

Al Baraka Bank Egypt

Annual Report
2016

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

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Introduction

The Bank has started to practice its businesses and different activities pursuant to the provisions of the tolerant Islamic Shari'a since about twenty eight years. Al Baraka Bank Egypt SAE 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 in compliance with the Islamic Shari'a. The message of our Bank is represented in accompanying our partners along the course of success by the renewed Banking solutions that it provides via an integrated work team, committed to the highest ethical and financial practices. So 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 new strategies and polices 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 targeting at maximizing commissions and other revenues and providing more bank services, in addition to the studied expansion of retail finance operations, as well as the expansion in financing small and medium projects, in cooperation with the Social Fund For Development, through the World Bank for the first time using the "Risk-Sharing System" and also the Islamic Development Bank and entering into syndicated finances with the biggest domestic and international banks for financing huge strategic projects of economic benefit, thus our Bank was capable during 2016 by the grace of Allah Almighty to achieve net profits in the amount of 512.5 million pounds approximately at a growth rate of 93% above the previous year .

The total balance sheet as at 31 December 2016 amounted to 42.5 billion Egyptian pounds at a growth rate of 47% approximately above the previous year. This reflects the growing on trust in our Bank 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

The total revenues as at 31 December 2016 amounted to 3596.2 million Egyptian pounds against 2500 million Egyptian pounds during 2015, with an increase of 1096.2 million Egyptian pounds at a growth rate of 44% approximately, evidencing the success of the Bank's strategy and its policy of not relying solely on return on Investment and utilization .

The total of customers' saving pools amounted to 37.7 billion Egyptian pounds as at 31 December 2016, at a Growth rate of 49% above the previous year despite the continuation of unstable economic circumstances, as, thanks to Almighty God, our Bank did not only maintain its depositors' base but also increased it significantly during 2016.

The Bank has never neglected its social role as a pioneer 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 endorsed 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 operations provided by our Bank.
- Providing support to hospitals and medical centers covering all fields of health services.
- Support and finance educational foundations and all fields related to education in Egypt.

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

Moreover, the equipping of the new head office in New Cairo is currently underway. It is scheduled for the Bank to move to the new head office before the beginning of the last quarter of 2017. 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 to US\$ 1.5 billion, and the total shareholders' equity amounts to US\$ 2 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 750 branches.

Shareholders

As at 31 December 2016

Shareholders	Nationality	%
Al Baraka Banking Group	Bahrain	73.68
Misr Life Insurance Company	Egypt	5.25
Misr Insurance Company	Egypt	4.35
Individuals	Egypt	3.83
Dallah Company for Real Estate Investment	Egypt	3.81
Al-Gabr Co. For Real Estate Investment	Qatar	2.86
Zad Holding Co.	Qatar	2.62
Private Sector	Egypt	1.57
Mohsen Badr Ali Khalaf Allah	Egypt	1.15
Others	Different Nationalities	0.88

**THE BOARD OF DIRECTORS REPORT
ATTACHED TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING AS AT 31 DECEMBER, 2016
(Prepared in compliance with the provisions of Article "40" of the Registration Regulations"**

Company' name	Al Baraka Bank Egypt S.A.E.
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Profile:

Company's Objectives	<p>The Company's objectives is to practice 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 & 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 Shari'a.</p>		
Company's duration	25 years ending on 28/4/2030	Date of registration on the Stock Exchange	25/12/1984
Governing Law	Law number 8 for the year 1997	Nominal value per share	7 Egyptian pounds
Last authorized capital	2 billion Egyptian pounds	Last issued capital	LE 957 687 374
Last paid up capital	LE 957 687 374	Number & date of enrollment in the commercial register	143761 on 10/10/2001

Investors Relations

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

Auditors

Auditor's name	Mr. Tarek Salah Sayed Ahmed – Baker Tilly Office		
Date of appointment	21/4/2012		
Number of enrollment in Authority	105	Date of enrollment in Authority	13/11/2006
Auditor's name	Mr. Mohamed Ahmed Mahmoud Abu El-Kassim – Allied for Accounting & Auditing Office		
Date of appointment	23/2/2013		
Number of enrollment in Authority	359	Date of enrollment in Authority	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	100805613	73.68%
Misr Life Insurance Company	7188997	5.25%
Total	107994610	78.93%

Board Members Ownership of the Company's Shares	Number of shares on the date of preparing the financial statements	Percentage %
Al-Baraka Banking Group	100805613	73.682%
Misr Insurance Company	5949855	4.349%
Mr. Ashraf Ahmed Moustafa El-Ghamrawy	1913	0.001%
Dr. Shawky Al-Husseiny Mohamed Massoud Farag	1786	0.001%
Dr. Rokaya Riad Ismail	1399	0.001%
Dr. Hala Mohamed Saeed Mahmoud Al- Ramly	1175	0.001%
Dr. Adel Mounir Abd El-Hameed Rabeh	1175	0.001%
Total of the Board Members Ownership	106762916	78.036%

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
Dr. Ali El-Shenawy Abd El-Hady	Member	Al Baraka Banking Group	Non-Executive
Mr. Abd El-Latif Abd El-Hafiz Ali El-Kaib	Member	Al Baraka Banking Group	Non-Executive
Dr. Shawky Al-Husseiny Mohamed Massoud Farag	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 – Independent
Misr Insurance Company represented by Mr. Hussein Attallah Hussein Mohamed Shams	Member	Shareholders	Non-Executive
Dr. Rokaya Riad Ismail	Member	Shareholders	Executive
Dr. Hala Mohamed Saeed Mahmoud Al-Ramly	Member	Shareholders	Non-Executive – Independent
Mr. Mohamed Salah El-Din Mohamed Othman	Member	Experienced	Non-Executive – Independent

Changes having occurred to the Board formation during the year:

On February 14, 2016, the Central Bank of Egypt agreed to eliminate the name of Mr. Sayed Ali Othman from the banks' register due to his death. On May 29, 2016, the Central Bank of Egypt agreed to nominate Mr. Abd El-Latif Abd El-Hafiz Ali El-Kaib (Representative of Al-Baraka Banking Group) at the Bank's Board of Directors instead of Mr. Sayed Ali Othman.

Meeting of the Board of Directors:

The Board of Directors convened six times during the year.

Audit Committee

Last Formation of the Audit Committee:

Mr. Ahmed Abu Bakr Ali	Board Member	Head
Mr. Hussein Attallah Hussein	Board Member	Member
Dr. Adel Mounir Abd El-Hameed	Board Member	Member
Dr. Ali El-Shenawy Abd El-Hady	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 principal risks facing the bank, taking into consideration its entire commitment to the professional practice standards of the auditing process.
- Technical supervision on the audit departments at branches for achieving more strict internal control.
- Making recommendations with regard to the two auditors appointment, fix their fees, resignation and discharge, in compliance with the provisions of Law number 88 for the year 2003 and the Law governing the Accountability State Authority.
- Providing recommendation 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 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 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 this department 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 for this department 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 impairment 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 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 their display timing.
- Examining the procedures adopted upon the preparation and auditing of 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 shall convene on quarterly basis at least and its sessions shall be 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's Board of Directors so as to adopt the measures it may deem appropriate.
- The Committee sessions shall be attended by the Chief Executive, in his supervisory capacity only without having any right of voting.
- The Committee sessions shall be attended by the CEO 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 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

Times of holding the Audit Committee	Six sessions during 2016
Have the committee reports been submitted before the Company's Board of Directors?	Yes, they have been submitted before the Board.
Have such reports comprised significant remarks that should be tackled?	There are no essential remarks that may constitute any risk on the Bank's assets. They are merely remarks concerning executive and procedural aspects. The Committee issues its recommendations which execution follow-up results shall be displayed before the Committee.
Have the Board of Directors tackled such essential remarks?	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

Average number of the Bank Personnel during the year	921 employees
Average basic salary of the employee during the year	8.373 pound/employee monthly

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

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

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

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

The Bank's Contribution to the 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 operations provided by Our Bank.
- Providing support to hospitals and medical centers covering all health services fields.
- Support and finance educational foundations and all fields related to education in Egypt.

The Bank through the "Fund of Zakah & Charity Donations" affiliated to it, has donated in favour of several hospitals during the financial year 2016, in a total amount of 6.6 million Egyptian pounds:

- "Demerdash University Hospital"
- "Kasr Al Aini University Hospital"
- "Hussein University Hospital"
- "Zahraa University Hospital"
- "ElSayed 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, 2016. In this regard, I would like to refer to the fact that, although most of the economic activities have not yet recovered due to the continuity of such difficult economic conditions which Egypt is undergoing at present, yet, thanks to Almighty God, and to the sincere efforts of 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 49% to the previous year, so that their value has become 37.7 billion Egyptian pounds. Likewise, Murabaha Transactions, Investment Operations and Financial Investments achieved a growth of 47% to the previous year, so as to become 37.5 billion pounds approximately, despite the prevailing recession in most sectors of activity and in the light of the selective policy adopted by our Bank regarding its customers. The total balance sheet also increased to be 42.5 billion pounds at a growth rate of 47% to the previous year. Of course, these growth rates are quite satisfactory if compared to other similar banks and in the light of these circumstances. The Bank achieved net profits for the year 2016 in the amount of 512.5 million pounds approximately, against 265.1 million pounds for the year 2015, at a growth rate of 93%, which exceeds the average growth rate of the profits achieved by the Egyptian Banking Sector during 2016 which reached 55% approximately. This enabled the Bank to propose distribution profit dividends on your respectful Assembly at 15% of the issued and paid up capital in the amount of 165.2 million pounds, in the form of dividend shares to be used in increasing the Bank's capital, so as to raise shareholders' equity to face the increasing growth in the Bank's business and also to meet the requirements of the Central Bank regarding the Capital Adequacy Ratio which has been negatively influenced by the local currency floating, resulting in the huge increase of assets in dollars in addition to the constitution of a general reserve in the amount of 167 million Egyptian pounds so as to support the Bank's shareholders' equity in the light of the new supervisory regulations issued by the Central Bank of Egypt and the obligatory increasing percentages pertaining to the Capital Adequacy Ratio. It is noteworthy that the market value of our Bank's share by the end of 2016 reached about LE 10/share, i.e. with an increase of 43% approximately to the share nominal value of LE 7/ share, despite the troubles witnessed by the domestic and international stock exchanges.

This report will deal with the most important results achieved by your Bank during the financial year 2016, 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, 2016

Total Balance Sheet

The total Balance Sheet as at 31 December, 2016 amounted to 42.5 billion Egyptian pounds at a growth rate of 47% approximately to the previous year. This reflects the deep trust in our Bank 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, 2016 amounted to a sum within the limits of 37.5 billion Egyptian pounds against 25.5 billion pounds by the end of the previous year, at a growth rate of 47% approximately, in a way reflecting the Bank's strategy, its executive plans and its continuous vigorous heading towards investments, basically with its customers of high creditworthiness, which is banks' principal role, 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 current circumstances, taking into account depositors' behaviour under crises.

Fixed Assets:

The balances of fixed assets – after depreciation – as at 31 December 2016 amounted to 349.8 million Egyptian pounds, against 323.6 million Egyptian pounds as at 31 December, 2015, with an increase of 26.2 million Egyptian pounds as a result of the depreciation of the year amounting to 24.7 million Egyptian pound, the elimination net value amounting to 0.3 million pounds and an increase amounting to 51.2 million pound, represented in the costs of the two branches of our Bank at the Fifth Settlement and El Sheikh Zayed, which have been actually inaugurated during the financial year 2016.

Customers' Deposits

The total of customers' saving pools amounted to 37.7 billion Egyptian pounds as at 31 December, 2016, at a growth rate of 49% to the previous year despite the difficult exceptional circumstance, as, thanks to Almighty God, our Bank could not only maintain its depositors' base but also increase it significantly during 2016, 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 huge changes witnessed by the banking sector in Egypt by the month of November of the financial year 2016, i.e. the decision of floating the local currency & the increase of the return rates announced by the Central Bank of Egypt (overnight deposit & lending rates) at 300 points, followed by the issuance of savings certificates of fixed and very high return rates, reaching 20% annually, by the public sector banks affiliated to the State and then by the private-sector banks. This forced our Bank to issue certificate with privileges and prizes such as pilgrimage trips and apartments on the Northern Coast so as to maintain its customers' base. Thanks to God and then to the procedures adopted by the Executive Management at that time, the impact of these changes on our Bank's saving pools was very limited.

