



بنك فيصل الإسلامي المصري

FAISAL ISLAMIC BANK OF EGYPT

Islamic Banking Pioneer



Honest dealings - Purity of profits - Safety of funds



بنك فيصل الإسلامي المصري

FAISAL ISLAMIC BANK OF EGYPT

Annual Report 2017



The Late His Royal Highness Prince
Mohammed Al -Faisal bin Abdul-Aziz Aal-Saud,
The founder of Faisal Islamic Bank of Egypt,
Former chairman of The Board of directors
And a pioneer of Islamic banking in the world



His Royal Highness Prince
Amr Mohammed Al-Faisal Aal-Saoud
Chairman of the Board of Directors
Faisal Islamic Bank of Egypt



Governor

Mr. Abdel Hamid Mohammed Aboumoussa



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Board of Directors *

His Royal Highness Prince

Amr Mohammed Al-Faisal Aal-Saoud

Chairman

Sheikh/ Ibrahim Bin Khalifa Aal-Khalifa

(Representative of Faisal Islamic Bank, Jersey)

Dr. Ahmed Abdel-Hafez Abdel-Wahab

(Representative of Egyptian Endowments Authority)

Dr. Eng. Khalid Omar abdelrahman Azzam

(Representative of DMI for Limited Management Services)

Mr. Raafat Mokbel Hussein

(Representative of Egyptian Company for Investments)

Mr. Abdel Hamid Mohammed Aboumoussa

(Bank's Governor)

Mr. Abdulaziz Abdulrahman Al-Issa

(Representative of DMI)

Mr. Maged Ghaleb Mohammed Ghaleb

Mr. Mohammed Mohsen Mohammed Mahgoub

Mr. Yusuf Bin Abbas Bin Hassan Ashaari

(Representative of the Gulf Company for Financial Investments)

The Islamic Investment Company of the Gulf, Al-Sharja

Egyptian Company for Business and Trade

Faisal Financial Investments Co.

Governor

Mr. Abdel Hamid Mohammed Aboumoussa

* Board members are arranged in Arabic alphabetical order.



Board of Directors' Committees

(1) Senior Management Committee

- | | |
|---|---|
| - His Royal Highness Prince/ Amr Mohammed Al-Faisal | Chairman |
| - Mr. Abdel Hamid Mohammed Aboumoussa (The Bank's Governor) | (Executive Board Member) |
| - Mr. Raafat Mokbel Hussein | (Executive Board Member) |
| - Dr. Ahmed Abdel-Hafez Abdel-Wahab | (Chairman of Egyptian Endowments Authority) |
| - Mr. Yusuf Bin Abbas Bin Hassan Ashaari | Member |

(2) Audit Committee

- | | |
|---|----------|
| - Sheikh/ Ibrahim Bin Khalifa Aal-Khalifa | Chairman |
| - Mr. Mohammed Mohsen Mohammed Mahgoub | Member |
| - Mr. Abdulaziz Abdulrahman Al-Issa | Member |

(3) Risk Policies Committee

- | | |
|--|----------|
| - Sheikh/ Ibrahim Bin Khalifa Aal-Khalifa | Chairman |
| - Mr. Abdel Hamid Aboumoussa (The Bank's Governor) | Member |
| - Mr. Mohammed Mohsen Mohammed Mahgoub | Member |
| - Mr. Abdulaziz Abdulrahman Al-Issa | Member |

(4) Governance and Nominations Committee

- | | |
|--|----------|
| - Dr. Ahmed Abdel-Hafez Abdel-Wahab | Chairman |
| - Mr. Maged Ghaleb Mohammed Ghaleb | Member |
| - Dr. Eng. Khalid Omar abdelrahman Azzam | Member |

(5) Salaries and Remunerations Committee

- | | |
|--|----------|
| - Mr. Mohammed Mohsen Mohammed Mahgoub | Chairman |
| - Mr. Maged Ghaleb Mohammed Ghaleb | Member |
| - Mr. Yusuf Bin Abbas Bin Hassan Ashaari | Member |



Religious Supervisory Board

| | |
|---|------------------------|
| Dr. Nasr Farid Mohammed Wassel | Chairman |
| Dr. Ali Gomaa Mohammed Abdulwahab | Deputy Chairman |
| Counselor. Abdulaaty Mahmoud Al-Shafey | Member |
| Dr. Mohammed Al-Shahhat Al-Gendy | Member |
| Dr. Hamdi Sobh Taha Dawood | Member |

Auditors

Mr. Mohammed Salah El Din Isa Aboutabl

Mr. Mohammed Metwally Radwan



Statement of the Chairman

Dear Shareholders,

Peace, mercy and blessings of Allah be upon you

I'm pleased to review, on behalf of the Board of Directors members and on my own behalf, the FY 2017 annual report and highlight the efforts devoted by the Bank's executive management and staff, yielding results during a year that was marked by significant achievements under serious challenges resulting from unfavorable circumstances and developments at the international, regional and national levels. These challenges are represented in increasing military conflicts and political turmoils within and among several countries in the world, especially neighboring countries and the region's countries. This in addition to some tensions and security incidents locally, high inflation rates and large budget deficits in major Powers and countries of the region, as well as high cost of funds managed in the banking sector as a whole.

Generally, the strategic goal set by the Bank as a main focus of business during 2017 to achieve an increase in profitability of the Bank's transactions and ensure that minimum risks are maintained, was reached and greatly exceeded the set target. It is worth noting that the Bank's management set this goal as the main focus of business during the reporting year with the aim of ensuring continuous abidance by regulatory rules and requirements, especially the Risk-based Capital Adequacy Ratio (CAR) as the most important regulatory indicator, which has a major impact on banking activities and their future developments. Thus, it is necessary to provide enough support to capital balances and adopt effective methods and tools to control the growth of total value at banking risks despite the steady and rapid growth in funds under management and total volume of the Bank's business. This matter has gained great significance over the past two years, particularly under intolerable pressures caused by the Bank's concentration risks that need to be faced and covered by a large amount of capital.

