have not been incurred). The book value of the asset shall be reduced through use of impairment losses provision's account. The impairment burden of the credit losses shall be recognized in income statement.
- If the murabaha, mudaraba, musharaka or investment held to maturity bears a variable return rate then discount rate applied to measure any impairment losses is considered the actual rate of return according to the contract on determining the existence of objective evidence on the impairment of the asset. For practical purposes the bank may measure impairment losses on the basis of the instrument's fair value by applying the quoted market rates, as for guaranteed financial assets, the present value of the future cash flows expected from the financial asset is to be credited besides these flows which result from the implementation and selling the collateral after deducting the expenses related thereto.
- For the purposes of estimating impairment at a gross level financial assets are pooled in groups of similar characteristics in terms of credit risk i.e. on the basis of classification process conducted by the bank taking into consideration the type of asset, industry, geographical location, type of collateral, position of delays and other related factors. These characteristics are related to the assessment of future cash flows of the groups of these assets being an indicator of the debtor's ability to repay the amounts due according to the contractual conditions of the assets under consideration.
- In estimating the impairment of a group of financial assets on the basis of historical default rates, future cash flows of the group are estimated on the basis of the contractual cash flows of the banks' assets and the amount of historical losses of these assets with credit risk characteristics similar of these assets held by the bank. The amount of losses is adjusted on the basis of current disclosed data in a way to reflect the impact of the current conditions which were not available in the period over which the amount of historical losses has been identified besides canceling the effects of the conditions that existed in the historical periods but no longer exists.
- The bank seeks that the forecasts of changes in cash flows of a group of assets are reflected in line with these changes in relevant reliable data which occur from time to time, for example changes in unemployment rates, real estate prices, repayment's position and any other factors indicating the changes in the likelihood of loss in the group and its amount. The bank is conducting a periodic review of the method and assumptions used to estimate future cash flows.

## **J-2 Available for sale investments**

- On the balance sheets date the bank estimates whether there is any objective evidence on the impairment of an asset or a group of assets classified within financial investments available for sale. In the case of investments in equity instruments classified available for sale it is to be taken into consideration the significant or prolonged decline in the fair value of the instrument below its book value when estimate whether there is impairment in the asset or not.
- During the period that starts from 1st of January 2009 the decline shall be considered significant when it reaches 10% of the cost of book value. The decline shall be considered prolonged if it continues for more than 9 months.

If said evidences are available then the accumulated loss should be carried over from shareholders' equity to be recognized in the income statement. The impairment in value recognized in the income statement concerning equity's instruments will not be reversed if a later rise in the fair value occurs. Meanwhile in case the fair value of debt instruments classified available for sale rose, and it is found possible to objectively link said rise to an event taking place after recognition of impairment in the income statement then the impairment will be reversed through the income statement.

## **K- Real Estate Investments**

- Real estate investments are represented in the land and buildings that the bank owns in order to obtain rent returns or capital increase; consequently, they do not include real estate assets through which the bank practices its business or those that devolved to bank in fulfillment of debts. The method of accounting for real estate investments is carried out by the same accounting method applied to fixed assets.

## **L- Intangible Assets**

### **L-1 Goodwill**

- Goodwill represents the rise in the cost of acquisition above the fair value of the share of the bank in net assets, including the determinable acquired probable liabilities of the subsidiary or associate company on the date of acquisition on the independent financial statement of the bank.
- The goodwill impairment extent is tested annually, provided that the income statement would be debited by the value of goodwill depreciation at the rate of 20% annually or the value of impairment in its value, whichever is greater. The goodwill related to subsidiary and associate companies is included in determining the profits and losses from the sale of such companies (Note 2/B).
- The goodwill is distributed over the cash generating units for purposes of testing the impairment. Cash generating units are represented in the main sectors of the bank (Note 2/C)

### **L-2 Computer software**

- Expenses related to development or maintenance of computer software are recognized as expenses on income statement at the time of incurring them. They are recognized as intangible assets in the expenses correlated directly to specific software that are under the control of the Bank from which the generation of economic benefits is expected whose cost exceeds more than one year. Direct expenses include the cost of employees on the software team in addition to appropriate share in related general expenses.
- It is recognized as development cost in expenses if it leads to increasing or expanding the performance of the computer software above its original specifications and is added to cost of the original software.
- The cost of computer software recognized as assets is depreciated along the year from which it is expected to make use of in the manner not exceeding three years.

### **L-3 Other intangible assets**

- They are represented in intangible assets other than goodwill and computer software (for example trademarks, licenses and lease contracts' benefits).
- Other intangible assets are established at the cost of their acquisition and are depreciated by straight line method or on the basis of economic benefits expected to be achieved from them along the production life assessed thereto. Regarding assets that have no determined production life, they are not depreciated. However, the impairment in their value is tested annually and the value of impairment (if any) is charged to the income statement.

## **M- Fixed Assets**

- Lands and buildings are mainly represented in head office premises, branches and offices. All fixed assets are disclosed at historical cost less depreciation and impairment losses. The historical cost includes expenses directly related to the acquisitions of the fixed assets' items.

- Subsequent expenditures are recognized within the book value of the outstanding asset or as an independent asset, if appropriate, this is the case when it is possible to generate future economic benefits to the bank from the concerned asset and it is also possible to reliably determine its cost. Any maintenance and fixing expenses during the period in which they are incurred are carried over to other operating expenses.
- Land is not subject to depreciation while depreciation of other fixed assets is calculated by adopting the straight line method to spread the cost in such a way to reach scrap value over the useful life of the asset as follows:
 

Buildings and facilities	20 years
Rented real estate improvements	According to nature of assets (4-20) years
Office furniture & safes	4 years
Means of transport	4 years
Computers / integrated automated systems	2 years
Fixtures and fittings	20 years
- The residual value and useful lives of the fixed assets are reviewed on the balance sheet date and they are adjusted whenever it is necessary. Assets to be depreciated are reviewed for purposes of determining extent of impairment when an event or change in conditions occurs suggesting that the book value may not be redeemed. Consequently the book value of the asset is reduced immediately to the asset's redemption value in case increasing the book value over the redeemable value.
- The redemption value represents the net selling value of the asset or its utilization value whichever is greater. Gains and losses from the disposal of fixed assets are defined by comparing the net receipts at book value. Gains (losses) are included within other operating income (expenses) in the income statement.

## N- Non-Financial Assets Impairment

- Assets which do not have fixed useful lives are not subject to amortization, except for goodwill, and its impairment is assessed annually. Impairment of assets which are amortized is studied whenever there are events or changes in conditions suggesting that the book value may not be recoverable.
- The impairment loss is then recognized and the asset's value has to be reduced by the excess in the asset's book value over its recoverable value. The recoverable value represents the net selling value of asset or its value in use whichever is higher. For purposes of estimating impairment, the asset should join the smallest possible currency generating unit. Non-financial assets being impaired are to be reviewed to study reversal of impairment or allocation of impairment, provision in the income statement on the date of preparing the financial statements. The reversal is limited so that the book value of the asset does not exceed its recoverable value that would have been determined net of depreciation had no impairment loss been recognized for the assets value.

## O- Leases

- Financial lease is accounted for according to law 95 for the year 1995 on leasing:
  - A) If the lease contract gives the lessee the right to purchase the asset on a fixed date for a fixed amount and the contract's period represents at least 75% of the asset's expected useful life.
  - B) The present value of total rental payments is not less than 90% of the asset value.
- Other leasing contracts are considered operational leasing ones.

### O-1 Rentals

- With regard to financial lease contracts, the lease cost including the maintenance cost of leased assets is recognized within the expenses in the income statement for the period in which it was incurred. If the bank decides to exercise the right of purchasing leased assets then the cost of purchasing right is capitalized being one of the fixed assets and is amortized over the expected remaining useful life of the asset in the same way applied on similar assets.
- Payments under the account of operating lease minus any discounts that were obtained from the lessor are recognized among expenses on the income statement by the straight line method along the period of the contract.



## O-2 Lease out

- Regarding assets leased out, they are recorded among the fixed assets in the balance sheet and are depreciated along the useful life expected for this asset by the same method adopted for similar assets. Lease revenues are recognized on basis of the rate of return on lease contract in addition to a sum equivalent to the cost of depreciation for the year.
- The difference between the revenue of the lease recognized on the income statement and the total accounts of leasing customers is charged to the balance sheet until the lease contract expires, where it is used for getting with the net book value of the leased out asset. The maintenance expenses and the security deposit are charged to the income statement when it bears them to the extent that is not borne by the lessee. When there are objective evidences that the Bank will not be able to collect all balances of leasing debtors, they are reduced to the value whose redemption is expected.
- Regarding operating lease assets, they appear among the fixed assets on the balance sheet and are depreciated along the production life expected for the asset by the same method adopted with similar assets. The lease revenue is established minus any discounts granted to the lessee by straight line method along the contract duration.

## P- Cash And Cash Equivalent

- The cash flow statement shows cash and cash equivalent balances not exceeding three months from the date of acquisition. The above include cash, balances at Central Bank of Egypt other than required reserve ratio, due from banks and treasury bills and other governmental notes.

## Q- Other Provisions

- The restructuring costs and legal claims' provision is recognized when there is a legal obligation or a present indicative due to previous events while it is also very likely that the situation shall require the utilization of the bank's resources to settle said liabilities with the presence of the possibility of providing a reliable estimation of the liability's value.
- When there are similar liabilities the cash outflow that can be used in settlement is to be identified taking into consideration this set of liabilities. The provision should be recognized even if there is a small possibility in the presence of cash outflow regarding an item from within this set.
- Provisions no longer required are reversed (refunded) wholly or partially within the item of other operating income (expenses).
- The present value of payments estimated as settlement for obligations for which a term is fixed to settle one year from the date of the balance sheet is measured by using appropriate rate for the same obligation settlement term without being affected by the prevailing tax rate the matter that reflects the time value of money, if the term is less than one year, the estimated value of the obligation is calculated, unless its effect is substantial in which case it is considered at the present value.

## R- Financial Collateral Contracts

- Financial collateral contracts are those contracts that are issued by the bank as collateral for murabaha, musharaka and mudaraba transactions or overdrafts granted to its customers from other entities. They require the bank to carry out specific settlements to compensate their beneficiary for the loss that he incurred as a result of the default of the debtor in settling them to banks, financial institution and other entities on behalf of bank's customers.
- The fair value is primarily recognized on the financial statement on the date of granting the collateral, which may reflect the charges of collateral. Subsequently, the obligation of the bank by virtue of the collateral is measured on basis of the first measurement amount minus the amortization calculated to recognize the collateral or the best forecast for the payments required to settle any financial obligation resulting from the financial collateral on the experience in similar transactions and historical losses supported by judgment of management.
- Any increase in the liabilities resulting from the financial collateral is recognized in the income statement among the item "Other Operating Revenues (Expenses)"

## S- Income Taxes

- The income taxes on the year's profits or losses include the tax of the current year and the deferred tax and they are recognized in the income statement with the exception of the income tax on the items of shareholder's equity which is immediately recognized within equity.
- The income tax is recognized on the basis of the net profit subject to tax through the application tax rates prevailing at the date of preparing the balance sheet in addition to the tax adjustments related to previous years.
- Deferred taxes arising from temporary timing differences between the book value of assets and liabilities according to accounting bases and their values according to tax rules are to be recognized. So the value of the deferred tax is defined according to the method expected to realize or adjust the value of assets and liabilities by applying the tax rates at the date of preparing the balance sheet.
- The deferred tax assets are recognized when there is likelihood to achieve taxable profits in the future through which this asset can be made use of. The value of deferred tax assets is reduced by the portion which will not realize the expected taxable benefit in the coming years whereas in case of the increase in expected taxable benefits the deferred tax assets should be increased within the limit of previous reduction.

## T- Borrowing

- Facilities which the bank obtains are recognized at inception at fair value less the cost of obtaining the facilities. Later the facilities are measured by amortized cost. The difference between net proceeds and the amount to be paid over the borrowing period using the method of actual return is to be charged to the income statement.

## U- Capital

### U-1 Cost of capital

- The issuance expenses which are directly related to the issuance of new shares or shares against acquiring an entity or issuance of options are to be presented as debited from the shareholder equity in net proceeds after taxes.

### U-2 Dividends

- Dividends are charged to shareholders' equity in the period the shareholders general assembly approves these dividends and they include the employees' share in profits and the remuneration of the board of directors established by the articles of association of the bank and the law.

### U-3 Treasury shares

- If the bank purchases capital shares, the purchase sum is debited to total equity, where they represent the cost of treasury shares until they are revoked. If such shares are sold or reissued in a subsequent period, all amounts received are credited to equity.

## V- Trust Activities

- The bank does not practice custody activities. If it practices this activity the matter that may give rise to the acquiring or managing assets of third party, the assets and earnings resulting from them shall be excluded from the financial statements of the bank, as they are not assets of bank.

## W- Comparative Figures

- Comparative figures are reclassified whenever it is necessary to conform to the changes in the adopted presentation of the current period.

### 3- FINANCIAL RISK MANAGEMENT

The bank is exposed to a variety of financial risks while it practices its business and activities; Acceptance of risks is considered the basis of financial business. Some of the risks or a set of risks combined together are to be analyzed, evaluated and managed. The bank targets at achieving the adequate balance between the risk and return as well as minimizing possible negative impacts on its financial performance, The most important types of risks are credit risk, market risk, liquidity risk and other operating risks, Market risk includes the risks of foreign exchange rates, return rates and the other rate risks.

The bank has established risk management policies to define, analyze, set the limits of and control risk. Controlling risks and complying with limits are done through a variety of reliable methods and updated information systems plans. The bank conducts periodical reviews and amendments of the risk management policies and plans so as to reflect changes in the markets, products and services besides the best modern applications as well.

Risk management is conducted through risk sector in the light of policies approved by the board of directors; risk sector defines, assesses and hedges against the financial risks in close cooperation with the different operating units of the bank. The board of directors provides written principles for risk management as a whole in addition to written policies which cover defined risk areas such as credit risk, foreign exchange risk, return rate risks and the use of derivatives and non-derivatives financial instruments, Also, risk sector is responsible for the periodic review of risk management and control environment in an independent way.

#### A- Credit risk

The bank is exposed to credit risk which is the risk of failure of one party to fulfill its obligations. Credit risk is considered the most important among the bank's risks thus the management carefully manages the exposure to this risk. Credit risk is mainly represented in lending business and activities which result in extending murabaha, musharaka, and mudaraba and investment activities and thus leading to the inclusion of debt instruments in the bank's assets. Credit risk is also found in off- balance sheet financial instruments such as murabaha, musharaka, and mudaraba commitments. The credit risk management team in the sector conducts all operation related to management and controls of the credit risk meanwhile the team of management periodically reports to the board of director's, top management as well as heads of business units.