It is noteworthy here to refer to the diversity of the saving and investment pools of our Bank, which meet the requisites of ample sectors of society, in terms of their duration and the periodicity of return, which are updated on regular basis so as to keep pace and to be competitive and comprehensive with all savings pools available at the Egyptian Banking Market (Deposits, Certificates, Sukuk,-----).

We also refer to the fact that the balance of non-costing funds as at 31 December, 2016 amounted to 6548 million pounds, against 3198 million pounds as at 31 December, 2015, with a growth rate of 105%, due to the great success of the policy adopted by our bank for implementing its strategy, aiming at developing its non-costing & low-cost deposits, in view of their direct positive impact on the increase of the Bank's profitability.

Business Results of the Financial Year Ending as at 31 December, 2016

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 bank 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 Social Fund , the World Bank for the first time using the "Risk-Sharing System" and also with the Islamic Development Bank and entering into syndicated finances with the biggest domestic and international banks for financing huge and strategic projects of economic benefit, our Bank was capable during 2016 by the grace of Allah Almighty to achieve net profits in the amount of 512.5 million pounds approximately, against 265.1 million pounds during the previous year, at a growth rate of 93% to the previous year, exceeding the average rates of growth of the profits achieved by the Egyptian Banking Sector, which amounted to 55% during the financial year 2016. This enabled our Bank to propose dividends to shareholders at the rate of 15% for the financial year 2016 in the amount of 165.2 million pounds, in the form of dividend shares , used in increasing the Bank's capital, in addition to the constitution of a general reserve in the amount of 167 million pounds to support the Bank's shareholders' equity, in the light of the new supervisory regulations issued by the Central Bank of Egypt and the increasing obligatory rates pertaining to the Capital Adequacy Ratio as well as the negative impact of floating the local currency on the assets in US Dollars.

Total Revenues

The total revenues as at 31 December, 2016 amounted to 3596.2 million pounds, against 2500 million Egyptian pounds during 2015, with an increase of 1096.2 million pounds, at a growth rate of 44% approximately, evidencing the success of the Bank's strategy and its policy aiming at diversifying the sources of its profitability and its revenues, particularly of commissions and other revenues.

Expenses

(1) Returns Expenses

The return expenses for the year 2016 amounted to 2206.9 million pounds, against 1378.5 million pounds for the year 2015. It is noteworthy to refer to the severe competition between banks to attract deposits' customers, particularly as banks have issued savings pools with fixed return reaching 20% annually, further to the great increase in the savings pools offered by our Bank, some of which are attractive new pools.

(2) Administrative & Other Operating Expenses

The administrative & other operating expenses as at 31 December 2016 amounted to 439.7 million Egyptian pounds, with a decrease to the amount of the previous year of 15.2 million pound. Such decrease resulted from:

- The increase of administrative & other operating expenses by the amount of 56.9 million pounds.
- The increase of the finance lease expenses of the Head Office premises at the Fifth Settlement
- The decrease of the other provisions subsidies in an amount of 30.8 million pounds.
- The increase of the Bank's profits resulting from revaluating monetary assets and liabilities in the amount of 16.3 million pounds due to floating the local currency

In this regard, we refer to the continuous increase in the volume and cost of operating requisites, services, security costs and such other costs, under current circumstances and conditions, as well as the costs of services paid in US Dollars after floating the local currency, further to the inauguration of the two new branches of the Bank (The Fifth Settlement & El Sheikh Zayed Branches) and the increase of the business volume of the already existing branches, resulting in the increase of all items of general expenses.

Net Profit

Our Bank achieved a net profit during the year 2016 in the amount of 512.5 million pounds, against 265.1 million pounds during the previous year, at a growth rate of 93%. This enabled our Bank to propose dividends to shareholders at the rate of

Al Baraka Bank Egypt (S.A.E)

15% for the financial year 2016 in the amount of 165.2 million pounds, in the form of dividend shares, used in increasing the Bank's capital, in addition to the constitution of a general reserve in the amount of 167 million pounds to support the Bank's shareholders' equity, in the light of the new supervisory instructions & regulations issued by the Central Bank of Egypt and the progressive obligatory rates pertaining to the Capital Adequacy Ratio as well as the negative impact of the floating of local currency on the huge increase of the US Dollar assets upon their evaluation, subject to the approval of the Central Bank of Egypt and our Bank's Shareholders General Assembly.

Growth Rates Achieved during the Financial Year 2016

Item	Annual growth rates during 2016
Total assets	47%
Customers' deposits	49%
Total investments and utilizations	47%
Total shareholders' equity	32%
Net profit	93%

It is worth mentioning that the rate of non-performing debts coverage at the end of 2016 reached 114%, taking into consideration the total guarantees kept by the Bank.

The Bank's Social Responsibility

The Bank has never neglected its social role as a pioneer 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 endorsed 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:

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The Bank through the "Fund of Zakah & Charity Donations" affiliated to it has donated in favour of several hospitals during the financial year 2016, in a total amount of 6.6 million Egyptian pounds:

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- "Kasr Al Aini University Hospital"
- "Hussein University Hospital"
- "Zahraa University Hospital"
- "ElSayed 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 & that's why each balance sheet usually comprises a budget for training so as to enhance the efficiency of the human resources, where the personnel are enlightened about the shari'a restrictions governing banking transactions and where they are trained 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 2017

We display hereunder a brief idea about the most important strategies of our Bank during the year 2017.

Financial Strategies

- Attempting to obtain a subordinated loan for handling the deficiency in the Capital Adequacy Ratio **
- Maintaining appropriate level of profitability and return on equity
- Profit positions multiplicity
- Maintaining the Bank's capital increase
- More improvement of assets quality

Strategies for Maintaining the Market Share

- The Bank's Investment Portfolio
- Products innovation and providing best services
- Geographical widespread – seeking the inauguration of another small branch to increase our share of retail banking with limited cost.
- advertising campaigns
- Maintaining relationships with the units of Al-Baraka Banking Group.

Strategies of Technology & Procedural Policies Support

- Maintaining the technological evolution plan
- Risks & Governance Policies
- 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
- The Bank's Role in the Field of Social Responsibility

**An agreement has actually been signed for the obtainment of a subordinated deposit by one of the financial foundations, subscribing to our Bank, in the amount of 25 million US Dollars over seven years as from 23/2/2017.

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.

Al Baraka Bank Egypt (S.A.E)

Mr. Ashraf Ahmed Moustafa El-Ghamrawy Vice Chairman and Chief Executive

Bachelor of Commerce, 1977, Ein 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

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. Mohamed Salah El-Din Mohamed Othman

Bachelor of Commerce 1968; He served as General Manager of Arab International Bank. Currently, Member of the Board of Directors of Sues Canal Company for Technology Settling since 2008; Trustees of 6th of October University since 2008, Société des Études et Développement -Tunisia since 2004; Board Member of Suez Canal Bank from 2004 to 2007.

Dr. Shawky Al-Husseiny Mohamed Massoud Farag

PHD in Accounting, 1967 from the U.S.A; worked as Professor and Head of the Accounting Section at the Faculty of Business Administration - American University, Cairo, and Board Member of National Bank of Egypt, 1991-2002; and as Advisor to the Governor of the Central Bank of Egypt and Executive Manager of the Egyptian Banking Institute, 1992-2002; Board Member of National Bank of Egypt, (UK) Limited, London, 2000-2002; as well as of the Metal Industries Holding Company, 1992-2005

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

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

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

Dr. Ali El Shenawy Abd El-Hady

Dr. Ali Hady is distinguished University Professor at the American University in Cairo. Head of the Department of Mathematics and Actuarial science. Director and founder of the Actuarial Science program. President of the statistical Association in the Islamic Countries. Formerly Deputy Director of the American University in Cairo and Emeritus Professor at Cornell University USA. Bachelor of Commerce Accounting section in 1972 Ein Shams University. Holds PHD with honors in statistics and master of philosophy in statistics and master of science in statistics. Has won numerous awards in scientific research. Member of the board of directors in several institutions and companies. Occupies many academic position at Egyptian and Foreign universities, has many scientific writings and is a lecturer at International and scientific conferences.

Mr. Hussein Atallah Hussein (Misr Insurance Company Representative)

Bachelor of Commerce Accounting section, Ein 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. Adel Mounir Abd EL-Hameed Rabeh

He holds Bachelor of Commerce, Division of Insurance from Cairo University, Ph.D. in philosophy from the University of Pennsylvania, USA and Master of Insurance. Occupies the post of Deputy Chairman of Misr Insurance Holding Co. and Vice Chairman of the General Committee for Financial Supervision and a Member of the Executive Committee of the International Association of Insurance Supervisors and Chairman of the World Commission for the application of the principles of Practice proper behavior of the market and is assigned part-time at the Faculty of Commerce, Cairo University as well as occupying many functions in bodies and universities in his field . He participates in many committees, seminars and specialized workshops locally and internationally .He also took part in the preparation of many of the bills and has many researches and specialized studies

Dr. Rokaya Riad Ismail

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 of the Bank and supervising the Legal Sector

Dr. Hala Mohamed Saeed Mahmoud Al- Ramly

Dr. Hala Al-Ramly is Associate Professor of economics and the former Chair of the Department of Economics at the American University in Cairo (AUC).She received her Ph.D. (1993) in economics from The University of Houston, and her BA in economics from AUC (1985). Al-Ramly joined AUC in 1999.Before joining AUC, she worked at the University of Houston and Team International Management Consultants. Her research interests are in the area of macroeconomics and international monetary economics. She has several publications and gave several conference presentations. She also served as a consultant for the African Development Bank

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 and the last approved update in September 2015 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 include (Risk management position, Internal Audit position and The Role of The Legal department in the Internal Audit Framework) .

During 2016 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\$ 2.09 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) 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 (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, the Credit Risks Department, the liquidity risks, the market risks 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.

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The preparation of the required studies on the foregoing and 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 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.

- 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.

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 in 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

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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,
Deputy CEO

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

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

Mr. Ali Ismail Ali Ismail,
Consultant of International Relations & Financial Investments Accounts Sector

Mrs. Mushira Mohamed Fathy Dakrouy,
In Charge of Risk Sector

Mr. Mohamed Reda Ahmed Mostafa,
Consultant of Foreign Operations Sector.

Mr. Mahmoud Mohamed Hamdy Wahba,
In Charge of 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 2016. Our monitoring was carried out to ensure that the Bank has complied with the provisions and principles of the Islamic Shari'a as well as the specific Fatwas, decisions and recommendations that we have issued.

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

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

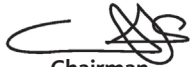
We have planned and implemented our monitoring in order to obtain all information and interpretations that we have considered necessary to provide us with sufficient evidences to give reasonable confirmation that the bank did not violate the provisions and principles of the Islamic Shari'a.

We believe that

- The contracts, transactions and dealings that the Bank concluded during the year ended 31 December 2016 were carried out pursuant to the provisions and principles of the Islamic Shari'a.
- That the distribution of profits agrees with the basis that was accredited and that the dividends distributed among the holders of equity and the owners of investment accounts were paid according to the contracts concluded with them.
- In view of the fact that the Articles of Association compels the Bank to pay the Zakah, it was calculated and paid in its legitimate outlets.

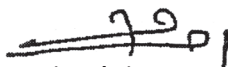
**We pray to Allah Almighty to guide us to victory and prosperity.
Allah's peace and blessing upon you.**

Dr. Abdul Sattar Abu
Ghudah



Chairman
Shari'a Supervisory Board

Dr. Ahmed Mohiyeldin



Vice 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: 1/2/2017

AL BARAKA BANK EGYPT (S.A.E)

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH AUDITORS' REPORT

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 2016 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 2016, 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 2016, 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.