The Bank's performance during FY 2017 was an outstanding one, as it reached and even exceeded the level of the previous years in several aspects. It is worth mentioning that the reporting year represents the first year of the Bank's five-year strategy (2017 / 2021), and the actual implementation results reflect the achievement of all quantitative and qualitative business plan goals.

With regard to the financial performance of the Bank based on the unconsolidated financial statements, volume of business - represented in total assets and contingent liabilities and commitments - amounted to EGP 83.91 billion at the end of 2017, with an annual increase amounting to EGP 7.54 billion at a rate of 9.9%. As the Bank pays great attention to provide different kinds of Sharia-compliant saving pools in local and foreign currencies that suit all the customers and have competitive advantages and returns, total balances of saving pools and certificates (funds under management) reached EGP 71.13 billion at the end of the reporting year, recording an increase amounting to EGP 7 billion at a rate of 10.9%. These balances represented 86.1% of total assets. Deposit balances are distributed among 1.8 million accounts managed by the Bank for its customers. On the other hand, Funds under management and available resources were

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invested in Sharia-compliant fields complying with the sound investment methods that concurrently satisfy the different needs of customers in the private business sectors, corporations, small and medium-sized enterprises (SMEs), and retail banking customers including individuals and customers of household sector, taking into consideration portfolio distribution, enhancing expansion, reducing concentration risks and minimizing risks, in addition to making sure that we have sufficient collaterals and provisions in accordance with applicable regulatory rules.. On 31 December 2017, net finance and investment balances (after deducting the provision) increased by an amount of EGP 7.51 billion at a rate of 11% to reach EGP 75.63 billion compared to EGP 68.12 billion at the same date of the previous year. Net finance and investment balances represent 91.6% of total liabilities and shareholders' equity.

As part of the Central Bank of Egypt's initiatives to finance SMEs and support the economic and social development during this stage, the Bank's management attached utmost importance to SMEs's financing and retail banking transactions. At the end of 2017, the balance of SMEs's portfolio amounted to EGP 2.1 billion representing 22.5% of total finance portfolio, and the balance of retail banking portfolio reached EGP 1.1 billion which was fully used to provide basic commodities and vital services to individual customers and household sector.

Regarding the shareholders' equity item, The Bank's executive management succeeded in increasing this item up to a total of EGP 9.25 billion which greatly boosted the capital base. On 31/12/2017, the shareholders' equity item represented 11% of total volume of business (assets, contingent liabilities and commitments). In its meeting held on 13/7/2017, The Extraordinary General Assembly of the Bank approved an increase of US\$ 10684386 in the Bank's issued and paid up capital, distributed to 10684386 shares in the same shareholding currency through distribution of bonus shares to shareholders with three additional shares per hundred original shares. This increase was funded by retained profits.

Developments of the Bank's activities and main indicators during 2017 were reflected on business results, as the Bank earned total revenues amounting to EGP 6836.7 million compared to EGP 7407 million during the previous fiscal year, with a decrease of EGP (570.3) million at a rate of (7.7%), where the revenues earned during 2016 included credit valuation differences of EGP 1557.2 million arising from the decline in the Egyptian Pound's exchange rate against foreign currencies due to the decision taken by the Central Bank of Egypt in November 2016 to allow the Egyptian pound to float freely at a time when its exchange rate was relatively stable in the reporting year, showing a downward trend as stated in the next part of the report (Domestic Economic Developments). Accordingly, and by excluding the balances of credit valuation differences from total revenues of 2016, these revenues amounted to only EGP 5849.8 million. Consequently, the Bank's total revenues saw a real increase of EGP 986.9 million at a rate of 16.9% during 2017.

Generally, total revenues amounting to EGP 6836.7 million, of which EGP 3573.8 million were distributed as returns to holders of investment accounts and saving certificates [against EGP 3138 million during 2016]. As a result, average annual rates of return increased to 6.95% for General Investment Accounts held in local currency, 11.95% for the three-year saving certificates, 13.15% for "Izdhar" seven-year saving certificates and 13.9% for "Nam'a" seven-year saving certificates



Total profit of the reporting year amounted to EGP 4640.749 million. This total profit includes retained earnings of EGP 2917.983 million, total banking risk reserve and amounts transferred to capital reserve amounting to EGP 0.92 million, and the IFRS9 risk reserve amounted to EGP 335.510 million. The residual amount of EGP 1386.336 million represents the net distributable profit for FY 2017 compared with EGP 1329.225 million in FY 2016 (after excluding the credit valuation differences), recording a real increase of EGP 57.111 million at a rate of 4.3% compared with 2016.

Before we begin by reviewing the next part related to the developments in retail banking activities and services, it should be noted that the reporting year was marked by a significant achievement in the information systems represented in the actual operation of the New Automated System, The project that the Bank's management was keen to carry out within the framework of its interest in improving the technological environment and keeping pace with recent advances in Automated Systems technology and due to its responsibility to improve the level and quality of services provided to customers and all related parties. Therefore, the Bank's management collaborated with one of the leading electronic banking solutions providers at local and regional levels, known as (ITS) to carry out this project. Thus, the New Automated System was launched and operated as of April 2017 to represent an important and useful addition to the Bank's operational activities and internal control operations. As for the electronic retail banking services, the Bank continued to issue more electronic payment cards (Visa Electron), bringing the number of active cards issued to 347.7 thousand cards at the end of the reporting year. In addition, the number of ATMs increased by 42 machines during 2017, bringing the total to 313 machines at the end of the year which are located inside and outside the Bank's branches, and at malls, public places and squares in main cities all over the country. In this regard, the Bank's management was extremely keen to add and operate new services provided by ATMs with the aim of making it easier for customers to carry out banking transactions and avoiding crowdedness in the Bank's branches especially on days and in times of increasing demand for banking services such as days when returns of saving pools are paid and the working days immediately before and after holidays. The services available online on the Bank's website in 2017 have also greatly improved through a comprehensive update to the website including the mechanisms of website access, design and content, and gradually benefiting from the proven capabilities of the New Automated System in developing and introducing new services.