#### A-1 Measuring credit risk

- Murabaha musharaka and mudaraba for customers
- To measure credit risk related to murabaha, musharaka and mudaraba extended to banks and customers the bank examines the following three components:
  - Probability of default of the customer or others in fulfilling their contractual obligations.
  - The current position and the likely expected future development from which the bank can conclude the balance exposed to default (Exposure at default).
  - Loss given default.
- The daily activities of the bank's business involves the above measures for credit risk which reflect the expected loss (The Expected Loss Model) required by the Basel Committee on Banking Supervision. The operating measures may interfere with the impairment charge according to the Egyptian Accounting Standard no. (26), which depends on losses realized at the balance sheet's date (realized losses models) and not on expected losses (disclosure A/3).
- The bank estimates the probability of default at the level of every customer by applying internal rating methods to classify the creditworthiness in details of the different categories of customers. These internal methods for evaluation have been developed and the statistical analysis are to be taken into account together with the personal discretion reasoning of credit officials so as to reach the adequate creditworthiness classification. The bank's customers are divided into four categories for purposes of creditworthiness classification. The structure of creditworthiness adopted by the bank as illustrated in the following table reflects the extent of the probability of default of each category which mainly means that credit positions move between said categories according to change in the assessment of the extent of default probability. The assessment methods are reviewed and developed whenever it is necessary. The bank also periodically assesses the performance of the creditworthiness classification methods and the extent of their capacity on prediction of default cases.

- The bank's internal classifications' categories:

Classification	The classification's meaning
1	Performing debts
2	Regular watching
3	Watch list
4	Non performing debts

- The position exposed to default depends on the amounts the bank expects to be outstanding when the default takes place, for example, as for a murabaha, mudaraba, and musharaka this position is the nominal value while for commitments the bank enlists all already drawn amounts besides these amounts expected to be withdrawn till the date of default if it happens.
- The given or severe loss each represents the bank's expectations of the loss extent when claiming repayment of debt if the default occurs. This is expressed by the percentage of loss to the debt; this certainly differs in accordance with category of the debtor, the claim's priority and extent of the provision of guarantees or other methods for securing the credit.
- Debt instruments, treasury bills and other bills
- As for debt instruments and bills the bank adopts external ratings such as Standard and Poor's or similar ratings in order to manage credit risk. If such assessments are not available then the bank applies methods similar to those applied on credit customers. Investment in securities and governmental papers are considered a method of obtaining a better credit quality and at the same time provide an available source to meet financing requirements.

## A-2 Risk mitigation and evasion policies

- The bank manages, mitigates and controls credit risk concentration at the debtor, groups, industries and countries level.
- The bank also manages, acceptable credit risk levels by setting limits for the risk to be accepted at the level of each borrower or a group of borrowers, and at the level of economic activities and geographical sectors. These risks are continuously monitored and are subject to annual or frequent reviews or more if necessary. Lines of credit risks are approved quarterly at the level of borrower, group, producer, sector and country by the board of directors.
- Lines of credit for any borrower including banks are divided into sub-lines which include amounts in and off the balance sheet and daily risk line related to trading items such as forward foreign exchange contracts. Actual amounts are compared daily with said lines.
- Credit risk exposure is also managed through periodic analysis of the borrower and possible borrower's ability on fulfilling their obligations and also by amending the lending lines whenever appropriate.

### The following are some means of mitigating risk:

#### Collaterals

- The bank lays down a number of policies and controls to mitigate credit risk. Among these methods is to obtain collaterals against the granted funds. The bank sets guiding rules for defined types of acceptable collaterals. Main types of collaterals to murabaha, musharaka, and mudaraba are:
  - Real estate mortgage.
  - Mortgage of business assets such as machinery and goods.
  - Mortgage of financial instruments such as debt and equity instruments.
- Usually corporate lending is for a longer term and secured whereas credit facilities granted to individuals are unsecured. To reduce credit loss to its minimum, the bank seeks to get additional collaterals from the concerned parties as soon as indicators of impairment of murabaha, musharaka and mudaraba or facility appear.
- Collaterals taken as a security for assets other than murabaha, musharaka, and mudaraba are determined according to the nature of the instrument and usually debt instruments and treasury bills are unsecured, with the exception of asset-backed securities and similar instruments which are secured by a portfolio of financial instruments.

- The settlement risk arises in situations in which payment is by cash, equity instruments, or other securities or against expecting the obtainment of cash, equity instrument or other securities. Daily settlement limits are laid down for each other party to back up the consolidated settlement risk resulting from the transactions of the bank in any day.

### Master netting arrangements

- The Bank mitigates credit risk through entering into master liquidation agreements with parties that represent a significant portion of transactions. Master liquidation agreements do not generally give rise to netting between the assets and liabilities appearing on the balance sheet because the settlement is usually carried out on an aggregate basis. However credit risk accompanying contracts that are in favor of the Bank are reduced through master liquidation agreements in view of the fact that if there is default, all amounts with the other party are terminated and settled by netting. It is possible for the amount of exposure of the Bank to credit risk resulting from derivatives' instruments that are subject to master liquidation agreement to change in a short period as it is affected by each transaction that is governed by such agreements.

### Credit related commitments

- The main purpose of credit related commitments is to ensure the availability of funds to the customer at demand. Guarantees and standby letters of credit also carry the same credit risk related to murabaha, musharaka, and mudaraba. Documentary and commercial letters of credit issued by the bank on behalf of its customer to grant a third party the right to withdraw from the bank within the limit of certain amounts and according to defined terms and conditions usually guaranteed by goods that are shipped and consequently carry a lesser degree of risk than direct murabaha, musharaka, and mudaraba.
- Commitments for granting credit represent the unutilized part of the authorized limit to grant murabaha, musharaka, and mudaraba, guarantees or documentary letters of credit. The bank is exposed to a potential loss which is equal to the amount equal to the total of unutilized commitments as concerning credit risk arising from credit granting commitments. However, the amount of loss which is likely to occur is actually below the unutilized commitments considering that most of the credit granting commitments represents potential liabilities of customers who have defined credit terms. The bank monitors the duration till maturity date of credit commitments as long term commitments usually carry a higher degree of credit risk compared to short term commitments.

### A-3 Impairment and provisions policies

- The internal systems of assessment mentioned in (note A-1) focuses to a large degree on the planning of credit quality right from the starting point of lending and investment activities, other than that the impairment losses incurred at the balance sheet's date are only recognized for purposes of preparing financial reports based on objective evidence that refers to impairment according to what is mentioned in this disclosure and due to implementation of different methods the credit losses carried on the financial statements are usually less than the expected loss resulted from using the expected loss module used on balance sheet date for purposes of the Central Bank of Egypt's rules (note A-4).
- The impairment loss provision included in the balance sheet is derived from the four internal assessment categories. The following table shows the percentage to items within the balance sheet related to murabaha, musharaka, and mudaraba and the impairment associated with them for each of the bank's internal assessment categories:

31 December 2017				EGP	
Bank's Assessment	Murabaha, Musharaka and Mudaraba for customers	%	Impairment loss Provisions	%	
Performing debts	12 639 778 879	79.8	60 819 039	5.4	
Regular watching	1 853 890 331	11.7	126 731 878	11.2	
Watch List	318 864 259	2.0	66 607 575	5.9	
Non performing debts	1 033 287 336	6.5	872 813 299	77.5	
<b>15 845 820 805</b>		<b>100</b>	<b>1 126 971 791</b>	<b>100</b>	

31 December 2016				EGP	
Bank's Assessment	Murabaha, Musharaka and Mudaraba for customers	%	Impairment loss Provisions	%	
Performing debts	12 540 757 657	80.9	36 149 073	4.2	
Regular watching	1 617 547 165	10.4	23 014 271	2.7	
Watch List	342 275 570	2.2	769 557	0.1	
Non performing debts	1 002 150 377	6.5	806 320 550	93.0	
<b>15 502 730 769</b>		<b>100</b>	<b>866 253 451</b>	<b>100</b>	

- Internal assessment tools helps management to define whether there is objective evidence of impairment according to the Egyptian Accounting Standard no. 26 and depending on the following indicators the bank has defined:
  - Great financial difficulties facing the borrower or debtor.
  - Breach of murabaha, musharaka, and mudaraba agreements and terms such as default in payment.
  - Expectation of the debtor's bankruptcy, liquidation claim or restructuring the finance granted.
  - Deterioration of the competitive position of the borrower.
  - For economic or legal reasons related to the borrower's financial difficulties the bank is obliged to grant him privileges and concessions which the bank may not approve of granting in normal circumstances.
  - Impairment of the collateral's value.
  - Deterioration of the credit position.
- The bank's policies require review of all financial assets that exceed a defined relative importance at least annually or more if necessary. The impairment charge to accounts that have been assessed on an individual basis is to be defined by evaluating the loss realized at the balance sheet's date on each individual case separately and is to be applied individually on all accounts that have relative importance, the evaluation usually includes the outstanding collateral, security with a reconfirmation of the possibility to realize the collateral as well as the expected collections from these accounts.
- The impairment loss provision is formed on basis of a group of homogeneous assets by using the available historical expertise, personal discretion and statistical methods.

#### A-4 Model for measuring the general banking risks

- In addition to the four creditworthiness classification categories shown in (note A-1), the management also prepares classifications in the form of more detailed subgroups which cope with the requirements of the Central Bank of Egypt. Assets exposed to credit risk are classified in these subgroups according to detailed rules and terms which depend to a great extent on customer related information, his business and activities, financial position and the extent of his regularity in payment.
- The bank calculates the provisions required for the impairment of these assets exposed to credit risk including credit related commitments on the basis of defined ratios set by the Central Bank of Egypt. In case of the increase in the impairment loss provision, required according to the Central Bank of Egypt's rules, over that required for purposes of preparing the financial statements according to Egyptian accounting standards, the general banking

risks reserve is to be set aside within the shareholders' equity debited to retained earnings within this increase. This reserve is periodically adjusted by increase or decrease as to be equaled to the amount of increase between the two provisions. And this reserve is un-distributable. As note no. (33-A) illustrates the movement on the general bank risk reserve during the financial year.

- The following is an indication of corporate credit worthiness categories according to internal assessment bases compared to the assessment bases of The Central Bank of Egypt and the required provision ratios for the impairment of assets exposed to credit risk:

Central Bank of Egypt Classification	Classification Description	Required provision rate	Internal Classification	Internal Classification Description
1	Low risks	Zero	1	Performing loans
2	Average risks	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable risks	2%	1	Performing loans
5	Acceptable risks	2%	1	Performing loans
6	Marginally acceptable risks	3%	2	Regular follow up
7	Watch List	5%	3	Special follow up
8	Sub Standard	20%	4	Non-performing loans
9	Doubtful	50%	4	Non-performing loans
10	Bad debt	100%	4	Non-performing loans

#### A-5 Maximum limit for credit risk before collaterals

	31 December 2017	31 December 2016
	EGP	EGP
<b>Credit risk exposures in the balance sheet items (Net)</b>		
Governmental notes	6 018 129 415	7 518 884 754
<b>Financial assets held -for- trading:</b>		
Debt instruments	-	-
Investment with banks	3 157 118 700	1 230 133 729
Murabaha, musharaka, and mudaraba for customers		
<b>Individuals</b>		
Current debit accounts	-	-
Credit cards	14 996 091	11 960 786
Personal murabaha, musharaka, and mudaraba transactions	956 375 725	955 598 229
Real estate murabaha, musharaka, and mudaraba transactions	255 067 057	218 389 832
<b>Corporate:</b>		
Current debit accounts	-	-
Direct murabaha, musharaka, and mudaraba transactions	10 345 820 650	10 752 125 388
Joint murabaha, musharaka, and mudaraba transactions	2 083 197 573	1 780 618 140
Other murabaha, musharaka, and mudaraba transactions	16 966 179	9 910 016
<b>Financial investments</b>		
Debt instruments	10 894 070 596	10 875 162 138
<b>Total</b>	<b>33 741 741 986</b>	<b>33 352 783 012</b>

### Credit risk exposures of off-balance sheet items (Net)

Discounted commercial paper	303 290 561	97 551 042
Letters of guarantee	1 164 568 182	1 099 767 786
Letters of credit	673 822 642	842 374 113
<b>Total</b>	<b>2 141 681 385</b>	<b>2 039 692 941</b>

- The previous table represents the maximum limit of exposure as at the date of financial statements without taking into consideration any guarantees. As for the balance sheet items, the listed amounts depend on the net book value presented in the balance sheet.

### A-5 Maximum limit for credit risk before collaterals (Cont.)

- As illustrated in the previous table 41% of the maximum Limit exposed to credit risk arises from (murabaha, musharaka, and mudaraba) to customers against 41% as at 31 December 2016 whereas investments in the debt instruments represent 32% against 33% as at 31 December 2016.
- The management has confidence in its abilities to continue of controlling and maintaining the minimum limit of credit risk resulted from murabaha, musharaka and mudaraba and debt instruments portfolios on the basis of the following:
  - 91% of (murabaha, musharaka, and mudaraba) portfolio is classified in the two higher categories of the internal assessment against 91% as at 31 December 2016.
  - 91% of (murabaha, musharaka, and mudaraba) portfolio is free from any delays or impairment indicators against 92% as at 31 December 2016.
  - murabaha, musharaka, and mudaraba that have been assessed on an individual basis reach EGP 1 033 287 336 against EGP 1 002 150 377 as at 31 December 2016, in which impairment was found at less than 85% against 80% as at 31 December 2016.
  - All debt instruments and governmental notes represent investments in debt instruments on the Egyptian Government.

### A-6 Murabaha, musharaka, and mudaraba transaction

- The following is the position of murabaha, musharaka, and mudaraba transaction balances regarding creditworthiness:

Bank's evaluation	31 December 2017	
	Murabaha, Musharaka, & Mudaraba to customers	Investment operations with banks
	EGP	EGP
With no delays or impairment	14 428 856 469	3 157 118 700
With delays but not subject to impairment	383 677 000	-
Subject to impairment	1 033 287 336	-
<b>Total</b>	<b>15 845 820 805</b>	<b>3 157 118 700</b>
Less:		
Returns under settlement	(1 046 425 739)	-
Impairment losses provision	(1 126 971 791)	-
<b>Net</b>	<b>13 672 423 275</b>	<b>3 157 118 700</b>



31 December 2017

Bank's evaluation	Murabaha, Musharaka, & Mudaraba to customers	Investment operations with banks
	EGP	EGP
With no delays or impairment	14 314 860 392	1 230 133 729
With delays but not subject to impairment	185 720 000	-
Subject to impairment	1 002 150 377	-
<b>Total</b>	<b>15 502 730 769</b>	<b>1 230 133 729</b>
Less:		
Returns under settlement	(907 874 927)	-
Impairment losses provision	(866 253 451)	-
<b>Net</b>	<b>13 728 602 391</b>	<b>1 230 133 729</b>

- The total of murabaha, musharaka, and mudaraba transaction impairment charge reached EGP 1 126 971 791 against EGP 866 253 451 as at 31 December 2016 including EGP 872 813 298 against EGP 806 320 550 at 31 December 2016 which represents the impairment of individual murabaha, musharaka, and mudaraba transaction and the rest amounting to EGP 254 158 493 represents the impairment charge on a group basis of the credit portfolio

#### Murabaha, musharaka, and mudaraba with no past dues and not subject to impairment

- The creditworthiness of murabaha, musharaka, and mudaraba transaction portfolio with no delays or impairment is evaluated with reference to the internal evaluation used by the bank.