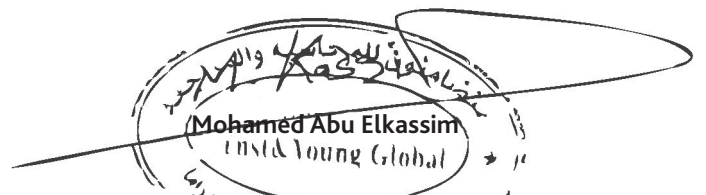
The financial information included in the Board of Directors' report which is prepared according to law no 159 of 1981 and its executive regulations , is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo: 26 February 2017

Auditors



BAKER TILLY
WAHID ABDEL GHAFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS
Tarek Salah
Tarek Salah
BT Wahid Abdel Ghaffar & Co. - BT
Public Accountants & Consultants



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

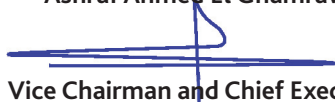
Al Baraka Bank Egypt (S.A.E)

BALANCE SHEET

For The Year Ended 31 December 2016

	Note	31 December 2016	31 December 2015
	No.	LE	LE
Assets			
Cash and due from Central Bank of Egypt	(15)	2 873 490 507	2 055 300 756
Due from banks	(16)	4 862 508 452	3 239 697 669
Governmental notes	(17)	7 518 884 754	4 594 798 660
Investment operations with banks	(18)	1 230 133 729	627 528 802
Murabaha, Mudaraba and Musharaka for customers	(19)	13 728 602 391	9 294 899 099
Al Ahram Bank loans	(19)	-	-
Financial investments			
Available -for- sale	(20)	54 450 876	45 934 100
Held -to- maturity	(20)	10 896 633 931	7 913 950 245
Investments in subsidiaries and associates	(21)	2 275 000	2 275 000
Other assets	(22)	1 012 793 391	802 043 352
Fixed assets	(24)	349 818 783	323 601 905
Total assets		42 529 591 814	28 900 029 588
Liabilities and Equity			
Liabilities			
Due to banks	(25)	920 322 206	669 688 136
Customers' deposits	(26)	37 691 888 441	25 351 887 647
Other finances	(27)	384 867 220	175 413 252
Other liabilities	(28)	1 329 620 761	1 028 277 602
Other provisions	(29)	91 657 238	85 562 354
Current income tax liabilities		137 344 075	98 751 197
Deferred tax liabilities	(23)	2 568 542	1 764 832
Total liabilities		40 558 268 483	27 411 345 020
Equity			
Paid-in capital	(30)	957 687 374	957 687 374
Set aside under capital increase	(30/37)	143 653 104	-
Reserves	(31)	327 119 571	283 312 435
Retained earnings	(32)	542 863 282	247 684 759
Total equity		1 971 323 331	1 488 684 568
Total liabilities and equity		42 529 591 814	28 900 029 588

Ashraf Ahmed El Ghamrawy



Vice Chairman and Chief Executive

Adnan Ahmed Yousif



Chairman

- The accompanying notes from (1) to (38) are an integral part of these financial statements.
- Auditors' report attached.

Al Baraka Bank Egypt (S.A.E)

STATEMENT OF INCOME

For The Year Ended 31 December 2016

	Note	31 December 2016	31 December 2015
	No.	LE	LE
Return on Murabaha, Mudaraba, Musharaka and similar revenues	(6)	3 364 029 945	2 310 214 322
Cost of deposits and similar costs	(6)	(2 206 886 268)	(1 378 455 723)
Net income from return		1 157 143 677	931 758 599
Fees and commissions income	(7)	150 726 865	134 551 917
Fees and commissions expenses	(7)	(7 913 025)	(5 132 384)
Net income from fees and commissions		142 813 840	129 419 533
Dividends income	(8)	4 398 382	5 134 277
Net trading income	(9)	77 022 961	36 349 342
Financial investments gains	(20)	-	13 781 229
Impairment of credit losses (burden)	(12)	(96 685 541)	(192 792 493)
Administrative expenses	(10)	(354 612 339)	(316 599 959)
Zakah and Charity Donations Fund support		(6 111 476)	(5 140 820)
Other operating (expenses)	(11)	(85 060 770)	(107 857 589)
Profit before income tax		838 908 734	494 052 119
Income tax (expenses)	(13)	(326 450 079)	(228 985 656)
Net profit for the year		512 458 655	265 066 463
Earnings per share	(14)	2.84	1.44

Ashraf Ahmed El Ghamrawy

Vice Chairman and Chief Executive

Adnan Ahmed Yousif

Chairman

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

Al Baraka Bank Egypt (S.A.E)

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2016

	Note	31 December 2016	31 December 2015
	No.	LE	LE
Cash flows from operating activities			
Net profit before income tax		838 908 734	494 052 119
Adjustments to reconcile net profit to cash flows from operating activities			
Fixed assets depreciation	(24)	24 741 042	22 666 384
Bonds premium / discount amortization	(20)	(8 715 174)	(18 752 965)
Impairment of assets burden	(12)	96 685 541	192 792 493
Other provisions burden	(11)	6 569 371	37 400 835
Foreign exchange revaluation differences of other provisions	(29)	6 629 284	336 627
(Gain) from sale of financial investments	(20)	-	(14 061 229)
Impairment of available for sale equity instruments burden	(20)	-	280 000
Foreign exchange revaluation differences of financial investments	(20/31E)	(414 670 908)	(50 437 308)
Gain from sale of fixed assets	(11)	(377 393)	(1 371 463)
Dividends income	(8)	(4 398 382)	(5 134 277)
Used from the other provisions	(29)	(7 103 771)	(1 811 528)
Evaluation differences of subordinated finance	(27B)	210 728 000	11 800 000
Operating profit before changes in assets and liabilities provided from operating activities		748 996 344	667 759 688
Net decrease (increase) in assets and liabilities			
Balances with Central Banks within the mandatory reserve percentage	(15)	(300 783 831)	(573 033 623)
Due from banks for more than three months maturity	(16)	276 003 085	(298 003 085)
Governmental notes of more than three months maturity	(17)	(2 914 247 940)	(990 159 612)
Investment operations with banks	(18)	(602 604 927)	(1 351 340)
Murabaha, Mudaraba and Musharaka for customers	(19)	(4 499 604 609)	(1 017 925 907)
Al Ahran Bank customers' loans	(19)	92 879	-
Other assets	(22)	(278 368 894)	(244 812 372)
Due to banks	(25)	250 634 070	(259 182 279)
Customers' deposits	(26)	12 340 000 794	6 523 851 287
Other liabilities	(28)	301 343 159	126 418 410
Payment of current income tax		(287 053 491)	(187 871 867)
Net cash flow provided from operating activities		5 034 406 639	3 745 689 300
Cash flows from investing activities			
(Payments) to purchase fixed assets and preparing branches	(24)	(20 376 279)	(11 198 139)
Proceeds from sale of fixed assets		680 000	1 865 446
Proceeds from recovery of financial investments other than financial assets held -for- trading	(20)	271 063 332	1 391 793 000
(Payment) to purchase financial investments other than financial assets held -for- trading	(20)	(2 824 340 100)	(3 834 187 256)
proceeds dividends	(8)	4 398 382	5 134 277
Net cash flow (used in) investing activities		(2 568 574 665)	(2 446 592 672)
Cash flows from financing activities			
(Payments) of long term restricted finances	(27A)	(1 274 032)	(20 917 077)
Paid dividends	(32)	(38 500 000)	(102 602 797)
Net cash flow (used in) financing activities		(39 774 032)	(123 519 874)
Net increase in cash and cash equivalents		2 426 057 942	1 175 576 754
Cash and cash equivalents at the beginning of the year		3 175 206 865	1 999 630 111
Cash and cash equivalent at the end of the year		5 601 264 807	3 175 206 865
Cash and cash equivalent are represented in the following:			
Cash and due from Central Bank of Egypt		2 873 490 507	2 482 752 096
Due from banks		4 862 508 452	2 812 246 329
Governmental notes		7 518 884 754	4 594 798 660
Balance with Central Bank within the mandatory reserve percentage		(2 122 572 306)	(1 821 788 475)
Deposits with banks with maturity more than three months		(22 000 000)	(298 003 085)
Governmental notes with maturity more than three months		(7 509 046 600)	(4 594 798 660)
Cash and cash equivalents	(33)	5 601 264 807	3 175 206 865

Non-monetary transactions

For the purpose of preparing the cash flows statement the change in item Murabaha, Mudaraba and Musharaka for customers was adjusted by the change in value of assets reverted to the bank (within other assets item) amounted LE 36 734 607 , foreign exchange differences amounted LE 117 893 511 , written-off debts amounted LE 181 429 695 , also recoveries from previously written-off debts amounted LE 2 812 943 , and adjusted changing in Al Ahram Bank customers' loans by written-off debts amounted LE 10 293 401 and foreign exchange differences amounted LE 5 399 239.

The effect resulted from the transfer of LE 30 898 729 from other assets (payment to purchase fixed assets) to fixed assets was eliminated as it represents purchasing and preparing new branches.

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

Al Baraka Bank Egypt (S.A.E)

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 December 2016

	Note	Paid-in Capital	Set aside under capital increase	Reserves	Retained earnings	Total
		LE	LE	LE	LE	LE
Balances as of 1 January 2015		895 034 931	-	232 122 519	200 453 808	1 327 611 258
Net change in available for sale investments		-	-	(1 996 214)	-	(1 996 214)
Fair value reserve reversal resulting from impairment		-	-	280 000	-	280 000
Foreign currencies revaluation differences		-	-	325 858	-	325 858
Net profit for the year		-	-	-	265 066 463	265 066 463
Total income for the year		895 034 931	-	230 732 163	465 520 271	1 591 287 365
Dividends (employees and BOD)		-	-	-	(31 000 000)	(31 000 000)
Cash dividends (shareholders)		-	-	-	(71 602 797)	(71 602 797)
Shareholders' dividends (used in increasing capital)		62 652 443	-	-	(62 652 443)	-
Transferred to legal reserve		-	-	18 620 341	(18 620 341)	-
Transferred to capital reserve		-	-	413 451	(413 451)	-
Transferred to general banking risk reserve		-	-	33 546 480	(33 546 480)	-
Balances as of 31 December 2015		957 687 374	-	283 312 435	247 684 759	1 488 684 568

	Note	Paid-in Capital	Set aside under capital increase	Reserves	Retained earnings	Total
		LE	LE	LE	LE	LE
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	(31E)	-	-	8 680 108	-	8 680 108
Net profit for the year		-	-	-	512 458 655	512 458 655
Total income for the year		957 687 374	-	291 992 543	760 143 414	2 009 823 331
Dividends (employees and BOD)	(32)	-	-	-	(38 500 000)	(38 500 000)
Shareholders' dividends (used in increasing capital)	(32)	-	143 653 104	-	(143 653 104)	-
Transferred to legal reserve	(31B)	-	-	23 014 852	(23 014 852)	-
Transferred to capital reserve	(31C)	-	-	1 371 463	(1 371 463)	-
Transferred to general banking risk reserve	(31A)	-	-	10 740 713	(10 740 713)	-
Balances as of 31 December 2016		957 687 374	143 653 104	327 119 571	542 863 282	1 971 323 331

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

STATEMENT OF PROFIT APPROPRIATION

For The Year Ended 31 December 2016

	31 December 2016	31 December 2015
	LE	LE
Net profit for the year (as per income statement)	512 458 655	265 066 463
Transferred (to) capital reserve	<u>(377 393)</u>	<u>(1 371 463)</u>
	512 081 262	263 695 000
Transferred (to) general banking risk reserve	<u>(10 740 713)</u>	<u>(33 546 480)</u>
Net distributable profit of the year	501 340 549	230 148 520
Add: Retained earnings at the beginning of the year	41 145 340	16 164 776
Total	<u>542 485 889</u>	<u>246 313 296</u>
Distributed as follows:		
Legal reserve	51 208 126	23 014 852
General reserve	167 000 000	-
Shareholders' first portion –used in capital increase	55 067 026	47 884 368
Employees' share	54 249 000	33 500 000
Board of Directors remuneration	11 012 000	5 000 000
Shareholders' second portion used in capital increase	110 134 045	95 768 736
Retained earnings at the end of the year	93 815 692	41 145 340
Total	<u>542 485 889</u>	<u>246 313 296</u>

The retained earnings includes L.E. 88 000 000 at the end of the financial year 2016 which represents the additional support for the capital retained by the bank in accordance with - The Central Bank of Egypt instructions - against L.E. 40 000 000 at the end of the financial year 2015.

NOTES TO THE FINANCIAL STATEMENTS

For The Year Ended 31 December 2016

1. GENERAL INFORMATION

Al Ahram 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 31 branches. It employs more than 942 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 December 2016 on its meeting held on 26 February 2017.

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 LE 46 635 245 for direct liabilities and LE (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 held at fair value through profit or loss

This category includes financial assets held for trading and those designated at fair value through profit or loss 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 information about such investments is provided internally 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 caption.
- 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 cancelation 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, 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 carrying amount 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 carrying amount of the asset shall be reduced through use of impairment losses provision's account. The amount of the loss 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 ratios 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/C).