Regarding the geographical expansion of Bank's units and branches' re-engineering and facilitation of work procedures therein, three new branches were opened during 2017, the first one is "Madinaty" in the New Cairo area, the second one is "Maadi" in Greater Cairo area and the third one is "Port Said" in Port Said city, bringing the total number of branches to 36 branches covering most governorates and major cities across the country. In addition, renovations and developments of Ghamra and Zagazig branches and the building of document safekeeping in Nasr city were carried out. During the next period, the Bank's management is planning to open extra new branches in Shebin El-Koum city, Kafr El-sheikh city, The New Administrative Capital and Al-rehab city in the New Cairo area.

With respect to the social responsibility, the Bank has a leading role in this field within the Egyptian society. Since its inception in 1977, the Bank has given top priority to this field through the Zakat Fund and social services provided to beneficiaries of individuals and charities. In this regard,

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the Bank's activities include many aspects such as donations directed to hospitals, slums development and public constructions in a number of governorates. In addition, the Zakat Fund's legitimate channels, interest-free loans granted to the needy and people with urgent needs and who lived in difficult conditions, repayment of needy debtors' debts, summer training courses on Islamic banking for Egyptian universities' students, and services provided by the Bank's Orphanage such as accommodation, social, educational and health care services for the orphans. Accordingly, Total disbursements under the social responsibility amounted to about EGP 500 million until the end of 2017.

Dear shareholders,,,

These are the most important achievements of your Bank during a difficult year at all levels, but the figures and indicators - by virtue of Allah - showed that the targets of the management were achieved regarding continuous excellence levels of results and performance and reaching higher levels year after year, as well as full abidance by the banking rules and regulations especially "Capital Adequacy Ratios" as The risk-based Capital Adequacy Ratio (CAR) recorded 14.55% at the end of December 2017 against regulatory minimum 11.25% after adding capital conservation buffer. Non-risk Capital Adequacy Ratio (LR) reached 6.9% against a minimum limit of 3%

However, I have to note that the new FY 2018 brings new challenges, the most salient of which is abidance by the regulatory rules in the light of the increase in "Capital Adequacy Ratio" regulatory minimum from 11.25% to 11.875% as of January 2018. In addition, the continuing pressures of concentration risks on "CAR", as well as the big difference between the growing capital base, limited to the increase in carried-forward profit item and the usual year-to-year basis enhancements, in comparison with significant increase in the Bank's volume of business. This is in addition to the consequences arising from IFRS9 application, as the Central Bank of Egypt (CBE) required all banks operating in Egypt to take the necessary measures to apply this standard that entails reconsidering methods of calculating provisions and impairment losses of investment portfolios.

Nevertheless, let me assure you my optimism about the Bank's ability to face these challenges, By Allah's will, and owing to strong support came from you and all customers as they always do in such circumstances.

Finally, I would like to extend my sincere gratitude and appreciation to you and all the Bank's customers and correspondents for their great confidence and continuing support acted as a catalyst for us to improve and to be better, and I also appreciate sincere and great efforts devoted by the Bank's management and staff, as well as appreciation to officials of the Central Bank of Egypt and the Religious Supervisory Board of our Bank for their mutual understanding and fruitful coordination.

Peace, mercy and blessings of Allah be upon you.

Chairman of the Board of Directors

Prince Amr Al-Faisal



Domestic Economic Developments

The year 2017 witnessed the completion of the measures initiated by the government since November 2016 under the ambitious program of economic reform, as it is the most important step in achieving development and redressing the structural imbalances which the Egyptian economy has been suffering for years. During 2017, The New Investment Law and its executive regulations were passed with the aim of creating an attractive investment climate by providing several key guarantees, facilities and incentives to investors. In addition, Small and Medium-sized Enterprises (SMEs) Development Authority was established under the auspices of Ministry of Trade and Industry, to support and promote SMEs activity due to its crucial importance in achieving economic and social development. In this regard, the Central Bank of Egypt (CBE) has launched further initiatives during 2017 to encourage banks to finance these projects. The most recent initiatives included the decisions taken by the CBE Board of Directors on 13 and 27 December 2017, by which the Credit Guarantee Company (CGC) issues guarantees to banks granting funding for SMEs to cover the associated risks. Consequently, these decisions bring major benefits to banks providing finance for these projects when calculating their capital adequacy ratios. In addition, the concept of financial inclusion received a lot of attention and was widely introduced during 2017 in order to maintain financial stability, promote social justice, fight poverty, achieve higher rates of economic growth and reduce unemployment rates.

After ensuring stability in the foreign exchange market owing to the decision to float freely the Egyptian pound's exchange rate which ended in success, contributing significantly to restoring confidence in the economy, reducing external imbalances, rebuilding international reserves, enhancing investors' confidence in the investment climate and setting the national currency's fair value. Accordingly, CBE has issued a number of decisions during 2017 with the aim of transforming the business environment within the Egyptian banking sector from extraordinary situation into the normal one. These decisions include cancelling the maximum limit imposed on foreign currency transfers abroad, limited to US \$100,000 annual cap or its equivalent of other foreign currencies, and returning to limits imposed on long currency positions with banks that were valid before 2013. In addition, the required cash reserve ratio increased from 10% to 14%.

Generally, the policies, decisions and measures adopted and taken during the reporting year have resulted in much success, but this does not mean that there are no obstacles or problems. The Egyptian economy still faces many challenges such as rising public debt, large budget deficit, high rates of unemployment and inflation, as well as an inappropriate export performance, an imbalance in foreign investment outflows and the slow growth in sources of foreign exchange

The most significant developments of economic indicators during 2017 are as follows:

- Despite the slight decline in GDP growth rate to reach 4.2% during FY 2016/2017, compared to 4.3% during the previous fiscal year, the first quarter of the new FY 2017/2018 (July / September 2017) recorded a 5.2% growth rate to reach the highest growth rate since FY 2009/2010.
- The unemployment rate declined to 11.9% during the third quarter of 2017 compared to 12.6% during the same period in 2016, the lowest rate since 2011.