#### Murabaha, musharaka and mudaraba for banks and customers (Net)

31 December 2017	Retail			Corporate			EGP	
	Credit Cards	Personal Murabaha, Musharaka & Mudaraba	Real Estate Murabaha, Musharaka & Mudaraba	Direct Murabaha, Musharaka & Mudaraba	Joint Murabaha, Musharaka & Mudaraba	Other Murabaha, Musharaka & Mudaraba	Total Murabaha, Musharaka & Mudaraba for 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	-
<b>Total</b>	<b>14 996 091</b>	<b>956 375 725</b>	<b>255 067 057</b>	<b>10 345 820 650</b>	<b>2 083 197 573</b>	<b>16 966 179</b>	<b>13 672 423 275</b>	<b>3 157 118 700</b>

The guaranteed Murabaha, Musharaka and Mudaraba are not considered subjected to impairment for the non performing categories after taking into consideration the probability of collecting this guarantees.

31 December 2016	Retail			Corporate			EGP	
	Credit Cards	Personal Murabaha, Musharaka & Mudaraba	Real Estate Murabaha, Musharaka & Mudaraba	Direct Murabaha, Musharaka & Mudaraba	Joint Murabaha, Musharaka & Mudaraba	Other Murabaha, Musharaka & Mudaraba	Total Murabaha, Musharaka & Mudaraba for customers	Investment Operations with Banks
Performing	4 789 734	283 979 969	216 501 736	9 667 830 186	1 768 277 646	-	11 941 379 271	1 230 133 729
Regular Watching	6 873 646	645 065 486	-	669 575 670	-	7 961 582	1 392 476 384	-
Watch List	-	-	-	313 609 125	-	-	313 609 125	-
Non-Performing	297.406	26 552 774	1 888 096	101 110 407	12 340 494	1 948 434	144 137 611	-
<b>Total</b>	<b>11 960 786</b>	<b>955 598 229</b>	<b>218 389 832</b>	<b>10 752 125 388</b>	<b>1 780 618 140</b>	<b>9 910 016</b>	<b>13 728 602 391</b>	<b>1 230 133 729</b>

### A-6 Murabaha, musharaka, and mudaraba transaction (Cont.)

- Murabaha, musharaka, and mudaraba transaction with past dues but are not subject to impairment:
- These are murabaha, musharaka, and mudaraba with delays up to 90 days but are not subject to impairment unless there is other information to the contrary. Murabaha, musharaka, and mudaraba to customers with delays but not subject to impairment and the fair value of their collaterals are represented in the following:

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

#### Corporate

	Direct Murabaha, Musharaka & Mudaraba	Joint Murabaha, Musharaka & Mudaraba	Other Murabaha, Musharaka & Mudaraba	Total
Past dues up to 30 days	344 598 000	-	289 000	344 887 000
Past dues more than 30 days to 60 days	15 752 000	-	-	15 752 000
Past dues more than 60 days to 90 days	599 000	-	-	599 000
<b>Total</b>	<b>360 949 000</b>	<b>-</b>	<b>289 000</b>	<b>361 238 000</b>
<b>Collaterals fair value</b>	<b>336 033</b>	<b>-</b>	<b>-</b>	<b>336 033</b>

At initial recognition of murabaha, musharaka, and mudaraba transaction the fair value of collaterals is evaluated on the basis of the same financial assets evaluation methods used, and in subsequent period to the fair value will be updated by the market prices or the similar assets' prices.

### A-6 Murabaha, musharaka, and mudaraba transaction (Cont.)

31 December 2016	Retail			EGP
	Credit Cards	Personal Murabaha, Musharaka & Mudaraba	Real Estate Murabaha, Musharaka & Mudaraba	Total
Past dues up to 30 days	-	19 796 000	2 236 000	22 032 000
Past dues more than 30 days to 60 days	-	-	141 000	141 000
Past dues more than 60 days to 90 days	-	-	166 000	166 000
<b>Total</b>	<b>-</b>	<b>19 796 000</b>	<b>2 543 000</b>	<b>22 339 000</b>
<b>Collaterals fair value</b>	<b>-</b>	<b>3 699 000</b>	<b>-</b>	<b>3 699 000</b>

#### Corporate

	Direct Murabaha, Musharaka & Mudaraba	Joint Murabaha, Musharaka & Mudaraba	Other Murabaha, Musharaka & Mudaraba	Total
Past dues up to 30 days	128 193 000	-	-	128 193 000
Past dues more than 30 days to 60 days	19 683 000	-	819 000	20 502 000
Past dues more than 60 days to 90 days	14 453 000	-	233 000	14 686 000
<b>Total</b>	<b>162 329 000</b>	<b>-</b>	<b>1 052 000</b>	<b>163 381 000</b>
<b>Collaterals fair value:</b>	<b>602 000</b>	<b>-</b>	<b>117 000</b>	<b>719 000</b>

### Murabaha, musharaka and mudaraba transaction subject to impairment on an individual basis

- The balance of murabaha, musharaka, and mudaraba transaction which are subject to impairment on an individual basis, before taking into consideration the cash flows from collaterals, amounted to EGP 1 033 287 336 against EGP 1 002 150 377 as at 31 December 2016.
- Below is the analysis of the total value of murabaha, musharaka, and mudaraba transaction subject to impairment on individual basis including the fair value of collaterals the bank has obtained against these murabaha, musharaka, and mudaraba transactions.

	31 December 2017		31 December 2016		EGP
	Murabaha, Musharaka & Mudaraba subject to impairment on an individual basis	Collaterals fair value	Murabaha, Musharaka & Mudaraba subject to impairment on an individual basis	Collaterals fair value	
<b>Retail</b>					
Debit current accounts	-	-	-	-	-
Credit cards	437 641	-	301 690	-	-
Personal murabaha, musharaka & mudaraba	26 276 219	-	33 085 000	-	-
Real Estate murabaha, musharaka & mudaraba	2 682 995	-	2 329 858	-	-
<b>Corporate</b>					
Debit current accounts	-	-	-	-	-
Direct murabaha, musharaka & mudaraba	615 721 089	437 054 066	525 038 073	445 607 924	-
Joint murabaha, musharaka & mudaraba	386 123 997	-	439 128 539	-	-
Other murabaha, musharaka & mudaraba	2 045 395	-	2 267 217	-	-
<b>Total</b>	<b>1 033 287 336</b>	<b>437 054 066</b>	<b>1 002 150 377</b>	<b>445 607 924</b>	

### A-7 Debt instruments and other Governmental notes

- The following table represents an analysis of debt instruments and governmental notes according to evaluation agencies according to the rating of Standard & Poor's and its equivalents:

	Governmental notes	Trading Securities	Investments in Securities	Total
AAA	-	-	-	-
AA-to AA+	-	-	-	-
A- To A+	-	-	-	-
Less than A-	6 223 470 630	-	10 894 070 596	17 117 541 226
Unrated	-	-	-	-
<b>Total</b>	<b>6 223 470 630</b>	<b>-</b>	<b>10 894 070 596</b>	<b>17 117 541 226</b>

### A-8 Acquisition of collaterals

- During the current period, the bank obtained legal title of assets by acquiring some collateral as follows:

Nature of the assets	Book value (LE)
Lands	-
Units	9 260 000

The acquired assets are classified within other assets item in the balance sheet and are sold whenever possible.

### A-9 Concentration of financial assets risks exposed to credit risk Geographical segments

- The following table represents an analysis of the bank's most important boundaries of credit risk at book value, risks distributed on geographical segments in accordance with areas related to the bank's customers.

31 December 2017	Egypt						EGP
	Greater Cairo	Alexandria Delta & Sinai	Upper Egypt	Total	Arabian Gulf Countries	Other Countries	
Governmental notes	6 223 470 630	-	-	6 223 470 630	-	-	6 223 470 630
Financial assets held -for- trading							
Debt Instruments	-	-	-	-	-	-	-
Investments with banks	2 349 343 845	-	-	2 349 343 845	628 725 085	179 049 770	3 157 118 700
Murabaha, Mudaraba, & Musharaka with customers							
<b>Retail</b>							
Debit current accounts	-	-	-	-	-	-	-
Credit cards	12 321 160	2 811 215	-	15 132 375	-	-	15 132 375
Personal Murabaha, Musharaka, & Mudaraba	1 026 296 150	171 184 383	-	1 197 480 533	-	-	1 197 480 533
Real Estate Murabaha, Musharaka, & Mudaraba	193 465 112	99 960 669	-	293 425 781	-	-	293 425 781
<b>Corporate</b>							
Debit current accounts	-	-	-	-	-	-	-
Direct Murabaha, Musharaka, and Mudaraba	9 358 952 374	2 432 914 721	-	11 791 867 095	-	-	11 791 867 095
Joint Murabaha, Musharaka, and Mudaraba	2 528 453 753	-	-	2 528 453 753	-	-	2 528 453 753
Other Murabaha, Musharaka, and Mudaraba	7 477 757	11 983 511	-	19 461 268	-	-	19 461 268
<b>Financial Investments</b>							
Debt instruments	10 894 070 596	-	-	10 894 070 596	-	-	10 894 070 596
<b>Total</b>	<b>32 593 851 377</b>	<b>2 718 854 499</b>	<b>-</b>	<b>35 312 705 876</b>	<b>628 725 085</b>	<b>179 049 770</b>	<b>36 120 480 731</b>
<b>31 December 2016</b>	<b>32 196 245 259</b>	<b>2 426 660 547</b>	<b>-</b>	<b>34 622 905 806</b>	<b>564 311 080</b>	<b>237 464 500</b>	<b>35 424 681 386</b>

## A-9 Concentration of financial assets risks exposed to credit risk (Cont.)

### Business Segments

- The following represents an analysis of the most important boundaries of credit risk at book value distributed according to the customers' business and activities.

31 December 2017								EGP
	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale & retail business	Governmental sector	Other activities	Retail	Total
Governmental notes	-	-	-	-	6 223 470 630	-	-	6 223 470 630
Financial assets held -for-trading	-	-	-	-	-	-	-	-
Debt Instruments	-	-	-	-	-	-	-	-
Investments with banks	3 157 118 700	-	-	-	-	-	-	3 157 118 700
Murabaha, Musharaka, & Mudaraba transaction (customers')	-	-	-	-	-	-	-	-
<b>Retail</b>								
Current debit accounts	-	-	-	-	-	-	-	-
Credit Cards	-	-	-	-	-	-	15 132 375	15 132 375
Personal Murabaha, Musharaka, & Mudaraba transaction	-	-	-	-	-	-	1 197 480 533	1 197 480 533
Real estate Murabaha, Musharaka, & Mudaraba transaction	-	-	-	-	-	-	293 425 781	293 425 781
<b>Corporate</b>								
Current debit accounts	-	-	-	-	-	-	-	-
Direct Murabaha, Musharaka, & Mudaraba transaction	85 542 716	4 764 864 208	102 980 272	3 068 013 725	344 522 476	3 425 943 698	-	11 791 867 095
Joint Murabaha, Musharaka, & Mudaraba transaction	157 108 375	950 755 186	-	27 449 357	1 215 435 692	177 705 143	-	2 528 453 753
Other Murabaha, Musharaka, & Mudaraba transaction	-	-	-	-	-	19 461 268	-	19 461 268
<b>Financial Investments</b>								
Debt instruments	-	-	-	-	10 894 070 596	-	-	10 894 070 596
<b>Total</b>	<b>3 399 769 791</b>	<b>5 715 619 394</b>	<b>102 980 272</b>	<b>3 095 463 082</b>	<b>18 677 499 394</b>	<b>3 623 110 109</b>	<b>1 506 038 689</b>	<b>36 120 480 731</b>
<b>31 December 2016</b>	<b>1 527 128 327</b>	<b>5 796 690 975</b>	<b>123 206 008</b>	<b>2 737 741 884</b>	<b>19 882 235 374</b>	<b>3 909 085 917</b>	<b>1 448 592 901</b>	<b>35 424 681 386</b>

## B- Market Risk

- The bank is exposed to market risk represented in volatility in fair value or in future cash flows resulted from changes in market prices. The market risk is due to the open positions of return rates, currency rates and the products of shareholders' equity as each of them is exposed to the market's public and private movements as well as to the changes in the sensitivity level of market prices or rates such as return rates, foreign exchange rates and the prices of equity instruments. The bank separates the level of its exposure to market risk to portfolios either held for trading or portfolios held for a non-trading purpose.
- The trading portfolios include these positions resulting from the bank's direct dealing with customers or with the market. Whereas the portfolios held for a non-trading purpose, arise mainly from management of the return rate of assets and liabilities related to retail transactions. These portfolios include the foreign exchange risks and shareholders' equity instruments resulted from investments held to maturity and available for sale.

### B-1 Methods of measuring market risk

- The following are the most important measurement methods used to control the market risk:

#### Value at Risk

- The bank applies "value at risk" for trading and non-trading portfolios to estimate the market risk of positions and the maximum of expected loss based on a number of assumptions for the various changes of market conditions. The board of directors sets limits for "value at risk" that may be classified separately by the bank for trading or non trading portfolios.
- Value at risk is a statistical expectation of the potential loss of the current portfolio due to market's adverse moves. It is an expression of the maximum value the bank can lose using a defined confidence factor (98%) consequently there is a statistical probability of (2%) that the actual loss may be greater than the expected value at risk. The value at risk model assumes a defined retention period (ten days) before closing of the open positions. It also assumes that the market movement during the retention period will follow the same pattern of movement that occurred during the previous 10 days. The bank should assess the past movement based on the data of the previous five years and applies these historical changes in rates, prices and indicators directly on current positions, a method known as historical simulation. Actual outputs should also be monitored and controlled on a regular basis to measure the appropriateness of assumptions and factors used to calculate value at risk.
- The use of this approach does not prevent losses outside these limits in the event of more significant market movement as value at risk constitutes an integral part of bank's market risk control, the value at risk limits are established by the board annually for all trading and non-trading portfolio operations and allocated to business units, the actual values at risk are compared with limits put by the bank.
- The quality of value at risk model is controlled on a continuous basis through tests that reinforce the results of value at risk of the trading portfolio and the results of such tests are usually reported to top management and board of directors.

#### Stress testing

- Stress testing provides indication of the expected loss that may arise from sharp adverse circumstances. Stress testing are designed to match the business using standard analysis for specific scenarios. The stress testing carried out by the bank market risk department includes: risk factor stress testing, where sharp movements are applied to each risk category and emerging market stress test, as emerging market are subject to sharp movements; and subject to special stress test including possible stress events affecting specific positions or regions- for example the stress outcome to a region applying a free currency rate.
- The results of the stress testing are reviewed by top management and board of directors.