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 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 amount. The recoverable value represents the net selling value of asset or its value in use which ever 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 carrying amount of the asset does not exceed its recoverable value nor exceeds the carrying amount that would have been determined net of depreciation had no impairment loss been recognized for the asset in prior years.

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 netting 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 adjusted 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 rate 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 shareholders' 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 prescribed 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 year.

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, or 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, or 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 directors, top management as well as heads of business units.

A-1 Measuring Credit Risk

Murabaha, Musharaka, or Mudaraba for customers

To measure credit risk related to Murabaha, Musharaka, or 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 the 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 evidences that refers to impairment according to what is mentioned in the following 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 and for purposes of the Central Bank of Egypt's rules (note A - 4).

The impairment loss provision included in the balance sheet at the end of the fiscal year 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 2016 LE

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 %
	<u>15 502 730 769</u>	<u>100 %</u>	<u>866 253 451</u>	<u>100 %</u>

31 December 2015 LE

Bank's Assessment	Murabaha, Musharaka and Mudaraba for customers	%	Impairment loss Provisions	%
Performing debts	8 927 546 753	83.2 %	17 723 431	2.3 %
Regular watching	1 102 404 929	10.3 %	224 887 361	29.2 %
Watch List	135 252 058	1.3 %	43 533 009	5.7 %
Non performing debts	561 897 119	5.2 %	484 196 967	62.8 %
	<u>10 727 100 859</u>	<u>100%</u>	<u>770 340 768</u>	<u>100%</u>

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 2016	31 December 2015
	LE	LE
Credit risk exposures in the Balance Sheet (Net)		
Governmental notes	7 518 884 754	4 594 798 660
Financial assets held -for- trading:		
Debt instruments	-	-
Investment with banks	1 230 133 729	627 528 802
Murabaha, Musharaka and Mudaraba for customers		
Individuals		
Current debit accounts	-	-
Credit cards	11 960 786	9 948 984
Personal Murabaha, Musharaka and Mudaraba transactions	955 598 229	773 413 145
Real estate Murabaha, Musharaka and Mudaraba transactions	218 389 832	150 317 525
Corporate		
Current debit accounts	-	-
Direct Murabaha, Musharaka and Mudaraba transactions	10 752 125 388	7 264 026 868
Joint Murabaha, Musharaka and Mudaraba transactions	1 780 618 140	1 068 388 607
Other Murabaha, Musharaka and Mudaraba transactions	9 910 016	28 803 970
Financial investments		
Debt instruments	10 875 162 138	7 898 335 956
Total	33 352 783 012	22 415 562 517
Credit risk exposures of off-balance sheet items (Net)		
Discounted commercial paper	97 551 042	78 861 773
Letters of guarantee	1 099 767 786	991 957 999
Letters of credit	842 374 113	265 033 492
Total	2 039 692 941	1 335 853 264

The previous table represents the maximum limit of exposure as at 31 December 2016 without taking into consideration any financial guarantees. As for the balance sheet items, the listed amounts depend on the net book value presented in the balance sheet.

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 2015 whereas investments in the debt instruments represent 33% against 35% as at 31 December 2015.

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 93% as at 31 December 2015.

92% of (Murabaha, Musharaka and Mudaraba) portfolio is free from any delays or impairment indicators against 93% as at 31 December 2015.

Murabaha, Musharaka and Mudaraba that have been assessed on an individual basis reach L.E 1 002 150 377 against L.E 561 897 119 as at 31 December 2015, in which impairment was found at less than 80% against 86% as at 31 December 2015.

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, Musharka and Mudaraba transaction balances regarding creditworthiness:

Bank's evaluation	31 December 2016	
	Murabaha, Musharaka and Mudaraba to customers	Investment operations with banks
	LE	LE
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	-
Total	15 502 730 769	1 230 133 729
Less:		
Returns under settlement	(907 874 927)	-
Impairment losses provision	(866 253 451)	-
Net	13 728 602 391	1 230 133 729

Bank's evaluation	31 December 2015	
	Murabaha, Musharaka and Mudaraba to customers	Investment operations with banks
	LE	LE
With no delays or impairment	9 971 085 740	627 528 802
With delays but not subject to impairment	194 118 000	-
Subject to impairment	561 897 119	-
Total	10 727 100 859	627 528 802
Less:		
Returns under settlement	(661 860 992)	-
Impairment losses provision	(770 340 768)	-
Net	9 294 899 099	627 528 802

The total of Murabaha, Musharaka and Mudaraba transaction impairment charge reached L.E 866 253 451 against L.E 770 340 768 as at 31 December 2015 including L.E 806 320 550 against L.E 484 196 967 at 31 December 2015 which represents the impairment of individual Murabaha Musharaka and Mudaraba transaction and the rest amounting to L.E 59 932 901 represents the impairment charge on a group basis of the credit portfolio

The Bank's (Murabaha, Musharaka and Mudaraba) transaction portfolio increased by 21% during the year as a result of the expansion in lending activities. The bank concentrates on dealing with big corporations, banks or individual enjoying credit solvency.

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 and musharaka and mudaraba for banks and customers (Net)

31 December 2016

LE

	Credit Cards	Retail			Corporate			Investment Operations with Banks
		Personal Murabaha, Musharaka and Mudaraba	Real Estate Murabaha, Musharaka and Mudaraba	Direct Murabaha, Musharaka and Mudaraba	Joint Murabaha, Musharaka and Mudaraba	Other Murabaha Musharaka and Mudaraba	Total Murabaha Musharaka and Mudaraba for customers	
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	1 329 476 384	-
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	-
Total	11 960 786	955 598 229	218 389 832	10 752 125 388	1 780 618 140	9 910 016	13 728 602 391	1 230 133 729

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 2015

LE

	Credit Cards	Retail			Corporate			Investment Operations with Banks
		Personal Murabaha, Musharaka and Mudaraba	Real Estate Murabaha, Musharaka and Mudaraba	Direct Murabaha, Musharaka and Mudaraba	Joint Murabaha, Musharaka and Mudaraba	Other Murabaha, Musharaka and Mudaraba	Total Murabaha, Musharaka and Mudaraba for customers	
Performing	3 916 441	193 655 539	147 076 282	7 064 569 163	1 068 388 607	-	8 477 606 032	627 528 802
Regular Watching	5 857 779	561 580 241	-	111 444 599	-	27 389 514	706 272 133	-
Watch List	-	-	-	78 716 818	-	-	78 716 818	-
Non-Performing	174 764	18 177 365	3 241 243	9 296 288	-	1 414 456	32 304 116	-
Total	9 948 984	773 413 145	150 317 525	7 264 026 868	1 068 388 607	28 803 970	9 294 899 099	627 528 802

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. A 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 2016

LE

Retail				
	Credit Cards	Personal Murabaha, Musharaka and Mudaraba	Real Estate Murabaha, Musharaka and 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
Total	-	19 796 000	2 543 000	22 339 000
Collaterals fair value	-	3 699 000	-	3 699 000

Corporate				
	Direct Murabaha, Musharaka and Mudaraba	Joint Murabaha, Musharaka and Mudaraba	Other Murabaha, Musharaka and 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
Total	162 329 000	-	1 052 000	163 381 000
Collaterals fair value	602 000	-	117 000	719 000

A-6 Murabaha, Musharaka and Mudaraba transaction (Cont.)

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.

31 December 2015

LE

	Retail			Total
	Credit Cards	Personal Murabaha, Musharaka and Mudaraba	Real Estate Murabaha, Musharaka and Mudaraba	
Past dues up to 30 days	-	14 217 000	-	14 217 000
Past dues more than 30 days to 60 days	-	1 997 000	795 000	2 792 000
Past dues more than 60 days to 90 days	-	228 000	565 000	793 000
Total	-	16 442 000	1 360 000	17 802 000
Collaterals fair value	-	12 647 000	-	12 647 000

	Corporate			Total
	Direct Murabaha Musharaka and Mudaraba	Joint Murabaha, Musharaka and Mudaraba	Other Murabaha Musharaka and Mudaraba	
Past dues up to 30 days	4 661 000	-	1 580 000	6 241 000
Past dues more than 30 days to 60 days	25 062 000	-	1 836 000	26 898 000
Past dues more than 60 days to 90 days	143 177 000	-	-	143 177 000
Total	172 900 000	-	3 416 000	176 316 000
Collaterals fair value	152 911 000	-	58 000	152 969 000

Murabaha, Musharaka and Mudaraba transaction to customers 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 L.E 1 002 150 377 against L.E. 561 897 119 as at 31 December 2015.

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.

A-6 Murabaha, Musharka and Mudaraba transaction (Cont.)

	31 December 2016		31 December 2015		LE
	Murabaha, Musharaka and Mudaraba subject to impairment on an individual basis	Collaterals fair value	Murabaha, Musharaka and Mudaraba subject to impairment on an individual basis	Collaterals fair value	
Retail					
Debit current accounts	-	-	-	-	-
Credit cards	301 690	-	174 764	-	-
Personal Murabaha, Musharaka and Mudaraba	33 085 000	-	22 032 655	-	-
Real Estate Murabaha, Musharaka and Mudaraba	2 329 858	-	3 582 255	-	-
Corporate					
Debit current accounts	-	-	1 249 489	-	-
Direct Murabaha, Musharaka and Mudaraba	525 038 073	445 607 924	448 420 563	-	-
Joint Murabaha, Musharaka and Mudaraba	439 128 539	-	84 737 799	-	-
Other Murabaha, Musharaka and Mudaraba	2 267 217	-	1 699 594	-	-
Total	1 002 150 377	445 607 924	561 897 119	-	-

A-7 Debt instruments and other Governmental notes

The following table represents an analysis of debt instruments, treasury bills and other governmental notes according to evaluation agencies at the end of the financial period according to the rating of Standard & Poor's and its equivalents:

31 December 2016				LE
	Governmental notes	Trading Securities	Investments in Securities	Total
AAA	-	-	-	-
AA-to AA+	-	-	-	-
A- To A+	-	-	-	-
Less than A –	7 816 654 750	-	10 875 162 138	18 691 816 888
Unrated	-	-	-	-
Total	7 816 654 750	-	10 875 162 138	18 691 816 888

A-8 Acquisition of collaterals

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

Nature of the assets	Book value (LE)
Land	-
Units	630 000

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 customers.

31 December 2016							LE
	Egypt				Arabian Gulf Countries	Other Countries	Total
	Greater Cairo	Alexandria Delta and Sinai	Upper Egypt	Total			
governmental notes	7 816 654 750	-	-	7 816 654 750	-	-	7 816 654 750
Financial assets held -for- trading							
Debt Instruments	-	-	-	-	-	-	-
Investments with banks	428 358 149	-	-	428 358 149	564 311 080	237 464 500	1 230 133 729
Murabaha, Mudaraba and Musharaka with customers							
Retail							
Debit current accounts	-	-	-	-	-	-	-
Credit cards	9 576 220	2 487 862	-	12 064 082	-	-	12 064 082
Personal Murabaha, Musharaka and Mudaraba	1 009 513 532	173 708 407	-	1 183 221 939	-	-	1 183 221 939
Real Estate Murabaha, Musharaka and Mudaraba	173 886 233	79 420 647	-	253 306 880	-	-	253 306 880
Corporate							
Debit current accounts	-	-	-	-	-	-	-
Direct Murabaha, Musharaka and Mudaraba	9 662 638 372	2 168 062 065	-	11 830 700 437	-	-	11 830 700 437
Joint Murabaha, Musharaka and Mudaraba	2 212 110 851	-	-	2 212 110 851	-	-	2 212 110 851
Other Murabaha, Musharaka and Mudaraba	8 345 014	2 981 566	-	11 326 580	-	-	11 326 580
Financial Investments							
Debt instruments	10 875 162 138	-	-	10 875 162 138	-	-	10 875 162 138
Total	32 196 245 259	2 426 660 547	-	34 622 905 806	564 311 080	237 464 500	35 424 681 386
31 December 2015	21 912 481 578	1 753 212 888	-	23 665 694 466	219 865 876	95 181 675	23 980 742 017