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- The International Reserves increased by US\$ 12.755 billion to reach US\$ 37.020 billion at the end of 2017, compared to US\$ 24.265 billion at the end of 2016.
- At the end of the third quarter of FY 2016/2017, the overall budget deficit decreased to 8% of GDP, compared to a 10.1% deficit of GDP during the same period in the previous fiscal year. Meanwhile, actual data for the period (July / September 2017) showed that the overall budget deficit decreased to 2% of GDP, compared to a 2.2% deficit of GDP during the same period in 2016.
- Total domestic public debt amounted to EGP 3160.9 billion at the end of June 2017 at a rate of 91.1% of GDP, compared to EGP 2620.7 billion at a rate of 96.7% of GDP at the same date of 2016. The external debt amounted to US\$ 79.033 billion at the end of June 2017 at a rate of 33.6% of GDP, compared to US\$ 55.764 billion at a rate of 16.6% of GDP at the same date of 2016.
- The average annual inflation rate for urban areas increased to 30.32% during the period (January / November 2017), compared to 12.84% during the same period in 2016.
- During the FY 2016/2017, Remittances of Egyptians working abroad increased by 2.2% to reach US\$ 17.453 billion compared to US\$ 17.077 billion in the previous fiscal year. Tourism revenues rose by 16.2% to reach US\$ 4.380 billion compared to US\$ 3.768 billion in the previous fiscal year. The Suez Canal transit tolls fell by 3.4% to be limited to US\$ 4.945 billion compared with US\$ 5.122 billion.
- Egypt's transactions with the external world resulted in an overall BOP surplus of US\$ 13.7 billion during FY 2016/2017, compared with an overall deficit of US\$ 2.8 billion a year earlier. While the balance has recorded an overall surplus of US\$ 5.1 billion during the period (July / September 2017), compared to US\$ 1.9 billion during the same period in 2016.
- Although the CBE's Monetary Policy Committee (MPC) has raised key CBE Rates by 4% during 2017 in a two-phased procedure, the last of which was on 6/7/2017 by 2%, the Egyptian Stock Exchange (EGX) Indices experienced massive increases during the reporting year, as the main index (EGX30) increased by 21.8% to close at 15019.14 points. Similarly, (EGX70) index jumped by 78.6%, and the broader index (EGX100) rose by 79.9%.
- The Egyptian Pound's exchange rate against the US dollar has increased from 18.26 EGP/USD to 17.72 EGP/USD as it rose by 0.54 pounds at a rate of 2.96%, but it fell by 2.16 pounds at a rate of 11.4% against the Euro to reach 21.26 EGP/EUR at the end of 2017.
- Moody's Investors Service has affirmed Egypt's B3 rating and maintained stable outlook. S&P Global Ratings revised outlook on Egypt's credit rating to Positive from Stable. Similarly, Fitch Ratings has revised Egypt's outlook to Positive from Stable.



Valuation of the Bank performance during the reporting year

The efforts of the Bank and the financial policies adopted during the FY 2017 have led to achieving a number of results, the most important of which is that total balance sheet amounted to EGP 82605 million, and total revenues reached the equivalent of EGP 6836.7 million. These revenues have supported the Bank's ability to distribute returns to the saving pools' customers at an average annual rate of 6.95% for Investment Accounts held in local currency, 11.95% for the three-year saving certificates, 13.90% for "Nam'a" seven-year saving certificates, 13.15% for "Izdhar" five-year saving certificates, 1.17% for Investment Accounts held in foreign currencies, and 1.17% for Investment Accounts in Euro currency. This is in addition to meeting the different obligations represented in building provisions to face finance and investment risks and covering current expenses (General and Administrative expenses, Depreciation, Zakat legitimately due on the Bank's funds, and income taxes).

After fulfilling the above-mentioned obligations, a residual surplus of EGP 1722.8 million represents net Profit; of which EGP 0.9 million was transferred to capital reserve (Value of proceeds from sale of some fixed assets of the Bank according to the law), and banking risk reserve and the IFRS9 risk reserve amounted to EGP 335.5 million; thus resulting in Net Distributable Profit of EGP 1386.3 million.

It is worth noting that:

- 1- The financial statements of the Bank at the end of the FY ending on 31/12/2017 were prepared according to the instructions of the Central Bank of Egypt dated 16 December 2008; amending the rules of preparation and presentation of financial statements and foundations of recognition and measurement.
- 2- Foreign currency exchange rates of the comparative year (2016) were not amended based on instructions of the Central Bank of Egypt and the Bank's auditors (USD = EGP 17.7277 at the end of the fiscal year 2017 compared with EGP 18.2665 at the end of the fiscal year 2016).

1- Business results:

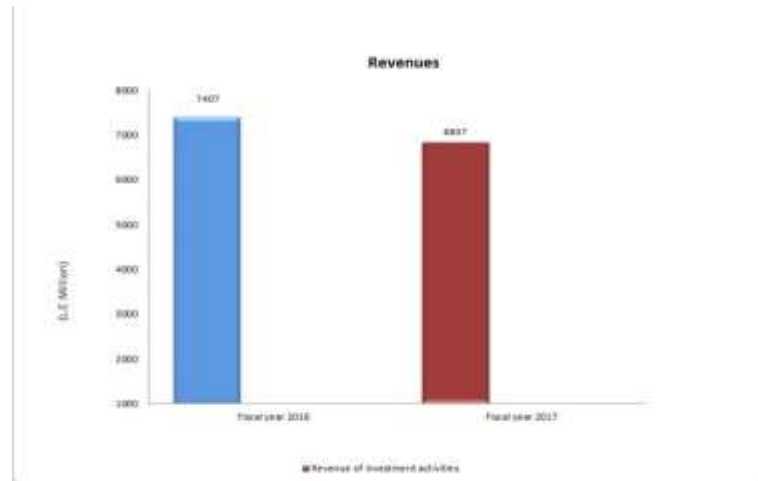
Net profit of the year amounted to the equivalent of EGP 1722.8 million; this profit resulted from revenues and expenses, as stated in the income statement as follows:

1 – 1 Revenues:

Total revenues during the reporting year amounted to EGP 6836.7 million, which was generated from different banking activities according to the following:

- * Revenues from Musharaka, Murabaha and Mudaraba (commercial transactions, real estate investments and others) with an amount of EGP 6519.8 million, representing 95.4% of total revenues.
- * Revenues from different banking services amounted to EGP 192.2 million, representing 2.8% of total revenues.
- * Net trading income, dividends, profit of financial investments and other operational revenues amounted to the equivalent of EGP 124.7 million, representing 1.8% of total revenues.