## B-2 Summary of values at risk

- Total Value at risk according to kind of risk

EGP

	31 December 2017			31 December 2016		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	9 596 090	35 303 000	856 000	21 329 740	65 877 000	3 554 000
Return rate risk	-	-	-	-	-	-
<b>Total value at risk</b>	<b>9 596 090</b>	<b>35 303 000</b>	<b>856 000</b>	<b>21 329 740</b>	<b>65 877 000</b>	<b>3 554 000</b>

- Total value at risk for trading portfolio according to kind of Risk

EGP

	31 December 2017			31 December 2016		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	-	-	-	-	-	-
Return rate risk	-	-	-	-	-	-
<b>Total value at risk</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

- Total value at risk for non-trading portfolio according to kind of Risk

EGP

	31 December 2017			31 December 2016		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	9 596 090	35 303 000	856 000	21 329 740	65 877 000	3 554 000
Return rate risk	-	-	-	-	-	-
<b>Total value at risk</b>	<b>9 596 090</b>	<b>35 303 000</b>	<b>856 000</b>	<b>21 329 740</b>	<b>65 877 000</b>	<b>3 554 000</b>

The Bank is not exposed to the rate of return risk since it distributes variable returns to customers related to the revenues and returns achieved quarterly. The rise in the value at risk, especially the rate of return is related to the rise in the sensitivity of the rate of return in global financial markets.

The Previous three results for the value at risk were calculated independently of the concerned positions and historical movements of markets. The total value at risk for the trading and non-trading does not constitute the value exposed to risk at the bank in view of the correlation between the kinds of risks and the kinds of portfolios, and the various impact entailing.

### B-3 The risk of fluctuations in foreign exchange rates

- The bank is exposed to the risk of fluctuations in foreign exchange rates in its financial position and cash flows. The board of directors has set limits of foreign currencies in total value for each position at the end of the day and also intraday which are monitored on the spot. The following table summarizes the extent of the bank's exposure to fluctuations in exchange rates risk at the end of the fiscal year. The below table includes the book value of financial instruments broken down into its component currencies:

31 December 2017	EGP	USD	EUR	GBP	Other Currencies	Equivalent in
						EGP
						Total
<b>Financial assets</b>						
Cash and due from Central Bank of Egypt	3 969 802 464	278 254 126	45 302 180	4 538 150	9 961 376	4 307 858 296
Due from banks	9 023 286 914	1 314 013 054	102 008 644	9 970 115	54 085 597	10 503 364 324
Governmental notes	2 884 525 000	2 870 114 630	468 831 000	-	-	6 223 470 630
Financial assets held -for- trading	-	-	-	-	-	-
Investment with Banks	-	2 985 344 680	63 931 500	33 994 445	73 848 075	3 157 118 700
Murabaha, Musharaka and Mudaraba to customers	12 795 285 775	3 004 755 414	45 779 616	-	-	15 845 820 805
<b>Financial Investments</b>						
Available for sale	40 187 316	-	-	-	15 595 953	55 783 269
Held to maturity	9 169 279 320	1 751 225 381	-	-	-	10 920 504 701
<b>Total financial assets</b>	<b>37 882 366 789</b>	<b>12 203 707 285</b>	<b>725 852 940</b>	<b>48 502 710</b>	<b>153 491 001</b>	<b>51 013 920 725</b>
<b>Financial liabilities</b>						
Due to banks	215 700 000	258 168 741	132 499 663	-	-	606 368 404
Customers' deposits	33 136 033 028	10 336 123 185	517 152 271	46 438 989	133 964 608	44 169 712 081
Other finances	24 967 271	1 152 300 500	-	-	-	1 177 267 771
<b>Total financial liabilities</b>	<b>33 376 700 299</b>	<b>11 746 592 426</b>	<b>649 651 934</b>	<b>46 438 989</b>	<b>133 964 608</b>	<b>45 953 348 256</b>
<b>Net financial position</b>	<b>4 505 666 490</b>	<b>457 114 859</b>	<b>76 201 006</b>	<b>2 063 721</b>	<b>19 526 393</b>	<b>5 060 572 469</b>
31 December 2016						
Total financial assets	30 533 824 890	11 679 567 091	808 357 696	50 374 071	164 479 266	43 236 603 014
Total financial liabilities	26 780 701 986	11 268 612 122	746 973 629	48 193 145	152 596 985	38 997 077 867
<b>Net financial position</b>	<b>3 753 122 904</b>	<b>410 954 969</b>	<b>61 384 067</b>	<b>2 180 926</b>	<b>11 882 281</b>	<b>4 239 525 147</b>



#### B-4 Return rate risk

- The bank is exposed to the impact of fluctuations in the levels of return rate that are prevailing in the market which is the cash flows risk of return rate represented in the volatility of future cash flows of a financial instrument due to changes in the return rate of the instrument. Whereas the return rate's fair value risk is the risk of fluctuations in the value of the financial instrument due to changes in return rates in the market. The return margin may rise due to these changes but still the profit may decrease if unexpected movements occur. The board of directors sets limits for the level of difference in the re-pricing of return rate which the bank can maintain.
- The following table summarizes the extent of the bank's exposure to the risk of fluctuations in return rates which includes the book value of financial instruments distributed on the basis of the price of re-pricing dates or maturity dates whichever is sooner:

	EGP						
31 December 2017	Up to 1 month	More than 1 month - 3 months	More than 3 months - 1 year	More than 1 year - 5 years	More than 5 years	Without Return	Total
<b>Financial assets</b>							
Cash and due from Central Bank of Egypt	-	-	-	-	-	4 307 858 296	4 307 858 296
Due from banks	8 974 000 000	1 073 252 686	-	-	-	456 111 638	10 503 364 324
Governmental notes	-	2 523 117 630	3 700 353 000	-	-	-	6 223 470 630
Held for trading	-	-	-	-	-	-	-
Investments operations with Banks	1 966 626 801	917 485 319	244 642 260	28 364 320	-	-	3 157 118 700
Murabaha, Musharaka & Mudaraba to customers	7 149 257 317	1 563 152 906	2 815 166 469	3 025 823 837	1 292 420 276	-	15 845 820 805
<b>Financial Investments</b>							
Available for sale	-	-	-	-	-	55 783 269	55 783 269
Held to maturity	-	413 560 930	2 191 677 196	5 361 588 490	2 927 243 979	26 434 106	10 920 504 701
<b>Total financial assets</b>	<b>18 089 884 118</b>	<b>6 490 569 471</b>	<b>8 951 838 925</b>	<b>8 415 776 647</b>	<b>4 219 664 255</b>	<b>4 846 187 309</b>	<b>51 013 920 725</b>
<b>Financial liabilities</b>							
Due to banks	173 931 500	125 812 822	105 700 000	-	-	200 924 082	606 368 404
Customers' deposits	17 904 203 300	20 219 609 805	-	-	-	6 045 898 976	44 169 712 081
Other finances	-	24 967 271	-	-	1 152 300 500	-	1 177 267 771
<b>Total financial liabilities</b>	<b>18 078 134 800</b>	<b>20 370 389 898</b>	<b>105 700 000</b>	<b>-</b>	<b>1 152 300 500</b>	<b>6 246 823 058</b>	<b>45 953 348 256</b>
<b>Re-pricing gap</b>	<b>11 749 318</b>	<b>(13 879 820 427)</b>	<b>8 846 138 925</b>	<b>8 415 776 647</b>	<b>3 067 363 755</b>	<b>(1 400 635 749)</b>	<b>5 060 572 469</b>
<b>31 December 2016</b>							
Total financial assets	11 798 406 986	4 841 579 374	9 268 466 616	8 579 167 571	5 008 807 399	3 740 175 068	43 236 603 014
Total financial liabilities	14 597 320 004	16 757 636 493	350 589 946	-	365 330 000	6 926 201 424	38 997 077 867
<b>Re- pricing gap</b>	<b>(2 798 913 018)</b>	<b>(11 916 057 119)</b>	<b>8 917 876 670</b>	<b>8 579 167 571</b>	<b>4 643 477 399</b>	<b>(3 186 026 356)</b>	<b>4 239 525 147</b>

#### C- Liquidity Risk

- Liquidity risk represents the risk that the bank faces difficulties in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure in fulfilling the bank obligation to repay to the depositors and fulfilling lending commitments.

##### Liquidity risk management

- The bank's liquidity management process carried out by the bank's risk department includes:
  - Daily funding are managed by monitoring future cash flows to ensure that all requirements can be fulfilled when due. This includes availability of liquidity as they due or to be lent to customers. To ensure that the bank reaches its objective the bank maintains an active presence in global money markets.

- The bank maintains a portfolio of highly marketable assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flows.
- Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.
- Managing concentration and declaring facilities' maturities.
- For monitoring and reporting purposes, the bank calculates the expected cash flows for the next day, week and month which are the main periods for liquidity management. The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.
- Liquidity risk department also monitors the mismatch between medium term assets, the level and nature of unused murabaha, musharaka, and mudaraba limits of current accounts facilities and the effect of contingent liabilities such as letters of guarantees and letters of credit.

### Financing approach

- Sources of liquidity are regularly reviewed by a separate team in liquidity risk department in order to maintain a wide diversification in currency, geographical areas, sources, products and maturities.

### Non- Derivative Cash flows

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

31 December 2017						EGP
	Up to 1 month	More than 1month– 3months	More than 3 months – 1 year	More than 1 year – 5 years	More than 5 years	Total
<b>Financial liabilities</b>						
Due to banks	374 855 582	125 812 822	105 700 000	-	-	606 368 404
Customers' deposits	11 411 735 464	6 344 524 558	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
<b>Total financial liabilities</b>	<b>11 786 591 046</b>	<b>6 470 337 380</b>	<b>12 605 518 300</b>	<b>7 571 690 330</b>	<b>7 519 211 201</b>	<b>45 953 348 256</b>
<b>Total financial assets</b>	<b>30 021 818 806</b>	<b>5 003 755 855</b>	<b>6 760 161 729</b>	<b>7 909 329 953</b>	<b>1 318 854 382</b>	<b>51 013 920 725</b>

31 December 2016						EGP
	Up to 1 month	More than 1month– 3months	More than 3 months – 1 year	More than 1 year – 5 years	More than 5 years	Total
<b>Financial liabilities</b>						
Due to banks	507 562 721	62 169 539	350 589 946	-	-	920 322 206
Customers' deposits	9 507 444 241	5 415 321 090	10 615 934 496	6 653 102 569	5 500 086 045	37 691 888 441
Other finances	-	-	-	19 537 220	365 330 000	384 867 220
<b>Total financial liabilities</b>	<b>10 015 006 962</b>	<b>5 477 490 629</b>	<b>10 966 524 442</b>	<b>6 672 639 789</b>	<b>5 865 416 045</b>	<b>38 997 077 867</b>
<b>Total financial assets</b>	<b>24 215 249 217</b>	<b>3 444 695 532</b>	<b>8 438 851 335</b>	<b>5 684 644 685</b>	<b>1 453 162 245</b>	<b>43 236 603 014</b>

The assets available to meet all liabilities and to cover commitments related to murabaha, musharaka, and mudaraba transactions include cash, balances with central banks, balances with banks, treasury bills and other governmental securities and murabaha, musharaka, and mudaraba transactions for banks and customers. The term of percentage of murabaha, musharaka and mudaraba transactions for customers that mature within one year is extended during the ordinary activity of the bank. In addition, there is a pledge for some debt instruments, treasury bills and other governmental securities to guarantee the liabilities. The bank has the ability to face the unexpected net cash flows through the sale of securities and finding other funding sources.

## C- Liquidity Risk (Cont.)

### Off-Balance Sheet Items (Gross)

				EGP
31 December 2017	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 guarantee	1 932 058 071	264 368 420	108 968	2 196 535 459
Letters of credit (Import)	958 064 001	-	-	958 064 001
Letters of credit (Export)	26 229 069	-	-	26 229 069
Capital commitments	102 273 813	-	-	102 273 813
<b>Total</b>	<b>3 484 273 918</b>	<b>264 368 420</b>	<b>108 968</b>	<b>3 748 751 306</b>

				EGP
31 December 2016	Not more than 1 year	More than 1 year & less than 5 years	More than 5 years	Total
Acceptances	153 329 973	-	-	153 329 973
Letters of guarantee	1 624 391 488	186 337 984	920 574	1 811 650 046
Letters of credit (Import)	1 420 193 879	-	-	1 420 193 879
Letters of credit (Export)	4 570 046	-	-	4 570 046
Capital commitments	34 169 839	-	-	34 169 839
<b>Total</b>	<b>3 236 655 225</b>	<b>186 337 984</b>	<b>920 574</b>	<b>3 423 913 783</b>

According to the Central Bank of Egypt strategy to implement the best international practices in the field of the banking supervision especially towards Basel committee requirements. The Central Bank of Egypt issued instructions regarding managing liquidity risk that included liquidity coverage ratio LCR and the net stable financing ratio.

**First:** Liquidity coverage ratio LCR (Minimum 70% for 2016, 80% for 2017, 90% for 2018 100% for 2019)

**The liquidity coverage ratio consists of:**

	EGP'000	EGP'000
	31 December 2017	31 December 2016
Numerator ratio: high quality liquidity assets	18 659 847	20 281 705
Denominator ratio: Net out cash flows during 30 days	1 496 790	3 252 484
Liquidity Coverage ratio LCR	1246.7%	623.6%

**Second:** Net stable finance ratio (Minimum 100%)

**Net stable finance ratio consists of:**

	EGP'000	EGP'000
	31 December 2017	31 December 2016
Numerator ratio: available stable finance value	34 024 933	29 542 093
Denominator ratio: demanded stable finance value	12 631 315	12 098 956
Net Stable finance ratio NSFR	269.4%	244.2%

## D- The Fair Value Of Financial Assets And Liabilities

### D-1 Financial instruments measured at fair value using evaluation methods

- None of the items of financial assets and liabilities were evaluated using evaluation methods at the balance sheet date.

### D-2 Financial instruments not measured at fair value

- The following table summarizes the present value and the fair value of financial assets and liabilities, which are not presented in the bank's balance sheet at fair value.

	Book value		Fair value	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
<b>Financial Assets</b>				
Due from banks	10 503 364 324	4 862 508 452	10 598 348 608	4 899 186 958
Investment operations with banks	3 157 118 700	1 230 133 729	3 162 552 645	1 242 456 369
<b>Murabaha, musharaka, &amp; mudaraba transactions to customers</b>				
Retail	1 226 438 873	1 185 948 847	1 226 438 873	1 185 948 847
Corporates	12 445 984 402	12 542 653 544	12 445 984 402	12 542 653 544
<b>Financial investments</b>				
Held -to- maturity	10 920 504 701	10 896 633 931	10 796 637 483	10 716 308 231
<b>Financial liabilities</b>				
Due to banks	606 368 404	920 322 206	626 371 038	947 182 492
Customers' deposits	44 169 712 081	37 691 888 441	44 927 858 993	38 370 521 081
Other finances	1 177 267 771	384 867 220	1 199 813 653	399 077 989

#### Due from banks

- The value of deposits and overnight deposits with variable return represents their present value. The fair value expected for deposits with variable return is forecasted according to the discounted cash flows using the rate of return prevailing in credit risk and similar maturity debts financial markets.

#### Investment operations with banks

- The investment operations with banks are represented in facilities other than deposits with banks. The expected fair value of investment operations with banks represents the discounted value of future expected cash inflows. Cash flows are discounted using the present rate of return in the market to determine the fair value.