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 2016

L.E

	Financial Institutions	Industrial Institutions	Real estate Activity	Wholesale & retail business	Governmental sector	Other activities	Retail	Total
Governmental notes	-	-	-	-	7 816 654 750	-	-	7 816 654 750
Financial assets held -for- trading								
Debt Instruments	-	-	-	-	-	-	-	-
Investments with banks	1 230 133 729	-	-	-	-	-	-	1 230 133 729
Murabaha, Musharaka and Mudaraba transaction (customers)								
Retail							-	-
Current debit accounts							-	-
Credit Cards							12 064 082	12 064 082
Personal Murabaha, Musharaka and Mudaraba transaction							1 183 221 939	1 183 221 939
Real estate Murabaha, Musharaka and Mudaraba transaction							253 306 880	253 306 880
Corporate								
Current debit accounts	-	-	-	-	-	-	-	-
Direct Murabaha, Musharaka and Mudaraba transaction	93 685 035	4 898 036 585	123 206 008	2 737 741 884	406 730 357	3 571 300 568	-	11 830 700 437
Joint Murabaha, Musharaka and Mudaraba transaction	203 309 563	898 654 390	-	-	783 688 129	326 458 769	-	2 212 110 851
Other Murabaha, Musharaka and Mudaraba transaction	-	-	-	-	-	11 326 580	-	11 326 580
Financial Investments								
Debt instruments	-	-	-	-	10 875 162 138	-	-	10 875 162 138
Total	<u>1 527 128 327</u>	<u>5 796 690 975</u>	<u>123 206 008</u>	<u>2 737 741 884</u>	<u>19 882 235 374</u>	<u>3 909 085 917</u>	<u>1 448 592 901</u>	<u>35 424 681 386</u>
31 December 2015	<u>754 095 091</u>	<u>3 673 441 284</u>	<u>197 579 916</u>	<u>2 143 839 257</u>	<u>13 120 279 520</u>	<u>2 950 264 834</u>	<u>1 141 242 115</u>	<u>23 980 742 017</u>

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

L.E

	31 December 2016			31 December 2015		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	21 329 740	65 877 000	3 554 000	14 795 820	78 824 000	2 820 000
Return rate risk	-	-	-	-	-	-
Total value at risk	<u>21 329 740</u>	<u>65 877 000</u>	<u>3 554 000</u>	<u>14 795 820</u>	<u>78 824 000</u>	<u>2 820 000</u>

Total Value at risk for trading portfolio according to kind of Risk

L.E

	31 December 2016			31 December 2015		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	-	-	-	-	-	-
Return rate risk	-	-	-	-	-	-
Total value at risk	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

L.E

	31 December 2016			31 December 2015		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rate risk	21 329 740	65 877 000	3 554 000	14 795 820	78 824 000	2 820 000
Return rate risk	-	-	-	-	-	-
Total value at risk	<u>21 329 740</u>	<u>65 877 000</u>	<u>3 554 000</u>	<u>14 795 820</u>	<u>78 824 000</u>	<u>2 820 000</u>

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 2016						Equivalent in LE
	EGP	USD	EUR	GBP	Other Currencies	Total	
Financial assets							
Cash and due from Central Bank of Egypt	2 283 751 729	533 461 043	42 680 591	4 946 368	8 650 776	2 873 490 507	
Due from banks	2 940 270 872	1 767 626 103	131 998 405	6 891 655	15 721 417	4 862 508 452	
Governmental notes	4 440 325 000	2 957 346 350	418 983 400	-	-	7 816 654 750	
Financial assets held -for-trading	-	-	-	-	-	-	
Investments with Banks	-	913 325 000	152 357 600	38 536 048	125 915 081	1 230 133 729	
Murabaha Musharaka and Mudaraba to customers	10 651 262 244	4 789 130 825	62 337 700	-	-	15 502 730 769	
Financial Investments							
Available for sale	40 258 884	-	-	-	14 191 992	54 450 876	
Held to maturity	10 177 956 161	718 677 770	-	-	-	10 896 633 931	
Total financial assets	30 533 824 890	11 679 567 091	808 357 696	50 374 071	164 479 266	43 236 603 014	
Financial liabilities							
Due to banks	265 700 000	574 472 230	80 140 309	-	9 667	920 322 206	
Customers' deposits	26 495 464 766	10 328 809 892	666 833 320	48 193 145	152 587 318	37 691 888 441	
Other finances	19 537 220	365 330 000	-	-	-	384 867 220	
Total financial liabilities	26 780 701 986	11 268 612 122	746 973 629	48 193 145	152 596 985	38 997 077 867	
Net financial position	3 753 122 904	410 954 969	61 384 067	2 180 926	11 882 281	4 239 525 147	
31 December 2015							
Total financial assets	24 244 045 602	4 617 198 665	364 993 730	31 442 781	79 608 053	29 337 288 831	
Total financial liabilities	21 266 100 406	4 469 233 104	355 011 219	32 048 444	74 595 862	26 196 989 035	
Net financial position	<u>2 977 945 196</u>	<u>147 965 561</u>	<u>9 982 511</u>	<u>(605 663)</u>	<u>5 012 191</u>	<u>3 140 299 796</u>	

B-4 Return rate risk

The bank is exposed to the impact of fluctuations in the levels of return rates return that are prevailing in the market which is the cash flow risk of return rate represented in the volatility of future cash flow 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:

LE

31 December 2016

	Up to 1 month	More than 1 -3 months	More than 3 months – 1 year	More than 1 year – 5 years	More than 5 years	Without Return	Total
Financial assets							
Cash and due from Central Bank of Egypt	-	-	-	-	-	2 873 490 507	2 873 490 507
Due from banks	2 891 000 000	1 180 746 560	-	-	-	790 761 892	4 862 508 452
Governmental notes	410 000 000	1 773 756 350	5 632 898 400	-	-	-	7 816 654 750
Held for trading	-	-	-	-	-	-	-
Investments operations with Banks	768 013 600	440 200 329	21 919 800	-	-	-	1 230 133 729
Murabaha Musharaka and Mudaraba to customers	7 729 393 386	1 230 738 853	2 784 033 135	2 326 874 942	1 431 690 453	-	15 502 730 769
Financial Investments							
Available for sale	-	-	-	-	-	54 450 876	54 450 876
Held to maturity	-	216 137 282	829 615 281	6 252 292 629	3 577 116 946	21 471 793	10 896 633 931
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

Financial liabilities							
Due to banks	129 580 426	62 169 539	350 589 946	-	-	377 982 295	920 322 206
Customers' deposits	14 467 739 578	16 675 929 734	-	-	-	6 548 219 129	37 691 888 441
Other finances	-	19 537 220	-	-	365 330 000	-	384 867 220
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
Re pricing gap	(2 798 913 018)	(11 916 057 119)	8 917 876 670	8 579 167 571	4 643 477 399	(3 186 026 356)	4 239 525 147

31 December 2015

Total financial assets	7 935 238 584	3 251 008 610	5 166 552 206	6 334 738 494	4 242 520 098	2 407 230 839	29 337 288 831
Total financial liabilities	8 345 638 161	14 207 457 401	251 307 590	-	154 602 000	3 237 983 883	26 196 989 035
Re pricing gap	(410 399 577)	(10 956 448 791)	4 915 244 616	6 334 738 494	4 087 918 098	(830 753 044)	3 140 299 796

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 flow.
- Monitoring liquidity ratios in relation with internal requirements and Central Bank of Egypt requirements.
- Managing concentrating 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 monitors the mismatch between medium term assets, the level and nature of unused Murabaha, Musharaka and Mudaraba limits 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 the 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 2016	Up to 1 month	More than 1 -3 months	More than 3 months – 1 year	More than 1 year – 5 years	More than 5 years	Total
Financial liabilities						
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
Total financial liabilities	10 015 006 962	5 477 490 629	10 966 524 442	6 672 639 789	5 865 416 045	38 997 077 867
Total financial assets	24 215 249 217	3 444 695 532	8 438 851 335	5 684 644 685	1 453 162 245	43 236 603 014

31 December 2015	Up to 1 month	More than 1-3 months	More than 3 months – 1 year	More than 1 year – 5 years	More than 5 years	Total
Financial liabilities						
Due to banks	234 698 946	183 681 600	251 307 590	-	-	669 688 136
Customers' deposits	6 178 726 006	3 330 193 207	6 556 520 691	5 177 577 631	4 108 870 112	25 351 887 647
Other finances	-	-	-	175 413 252		175 413 252
Total financial liabilities	6 413 424 952	3 513 874 807	6 807 828 281	5 352 990 883	4 108 870 112	26 196 989 035
Total financial assets	18 179 256 989	2 823 557 270	4 895 625 045	2 283 880 052	1 154 969 475	29 337 288 831

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.

Off-Balance Sheet Items (Gross)

LE

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
Total	3 236 655 225	186 337 984	920 574	3 423 913 783

31 December 2015				
Acceptances	92 814 696		-	92 814 696
Letters of guarantee	1 277 901 291	159 820 905	227 814	1 437 950 010
Letters of credit (Import)	335 750 738	46 534 885	-	382 285 623
Letters of credit (Export)	36 569 240	-	-	36 569 240
Capital commitments	59 458 389	-	-	59 458 389
Total	1 802 494 354	206 355 790	227 814	2 009 077 958

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 risks 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 consist of:

	LE,000
	31 December 2016
Numerator ratio : high quality liquidity assets	<u>20 281 705</u>
Denominator ratio : Net cash outflow during 30 days	<u>3 252 484</u>
Liquidity coverage ratio LCR	<u>623.6%</u>

Second: Net stable Financing ratio NSFR (Minimum 100%)

Net stable finance ratio consist of:

	LE,000
	31 December 2016
Numerator ratio : available stable finance value	<u>29 542 093</u>
Denominator ratio : Demanded stable finance value	<u>12 098 956</u>
Net stable finance ratio NSFR	<u>244.2%</u>

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		L.E
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	
Financial Assets					
Due from banks	4 862 508 452	3 239 697 669	4 899 186 958	3 241 985 289	
Investment operations with banks	1 230 133 729	627 528 802	1 242 456 369	631 791 452	
Murabaha, Musharaka and Mudaraba transactions to customers					
Retail	1 185 948 847	933 679 654	1 185 948 847	915 925 740	
Corporates	12 542 653 544	8 361 219 445	12 542 653 544	8 361 219 445	
Financial investments					
Held -to- maturity	10 896 633 931	7 913 950 245	10 716 308 231	7 939 245 895	
Financial liabilities					
Due to banks	920 322 206	669 688 136	947 182 492	698 576 428	
Customers' deposits	37 691 888 441	25 351 887 647	38 370 521 081	25 904 776 569	
Other finances	384 867 220	175 413 252	399 077 989	179 325 992	

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 is 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:** The tier consists of two parts : the basic and the basic supplementary capital.
- **Tier Two:** is the subordinated capital and consists 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 investement .
 - 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 latest 5years.)
- Impairment loss provision of loans, facilities and regular contingent liabilities (not exceeding 1.25% of the credit risks of assets and regular contingent liabilities weighted by risk weights.

The denominator of the capital adequacy consists of :

Credit risk Market risk Operating risk

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 capital adequacy standard in accordance to basil regularity framework at the end of the financial year.