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1—2 Expenses:

Total expenses amounted to EGP 5114 million, represented in the following:

1 – 2 – 1 Return on saving pools:

Total returns distributed to owners of saving pools amounted to EGP 3573.8 million, representing 69.9% of total expenses.

1 – 2 – 2 Current Expenditures:

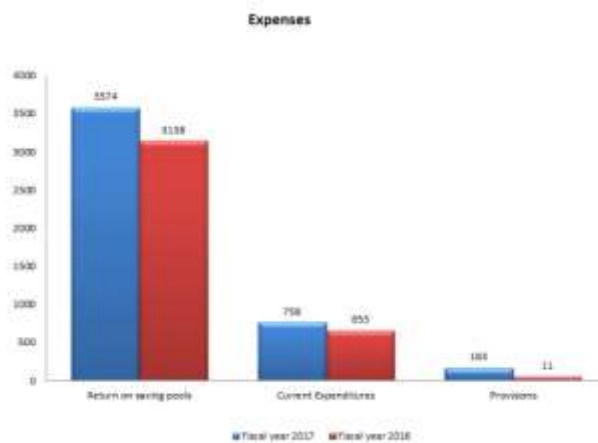
Total current expenditures (General and Administrative expenses, Depreciation and Zakat legitimately due on the Bank's funds) amounted to EGP 757.7 million, representing 14.8% of total expenses.

1 - 2 - 3 Provisions:

Total impairment losses of finance and investment transactions amounted to EGP 163.1 million, representing 3.2 % of total expenses.

1 - 2 - 4 Income Tax expenses:

The income taxes paid amounted to EGP 619.4 million, representing 12.1% of total expenses.





2- Volume of Business and Main Activities:

2-1 Business Volume:

Total balance sheet at the end of December 2017 amounted to the equivalent of EGP 82605 million. Off-balance contingent liabilities and commitments amounted to the equivalent of EGP 1305.1 million.

2-2 Saving pools:

Total current and investment accounts and saving certificates amounted to the equivalent of EGP 71127.6 million at the end of December 2017. These balances represent 86.1% of total balance sheet

2-3 Finance and Investment Balances:

Finance and investment balances (after deducting provision) amounted to the equivalent of EGP 75628.3 million at the end of December 2017. These balances represent 91.6% of total balance sheet

The Bank is keen to finance various production and service sectors in accordance with the objectives of the Socio-Economic plan of the country.

2-4 The Bank Companies:

The Bank invests a part of its investments to establish subsidiary companies operated in accordance with the Islamic Sharia principles, or to participate in the capital of similar companies with others; in a manner covering all sectors of economic activity. The Bank also finances their activities by Islamic instruments. These companies contribute towards moving the Egyptian economy forward and providing thousands of job opportunities. Total issued capital of these companies amounted to EGP 22903 million, of which EGP 22901 million is paid. The Bank's share in these companies amounted to EGP 2217 million, with a cost amounted to EGP 3408 million and book value of EGP 2699 million at the end of 2017. representing 3.3% of total balance sheet.





3 - Banking Criteria and Ratios:

Our bank has an appropriate position according to the acceptable banking criteria. It also adheres to all instructions issued by the Central Bank of Egypt..

4 - Personnel, Training and Branches:

4 -1 Personnel and Training:

Improving and developing the Bank's performance is closely related to the human resources. Hence, due care and attention is given to personnel so as to improve their capabilities, increase their expertise and provide them with continued training, as being the effective factor in fulfilling the Bank's objectives and strategy.

In this regard, the Bank's personnel reached 1774 employees at end of 2017 against 1787 during the previous fiscal year. Tailored training programs are provided internally and externally to enhance the personnel efficiency. Training activity during the period under review includes about (1125) trainees for a number of (75) training programs covering all job levels. In addition, the effective role of the Bank in serving the community by providing summer training courses for students of commerce colleges and commercial institutes. As a result, (450) training opportunities have been provided for students during July and August 2017.

4-2 Branches:

Number of Bank's operating branches reached (36) branches across the country. Arrangements are being taken to open extra new branches during 2018, God willing.

5 - Budget plan for the fiscal Year 2017:

The budget plan for the fiscal year 2018 has been prepared to reflect the Bank's objectives and policies as well as business plans for the said year. The budget estimates were based on actual historical data of the Bank's activities and results during the past years, in addition to the prevailing and expected circumstances that may affect the economic and banking environment. The budget plan draft shows the following features:

5 -1 Saving pools :

An increase of 5.8% in balances of saving pools.

5-2 Finance and investment transactions :

An increase of 6.7% in different finance and investment transactions.

5-3 Shareholders' Dividends :

A net of 8% after zakat deduction.

Under the provisions of Article "56-Bis" of the Decree-Law No. 53 of 2014. Dividends of Associations of Capital are subject to a 10% tax, and the Bank shall pay this tax to "Misr for Central Clearing, Depository and Registry (MCDR)"