#### Murabaha, musharaka & mudaraba transactions for customers

- They are represented in net murabaha, musharaka, and mudaraba transactions after deducting the provision for impairment losses. The fair value expected from murabaha, musharaka, and mudaraba transactions for customers represent the discounted value of expected cash inflows. Cash flows are discounted using the present rate of return in market to determine the fair value.

#### Investment in securities

- Investment in Securities in the previous table includes only assets that bear a return for held to maturity, where available for sale assets are evaluated at fair value apart from equity instruments which the bank could not assess their fair value at a reliable degree. The fair value of held to maturity financial assets in determined according to market prices or prices obtained from brokers. If such data are not available, the fair value is assessed using the prices of capital markets for traded securities that enjoy similar credit characteristics, maturity date and rates.

#### Due to other banks and customers

- The fair value assessed for deposits with no fixed maturity date which included deposits with no return represents the amount that will be paid at request. The fair value of deposits that bear fixed return and other finances that are not traded in active markets are determined according to discounted cash flows using the rate of return on new debts of similar maturity.

## E- Capital Management

- The bank's objectives, when managing capital that includes other elements besides the shareholders' equity disclosed in the balance sheet, are represented in the following:
  - Compliance with the capital's legal requirements in The Arab Republic of Egypt, and in countries in which the branches of bank operate.
  - Protection of the bank's ability on continuity and enabling it to continue in generating return to shareholders and other parties that deals with the bank.
  - Maintenance of a sound strong capital base that supports the growth of business.
- Capital adequacy and capital utilizations according to the requirements of regulators (the Central Bank of Egypt) are reviewed and monitored daily by the bank's management through models which depend on the guidelines of Basel Committee for Banking Supervision. Required data are submitted to the Central Bank of Egypt on a quarterly basis.
- Central Bank of Egypt requires the following from the bank:
  - Maintaining an amount of L.E 500 million as a minimum limit of issued and paid in capital.
  - Maintaining a percentage between capital items and risk-weighted assets and contingent liabilities equals to or exceeds 10%.
- The branches of bank that operate outside the Arab Republic of Egypt are subject to the rules of supervision that regulate the banking business in countries in which they operate.

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

- **Tier One:** consists of two parts the basic and the basic supplementary capital.
- **Tier Two:** is the subordinated capital.

### Consist of the following:

- 45% of positive foreign currency translation differences reserve.
- 45% of the special reserve.
- 45% of the increase in fair value over the book value of financial investments (If positive)
- 45% of the balance of the fair value reserve of the available for sale investments.
- 45% of the increase in fair value over the book value of held to maturity investments.
- 45% of the increase in fair value over the book value of financial investments in associates and subsidiaries.
- Loans (Subordinated deposits with amortization of 20% from their value in each year for the last 5 years of its term).
- Impairment loss provision of performing loans, facilities and contingent liabilities (must not exceed 1.25% of the total credit risk of performing assets and contingent liabilities weighted by risk weights.

### The denominator of the capital adequacy consists of:

- Credit risks
- Market risks
- Operational risks

The weighting of assets by risks ranges between zero up to 200% classified in accordance with the nature of the debit side of each asset so as to reflect the related credit risks, while taking into consideration cash collaterals. Same treatment is applied on off-balance amounts after making adjustments to reflect the contingent nature and probable losses of these amounts.

The bank has complied with all local capital requirements. The following table summarizes the calculation of the capital adequacy ratio in accordance to basil regularity framework at the end of the financial year.

	31 December 2017	31 December 2016
Capital	EGP '000	EGP '000
<b>Tier one (Basic capital)</b>		
Issued and paid-up capital	1 266 541	1 101 340
Reserves	343 885	124 104
Retained earnings	514 325	477 225
<b>Total basic capital</b>	<b>2 124 751</b>	<b>1 702 669</b>
Basic Supplementary capital	-	-
Differences of nominal value from present value of subordinated finance	-	-
Total of disposals from basic capital	-	(1 541)
<b>Total tier one</b>	<b>2 124 751</b>	<b>1 701 128</b>
<b>Tier two</b>		
45% of special reserve value	-	-
45% of the increase in the fair value over book value of financial investments	89 557	37 410
Subordinated finances from main investor/ subordinated deposits	1 062 377	365 330
Provision for impairment losses for regular loans, facilities & contingent liabilities	261 094	224 074
<b>Total tier two</b>	<b>1 413 028</b>	<b>626 814</b>
<b>Total capital</b>	<b>3 537 779</b>	<b>2 327 942</b>
<b>Total risk weighted assets and contingent liabilities</b>	<b>23 716 551</b>	<b>19 590 530</b>
<b>Capital adequacy ratio %</b>	<b>14.92%</b>	<b>11.88%</b>

- The Capital adequacy ratio was added according to what was sent to the Central Bank of Egypt.

### Financial leverage

- Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 on special supervisory instructions related to leverage ratio which maintaining a minimum level of leverage ratio of 3% to be reported in quarterly basis as follow:
- Guidance ratio started from reporting period September 2015 till December 2017.
- Obligatory ratio started from year 2018.

### Ratio Elements

#### The numerator elements

- The numerator consists of tier 1 for capital (after Exclusions) that are used in capital adequacy ratio numerator in accordance to the instructions of the Central Bank of Egypt (CBE).

#### The denominator elements

- The denominator consists of all bank assets (on and off-balance sheet) called "Bank exposures" which include total the following:
  1. On balance sheet exposure items after deducting some of Tier I Exclusions for capital base.
  2. Derivatives contracts exposures.
  3. Exposures resulted from the securitization of securities operation.
  4. Off-balance sheet exposures.

- The tables below summarize the leverage financial ratio:

	31 December 2017	31 December 2016
	EGP'000	EGP'000
<b>First: the numerator leverage</b>		
<b>Total basic capital</b>	<b>2 124 751</b>	<b>1 701 128</b>
<b>Second: denominator</b>		
On balance sheet exposures' financial derivatives operations and securities finance	50 278 975	42 795 162
Total Off-balance sheet exposures	2 390 918	1 734 139
<b>Total on &amp; off balance sheet</b>	<b>52 669 893</b>	<b>44 529 301</b>
<b>Financial leverage ratio (%)</b>	<b>4.03%</b>	<b>3.82%</b>

## 4- SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

The bank applies estimates and assumptions which affect the amounts of assets and liabilities to be disclosed during the following financial years. Estimates and assumptions are continuously assessed on the basis of historical expertise and other factors as well, including the expectations of future events which are considered to be logical or reasonable in the light of available information and surrounding circumstances.

### A- Impairment Losses on Murabaha, Musharaka, & Mudaraba Transactions

- The bank reviews (murabaha, musharaka, and mudaraba Transactions) portfolio on at least a quarterly basis to assess impairment. The bank applies personal judgment when deciding the necessity of posting the impairment charges to the income statement so as to know if there is any reliable data which refer to the existence of a measurable decline in the expected future cash flows of (murabaha, musharaka and mudaraba Transactions) portfolio even before being acquainted with the decline at the level of each murabaha, musharaka, and mudaraba in the portfolio. These evidences may include existing data which refer to the occurrence of a negative change in the ability of a portfolio of borrowers to repay the bank or local or economic circumstances related to default in the bank's assets. When scheduling the future cash flows, the management applies estimates based on prior experience. The method and assumptions applied in estimating the amount and timing of future cash flows are reviewed on a regular basis to eliminate any differences between estimated and actual losses according to experience.

### B- Impairment in Equity Instruments Investments Available For Sale

- The bank defines impairment in equity's instruments' investments available for sale when there is a significant or prolonged decline in their fair value below their cost. Determining whether the decrease is significant or prolonged depends on personal judgment. To reach this judgment the bank estimates- among other factors- the usual volatility of the share price. Additionally, there could be impairment if there is evidence on the existence of deterioration in the financial position of the company, the bank invested in, or in its operating and financing cash flows or if there is deterioration in the industry's or sector's performance or in case of changes in technology.

### C- Financial Investments Held to Maturity

- The un-derivative financial assets with payments and maturity dates that are fixed or determinable are classified as financial investments held to maturity, and this classification requires to a great extent the application of personal judgment and to reach such decision the bank evaluates the intention and ability to hold these investments till maturity. If the bank fails to hold these investments till maturity date, with the exception of very special cases such as selling an insignificant amount near maturity, then these investments which were classified held to maturity should be reclassified available for sale investments. Consequently these investments shall be measured by fair value and not by amortized cost in addition to suspension of classifying any investments under the said item.
- If using the classification of investments as held to maturity is suspended, the book value shall be decreased by a sum of EGP123 867 218 to reach the fair value by recording a corresponding entry in the fair value reserve among equity.

### D- Income Tax

- Due to the issuance of the law of income tax No 91/2005 and its executive regulations, the income tax is calculated on net taxable earnings as per the tax return issued according to the law, using the taxation rates prevailing on the date of preparing the financial statements, provided that they would be charged to the income statement.



## 5- SECTORIAL REPORTS

### A- Sectorial Analysis of Activities:

- Sectorial activity includes the operational transactions and assets used in providing banking services, managing their surrounding risks and the return correlated to this activity which may differ from other activities. Sectorial analysis of transactions according to bank business includes the following:
  - Bank's head office.
  - Cairo Governorate branches
  - Giza Governorate branches
  - Alexandria Governorate branches
  - Other branches

31 December 2017						EGP
	Head office	Cairo Branches	Giza Branches	Alexandria Branches	Others	Total
<b>Income and expenses according to Sector activity</b>						
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)
<b>Profit after tax</b>	<b>(732 175 341)</b>	<b>722 616 622</b>	<b>367 931 767</b>	<b>161 955 309</b>	<b>204 930 074</b>	<b>725 258 431</b>
<b>Assets and liabilities according to sector activity</b>						
Total sectorial activity's assets	<u>3 298 164 901</u>	<u>28 607 855 923</u>	<u>10 212 067 533</u>	<u>3 767 632 612</u>	<u>4 393 254 033</u>	<u>50 278 975 002</u>
Total sectorial activity's liabilities	<u>665 440 178</u>	<u>28 607 855 923</u>	<u>10 212 067 533</u>	<u>3 767 632 612</u>	<u>4 393 254 033</u>	<u>47 646 250 279</u>
<b>Sectorial activity's other items</b>						
Capital expenses	72 740 195					
Depreciation	31 540 346					
Impairment for credit losses (burden)	(248 764 318)					

31 December 2016						EGP
	Head office	Cairo Branches	Giza Branches	Alexandria Branches	Others	Total
<b>Income and expenses according to Sector activity</b>						
Sectorial activity income	2 295 207 013	1 911 679 382	812 370 385	337 112 214	412 408 273	5 768 777 267
Sectorial activity expenses	(2 465 293 617)	(1 439 881 297)	(549 769 145)	(206 082 364)	(268 842 110)	(4 929 868 533)
Profit before tax	(170 086 604)	471 798 085	262 601 240	131 029 850	143 566 163	838 908 734
Tax	(326 450 079)	-	-	-	-	(326 450 079)
<b>Profit after tax</b>	<b>(496 536 683)</b>	<b>471 798 085</b>	<b>262 601 240</b>	<b>131 029 850</b>	<b>143 566 163</b>	<b>512 458 655</b>
<b>Assets and liabilities according to sector activity</b>						
Total sectorial activity's assets	<u>2 350 171 019</u>	<u>22 594 615 727</u>	<u>10 639 197 837</u>	<u>3 125 504 312</u>	<u>3 820 102 919</u>	<u>42 529 591 814</u>
Total sectorial activity's liabilities	<u>378 847 688</u>	<u>22 594 615 727</u>	<u>10 639 197 837</u>	<u>3 125 504 312</u>	<u>3 820 102 919</u>	<u>40 558 268 483</u>
<b>Sectorial activity's other items</b>						
Capital expenses	20 376 279					
Depreciation	24 741 042					
Impairment for credit losses (burden)	(96 685 541)					

## B- Geographical Segment Analysis

31 December 2017				EGP
	Cairo	Alex. Delta and Sinai	Upper Egypt	Total
<b>Income and expenses according to geographical activity</b>				
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 taxes	856 496 774	265 658 313	-	1 122 155 087
Tax	(396 896 656)	-	-	(396 896 656)
<b>Profit after tax</b>	<b>459 600 118</b>	<b>265 658 313</b>	<b>-</b>	<b>725 258 431</b>
<b>Assets and liabilities according to geographical segments</b>				
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
<b>Geographical segments other Items</b>				
Capital expenditure	72 740 195			
Depreciation	31 540 346			
Impairment for credit losses (burden)	(248 764 318)			

31 December 2016				EGP
	Cairo	Alex. Delta and Sinai	Upper Egypt	Total
<b>Income and expenses according to geographical segments</b>				
Geographical revenues	5 254 751 894	514 025 373	-	5 768 777 267
Geographical expenses	(4 625 535 303)	(304 333 230)	-	(4 929 868 533)
Profit before taxes	629 216 591	209 692 143	-	838 908 734
Tax	(326 450 079)	-	-	(326 450 079)
<b>Profit after tax</b>	<b>302 766 512</b>	<b>209 692 143</b>	<b>-</b>	<b>512 458 655</b>
<b>Assets and liabilities according to geographical segments</b>				
Total geographical segments assets	37 946 636 083	4 582 955 731	-	42 529 591 814
Total geographical segments liabilities	35 975 312 752	4 582 955 731	-	40 558 268 483
<b>Geographical segments other items</b>				
Capital expenditure	20 376 279			
Depreciation	24 741 042			
Impairment for credit losses (burden)	(96 685 541)			

## 6- NET INCOME FROM RETURN

	31 December 2017	31 December 2016
	EGP	EGP
<b>Returns on (Murabaha, Musharaka, and Mudaraba) and similar revenues from:</b>		
Murabaha, Musharaka, and Mudaraba		
Banks	995 798 855	387 431 330
Customers	1 931 223 147	1 255 591 289
	<u>2 927 022 002</u>	<u>1 643 022 619</u>
Governmental notes	674 379 790	487 126 735
Investments in debt instruments held to maturity & available for sale	1 500 932 397	1 233 880 591
	<u>5 102 334 189</u>	<u>3 364 029 945</u>
<b>Cost of deposits and similar costs from</b>		
Current accounts and deposits		
Banks	(49 200 058)	(39 844 273)
Customers	(3 482 218 912)	(2 157 748 633)
	<u>(3 531 418 970)</u>	<u>(2 197 592 906)</u>
Other finances	(54 188 384)	(9 293 362)
	<u>(3 585 607 354)</u>	<u>(2 206 886 268)</u>
<b>Net</b>	<b>1 516 726 835</b>	<b>1 157 143 677</b>

The Bank holds debt instruments to cover the liquidity ratio of the customers' deposits according to the requirements of the concerned parties. We recommend depositors to take into consideration the forgoing with regard to the returns on these instruments, taking into account that the clearance rate for these instruments returns is 31% (after excluding the required liquidity ratio prescribed by the Central Bank of Egypt).