	31 December 2016	31 December 2015
Capital	LE	LE
Tier one (Basic capital)		
Issued and paid in capital	1 101 340	957 687
Reserves (legal and capital)	124 104	99 717
Retained earnings	477 225	207 813
Total basic capital	1 702 669	1 265 217
Supplementary capital	-	-
Differences of nominal value from present value of subordinated finance	-	-
Total of disposals from basic capital	(1 541)	(706)
Total tier one	1 701 128	1 264 511
Tier two	-	-
45% of specific reserve value	-	-
45% of the increase in the fair value over book value of financial investments	37 410	38 552
Subordinated fund from main investor/ subordinated deposits	365 330	154 602
Provision for impairment losses for loans , facilities and regular contingent liabilities	224 074	142 846
Total tier two	626 814	336 000
Total capital	2 327 942	1 600 511
Total risk weighted assets and contingent liabilities	19 590 530	12 747 764
Capital adequacy ratio * (%)	11.88%	12.56%

*The Capital adequacy standard 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 that are used in capital adequacy ratio numerator (after Exclusions) 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) according to financial statements 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 result from the securitization of securities operation

4-Off-balance sheet exposures

The tables below summarizes the leverage financial ratio:

	31 December 2016	31 December 2015
	LE,000	LE,000
First: the numerator leverage		
Total basic Capital	<u>1 701 128</u>	<u>1 264 511</u>
Second: denominator		
On balance sheet exposures, financial derivatives operations and securities finance	42 795 162	28 900 029
Total Off-balance sheet exposures	1 734 139	1 349 347
Total on balance sheet & off balance sheet exposures	<u>44 529 301</u>	<u>30 249 376</u>
Financial leverage ratio %	<u>3.82%</u>	<u>4.18%</u>

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 year. 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 & 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 & Mudaraba Transactions) portfolio even before being acquainted with the decline at the level of each Murabaha, Musharaka & 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 L.E. 180 325 700 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 segment 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 2016						LE
	Head office	Cairo Branches	Giza Branches	Alexandria Branches	Others	Total
Income and expenses according to Sector activity						
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	<u>(2 465 293 617)</u>	<u>(1 439 881 297)</u>	<u>(549 769 145)</u>	<u>(206 082 364)</u>	<u>(268 842 110)</u>	<u>(4 929 868 533)</u>
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)
Profit after tax	<u>(496 536 683)</u>	<u>471 798 085</u>	<u>262 601 240</u>	<u>131 029 850</u>	<u>143 566 163</u>	<u>512 458 655</u>

Assets and liabilities according to Sector activity						
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>

Sectorial activity's other Items

Capital expenses	20 376 279
Depreciation	24 741 042
Impairment (burden) of credit losses	(96 685 541)

31 December 2015						LE
	Head office	Cairo Branches	Giza Branches	Alexandria Branches	Others	Total
Income and expenses according to Sector activity						
Sectorial activity income	1 544 092 950	1 053 165 408	570 943 650	264 605 840	310 168 421	3 742 976 269
Sectorial activity expenses	<u>(1 675 812 178)</u>	<u>(760 318 762)</u>	<u>(403 317 030)</u>	<u>(172 406 801)</u>	<u>(237 069 379)</u>	<u>(3 248 924 150)</u>
Profit before tax	(131 719 228)	292 846 646	167 626 620	92 199 039	73 099 042	494 052 119
Tax	(228 985 656)	--	-	-	-	(228 985 656)
Profit after tax	<u>(360 704 884)</u>	<u>292 846 646</u>	<u>167 626 620</u>	<u>92 199 039</u>	<u>73 099 042</u>	<u>265 066 463</u>

Assets and liabilities according to Sector activity						
Total Sectorial activity's assets	<u>1 957 836 714</u>	<u>13 986 541 191</u>	<u>6 508 957 072</u>	<u>2 570 420 336</u>	<u>3 876 274 275</u>	<u>28 900 029 588</u>
Total Sectorial activity's liabilities	<u>469 152 146</u>	<u>13 986 541 191</u>	<u>6 508 957 072</u>	<u>2 570 420 336</u>	<u>3 876 274 275</u>	<u>27 411 345 020</u>

Sectorial activity's other Items

Capital expenses	11 198 139
Depreciation	22 666 384
Impairment (burden) of credit losses	(192 792 493)

B. Geographical Segment Analysis

L.E

31 December 2016	Cairo	Alex. Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segments				
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)
Profit after tax	<u>302 766 512</u>	<u>209 692 143</u>	<u>-</u>	<u>512 458 655</u>
Assets and liabilities according to geographical segments				
Total Geographical segments assets	<u>37 946 636 083</u>	<u>4 582 955 731</u>	<u>-</u>	<u>42 529 591 814</u>
Total Geographical segments liabilities	<u>35 975 312 752</u>	<u>4 582 955 731</u>	<u>-</u>	<u>40 558 268 483</u>
Geographical segments other Items				
Capital expenditure	20 376 279			
Depreciation	24 741 042			
Impairment (burden) of credit losses	(96 685 541)			

L.E

31 December 2015	Cairo	Alex. Delta and Sinai	Upper Egypt	Total
Income and expenses according to geographical segments				
Geographical revenues	3 360 472 467	382 503 802	-	3 742 976 269
Geographical expenses	(3 002 087 948)	(246 836 202)	-	(3 248 924 150)
Profit before tax	358 384 519	135 667 600	-	494 052 119
Tax	(228 985 656)	-	-	(228 985 656)
Profit after tax	<u>129 398 863</u>	<u>135 667 600</u>	<u>-</u>	<u>265 066 463</u>
Assets and liabilities according to geographical segments				
Total Geographical segments assets	<u>25 076 080 030</u>	<u>3 823 949 558</u>	<u>-</u>	<u>28 900 029 588</u>
Total Geographical segments liabilities	<u>23 587 395 462</u>	<u>3 823 949 558</u>	<u>-</u>	<u>27 411 345 020</u>
Geographical segments other Items				
Capital expenditure	11 198 139			
Depreciation	22 666 384			
Impairment (burden) of credit losses	(192 792 493)			

6. NET INCOME FROM RETURN

	31 December 2016	31 December 2015
	LE	LE
Returns on (Murabaha, Musharaka and Mudaraba) and similar revenues from:		
Murabaha, Musharaka and Mudaraba		
Banks	387 431 330	176 818 161
Customers	1 255 591 289	898 518 686
	<u>1 643 022 619</u>	<u>1 075 336 847</u>
Governmental notes	487 126 735	436 575 562
Investments in debt instruments held to maturity and available for sale	1 233 880 591	798 301 913
	<u>3 364 029 945</u>	<u>2 310 214 322</u>
Cost of deposits and similar costs from :		
Current accounts and deposits		
Banks	(39 844 273)	(39 498 728)
Customers	(2 157 748 633)	(1 333 566 743)
	<u>(2 197 592 906)</u>	<u>(1 373 065 471)</u>
Other finances	(9 293 362)	(5 390 252)
Total	(2 206 886 268)	(1 378 455 723)
Net	1 157 143 677	931 758 599

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.

7. NET FEES AND COMMISSIONS INCOME

	31 December 2016	31 December 2015
	LE	LE
Fees and commissions income		
Fees and commissions related to credit	58 080 174	59 587 400
Fees on the corporate financing services	4 000	724 762
Custody fees	448 797	436 987
Other fees	92 193 894	73 802 768
	<u>150 726 865</u>	<u>134 551 917</u>
Fees and commissions expenses		
Other paid fees	(7 913 025)	(5 132 384)
	<u>(7 913 025)</u>	<u>(5 132 384)</u>
Net	142 813 840	129 419 533

8. DIVIDEND INCOME

	31 December 2016	31 December 2015
	LE	LE
Investments available for sale	4 222 410	4 694 122
Investments held to maturity – Mutual funds certificates	175 972	440 155
	<u>4 398 382</u>	<u>5 134 277</u>

9. NET TRADING INCOME

	31 December 2016	31 December 2015
	LE	LE
Foreign Currencies Operations		
Profit from dealing in foreign currencies	77 022 961	36 349 342
	<u>77 022 961</u>	<u>36 349 342</u>

10. ADMINISTRATIVE EXPENSES

	31 December 2016	31 December 2015
	LE	LE
Employees cost		
Salaries and wages	(184 542 251)	(161 920 915)
Social Insurance	(6 220 356)	(5 516 361)
	<u>(190 762 607)</u>	<u>(167 437 276)</u>
Other administrative expenses	(163 849 732)	(149 162 683)
	<u>(354 612 339)</u>	<u>(316 599 959)</u>

During the year 2016 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 LE 1 662 667 compared to LE 1 376 262 during year 2015.

11. OTHER OPERATING REVENUES (EXPENSES)

	31 December 2016	31 December 2015
	LE	LE
Profit (loss) from revaluation of monetary assets and liabilities denominated in foreign currency other than held for trading or designated at fair value through profit and loss.	16 769 479	457 406
Gain on sale of fixed assets	377 393	1 371 463
Operating and finance lease (burden)	(68 919 306)	(64 491 892)
Other provisions (burden)	(6 569 371)	(37 400 835)
Others	(26 718 965)	(7 793 731)
	<u>(85 060 770)</u>	<u>(107 857 589)</u>

12. IMPAIRMENT REVERSAL OF CREDIT LOSSES(Burden)

	31 December 2016	31 December 2015
	LE	LE
Murabaha, Musharaka and Mudaraba for customers	(102 635 924)	(188 807 822)
Al Ahrum Bank Loans	92 879	-
Financial investments held to maturity	5 857 504	(3 984 671)
	<u>(96 685 541)</u>	<u>(192 792 493)</u>

13. INCOME TAX (EXPENSES)

	31 December 2016	31 December 2015
	LE	LE
Current income taxes	(325 646 369)	(228 460 299)
Deferred taxes (note 23)	(803 710)	(525 357)
	<u>(326 450 079)</u>	<u>(228 985 656)</u>

14. EARNINGS PER SHARE

	31 December 2016	31 December 2015
	LE	LE
Net profits available for distribution to the bank's shareholders	447 197 655	226 566 463
Weighted average of shares outstanding	157 334 354	157 334 354
Earnings per share	<u>2.84</u>	<u>1.44</u>

15. CASH AND DUE FROM CENTRAL BANK OF EGYPT

	31 December 2016	31 December 2015
	LE	LE
Cash	750 918 201	233 512 281
Balances at Central Bank of Egypt within the mandatory reserve ratio	2 122 572 306	1 821 788 475
	<u>2 873 490 507</u>	<u>2 055 300 756</u>
Non-bearing balances	2 873 490 507	2 055 300 756
	<u>2 873 490 507</u>	<u>2 055 300 756</u>

16. DUE FROM BANKS

	31 December 2016	31 December 2015
	LE	LE
Current accounts	768 761 892	251 243 244
Deposits	4 093 746 560	2 988 454 425
	<u>4 862 508 452</u>	<u>3 239 697 669</u>
Central Bank of Egypt other than the mandatory reserve ratio	4 093 746 560	2 988 454 425
Local banks	66 896 907	40 211 985
Foreign banks	701 864 985	211 031 259
	<u>4 862 508 452</u>	<u>3 239 697 669</u>
Non-bearing balances	790 761 892	268 635 969
Bearing balances	4 071 746 560	2 971 061 700
	<u>4 862 508 452</u>	<u>3 239 697 669</u>
Current balances	4 862 508 452	3 239 697 669
	<u>4 862 508 452</u>	<u>3 239 697 669</u>

17. GOVERNMENTAL NOTES

	31 December 2016	31 December 2015
	LE	LE
Treasury bills due 91 days	10 000 000	-
Treasury bills due 182 days	200 000 000	272 475 000
Treasury bills due 273 days	2 407 450 000	1 460 000 000
Treasury bills due 364 days	1 822 875 000	1 959 350 000
Treasury bills due 364 days -USD	2 957 346 350	850 311 000
Treasury bills due 364 days -EUR	418 983 400	185 640 400
	7 816 654 750	4 727 776 400
Unearned revenues	(297 769 996)	(132 977 740)
	7 518 884 754	4 594 798 660

The bank holds debt instruments to cover the prescribed liquidity ratio of the customers' deposits in local currency pursuant to the requirements of competent entities. We recommend that depositors observe the foregoing with regard to the returns on such instruments.

18. INVESTMENT OPERATIONS WITH BANKS

	31 December 2016	31 December 2015
	LE	LE
Investment operations with banks	1 230 133 729	627 528 802
	1 230 133 729	627 528 802
Current balances	1 230 133 729	592 743 352
Non-current balance	-	34 785 450
	1 230 133 729	627 528 802

The investment operation with banks represent commodity Murabaha with local banks and correspondent banks with foreign currencies.

The balance includes LE 105 945 700 which represents investment operations with Al Baraka Banking Group – the main shareholder in the bank – (against L.E 21 644 280 as of 31 December 2015). Revenue from these operations during the year amounted to LE 310 481 (against LE 395 613 as of 31 December 2015).