The Unconsolidated Balance Sheet

As at 31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| | Note. No. | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|--------------|----------------------------------|----------------------------------|
| Assets | | | |
| Cash and balances at the Central Bank of Egypt | (15) | 7.369.889 | 6.091.657 |
| Due from banks | (16) | 32.875.842 | 10.341.587 |
| Governmental securities | (17) | 10.291.962 | 14.490.936 |
| Financial assets held for trading | (18) | 31.550 | 19.606 |
| Musharaka, Murabaha and Mudaraba with customers | (19) | 7.200.438 | 5.959.720 |
| Financial investments | | | |
| Available for sale | (20/A) | 4.374.744 | 5.797.941 |
| Held to maturity | (20/B) | 17.190.835 | 28.576.396 |
| Investments in subsidiaries and associates | (20/C) | 1.057.265 | 1.022.138 |
| Intangible assets | (21) | 10.986 | 10.037 |
| Other assets | (22) | 1.340.274 | 1.859.323 |
| Fixed assets | (23) | 861.257 | 817.887 |
| Total assets | | 82.605.042 | 74.987.228 |
| Liabilities and Shareholders' Equity | | | |
| Liabilities | | | |
| Due to banks | (24) | 103.816 | 217.281 |
| Saving pools and saving certificates | (25) | 71.127.603 | 64.125.483 |
| Other liabilities | (26) | 2.107.484 | 2.234.129 |
| Other provisions | (27) | 19.086 | 15.214 |
| Total Liabilities | | 73.357.989 | 66.592.107 |
| Shareholders' Equity | | | |
| Paid-up Capital | (28) | 1.775.681 | 1.580.515 |
| Reserves | (29) | 2.830.656 | 2.878.136 |
| Net profit of the year and retained profit | (29/D) | 4.640.716 | 3.936.470 |
| Total Shareholders' Equity | | 9.247.053 | 8.395.121 |
| Total Liabilities and Shareholders' Equity | | 82.605.042 | 74.987.228 |

Auditors

Mohammed Metwally Radwan
Mohammed Salah El Din Isa Aboutabl



Governor

Abdel Hamid Mohammed
Aboumoussa

Chairman of the board

Amr Mohammed Al-Faisal Aal Saoud

- The accompanying notes from (1) to (34) are integral part of the unconsolidated financial statements.
- Auditors' report is attached.

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The Unconsolidated Income Statement

For the financial year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| | Note. No. | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|--------------|----------------------------------|----------------------------------|
| Return on Musharaka, Murabaha and Mudaraba and similar revenues | (6) | 6.519.840 | 5.420.208 |
| Cost of saving pools and similar costs | (6) | (3.573.811) | (3.138.041) |
| Net income from return | (6) | 2.946.029 | 2.282.167 |
| Fees and commissions revenues | (7) | 192.155 | 176.305 |
| Dividends | (8) | 84.001 | 172.996 |
| Net trading income | (9) | 45.544 | 16.804 |
| Profit (loss) from financial investments | (20/D) | (113.742) | 85.841 |
| Impairment (loss) from finance and investment transactions | (10) | (163.090) | 10.751 |
| Administrative expenses | (11) | (719.201) | (620.592) |
| Zakat legitimately due | | (38.468) | (32.279) |
| Other operational revenues | (12) | 108.903 | 1.534.887 |
| Profit before income tax | | 2.342.131 | 3.626.880 |
| Income tax (expenses) | (13) | (619.365) | (739.473) |
| Net profit of the year | | 1.722.766 | 2.887.407 |
| Earnings per share (EGP) | (14) | 4.418 | 7.872 |

Governor

Abdel Hamid Mohammed Aboumoussa

Chairman of the Board

Amr Mohammed Al-Faisal Aal Saoud

- The accompanying notes from (1) to (34) are integral part of the unconsolidated financial statements.



The Unconsolidated Statement of Changes in Shareholders' Equity

For the financial year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| | Note. No. | Paid-up Capital | Reserves | Retained profit | Net profit of the year | Total |
|--|------------------|--------------------|------------------|------------------|---------------------------|------------------|
| | | EGP Thousand | EGP Thousand | EGP Thousand | EGP Thousand | EGP Thousand |
| Balances as at 1st January 2017 | | 1.580.515 | 2.878.136 | 1.049.465 | 2.887.005 | 8.395.121 |
| Net change in financial investments available for sale | | - | (354.236) | - | - | (354.236) |
| Net income directly recognized in Shareholders, Equity | | - | 2.523.900 | - | - | 8.040.885 |
| Dividends | | - | - | - | (534.000) | (534.000) |
| Transferred to capital | | 195.166 | - | (195.166) | - | - |
| Transferred to legal reserve (general) | | - | 288.741 | - | (288.741) | - |
| Transferred to other reserves | | - | 580 | - | (580) | - |
| Transferred to retained profit | | - | - | 2.063.684 | (2.063.684) | - |
| Transferred to banking risk reserve for Assets transferred to the Bank | | - | 17.402 | - | - | 17.402 |
| Net profit of the year | | - | - | - | 1.722.766 | 1.722.766 |
| Balances on 31 December 2017 before amendment to banking risk reserve | | 1.775.681 | 2.830.623 | 2.917.983 | 1.722.766 | 9.247.053 |
| Transferred to general banking risk reserve | | - | 33 | - | (33) | - |
| Balances on 31 December 2017 | (28),(29) | 1.775.681 | 2.830.656 | 2.917.983 | 1.722.766 | 9.247.053 |
| Balances as at 1st January 2016 as previously issued | | 1.059.355 | 1.288.631 | 1.186.761 | 752.597 | 4.287.344 |
| Net change in financial investments available for sale | | - | 1.472.857 | - | - | 1.472.857 |
| Net income directly recognized in Shareholders, Equity | | - | 2.761.488 | - | - | 5.760.201 |
| Dividends | | - | - | - | (292.421) | (292.421) |
| Transferred to Capital | | 521.160 | - | (521.160) | - | - |
| Transferred to legal reserve (general) | | - | 75.385 | - | (75.385) | - |
| Transferred to other reserves | | - | 927 | - | (927) | - |
| Transferred to retained profit | | - | - | 383.864 | (383.864) | - |
| Transferred to banking risk reserve for Assets transferred to the Bank | | - | 39.934 | - | - | 39.934 |
| Net profit of the year | | - | - | - | 2.887.407 | 2.887.407 |
| Balances on 31 December 2016 before amendment to banking risk reserve | | 1.580.515 | 2.877.734 | 1.049.465 | 2.887.407 | 8.395.121 |
| Transferred to general banking risk reserve | | - | 402 | - | (402) | - |
| Balances on 31 December 2016 | (28),(29) | 1.580.515 | 2.878.136 | 1.049.465 | 2.886.005 | 8.395.121 |

The accompanying notes from (1) to (34) are integral part of the unconsolidated financial statements.