## 7- NET FEES AND COMMISSIONS INCOME

	31 December 2017	31 December 2016
	EGP	EGP
<b>Fees and commissions income</b>		
Fees and commissions related to credit	86 890 954	58 080 174
Fees on the corporate financing services	1 502 718	4 000
Trust funds and custody fees	517 520	448 797
Other fees	152 184 471	92 193 894
	<u>241 095 663</u>	<u>150 726 865</u>
<b>Fees and commissions expenses</b>		
Other paid fees	(12 341 937)	(7 913 025)
	<u>(12 341 937)</u>	<u>(7 913 025)</u>
<b>Net</b>	<b>228 753 726</b>	<b>142 813 840</b>

## 8- DIVIDEND INCOME

	31 December 2017	31 December 2016
	EGP	EGP
Securities available for sale	7 239 506	4 222 410
Investments held to maturity – Mutual funds certificates	1 222 096	175 972
	<u>8 461 602</u>	<u>4 398 382</u>

## 9- NET TRADING INCOME

	31 December 2017	31 December 2016
	EGP	EGP
<b>Foreign Currencies Operations</b>		
Profit from dealing in foreign currencies	75 612 657	77 022 961
	<u>75 612 657</u>	<u>77 022 961</u>

## 10- ADMINISTRATIVE EXPENSES

	31 December 2017	31 December 2016
	EGP	EGP
<b>Employees cost</b>		
Salaries and wages	(210 432 388)	(184 542 251)
Social Insurance	(7 076 387)	(6 220 356)
	<u>(217 508 775)</u>	<u>(190 762 607)</u>
Other administrative expenses	(208 286 169)	(163 849 732)
	<u>(425 794 944)</u>	<u>(354 612 339)</u>

During the year 2017 the monthly average of net salaries, bonuses, and remunerations for the top twenty key personnel in the bank combined net of tax and social insurance amounts to EGP 1 760 051 compared to EGP 1 662 667 during year 2016.

## 11- OTHER OPERATING (EXPENSES)

	31 December 2017	31 December 2016
	EGP	EGP
(losses) from revaluation of monetary assets and liabilities denominated in foreign currency other than held for trading or designated at fair value through profit and losses.	(8 648 766)	16 769 479
Gain on sale of fixed assets	1 234 930	377 393
Operating and financial lease (burden)	(21 467 403)	(68 919 306)
Other provisions (burden)	(1 943 372)	(6 569 371)
Other	5 482 534	(26 718 965)
	<u>(25 342 077)</u>	<u>(85 060 770)</u>

## 12- IMPAIRMENT OF CREDIT LOSSES (BURDEN)

	31 December 2017	31 December 2016
	EGP	EGP
Murabaha, musharaka, & mudaraba for customers	(253 726 630)	(102 635 924)
Al Ahram Bank customers' Loans	-	92 879
Financial investments held to maturity	4,962 312	5 857 504
	<u>(248 764 318)</u>	<u>(96 685 541)</u>

## 13- INCOME TAX (EXPENSES)

	31 December 2017	31 December 2016
	EGP	EGP
Current income taxes	(396 397 261)	(325 646 369)
Deferred taxes (note 23)	(499 395)	(803 710)
	<u>(396 896 656)</u>	<u>(326 450 079)</u>

## 14- EARNINGS PER SHARE

	31 December 2017	31 December 2016
	EGP	EGP
Net distributable profits to the bank's shareholders	611 631 611	447 197 655
Weighted average of shares outstanding	180 934 507	180 934 507
	<u>3.38</u>	<u>2.47</u>

## 15- CASH AND DUE FROM CENTRAL BANK OF EGYPT

	31 December 2017	31 December 2016
	EGP	EGP
Cash	581 752 455	750 918 201
Balances at Central Bank of Egypt within the mandatory reserve ratio	3 726 105 841	2 122 572 306
	<u>4 307 858 296</u>	<u>2 873 490 507</u>
Non-bearing balances	4 307 858 296	2 873 490 507
	<u>4 307 858 296</u>	<u>2 873 490 507</u>

## 16- DUE FROM BANKS

	31 December 2017	31 December 2016
	EGP	EGP
Current accounts	456 111 638	768 761 892
Deposits	10 047 252 686	4 093 746 560
	<u>10 503 364 324</u>	<u>4 862 508 452</u>

	31 December 2017	31 December 2016
	EGP	EGP
Central Bank of Egypt other than the mandatory reserve ratio	10 047 252 686	4 093 746 560
Local banks	97 621 271	66 896 907
Foreign banks	358 490 367	701 864 985
	<u>10 503 364 324</u>	<u>4 862 508 452</u>
Non-bearing balances	456 111 638	790 761 892
Bearing balances	10 047 252 686	4 071 746 560
	<u>10 503 364 324</u>	<u>4 862 508 452</u>
Current balances	10 503 364 324	4 862 508 452
	<u>10 503 364 324</u>	<u>4 862 508 452</u>

## 17- GOVERNMENTAL NOTES

	31 December 2017	31 December 2016
	EGP	EGP
Treasury bills due 91 days	-	10 000 000
Treasury bills due 182 days	1 101 000 000	200 000 000
Treasury bills due 273 days	831 475 000	2 407 450 000
Treasury bills due 364 days	952 050 000	1 822 875 000
Treasury bills due 364 days -USD	2 870 114 630	2 957 346 350
Treasury bills due 364 days -EUR	468 831 000	418 983 400
	<u>6 223 470 630</u>	<u>7 816 654 750</u>
Unearned returns	(205 341 215)	(297 769 996)
	<u>6 018 129 415</u>	<u>7 518 884 754</u>

The bank holds debt instruments to cover the liquidity ratio of the customers' deposits pursuant to the requirements of competent entities. We recommend that depositors observe the foregoing with regard to the returns on such instruments taking into account that the clearance rate for these instruments' return is 31% ( after excluding the required liquidity ratio prescribed by the Central Bank of Egypt ).

## 18- INVESTMENT OPERATIONS WITH BANKS \*

	31 December 2017	31 December 2016
	EGP	EGP
Investment operations with banks	3 157 118 700	1 230 133 729
	<u>3 157 118 700</u>	<u>1 230 133 729</u>
Current balances	3 128 754 380	1 230 133 729
Non-current balances	28 364 320	-
	<u>3 157 118 700</u>	<u>1 230 133 729</u>

\*The investment operations with banks represent commodity murabaha with local banks and correspondent banks with foreign currencies.

Includes EGP 102 820 660 which represents investment operations with Al Baraka Banking Group – the main shareholder in the bank – (against EGP 105 945 700 as of 31 December 2016). Revenue from these operations during the period amounted to EGP 19 765 (against EGP 310 481 during the previous year).

## 19- MURABAHA, MUSHARAKA AND MUDARABA FOR CUSTOMERS

	31 December 2017	31 December 2016
	EGP	EGP
<b>Retail</b>		
Debit current accounts	-	-
Credit cards	15 132 375	12 064 082
Personal (murabaha, musharaka & mudaraba)	1 197 480 533	1 183 221 939
Real estate (murabaha, musharaka & mudaraba)	293 425 781	253 306 880
<b>Total (1)</b>	<b>1 506 038 689</b>	<b>1 448 592 901</b>
<b>Corporate</b>		
Debit current accounts	-	-
Direct (murabaha, musharaka & mudaraba)	11 791 867 095	11 830 700 437
Syndicated (murabaha, musharaka & mudaraba)	2 528 453 753	2 212 110 851
Other (murabaha, musharaka & mudaraba)	19 461 268	11 326 580
<b>Total (2)</b>	<b>14 339 782 116</b>	<b>14 054 137 868</b>
<b>Total murabaha, musharaka &amp; mudaraba transaction for customers (1+2)</b>	<b>15 845 820 805</b>	<b>15 502 730 769</b>
Less: returns under settlement	(1 046 425 739)	(907 874 927)
Less: provisions for impairment losses	(1 126 971 791)	(866 253 451)
<b>Net</b>	<b>13 672 423 275</b>	<b>13 728 602 391</b>
Current balances	1 226 438 874	9 667 830 186
Non-current balances	12 445 984 401	4 060 772 205
	<b>13 672 423 275</b>	<b>13 728 602 391</b>

	31 December 2017	31 December 2016
	EGP	EGP
<b>Al Ahran Bank Customer's loans</b>		
loans to customers	241	10 653
Loans' provision	(241)	(10 653)
Suspended returns	-	-
	-	-

Al Ahran Bank Customer's loans represents the balances of old debts for which a 100% provision is charged pertaining to Al Ahran Bank customers prior to converting into a bank that operates pursuant to the provisions of the Islamic Shari'a.

	31 December 2017	31 December 2016
	EGP	LE
<b>Provision movement for Al Ahran Bank Customer's loans</b>		
Beginning balance 1 January	10 653	4 997 694
Impairment (Reverse)	-	(92 879)
Write-off amounts	(10 412)	(10 293 401)
Foreign currencies evaluation differences	-	5 399 239
<b>End of year balance</b>	<b>241</b>	<b>10 653</b>

## Provisions for impairment losses

- An analysis of the movements in the provision for impairment loss for murabaha, musharaka and mudaraba for customers according to the following types:

31 December 2017		Retail			EGP
	Debit current accounts	Credit cards	Personal Murabaha Musharaka & Mudaraba	Real estate Murabaha Musharaka & Mudaraba	Total
Balance as of 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)
<b>Balance as of 31 December 2017</b>	<b>-</b>	<b>136 284</b>	<b>14 981 827</b>	<b>5 545 953</b>	<b>20 664 064</b>

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

31 December 2016		Retail			EGP
	Debit current accounts	Credit cards	Personal Murabaha Musharaka and Mudaraba	Real estate Murabaha Musharaka and Mudaraba	Total
Balance as of 1 January 2016	-	-	14 601 721	1 618 084	16 219 805
Impairment burden	-	193 904	1 480 386	4 987 793	6 662 083
Write offs	-	(90 608)	(132 834)	(2 002 017)	(2 225 459)
<b>Balance as of 31 December 2016</b>	<b>-</b>	<b>103 296</b>	<b>15 949 273</b>	<b>4 603 860</b>	<b>20 656 429</b>

		Corporate			Total
	Debit current accounts	Direct Murabaha Musharaka & Mudaraba	Syndicated Murabaha Musharaka & Mudaraba	Other Murabaha Musharaka & Mudaraba	Total
Balance as of 1 January 2016	1 249 489	661 540 946	88 180 377	3 150 151	754 120 963
Impairment (reserve) burden	-	(73 163 315)	171 359 807	(2 222 651)	95 973 841
Write-offs	(1 249 489)	(177 954 747)	-	-	(179 204 236)
Recoveries	-	2 812 943	-	-	2 812 943
Foreign currency evaluation differences	-	-	171 893 511	-	171 893 511
<b>Balance as of 31 December 2016</b>	<b>-</b>	<b>413 235 827</b>	<b>431 433 695</b>	<b>927 500</b>	<b>845 597 022</b>



## 20- FINANCIAL INVESTMENTS

	31 December 2017	31 December 2016
	EGP	EGP
<b>Financial investments available for sale</b>		
Debt instruments at fair value		
Quoted	-	-
Debt instruments at cost		
Unquoted	-	-
Equity instruments at fair value		
Quoted	15 595 953	14 191 992
Unquoted	40 187 316	40 258 884
<b>Total available for sale financial investments (1)</b>	<b>55 783 269</b>	<b>54 450 876</b>
<b>Financial investments held to maturity</b>		
Mutual funds certificates (originating bank must hold)	26 929 846	26 929 846
<b>Debt instruments at amortized cost</b>		
Quoted	10 666 104 100	10 875 162 138
Unquoted	227 966 496	-
Less: provision for Impairment losses	(495 741)	(5 458 053)
<b>Total Financial investments held to maturity (2)</b>	<b>10 920 504 701</b>	<b>10 896 633 931</b>
<b>Total of Financial investments(1+2)</b>	<b>10 976 287 970</b>	<b>10 951 084 807</b>
Current balances	2 614 822 812	1 100 203 439
Non-current balances	8 361 465 158	9 850 881 368
	<u>10 976 287 970</u>	<u>10 951 084 807</u>
Debt instrument with fixed return	10 894 070 596	10 875 162 138
Debt instrument with variable return	-	-
	<u><b>10 894 070 596</b></u>	<u><b>10 875 162 138</b></u>

The bank holds debt instruments to cover the prescribed liquidity ratio of the customers' deposits pursuant to the requirements of competent entities. We recommend that depositors observe the foregoing with regard to the returns on such instruments, taking into account that the clearance rate for these instruments returns is 31% ( after excluding the required liquidity ratio prescribed by the Central Bank of Egypt).

31 December 2017	Available for sale Financial investments	Held to maturity financial investments	Total
	EGP	EGP	EGP
<b>Balance as of 1 January 2017</b>	<b>54 450 876</b>	<b>10 896 633 931</b>	<b>10 951 084 807</b>
Additions during the year	636 650	1 069 063 823	1 069 700 473
Disposals during the year	(71 568)	(1 046 140 936)	(1 046 212 504)
Evaluation differences of monetary assets denominated in foreign currencies	-	(21 198 565)	(21 198 565)
Amortization of premium and discount	-	17 184 136	17 184 136
Gain from changes in fair value – Note 31 (F)	767 311	-	767 311
Reverse provision for impairment losses	-	4 962 312	4 962 312
<b>Balance as of 31 December 2017</b>	<b>55 783 269</b>	<b>10 920 504 701</b>	<b>10 976 287 970</b>

31 December 2016	Available for sale Financial investments	Held to maturity financial investments	Total
	EGP	EGP	EGP
<b>Balance as of 1 January 2016</b>	<b>45 934 100</b>	<b>7 913 950 245</b>	<b>7 959 884 345</b>
Additions during the year	-	2 824 340 100	2 824 340 100
Disposals during the year	(163 332)	(270 900 000)	(271 063 332)
Evaluation differences of monetary assets denominated in foreign currencies	-	414 670 908	414 670 908
Amortization of premium and discount	-	8 715 174	8 715 174
Gain from changes in fair value – Note 31 (F)	8 680 108	-	8 680 108
Reverse provision for impairment losses	-	5 857 504	5 857 504
<b>Balance as of 31 December 2016</b>	<b>54 450 876</b>	<b>10 896 633 931</b>	<b>10 951 084 807</b>

### Financial investments gain (loss)

	31 December 2017	31 December 2016
	EGP	EGP
Gain from sale of financial investments available for sale	-	-
Impairment losses of equity instruments available for sale	(636 650)	-
Gain from sale of investments in subsidiaries and associates	1 447 061	-
	<b>810 411</b>	<b>-</b>

### Provision for impairment losses settlement of financial investment Held to maturity

	31 December 2017	31 December 2016
	EGP	EGP
Beginning balance	(5 458 053)	(11 315 557)
Reverse provision for impairment losses	4 962 312	5 857 504
<b>Ending balance</b>	<b>(495 741)</b>	<b>(5 458 053)</b>

## 21- INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31 December 2017	31 December 2016
	EGP	EGP
<b>Egyptian Saudi Finance Company for Real Estate Investment *</b>	-	<b>2 275 000</b>
	-	<b>2 275 000</b>
Country of the head office company	<b>Egypt</b>	Egypt
Company's total assets **	<b>6 828 952</b>	6 828 952
Company total liabilities without equity **	<b>830 756</b>	830 756
Company's revenues **	<b>669 002</b>	669 002
Company's profit (losses) **	<b>(642 873)</b>	(642 873)
Bank's ownership percentage	<b>40%</b>	40%

\*The company is not listed in the Egyptian stock market, in accordance with the Extraordinary General Assembly Resolution of 26 December 2016; the Company was liquidated by the end of 2016.