19. MURABAHA, MUSHARAKA AND MUDARABA FOR CUSTOMERS

	31 December 2016	31 December 2015
	LE	LE
Retail		
Debit current accounts	-	-
Credit cards	12 064 082	9 948 984
Personal (Murabaha, Musharaka, and Mudaraba)	1 183 221 939	961 980 326
Real estate (Murabaha, Musharaka and Mudaraba)	253 306 880	169 312 805
Total (1)	1 448 592 901	1 141 242 115
Corporate		
Debit current accounts	-	1 249 489
Direct (Murabaha, Musharaka and Mudaraba)	11 830 700 437	8 394 081 686
Syndicated (Murabaha, Musharaka and Mudaraba)	2 212 110 851	1 156 568 984
Other (Murabaha, Musharaka and Mudaraba)	11 326 580	33 958 585
Total (2)	14 054 137 868	9 585 858 744
Total Murabaha, Musharaka and Mudaraba transaction for customers (1+2)	15 502 730 769	10 727 100 859
Less: returns under settlement	(907 874 927)	(661 860 992)
Less: provisions for impairment losses	(866 253 451)	(770 340 768)
Net	13 728 602 391	9 294 899 099
Current balances	9 667 830 186	7 064 569 164
Non-current balances	4 060 772 205	2 230 329 935
	13 728 602 391	9 294 899 099

	31 December 2016	31 December 2015
	LE	LE
Al Ahram Bank Customer's loans		
loans to customers	10 653	5 024 651
Loans provision	(10 653)	(4 997 694)
Suspended returns	-	(26 957)
	-	-

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

	31 December 2016	31 December 2015
	LE	LE
Provision movement for Al Ahram Bank Customer's loans		
Beginning balance 1 January	4 997 694	5 017 577
Impairment (Reverse)	(92 879)	-
Write-off amount	(10 293 401)	-
Foreign exchange revaluation differences	5 399 239	(19 883)
End of year balance	10 653	4 997 694

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 2016

Retail

L.E

	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)
Balance as of 31 December 2016	-	103 296	15 949 273	4 603 860	20 656 429

Corporate

	Debit current accounts	Direct Murabaha, Musharaka and Mudaraba	Syndicated Murabaha, Musharaka and Mudaraba	Other Murabaha, Musharaka and Mudaraba	Total
Balance as of 1 January 2016	1 249 489	661 540 946	88 180 377	3 150 151	754 120 963
Impairment (reverse) 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 revaluation differences	-	-	171 893 511	-	171 893 511
Balance as of 31 December 2016	-	413 235 827	431 433 695	927 500	845 597 022

31 December 2015

Retail

L.E

	Debit current accounts	Credit cards	Personal Murabaha, Musharaka and Mudaraba	Real estate Murabaha, Musharaka and Mudaraba	Total
Balance as of 1 January 2015	-	-	11 380 071	1 066 530	12 446 601
Impairment burden	-	-	3 325 051	551 554	3 876 605
Write offs	-	-	(103 401)	-	(103 401)
Balance as of 31 December 2015	-	-	14 601 721	1 618 084	16 219 805

	Corporate				Total
	Debit current accounts	Direct Murabaha, Musharaka and Mudaraba	Syndicated Murabaha, Musharaka and Mudaraba	Other Murabaha, Musharaka and Mudaraba	
Balance as of 1 January 2015	1 249 489	546 093 263	78 419 686	4 922 862	630 685 300
Impairment (reverse) burden	-	176 672 462	9 760 691	(1 501 936)	184 931 217
Write-offs	-	(69 220 776)	-	(270 775)	(69 491 551)
Recoveries	-	437 562	-	-	437 562
Foreign currency revaluation differences	-	7 558 435	-	-	7 558 435
Balance as of 31 December 2015	<u>1 249 489</u>	<u>661 540 946</u>	<u>88 180 377</u>	<u>3 150 151</u>	<u>754 120 963</u>

20. FINANCIAL INVESTMENTS

	31 December 2016	31 December 2015
	LE	LE
Financial investments available for sale		
Debt instruments at fair value		
Quoted	-	-
Debt instruments at cost		
Unquoted	-	-
Equity instruments at fair value		
Quoted	14 191 992	5 511 884
Unquoted	40 258 884	40 422 216
Total available for sale financial investments (1)	54 450 876	45 934 100
Financial investments held to maturity		
Mutual funds certificates (originating bank must hold)	26 929 846	26 929 846
Debt instruments at amortized cost		
Quoted	10 875 162 138	7 898 335 956
Unquoted	-	-
Less: provision for Impairment losses	(5 458 053)	(11 315 557)
Total Financial investments held to maturity (2)	10 896 633 931	7 913 950 245
Total of Financial investments(1+2)	10 951 084 807	7 959 884 345
Current balances	1 100 203 439	316 861 262
Non-current balances	9 850 881 368	7 643 023 083
	10 951 084 807	7 959 884 345
Debt instrument with fixed return	10 875 162 138	7 898 335 956
Debt instrument with variable return	-	-
	10 875 162 138	7 898 335 956

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.

31 December 2016	Available for sale financial investments	Held to maturity financial investments	Total
	LE	LE	LE
Balance as of 1 January 2016	45 934 100	7 913 950 245	7 959 884 345
Additions during the year	-	2 824 340 100	2 824 340 100
Disposals during the year	(163 332)	(270 900 000)	(271 063 332)
Revaluation differences of monetary assets denominated in foreign currency	-	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 (E)	8 680 108	-	8 680 108
Reverse (charge) provision for impairment losses	-	5 857 504	5 857 504
Balance as of 31 December 2016	54 450 876	10 896 633 931	10 951 084 807

31 December 2015	Available for sale financial investments	Held to maturity financial investments	Total
	LE	LE	LE
Balance as of 1 January 2015	136 690 160	5 303 203 454	5 439 893 614
Additions during the year	167 732	3 834 019 524	3 834 187 256
Disposals during the year	(96 674 900)	(1 281 056 871)	(1 377 731 771)
Revaluation differences of monetary assets denominated in foreign currency	7 924 588	42 838 578	50 763 166
Amortization of premium and discount	(177 266)	18 930 231	18 752 965
Gain from changes in fair value – Note 31 (E)	(1 996 214)	-	(1 996 214)
Reverse (charge) provision for impairment losses	-	(3 984 671)	(3 984 671)
Balance as of 31 December 2015	45 934 100	7 913 950 245	7 959 884 345

Financial investments gain (loss)

	31 December 2016	31 December 2015
	LE	LE
Gain on sale of financial investments available for sale	-	14 061 229
Impairment losses on equity instruments available for sale	-	(280 000)
	-	13 781 229

Al Baraka Bank Egypt (S.A.E)

Provision for impairment losses settlement of financial investment
Held to maturity

	31 December 2016	31 December 2015
	LE	LE
Beginning balance	(11 315 557)	(7 330 886)
Impairment of credit losses (burden)	5 857 504	(3 984 671)
Ending balance	<u>(5 458 053)</u>	<u>(11 315 557)</u>

21. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

	31 December 2016	31 December 2015
	LE	LE
Egyptian Saudi Finance Company for Real Estate Investment *	<u>2 275 000</u>	<u>2 275 000</u>
	<u>2 275 000</u>	<u>2 275 000</u>
Country of the head office company	Egypt	Egypt
Company's total assets **	6 715 376	6 715 376
Company's total liabilities without equity **	74 307	74 307
Company's revenues **	659 482	659 482
Company's profit **	124 220	124 220
Bank's ownership percentage	40%	40%

*The company is not listed in the Egyptian stock market.

** The latest audited financial statements of the company were used dated 31 December 2015.

22. OTHER ASSETS

	31 December 2016	31 December 2015
	LE	LE
Accrued revenues	577 732 301	349 864 264
Prepaid expenses	87 512 301	84 549 355
Down payments to purchase and prepare new branches	79 675 544	67 995 861
Assets reverted to the Bank in settlement of debts (after deducting impairment)	210 579 639	247 314 246
Deposits and custody	4 499 051	3 397 443
Other	52 794 555	48 922 183
	<u>1 012 793 391</u>	<u>802 043 352</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 2016	Deferred tax assets	Deferred tax liabilities	31 December 2016
	LE	LE	LE
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>

31 December 2015	Deferred tax assets	Deferred tax liabilities	31 December 2015
	LE	LE	LE
Fixed assets	-	(5 233 157)	(5 233 157)
Provisions	3 468 325	-	3 468 325
	<u>3 468 325</u>	<u>(5 233 157)</u>	<u>(1 764 832)</u>

Movements in deferred tax assets and liabilities

31 December 2016	Deferred tax assets	Deferred tax liabilities	31 December 2016
	LE	LE	LE
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)
Balance at 31 December 2016	<u>3 231 167</u>	<u>(5 799 709)</u>	<u>(2 568 542)</u>

31 December 2015	Deferred tax assets	Deferred tax liabilities	31 December 2015
	LE	LE	LE
Balance at 1 January 2015	3 883 277	(5 122 752)	(1 239 475)
Additions during the year	-	(110 405)	(110 405)
Disposals during the year	(414 952)		(414 952)
Balance at 31 December 2015	<u>3 468 325</u>	<u>(5 233 157)</u>	<u>(1 764 832)</u>

24. FIXED ASSETS

	Lands and Buildings	leasehold Improvements	Machinery and Equipment	Other	Total
	LE	LE	LE	LE	LE
Balance as of 1 January 2015					
Cost	306 704 908	4 895 364	18 368 920	138 522 020	468 491 212
Accumulated depreciation	(44 117 509)	(1 151 034)	(13 303 041)	(75 648 595)	(134 220 179)
Net book value	<u>262 587 399</u>	<u>3 744 330</u>	<u>5 065 879</u>	<u>62 873 425</u>	<u>334 271 033</u>
Additions	9 725 000	-	1 856 523	11 764 131	23 345 654
Disposals	(11 571 046)	-	-	(1 621 510)	(13 192 556)
Depreciation expense	(12 393 624)	(116 124)	(2 256 658)	(7 899 978)	(22 666 384)
Disposals accumulated depreciation	244 766	-	-	1 599 392	1 844 158
Net book value as of 31 December 2015	<u>248 592 495</u>	<u>3 628 206</u>	<u>4 665 744</u>	<u>66 715 460</u>	<u>323 601 905</u>
Balance as of 1 January 2016					
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	<u>248 592 492</u>	<u>3 628 206</u>	<u>4 665 744</u>	<u>66 715 460</u>	<u>323 601 905</u>
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
Net book value as of 31 December 2016	<u>257 190 889</u>	<u>3 512 082</u>	<u>4 415 096</u>	<u>84 700 716</u>	<u>349 818 783</u>
Balance as of 31 December 2016					
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	<u>257 190 889</u>	<u>3 512 082</u>	<u>4 415 096</u>	<u>84 700 716</u>	<u>349 818 783</u>

25. DUE TO BANKS

	31 December 2016	31 December 2015
	LE	LE
Current accounts	377 982 295	40 068 280
Deposits	542 339 911	629 619 856
	920 322 206	669 688 136
Local banks	265 700 000	420 302 000
Foreign banks	654 622 206	249 386 136
	920 322 206	669 688 136
Non-return bearing balances	377 982 295	40 068 280
Return bearing balances	542 339 911	629 619 856
	920 322 206	669 688 136
Current balances	920 322 206	669 688 136
	920 322 206	669 688 136

26. CUSTOMERS' DEPOSITS

	31 December 2016	31 December 2015
	LE	LE
Demand deposits	5 274 017 366	2 608 218 659
Time and notice deposits	18 160 082 298	11 851 095 305
Certificates of deposit and saving	8 018 932 754	5 215 895 124
Savings deposits	4 964 654 260	5 086 981 616
Other deposits	1 274 201 763	589 696 943
	37 691 888 441	25 351 887 647
Corporate deposits	23 344 628 602	14 067 567 327
Retail deposits	14 347 259 839	11 284 320 320
	37 691 888 441	25 351 887 647
Non-return bearing balances	6 548 219 129	3 197 915 603
Variable return balances	31 143 669 312	22 153 972 044
	37 691 888 441	25 351 887 647
Current balances	27 903 418 512	17 816 260 450
Non-current balances	9 788 469 929	7 535 627 197
	37 691 888 441	25 351 887 647

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 LE 200 million (is amended to become LE 100 million only) to finance small enterprises with a finance form according to Islamic Sharia. The contract is to be implemented on four equal installments each of which amounted to LE 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 by LE 100 million to finance the small projects according to Islamic sharia and implement the contract in four equal installment for LE 25 million for each installment with 50% for each contract partner for 6 years started from transferring the first installment from fund to the bank in 28 August 2016.

The Musharaka profit (resulted from the finance operations) is distributed to the bank and the SFD equally after deducting 30% 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 2016	31 December 2015
	LE	LE
Balance as of 1 January	20 811 252	41 728 329
Additions during the year	12 500 000	-
Payments during the year	<u>(13 774 032)</u>	<u>(20 917 077)</u>
Balance as of 31 December	<u>19 537 220</u>	<u>20 811 252</u>

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 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 a (Deposit Investment 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 matured on 20 June 2021.