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The Unconsolidated Cash Flows Statement

For the financial year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| | Note No. | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|--------------------|----------------------------------|----------------------------------|
| Cash flows from operating activities | | | |
| Net Profit before Taxes | | 3,342.131 | 3,626.880 |
| Adjustments to reconcile net profit with cash flows from operating activities | | | |
| Depreciation and Amortization | (21.23) | 39.111 | 36.409 |
| Impairment of assets | (19.20) | 453.177 | 204.568 |
| Revaluation differences for other provisions in foreign currencies | (27) | (4) | 77 |
| Charge (reverse) of other provisions | (27) | 3.876 | (66.892) |
| (Profit) from financial investments | (20/D) | (166.619) | (164.559) |
| (Profit) from sale of fixed assets | (12) | (887) | (580) |
| Dividends earned during the year | (8) | (84.001) | (172.996) |
| Income tax paid | (13) | (619.365) | (739.473) |
| Operating income before changes in assets and liabilities from operating activities | | 1,967.419 | 2,723.434 |
| Net change in assets and liabilities | | | |
| Balances at the Central Bank of Egypt as mandatory reserve ratio | (15) | (877.512) | (2,331.559) |
| Governmental securities with maturity exceeding three months | (17) | 3,011.364 | (3,537.887) |
| Financial assets held for trading | (18) | (11.944) | 10.179 |
| Musharaka, Murabaha and Mudaraba with customers * | (19.22) | (1,384.280) | (1,035.302) |
| Other assets | (22) | 501.888 | (494.709) |
| Balances due to banks | (24) | (113.465) | 82.458 |
| Saving pools and saving certificates | (25) | 7,002.120 | 14,888.323 |
| Other liabilities | (26) | (108.578) | 414.436 |
| Net cash flows resulting from operating activities | | 9,987.012 | 10,719.373 |
| Cash flows from investment activities | | | |
| (Payments) to purchase fixed assets and branch equipment | (23) | (76.009) | (149.376) |
| (Payments) to purchase intangible assets | (21) | (7.421) | (9.611) |
| Proceeds from fixed assets | (12) | 887 | 580 |
| Dividends earned during the year | (8) | 84.001 | 172.996 |
| Financial Investments available for sale * | (20/A, 20/D, 29/C) | 955.290 | 20,907.881 |
| Real estate investments | | - | 118.482 |
| Investments in subsidiaries and associates | (20/C) | (34.899) | 204.779 |
| Financial investments held to maturity | (20/B) | 11,390.571 | (27,396.715) |
| Net cash flows (used in) investment activities | | 12,312.420 | (6,150.984) |
| Cash flows from financing activities | | | |
| Dividends paid * | | (552.067) | (245.270) |
| Net cash flows (used in) financing activities | | (552.067) | (245.270) |
| Net increase in cash and cash equivalent during the year | | 21,747.365 | 4,323.119 |
| Cash and cash equivalent balance - at the beginning of the year | | 15,865.695 | 11,542.576 |
| Cash and cash equivalent balance - at the end of the year | | 37,613.060 | 15,865.695 |
| Cash and cash equivalent are represented in: | | | |
| Cash and balances at the Central Bank of Egypt | | 7,369.889 | 6,091.657 |
| Balances Due from banks | | 32,875.842 | 10,341.587 |
| Other Governmental securities deductible at the Central Bank of Egypt | | 10,291.962 | 14,490.936 |
| Balances at the Central Bank of Egypt as reserve ratio | | (6,178.211) | (5,300.699) |
| Governmental Securities with maturity (exceeding three months) | | (6,746.422) | (9,757.786) |
| Cash and cash equivalent | (30) | 37,613.060 | 15,865.695 |

* Cash Flow Statement didn't include non-cash transactions that are represented in:

- Change in "Murabaha and Musharaka with customers" item didn't include Assets transferred to the Bank in lieu of debts which was classified as "other assets" with amount of EGP 17.161 thousand. In addition to written off debts with amount of EGP 64.302 thousand for customers, banks and other provisions.
- Change in "Financial Investments available for sale" item didn't include evaluation differences which was listed in "Impairment loss of financial investments" and "fair value reserve" items with amount of EGP 634.369 thousand, and EGP 116.462 thousand that represents profit from sale of Financial Investments available for sale has been added during the year.
- Dividends Paid didn't include Shareholder dividends' creditors in "other credit balances" item with amount of EGP 534.000 thousand.

The accompanying notes from (1) to (34) are integral part of the unconsolidated financial statements.



The Proposed Profit Distribution Statement

For the financial year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| | 31 December 2017 | 31 December 2016 |
|---|-------------------------|------------------|
| | EGP Thousand | EGP Thousand |
| Net profit of the year (from the income statement) | 1.722.766 | 2.887.407 |
| less: | | |
| Profit from sale of fixed assets credited to the capital reserve by Law | (887) | (580) |
| IFRS 9 risk reserve | (335.510) | |
| General banking risk reserve | (33) | (402) |
| Net profit of the year available for distribution * | 1.386.336 | 2.886.425 |
| Add: | | |
| Retained profit at the beginning of the year | 3.113.149 | 1.570.625 |
| Transferred from retained profit to increase capital during the year | (195.166) | (521.160) |
| Net retained profit | 2.917.983 | 1.049.465 |
| Total | 4.304.319 | 3.935.890 |
| Distributed as follows: | | |
| Legal reserve (general) | 172.188 | 288.741 |
| Shareholders' Dividends** | 390.184 | 450.000 |
| Employees' profit share | 90.000 | 75.000 |
| Board of director's Remuneration | 12.000 | 9.000 |
| Retained profit at the end of the year | 3.639.947 | 3.113.149 |
| Total | 4.304.319 | 3.935.890 |

* In accordance with the Central Bank of Egypt's instructions issued on 28/1/2018.

** Distributed according to the provisions of Article 59 of the Bank's statute. Distribution process is based on CBE's decision in accordance with the provisions of Article 84 of CBE's Banking and Monetary System Law No. 88 of 2003.

*** Legal reserve (general) is calculated at 10% from net profit of the year, of which Profit from sale of fixed assets is deducted according to CBE's instructions.