\*\* The latest audited financial statements of the company were used dated 31 December 2016.

## 22- OTHER ASSETS

	31 December 2017	31 December 2016
	EGP	EGP
Accrued revenues	651 048 047	577 732 301
Prepaid expenses	6 231 315	87 512 301
Down payments to purchase and prepare new branches	180 772 244	79 675 544
Assets reverted to the Bank in settlement of debts (after deducting impairment)	200 633 241	210 579 639
Deposits and custody	4 704 339	4 499 051
Other	176 517 490	52 794 555
	<u>1 219 906 676</u>	<u>1 012 793 391</u>

## 23- DEFERRED INCOME TAX

Deferred income taxes were calculated on deferred tax differences according to the liabilities method.

Deferred tax assets resulting from tax losses brought forward are recognized only if probable future tax benefits exist through which brought forward losses could be utilized.

Deferred tax assets and liabilities are offset if there is reasonable legal ground for offsetting the current tax on assets against current tax on liabilities and also when the deferred income tax appendant to the same tax administration.

### Deferred Tax assets and liabilities balances

31 December 2017	Deferred tax assets	Deferred tax liabilities	31 December 2017
	EGP	EGP	EGP
Fixed assets	-	(6 203 668)	(6 203 668)
Provisions	3 135 731	-	3 135 731
	<u>3 135 731</u>	<u>(6 203 668)</u>	<u>(3 067 937)</u>

31 December 2016	Deferred tax assets	Deferred tax liabilities	31 December 2017
	EGP	EGP	EGP
Fixed assets	-	(5 799 709)	(5 799 709)
Provisions	3 231 167	-	3 231 167
	<u>3 231 167</u>	<u>(5 799 709)</u>	<u>(2 568 542)</u>

### Movements in deferred tax assets and liabilities

31 December 2017	Deferred tax assets	Deferred tax liabilities	31 December 2017
	EGP	EGP	EGP
Balance at 1 January 2017	3 231 167	(5 799 709)	(2 568 542)
Additions during the year	-	(403 959)	(403 959)
Disposals during the year	(95 436)	-	(95 436)
<b>Balance at 31 December 2017</b>	<u>3 135 731</u>	<u>(6 203 668)</u>	<u>(3 067 937)</u>

31 December 2016	Deferred tax assets	Deferred tax liabilities	31 December 2016
	EGP	EGP	EGP
Balance at 1 January 2016	3 468 325	(5 233 157)	(1 764 832)
Additions during the year	-	(566 552)	(566 552)
Disposals during the year	(237 158)	-	(237 158)
<b>Balance at 31 December 2016</b>	<u>3 231 167</u>	<u>(5 799 709)</u>	<u>(2 568 542)</u>

## 24- FIXED ASSETS

	Lands and Buildings	leasehold Improvements	Machinery and Equipment	Other	Total
	EGP	EGP	EGP	EGP	EGP
<b>Balance as of 1 January 2016</b>					
Cost	304 858 862	4 895 364	20 225 443	148 664 641	478 644 310
Accumulated depreciation	(56 266 367)	(1 267 158)	(15 559 699)	(81 949 181)	(155 042 405)
Net book value	248 592 495	3 628 206	4 665 744	66 715 460	323 601 905
Additions	21 585 000	-	2 149 417	27 540 591	51 275 008
Disposals	(548 784)	-	(26 910)	(42 190)	(617 884)
Depreciation expense	(12 692 928)	(116 124)	(2 400 065)	(9 531 925)	(24 741 042)
Disposals accumulated depreciation	255 106	-	26 910	18 780	300 796
<b>Net book value as of 31 December 2016</b>	<b>257 190 889</b>	<b>3 512 082</b>	<b>4 415 096</b>	<b>84 700 716</b>	<b>349 818 783</b>
<b>Balance as of 1 January 2017</b>					
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
Disposals	(150 000)	-	(52 834)	(909 339)	(1 112 173)
Depreciation expense	(14 743 503)	(116 124)	(2 450 361)	(14 230 358)	(31 540 346)
Disposals accumulated depreciation	91 150	-	52 829	909 324	1 053 303
<b>Net book value as of 31 December 2017</b>	<b>327 826 161</b>	<b>3 395 958</b>	<b>4 253 579</b>	<b>88 410 648</b>	<b>423 886 346</b>
<b>Balance as of 31 December 2017</b>					
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)
<b>Net book value</b>	<b>327 826 161</b>	<b>3 395 958</b>	<b>4 253 579</b>	<b>88 410 648</b>	<b>423 886 346</b>

## 25- DUE TO BANKS

	31 December 2017	31 December 2016
	EGP	EGP
Current accounts	200 924 081	377 982 295
Deposits	405 444 323	542 339 911
	<b>606 368 404</b>	<b>920 322 206</b>
Local banks	279 631 500	265 700 000
Foreign banks	326 736 904	654 622 206
	<b>606 368 404</b>	<b>920 322 206</b>
Non-return bearing balances	200 924 081	377 982 295
Return bearing balances	405 444 323	542 339 911
	<b>606 368 404</b>	<b>920 322 206</b>
Current balances	606 368 404	920 322 206
	<b>606 368 404</b>	<b>920 322 206</b>

## 26- CUSTOMERS' DEPOSITS

	31 December 2017	31 December 2016
	EGP	EGP
Demand deposits	4 829 429 907	5 274 017 366
Time and notice deposits	22 126 533 854	18 160 082 298
Certificates of deposit and saving	10 817 439 614	8 018 932 754
Savings deposits	5 179 839 637	4 964 654 260
Other deposits	1 216 469 069	1 274 201 763
	<b>44 169 712 081</b>	<b>37 691 888 441</b>
Corporate deposits	26 723 895 421	23 344 628 602
Retail deposits	17 445 816 660	14 347 259 839
	<b>44 169 712 081</b>	<b>37 691 888 441</b>
Non-return bearing balances	6 045 898 976	6 548 219 129
Variable return balances	38 123 813 105	31 143 669 312
	<b>44 169 712 081</b>	<b>37 691 888 441</b>
Current balances	34 057 391 799	27 903 418 512
Non-current balances	10 112 320 282	9 788 469 929
	<b>44 169 712 081</b>	<b>37 691 888 441</b>

## 27- OTHER FINANCES

### A- Restricted Long Term Finances

- Represents the Musharaka contract between the bank and the Social Fund of Development (SFD) which amounted to EGP 200 million (is amended to become EGP 100 million only) to finance small enterprises with a finance form according to Islamic Shari'a. The contract is to be implemented on four equal installments each of which amounted to EGP 50 million with a portion of 50% for both parties for a period of 6 years starting from the transfer of the first installment from the SFD to the bank on 28 February 2013. On 4 July 2016, the bank had a new contract with Social Fund of Development of EGP 100 million to finance the small projects according to Islamic sharia and implement the contract in four equal installment for EGP 25 million for each installment with 50% for each contract partner for 6 years started from transferring the first installment from fund to bank in 28 August 2016.
- The Musharaka profit (resulted from the finance operations) is distributed to the bank and the SFD equally after deducting a ratio in favor of the bank as a fund manager.
- The bank also has an obligation to pay a return equals the return applied in the bank for 3 months deposits on the lowest credit balance for the unused balance from the SFD share in the Musharaka capital.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	19 537 220	20 811 252
Additions during the year	12 500 000	12 500 000
Payments during the year	(7 069 949)	(13 774 032)
Balance as of 31 December	<b>24 967 271</b>	<b>19 537 220</b>

## B- Subordinated Finance From Main Shareholder

- On 16 March, 2008 an agreement (investment Mudaraba deposit contract) was executed with Al Baraka Banking Group (main shareholder of the bank) to support the subordinated capital of the bank by a sum of US \$ 20 million. This deposit matured on 31 March 2013.
- On 31 March 2013 Al Baraka Banking Group deposited USD 20 million – through performing a netting between the amount of the old and new contracts – as an (Investment Mudaraba Deposit) to reinforce the bank's subordinate capital. The deposit to be matured on 30 June 2018. The deposit's return is calculated according to the return rates applied for the depositors in USD in the bank for 5 years in which its return is paid annually, and that is after waiving a portion of the bank's share as Mudarib estimated by 10%. Al Baraka Banking Group cannot withdraw the deposit unless by Central Bank of Egypt approval, on 20 October 2015 extend on due date of the deposits to be 20 June 2021. On 7 July 2017 extend on due date of the deposits to be 20 June 2025.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	365 330 000	154 602 000
Foreign currencies evaluation differences	(10 776 000)	210 728 000
Balance as of 31 December	<u>354 554 000</u>	<u>365 330 000</u>

## C- Subordinated Finance From Other Shareholders

- On 5 February 2017, an investment Mudaraba deposit agreement was signed with Misr Insurance Company (one of the largest shareholders of our bank) to support the bank's subordinated capital by USD 25 million. The contract will enter into force on 23 February 2017 for a period of seven years with return around 6.75% paid quarterly.
- On 2 July 2017 another agreement was signed with Misr Insurance Company (an investment Mudaraba deposit) to support the subordinated capital of our bank by USD 20 million for a period of eight years with return around 6.25% paid quarterly.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	-	-
Additions during the year	806 462 000	-
Foreign Currencies evaluation differences	(8 715 500)	-
Balance as of 31 December	<u>797 746 500</u>	<u>-</u>
<b>Total other finances (A+B+C)</b>	<u><b>1 177 267 771</b></u>	<u><b>384 867 220</b></u>

## 28- OTHER LIABILITIES

	31 December 2017	31 December 2016
	EGP	EGP
Accrued return	1 006 530 999	906 703 695
Unearned revenues	86 470 665	80 838 577
Accrued expenses	69 987 424	63 804 815
Other credit balances	307 743 455	278 273 674
	<u><b>1 470 732 543</b></u>	<u><b>1 329 620 761</b></u>

## 29- OTHER PROVISIONS

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	91 657 238	85 562 354
Charged to income statement	1 943 372	6 569 371
Utilized during the year	(9 807 113)	(7 103 771)
Foreign currencies evaluation differences	(199 651)	6 629 284
<b>Balance as of 31 December</b>	<b>83 593 846</b>	<b>91 657 238</b>

The other provisions balances is represented in:

	31 December 2017	31 December 2016
	EGP	EGP
Contingent liabilities provision	31 032 020	30 639 652
Potential claims & legal provision	2 349 948	2 774 105
Tax provision	38 625 240	46 656 843
Assets transferred to the bank provision formed before 2010	11 586 638	11 586 638
<b>Total</b>	<b>83 593 846</b>	<b>91 657 238</b>

## 30- CAPITAL

The authorized capital amounted to EGP 2 Billion, the issued and paid up capital amounts to EGP 1 266 541 549 as of the date of the financial statement at par value of EGP 7 per share. All issued shares are fully paid.

31 December 2017	No. of shares	Ordinary shares	Total
		EGP	EGP
Balance as of 1 January 2017	136 812 482	957 687 374	957 687 374
The Shareholders share in the year 2015 profit used in increasing capital	20 521 872	143 653 104	143 653 104
The Shareholders share in the year 2016 profit used in increasing capital	23 600 153	165 201 071	165 201 071
<b>Balance as of 31 December 2017</b>	<b>180 934 507</b>	<b>1 266 541 549</b>	<b>1 266 541 549</b>

31 December 2016	No. of shares	Ordinary shares	Total
		EGP	EGP
Balance as of 1 January 2016	136 812 482	957 687 374	957 687 374
<b>Balance as of 31 December 2016</b>	<b>136 812 482</b>	<b>957 687 374</b>	<b>957 687 374</b>

On 29 March, 2017 the bank's General Assembly has approved the capital increase amounting to EGP 165 201 071 through distributions of stock dividends to shareholders. Since the procedures for recording this increase and the registration in the commercial register is completed the amount has been added to issued and paid up capital of the Bank

On 25 February, 2016 the Bank's General Assembly has approved the capital increase amounting to EGP 143 653 104 through distribution of stock dividend to shareholders. Since the procedures for recording this increase and the registration in the commercial register is completed the amount has been added to issued and paid up capital of the Bank.

## 31- RESERVES

Reserves are represented in	31 December 2017	31 December 2016
	EGP	EGP
General banking risk reserve	150 393 668	149 252 101
Legal reserve	170 697 892	119 489 766
General reserve	167 000 000	-
Capital reserve	6 186 955	5 809 562
Special reserve	41 212 327	41 212 327
Fair value reserve - financial investments available for sale	12 759 776	11 355 815
	<b>548 250 618</b>	<b>327 119 571</b>

### A- General Banking Risk Reserve

The Central Bank of Egypt instructions require forming a general banking risk reserve to face any unexpected risks, no distribution from the reserve shall be carried out except by the approval of the Central Bank of Egypt.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	149 252 101	138 511 388
Transferred from retained earnings	1 141 567	10 740 713
<b>Balance as of 31 December</b>	<b>150 393 668</b>	<b>149 252 101</b>

### B- Legal Reserve

Pursuant to the statute of the bank 10% of the year's net profit is transferred to a non-distributable reserve until the balance of such reserve reaches 100% of the capital.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	119 489 766	96 474 914
Transferred from retained earnings	51 208 126	23 014 852
<b>Balance as of 31 December</b>	<b>170 697 892</b>	<b>119 489 766</b>

### C- General Reserve

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	-	-
Transferred from retained earnings	167 000 000	-
<b>Balance as of 31 December</b>	<b>167 000 000</b>	<b>-</b>

### D- Capital Reserve

This reserve is reinforced using gains from sale of the bank's fixed assets for the purpose of supporting and enhancing the financial position of the bank

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	5 809 562	4 438 099
Transferred from retained earnings	377 393	1 371 463
<b>Balance as of 31 December</b>	<b>6 186 955</b>	<b>5 809 562</b>



### E- Special Reserve

In accordance with the rules of preparing and presenting the banks financial statements issued by the Central Bank of Egypt's Board of Directors on 16 December 2008 the specific reserve represents the impact of the change in accounting treatments.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	41 212 327	41 212 327
<b>Balance as of 31 December</b>	<b>41 212 327</b>	<b>41 212 327</b>

### F- Fair Value Reserve- Financial Investments Available For Sale

In accordance with the rules of preparing and presenting the Banks financial statements issued by the Central Bank of Egypt's Board of Directors on 16 December 2008, profits and losses resulting from changes in the fair value of financial investments available for sale are directly recognized in equity until the asset is disposed or its value is impaired, upon which time profits and losses previously recognized in equity are charged to the income statement.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	11 355 815	2 675 707
Net profits from change in fair value	767 311	8 680 108
(losses) transferred to income statement as a result of impairment	636 650	-
<b>Balance as of 31 December</b>	<b>12 759 776</b>	<b>11 355 815</b>

## 32- RETAINED EARNINGS

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	542 863 282	247 684 759
Prior year dividends (employees & BOD's)	(65 261 000)	(38 500 000)
Transferred (to) legal reserve	(51 208 126)	(23 014 852)
Transferred (to) General reserve	(167 000 000)	-
Transferred (to) capital reserve	(377 393)	(1 371 463)
Shareholder's dividends used in capital increase	(165 201 071)	(143 653 104)
Net profit for the year	725 258 431	512 458 655
Transferred (to) general banking risk reserve	(1 141 567)	(10 740 713)
<b>Balance as of 31 December</b>	<b>817 932 556</b>	<b>542 863 282</b>

## 33- CASH AND CASH EQUIVALENT

For purposes of cash flows statement presentation, cash and cash equivalent include the following balances which dates of maturity do not exceed three months from acquisition date

	31 December 2017	31 December 2016
	EGP	EGP
Cash and Due from Central Bank of Egypt (included in note 15)	581 752 455	750 918 201
Due from banks (included in note 16)	10 503 364 324	4 840 508 452
Governmental notes (included in note 17)	-	9 838 154
	<b>11 085 116 779</b>	<b>5 601 264 807</b>

## 34- CONTINGENT LIABILITIES AND COMMITMENTS

### A- Legal Claims

There are a number of existing cases filed against the bank at the date of the financial statement and the provision charged for these cases amounts to EGP 2 349 948 against EGP 2 774 105 as of 31 December 2016.