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	154 602 000	142 802 000
Foreign currency revaluation differences	<u>210 728 000</u>	<u>11 800 000</u>
Balance as of 31 December	<u>365 330 000</u>	<u>154 602 000</u>
Total other finances (A+B)	<u>384 867 220</u>	<u>175 413 252</u>

28. OTHER LIABILITIES

	31 December 2016	31 December 2015
	LE	LE
Accrued return	906 703 695	706 689 955
Unearned revenues	80 838 577	43 033 941
Accrued expenses	63 804 815	50 689 930
Creditors	-	7 575 001
Other credit balances	278 273 674	220 288 775
	<u>1 329 620 761</u>	<u>1 028 277 602</u>

29. OTHER PROVISIONS

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	85 562 354	49 636 420
Charged to income statement	6 569 371	37 400 835
Utilized during the year	(7 103 771)	(1 811 528)
Foreign currency revaluation differences	6 629 284	336 627
Balance as of 31 December	<u>91 657 238</u>	<u>85 562 354</u>

The other provision balances consists of:

Contingent liabilities provision	30 639 652	21 865 930
Potential claims and legal provision	2 774 105	3 828 141
Tax provision	46 656 843	48 281 645
Assets transferred to the bank provision before 2010	11 586 638	11 586 638
Total	<u>91 657 238</u>	<u>85 562 354</u>

30. CAPITAL

The authorized capital amounted to LE 2 Billion, the issued and paid up capital amounts to LE 957 687 374 as of the date of the financial statement at par value of LE 7 per share. All issued shares are fully paid.

31 December 2016	No. of shares	Ordinary shares	Total
		LE	LE
Balance as of 1 January 2016	136 812 482	957 687 374	957 687 374
Balance as of 31 December 2016	<u>136 812 482</u>	<u>957 687 374</u>	<u>957 687 374</u>
31 December 2015	No. of shares	Ordinary shares	Total
Balance as of 1 January 2015	127 862 133	895 034 931	895 034 931
The Shareholders share in prior year earnings used in increasing issued and paid up capital	8 950 349	62 652 443	62 652 443
Balance as of 31 December 2015	<u>136 812 482</u>	<u>957 687 374</u>	<u>957 687 374</u>

On 25 February 2016, the bank general assembly has approved the capital increase amounting to LE 143 653 104 through distribution of stock dividend to shareholders, until finalization of the register procedures the bank has recognized increasing amount in the item "Amount set aside under capital increase"

On 24 February 2015, bank general assembly has approved the capital increase amounting to LE 62 652 443 through distribution stock dividend to shareholders, and the amount was registered in commercial register on 16 November 2015 accordingly the amount has been added on issued and paid up capital of the bank

31. RESERVES

Reserves are represented in	31 December 2016	31 December 2015
	LE	LE
General banking risk reserve	149 252 101	138 511 388
Legal reserve	119 489 766	96 474 914
Capital reserve	5 809 562	4 438 099
Special reserve	41 212 327	41 212 327
Fair value reserve - financial investments available for sale	11 355 815	2 675 707
	327 119 571	283 312 435

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 2016	31 December 2015
	LE	LE
Balance as of 1 January	138 511 388	104 964 908
Transferred from retained earnings	10 740 713	33 546 480
Balance as of 31 December	149 252 101	138 511 388

B. Legal Reserve

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

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	96 474 914	77 854 573
Transferred from retained earnings	23 014 852	18 620 341
Balance as of 31 December	119 489 766	96 474 914

C. 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 2016	31 December 2015
	LE	LE
Balance as of 1 January	4 438 099	4 024 648
Transferred from retained earnings	1 371 463	413 451
Balance as of 31 December	<u>5 809 562</u>	<u>4 438 099</u>

D. Special Reserve

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

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	41 212 327	41 212 327
Balance as of 31 December	<u>41 212 327</u>	<u>41 212 327</u>

E. Fair Value Reserve-Financial Investment Available for Sale:

In accordance with the rules of preparing and presenting the 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 in this item 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 2016	31 December 2015
	LE	LE
Balance as of 1 January	2 675 707	4 066 063
Net profits/(losses) from change in fair value	8 680 108	(1 996 214)
(losses) transferred to income statement as a result of impairment	-	280 000
Foreign currency revaluation differences	-	325 858
Balance as of 31 December	<u>11 355 815</u>	<u>2 675 707</u>

32. RETAINED EARNINGS

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	247 684 759	200 453 808
Prior year dividends (employees & BOD'S)	(38 500 000)	(31 000 000)
Transferred to legal reserve	(23 014 852)	(18 620 341)
Transferred to capital reserve	(1 371 463)	(413 451)
Shareholder's cash dividends	-	(71 602 797)
Shareholder's dividends used in capital increase	(143 653 104)	(62 652 443)
Net profit of the year	512 458 655	265 066 463

	31 December 2016	31 December 2015
	LE	LE
Transferred (to) general banking risk reserve	(10 740 713)	(33 546 480)
Balance as of 31 December	<u>542 863 282</u>	<u>247 684 759</u>

33. CASH AND CASH EQUIVALENT

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

	31 December 2016	31 December 2015
	LE	LE
Cash and Due from Central Bank of Egypt (included in note 15)	750 918 201	660 963 621
Due from banks (included in note 16)	4 840 508 452	2 514 243 244
Treasury bills (included in note 17)	9 838 154	-
	<u>5 601 264 807</u>	<u>3 175 206 865</u>

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 LE 2 774 105 against LE 3 828 141 as of 31 December 2015.

B. Capital Commitments

	31 December 2016	31 December 2015
	LE	LE
Capital commitments represented in contracts for the purchase of fixed assets and branches' fixtures	34 169 839	46 333 389
Capital commitments represented in financial investments	-	13 125 000
	<u>34 169 839</u>	<u>59 458 389</u>

C. Finance, Guarantees and Facilities Commitments (Net)

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

	31 December 2016	31 December 2015
	LE	LE
Acceptances	97 551 042	78 861 773
Letters of guarantees	1 099 767 786	991 957 999
Letters of credits	842 374 113	265 033 492
	<u>2 039 692 941</u>	<u>1 335 853 264</u>

35. TAX POSITION

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 2015 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.

Salaries Tax:

- The bank has been inspected from operation commence till 31/12/2008 and the assessed tax were paid
- Years 2009 till 2015: the bank were not inspected amount due paid on monthly bases .

Stamp Duty tax :

- The bank's branches were inspected till 31/7/2006 and there were no any obligation on the bank .
- The bank was inspected from 1/8/2006 till 31/12/2010 and bank paid the amount which agreed upon and the rest of amount subject to Appeals Committee. No tax inspection from 1/1/2011 till 31/12/2015 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 carried out with members of the top management, 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 2016	31 December 2015	31 December 2016	31 December 2015
	LE	LE	LE	LE
Due to customers				
Balance as of 1 January	483 590 101	443 015 295	1 068 667	1,065,981
Deposits transactions executed during the year	748 663 801	70 904 826	3 402 870	2 686
Deposits matured during the year	(52 205 015)	(30 330 020)	-	-
Balance as of 31 December	<u>1 180 048 887</u>	<u>483 590 101</u>	<u>4 471 537</u>	<u>1 068 667</u>
Cost of deposits during the year	<u>28 700 958</u>	<u>13 359 203</u>	<u>90 178</u>	<u>66 724</u>

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 21 March 2013

Al Baraka Bank Egypt (S.A.E)

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 a (Deposit Investment 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 wavering 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.

	31 December 2016	31 December 2015
	LE	LE
Balance as of 1 January	154 602 000	142 802 000
Foreign currency revaluation differences	210 728 000	11 800 000
Balance as of 31 December	<u>365 330 000</u>	<u>154 602 000</u>

C. Other Related Parties Transactions

	Members of top management and Close family members		Subsidiary and Associate companies	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	LE	LE	LE	LE
Fees and commission revenues during the year	-	355	45 670	45 670
	<u>-</u>	<u>355</u>	<u>45 670</u>	<u>45 670</u>

D. Board of Directors and Top Management Benefits

	31 December 2016	31 December 2015
	LE	LE
Salaries and short term benefits	12 165 515	10 096 247
	<u>12 165 515</u>	<u>10 096 247</u>

37. SUBSEQUENT EVENTS

On 23 February 2017 the Central Bank of Egypt accepted for the bank the registration in CBE register dated 21 February 2017 with an increase in the issued and paid up capital from LE 957 687 374 to be LE 1 101 340 478 with an increase of LE 143 653 104 supported by shareholders share in bank's profit for year 2015, Accordingly effective from that date the amount recorded in the item of "Set aside under capital increase " amounting to LE 143 653 104 on financial statement date will be added to - paid up capital (Note 30).

38. MUTUAL FUNDS

31 December 2016	Al Baraka bank Egypt fund (Al Baraka)	National Bank of Egypt and 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)	636 260	1 935 624	559 995
Par value amounts (LE)	63 626 000	193 562 400	55 999 500
Redemption value amounts (LE)	60 737 380	128 196 378	46 457 185
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 (LE)	14 763 000	4 540 300	5 270 000
Redemption value amounts of the share of the bank in the fund (LE)	14 092 760	3 007 041	4 371 992
Fees & commissions included in fees and comm./ other fees revenues in income statement (LE)	327 756	288 048	240 573
Returns from the contribution included in dividends caption in income statement (LE)	73 815	102 157	-

Fund of Zakah and Charity Donations

**Financial Statements
For the year ended 31 December 2016
& 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 2016 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 2016, 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

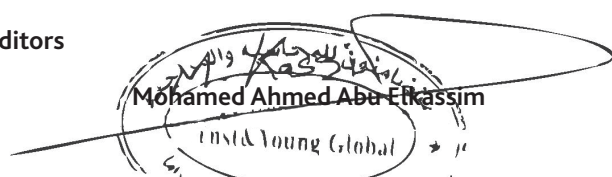
The fund keeps proper financial accounts that include all what is required by its statutes, and the figures of the balance sheet and income & expenses account agree with what is mentioned in such accounts.

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.

Cairo: 26 February 2017


BAKER TILLY
WAHID ABDEL GHAFAR & CO.
PUBLIC ACCOUNTANTS & CONSULTANTS
Tarek Salah
Wahid Abdel Ghaffar & Co. - BT
Public Accountants & Consultants


Auditors



Mohamed Ahmed Abu Elkassim
Enst & Young Global
Allied for Accounting & Auditing – E&Y
Public Accountants & Consultants

Balance Sheet

For the year ended 31 December 2016

	Note No	31 December 2016 L.E	31 December 2015 L.E
Cash & Balances with the Bank:			
Investment current account		3 834	84 398
Limited term investment current account		60 000	1 029 351
Total Current Accounts		63 834	1 113 749
Charitable investment account with return on Fund (running alms)	(4)	1 622 850	1 622 850
Total		1 686 684	2 736 599
Income exceeds expenses		63 834	1 113 749
Against charitable investment		1 622 850	1 622 850
Total		1 686 684	2 736 599

Ashraf Ahmed 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.

Al Baraka Bank Egypt (S.A.E)

Income & Expenses

For the year ended 31 December 2016

	31 December 2016 L.E	31 December 2015 L.E
Income		
Opening balance	1 113 749	1 083 308
Zakah Collected		
Islamically due on Bank's funds for previous year	5 140 820	8 830 230
Total Zakah Collected	6 254 569	9 913 538
Investment account return (current/limited term)	340 882	207 312
Returns on charitable investment accounts "running alms"	60 652	28 838
Total Income	6 656 103	10 149 688
Expenses		
Zakah Spent		
Hospitals, Foundations & Charitable Associations	(6 590 000)	(8 790 973)
Total Zakah Spent	(6 590 000)	(8 790 973)
Administrative & general expenses	(2 269)	(244 966)
Total Expenses	(6 592 269)	(9 035 939)
Excess of Income above Expenses	63 834	1 113 749

- Enclosed notes are an integral part of financial statements.

Notes to Financial Statements
For the year ended 31 December 2016

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 2016 is represented in the following:

L.E 1 622 850 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.

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Heliopolis Branch

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Fax: (02) 26842825
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e-mail: haram@albaraka-bank.com.eg

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Fax : (02) 28103513-28103514
Swift : ABRKEGCAFSB
e-mail: newcairo@albaraka-bank.com.eg

Sheikh Zayed Branch

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

Madinty Branch

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

Under-foundation:

New Head Office – New Cairo