### B- Capital Commitments

	31 December 2017	31 December 2016
	EGP	EGP
Capital commitments represented in contracts for the purchase of fixed assets and branches' fixtures	52 273 813	34 169 839
Capital commitments represented in financial investments	50 000 000	-
	<b>102 273 813</b>	<b>34 169 839</b>

### C- Finance, Guarantees and Facilities Commitments (Net)

The bank's commitments for finance, guarantees and facilities represented in the following:

	31 December 2017	31 December 2016
	EGP	EGP
Acceptances	303 290 561	97 551 042
Letters of guarantees	1 164 568 182	1 099 767 786
Letters of credits	673 822 642	842 374 113
	<b>2 141 681 385</b>	<b>2 039 692 941</b>

## 35- TAX POSITION

### A- Corporate Income Tax :

- The bank has been inspected from operation commence till 31/12/2004 and the assessed tax were paid.
- Years: 2005/ 2006 they were inspected and resulted in tax losses.
- Years : 2007 to 2016 the bank hasn't been inspected till date note that the tax return of these years were presented to tax authority at due date and no obligation shown on

### B- Salaries Tax

- The bank has been inspected from operation commence till 31/12/2012 and the assessed tax were paid
- Years 2012 till 2016: the bank was not inspected amount due paid on monthly bases.

### C- Stamp Duty Tax

- Most branches were inspected till 31/7/2006 and there were not any obligation on the bank.
- The bank was inspected from 1/8/2006 till 31/12/2010 and the bank paid all the amounts agreed upon No tax inspection from 1/1/2011 till 31/12/2016 took place.

## 36- RELATED PARTIES TRANSACTIONS

Al Baraka Banking group (Bahrain) - main shareholder - owns 73% of ordinary shares. As for the remaining 27%, it is owned by other shareholders.

Related parties transactions are carried at arm length through the bank's ordinary activity

Transactions were carried out with members of the top management and subsidiaries and associates companies represented in the following:

### A- Deposits From Related Parties

	Members of top management and Close family member		Subsidiary and associate companies	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	EGP	EGP	EGP	EGP
Due to customers				
Balance as of 1 January	1 180 048 887	483 590 101	4 471 537	1 068 667
Deposits transactions executed during the year	13 901 792	748 663 801	751	3 402 870
Deposits matured during the year	(401 156 000)	(52 205 015)	(4 472 288)	-
<b>Balance as of 31 December</b>	<b><u>792 794 679</u></b>	<b><u>1 180 048 887</u></b>	<b><u>-</u></b>	<b><u>4 471 537</u></b>
<b>Cost of deposits during the year</b>	<b><u>43 116 871</u></b>	<b><u>28 700 958</u></b>	<b><u>-</u></b>	<b><u>90 178</u></b>

### B- Other Finances (Subordinated finance from main Shareholder)

On 16 March 2008 an agreement (Investment Mudaraba deposit contract) was executed with Al Baraka Banking Group (main shareholder of the bank) to support the subordinated capital of the bank by a sum of USD 20 million. This deposit matured on 31 March 2013.

On 31 March 2013, Al Baraka Banking Group deposited USD 20 million – through performing a netting between the amount of the old and new contracts – as an (Investment Deposit Mudaraba) to reinforce the bank's subordinate capital. The deposit to be matured on 30 June 2018. The deposit's return is calculated according to the return rates applied for the depositors in USD in the bank for 5 years in which its return is paid annually, and that is after waiving a portion of the bank's share as Mudarib estimated by 10%. Al Baraka Banking Group cannot withdraw the deposit unless by Central Bank of Egypt approval, on 20 October 2015 the due date of the deposit was extended to be 20 June 2021. On 7 June 2017 the due date of the deposit was extended to be 30 June 2025.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	365 330 000	154 602 000
Foreign currencies evaluation differences	(10 776 000)	210 728 000
<b>Balance as of 31 December</b>	<b><u>354 554 000</u></b>	<b><u>365 330 000</u></b>

### C- Other Finances - Other Shareholders

On 5 February 2017, an investment Mudaraba deposit agreement was signed with Misr Insurance Company (one of the largest shareholders of our bank) to support the bank's subordinated capital by USD 25 million. The contract entered into force on 23 February 2017 for a period of seven years with return around 6.75% paid quarterly.

On 2 July 2017, another agreement was signed with Misr Insurance Company (an investment Mudaraba deposit) to support the subordinated capital of our bank by USD 20 million for a period of eight years with return around 6.25% paid quarterly.

	31 December 2017	31 December 2016
	EGP	EGP
Balance as of 1 January	-	-
Additions during the year	806 462 000	-
Foreign currencies evaluation differences	(8 715 500)	-
<b>Balance as of 31 December</b>	<b>797 746 500</b>	<b>-</b>

#### D- Other Transactions With Related Parties

	Members of top management and Close family member		Subsidiary and associate companies	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	EGP	EGP	EGP	EGP
Fees and commissions income	-	-	-	45 670
	-	-	-	45 670

#### E- Board Of Directors And Top Management Benefits

	31 December 2017	31 December 2016
	EGP	EGP
Salaries and short term benefits during the year	14 874 727	12 165 515
	14 874 727	12 165 515

### 37- MUTUAL FUNDS

31 December 2017	Al Baraka Bank Egypt Fund (Al Baraka)	National Bank of Egypt & Al Baraka Bank Egypt Fund (Bashayer)	Al Baraka Bank Egypt Fund (Al Motawazen)
Date of foundation	30 March 2006	31 March 2009	10 May 2010
License	No. 246 issued by the Capital Market Authority (CMA)	No. 432 issued by the Capital Market Authority (CMA)	No. 580 issued by the Egyptian Financial Supervisory Authority (EFSA)
Managed by	Hermes Fund Management Company	the National Fund Management Company	Al Tawfik Company for Portfolio Management
Total no. of certificates (certificate)	432 792	1 487 421	211 225
Par value amounts (EGP)	43 279 200	148 742 100	21 122 500
Redemption value amounts (EGP)	54 449 561	126 609 275	22 142 717
The share of the bank in the fund (certificate)	147 630	45 403	52 700
Par value amounts of the share of the bank in the fund (EGP)	14 763 000	4 540 300	5 270 000
Redemption value amounts of the share of the bank in the fund (EGP)	18 573 330	3 864 703	5 524 541
Fees & commissions included in fees and comm./other fees revenues in income statement (EGP)	365 663	319 390	73 818
Returns from the contribution included in dividends item in income statement (EGP)	221 446	315 550	685 100

**Fund of Zakah and Charity Donations**

**Financial Statements**

**For the year ended 31 December 2017**

**&**

**Auditors' Report**



## Auditors' Report

### TO THE SHAREHOLDERS OF AL BARAKA BANK EGYPT

#### Report on the Financial Statements

We have audited the enclosed financial statements of Zakah Fund at Al Baraka Bank Egypt represented in the balance sheet as at 31 December 2017 as well as the income & expenses accounts for financial year ended on this date, as well as a summary of the significant accounting policies and other notes.

#### Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Fund Management. The Management is responsible for preparing and presenting the financial statements in a fair and clear manner pursuant to the standards of Egyptian accounting and in light of Egyptian laws in force. The responsibility of the management includes designing, implementing and maintaining internal control related to the preparation and presentation of the financial statements in a fair and clear manner free from any significant and effective misstatements whether resulting from falsification or error. This responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### Auditor's Responsibility

Our responsibility is confined in expressing the opinion with regards to such financial statements in light of our audit thereto. Our audit was carried out pursuant to the Standards of Egyptian Auditing and in light of the Egyptian laws in force. Such standards require us to comply with professional requirements, planning and performing the audit to obtain appropriate confirmation that the financial statements are free from any significant and effective errors.

The works of audit include the performance of procedures to obtain audit evidence in connection with the values and disclosures in the financial statements. The procedures selected depend on the personal judgment of the auditor. This includes the assessment of the risk of significant and effective misstatements in the financial statements, whether resulting from falsification or error. At the time of assessing such risk, the auditor puts into his consideration the internal control related to the preparation of the Fund to the financial statements and their fair and clear presentation in order to design appropriate audit procedures that agree with the circumstances, but not with the objective of expressing opinion with regards to the efficiency of the internal control at the Bank. The process of audit also includes an assessment of the extent of appropriateness of the accounting policies and significant accounting estimates that were prepared by the management as well as the right presentation by which the financial statements were submitted.

We deem that the audit evidences that we have obtained are sufficient and appropriate, and are considered suitable grounds to express our opinion with regards to the financial statements.

#### Opinion

We believe that the above mentioned financial statements fairly and clearly express from all their significant aspects the financial position of Zakah Fund at Al Baraka Bank Egypt as at 31 December 2017, income & expenses for the financial year ending on this date pursuant to the Standards of Egyptian Accounting and in light of Egyptian laws and regulations in force related to the preparation of such financial statements.

#### Report on Legal & Other Regulatory Requirements

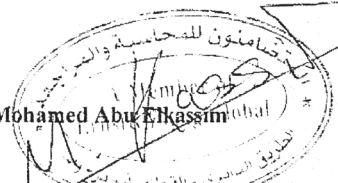
The fund keeps proper financial accounts that include all what is required by its statutes, and the figures of the balance sheet and income & expenses account agree with what is mentioned in such accounts.

The financial data mentioned in the report of the fund committee agree with what is mentioned in the books of the fund within the limits such data are recorded in the books.

Auditors

  
**BAKER TILLY**  
WAHID ABDEL GHAFFAR & CO.  
PUBLIC ACCOUNTANTS & CONSULTANTS

*Wahid Abdel Ghaffar*  
Wahid Abdel Ghaffar & Co. B.T  
Public Accountants & Consultants

  
Mohamed Abu Elkassim  
Allied for Accounting & Auditing - EY  
Public Accountants & Consultants

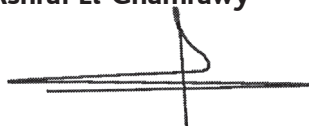
Cairo: 29 January 2018

## BALANCE SHEET

For the year ended 31 December 2017

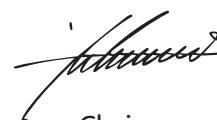
	Note No	31 December 2017 EGP	31 December 2016 EGP
<b>Cash &amp; Balances with the Bank:</b>			
Investment current account		34 300	3 834
Limited term investment current account		195 000	60 000
<b>Total Current Accounts</b>		<b>229 300</b>	<b>63 834</b>
Charitable investment account with return on Fund ( running alms)			
	(4)	1 623 000	1 622 850
<b>Total</b>		<b>1 852 300</b>	<b>1 686 684</b>
Income exceeds expenses			
		229 300	63 834
Against charitable investment			
		1 623 000	1 622 850
<b>Total</b>		<b>1 852 300</b>	<b>1 686 684</b>

**Ashraf El-Ghamrawy**



Vice-Chairman & Chief Executive  
Vice Chairman of Zakah Committee

**Adnan Ahmed Yousif**



Chairman  
Chairman of Zakah Committee

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

## INCOME & EXPENSES

For the year ended 31 December 2017

	31 December 2017 EGP	31 December 2016 EGP
<b>Income</b>		
Opening balance	63 834	1 113 749
<b>Zakah Collected</b>		
Islamically due on Bank's funds for previous year	6 111 476	5 140 820
Total Zakah Collected	6 175 310	6 254 569
Investment account return (current/limited term)	240 538	340 882
Returns on charitable investment accounts "running alms"	207 706	60 652
Total Income	6 623 554	6 656 103
<b>Expenses</b>		
<b>Zakah Spent</b>		
Hospitals, Foundations & Charitable Associations	(6 365 269)	(6 590 000)
Total Zakah Spent	(6 365 269)	(6 590 000)
Administrative & general expenses	(28 985)	(2 269)
Total Expenses	(6 394 254)	(6 592 269)
<b>Excess of Income above Expenses</b>	<b>229 300</b>	<b>63 834</b>

- Enclosed notes are an integral part of financial statements.



## NOTES TO FINANCIAL STATEMENTS

### For the year ended 31 December 2017

1. Fund of Zakah and Charity Donations of Al Baraka 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 2017 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 Zakah and Charity Donations Fund at the Bank.

## HEAD OFFICE & BRANCHES

### Head office

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### Mohy El-din Abu El-Ezz Branch

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### Cairo Branch

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### Zakat Department

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### Heliopolis Branch

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**P.O.Box:** 5986 Heliopolis West Cairo, Egypt  
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### Mohandessien Branch

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### Maadi Branch

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### 6<sup>th</sup> of October Branch

**Address:** 1<sup>st</sup> /A Area, Services Center Fifth & Sixth, in front of Vodafone 6<sup>th</sup> of October, Egypt.  
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**Fax:** (02) 38313963  
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### Faisal Branch

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**Fax:** (02) 26712928  
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#### **Al-Azhar Branch**

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#### **Borg El-Arab Branch**

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#### **Mansoura Branch**

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**Tel.:** (015) 389034-389035  
**Fax:** (015) 389033  
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**Postal Code:** 11841  
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**Fax:** (02) 26928759  
**Swift:** ABRKEGCARHB  
**e-mail:** [rehab@albaraka-bank.com.eg](mailto:rehab@albaraka-bank.com.eg)

#### **Sharm El-Sheikh Branch**

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**Postal Code:** 46619 Sharm El-Sheikh  
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**Fax:** (069) 3602676  
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**Fax:** (02) 24330834  
**Swift:** ABRKEGCASHB  
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**El-Laselky - New Maadi Branch**

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**Postal Code:** 11931  
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**Fax:** (02) 25202120  
**Swift:** ABRKEGCALSK  
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**Al-Hadika Al-Dawlia Branch**

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**Fax:** (02) 22727584  
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**Saint Fatima Branch**

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**Abbasyia Branch**

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**Fax:** (02) 26842825  
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**Al- Haram Branch**

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**P.O.BOX.** 305 Fifth Settlement  
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**New Head Office – New Cairo**

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