*** 1- Dividends per share amounted to \$ 0.06 equivalent to EGP 1.0637 at a rate of 6% of nominal value, compared to 7% at the end of previous fiscal year (nominal value of the share is one US dollar).

2- Under the provisions of Article "56-Bis" of the Decree-Law No. 53 of 2014. Dividends of Associations of Capital are subject to a 10% tax, and the Bank shall pay this tax to "Misr for Central Clearing, Depository and Registry (MCDR)".



Complementary Explanations

for the Unconsolidated Financial Statements

For the financial year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H

1- Background

Faisal Islamic Bank provides all retail and corporate banking services and investment activities in the Arab Republic of Egypt and abroad, through 36 branches, and its head office located at 3. 26th July St., Cairo.

Faisal Islamic Bank of Egypt (Egyptian Joint stock company) was established under the law No. 48 of 1977. amended by the law No. 142 of 1981 and its Executive Regulation in the Arab Republic of Egypt, the Bank is listed in the Egyptian Stock Exchange.

In its meeting held on January 11th, 2018. the Bank's Audit Committee approved the Bank's Financial Statements and the Board of Directors approved them on 29 January 2018.

2- Summary of accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A-Basis of preparation

A/2

The unconsolidated financial statements are prepared in accordance with the Egyptian accounting standards issued in 2006 and its amendments, and in accordance with the instructions of the Central Bank of Egypt approved by its Board of Directors on 16 December 2008 consistent with the principles referred to. The unconsolidated financial statements are prepared under the historical cost basis, as modified by revaluation of the trading financial assets and liabilities, available for sale investments and financial derivatives contracts in addition to the compliance with the related applicable Egyptian law.

These Unconsolidated Financial Statements are prepared according to the provisions of the related applicable Egyptian laws, and the Bank will also prepare Consolidated Financial Statements of the Bank and its subsidiaries in accordance with the Egyptian Accounting Standards. The affiliated companies are entirely included in the consolidated financial statements and these companies are the companies that the Bank which - directly or indirectly - has more than half of the voting rights or has the ability to control the financial and operating policies regardless the type of activity. The Consolidated Financial Statements can be obtained from the Bank's Management. The investments in subsidiaries and associated companies are disclosed in the unconsolidated financial statements of the Bank and its accounting treatment is at cost deducting impairment losses.

The unconsolidated financial statements of the Bank should be read along with its consolidated financial statements (being prepared) for the year ended 31 December 2017. to help better understanding and getting complete information on the Bank's financial position as well as its financial performance, its cash flows, and changes in shareholder's Equity for the year then ended.

A/2

The Bank is applying IFRS9 "Financial Instruments" when preparing financial statements for the FY 2019 in accordance with circular dated 28 Jan 2018 regarding the Central Bank of Egypt's regulations related to the implementation of IFRS 9.

B-Subsidiaries and associates:

B/1 Subsidiaries

Are the companies over which the Bank owns directly or indirectly the power to control and govern financial and operating policies, and generally the Bank has a shareholding of more than a half of the voting rights.



B/2 Associates

Are the companies over which the Bank directly or indirectly has significant influence but do not reach to the extent of control, and generally the Bank has a shareholding between 20% and 50% of the voting rights.

Purchase method is used by the Bank to account for acquisition of companies. The acquisition cost is measured by the fair value of assets, or the equivalent assets presented by the Bank in return, and/or issued equities and/or liabilities incurred by the Bank and/or liabilities accepted by the Bank on behalf of the acquired company in the offset date adding any costs directly related to the acquisition process. Net identifiable acquired assets including potential liabilities are measured at fair value on the date of acquisition irrespective of minority interest. The excess of acquisition cost over the Bank's share of fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the stated fair value of the net assets, the difference is recognized directly in the income statement under "Other operational revenue/expenses" item.

Investments in subsidiaries and associates in the unconsolidated financial statements are accounted for at cost; investments are recorded at the acquisition cost including any goodwill and net of any impairment losses. Dividends are recorded in the income statement when dividends are approved, and affirming the Bank's right in its collection.

C-Segment reports

A business segment is a group of assets and operations related to providing products or services subjected to risks and returns that differ from those of other business sectors. The geographical sector is engaged in providing products or services in a particular economic environment subjected to risks and returns that differ from those of other geographical sectors operating in a different economic environment.

D- Transactions and Balances in foreign currencies

The Bank maintains its accounts in Egyptian Pound and transactions in foreign currencies conducted during the period are recorded at the foreign exchange rates prevailing at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are revaluated at the foreign exchange rate prevailing at the balance sheet date (USD= EGP 17.7277 at the end of December 2017. USD= EGP 18.2665 at the end of December 2016). Foreign exchange profits or losses resulting from settlement of these transactions and evaluation differences are recorded in the income statement in the following items:

- Net trading income (for assets and liabilities held for trading).
- Other operating revenues (expenses) (for other items).

The Changes in the fair value of monetary financial instruments held in foreign currency classified as investments available for sale (debt instruments) are analyzed between evaluation differences arising from changes in the amortized cost and differences resulted from change in the prevailing exchange rates, and differences from change in the fair value of the instrument. Evaluation differences resulted from changes in the amortized cost of the instrument are recognized in the income statement under finance returns and similar returns. While differences resulted from change in the prevailing exchange rate are recognized under other operational revenues (expenses). Differences from the change in the fair value (fair value reserve/financial investments available for sale) are recognized in the equity section.

Evaluation differences on non-monetary items include profits and losses resulting from change in the fair value such as equity instruments held at fair value through profits and losses. Evaluation differences resulted from equity instruments classified as financial investments available for sale are recorded as fair value reserves in equity section.

E-Financial assets

Financial assets are classified in the following categories: Financial assets designated at the fair value through profits and losses, finance for customers (Musharaka, Murabaha, and Mudaraba transactions for customers), financial investments held to maturity and financial investments available for sale. The management identifies classification of its investments upon initial recognition.



E/1 Financial assets designated at the fair value through profits and losses

This category includes financial assets held for trading purpose. The financial assets are classified as held for trading if they are acquired and its value charged mainly for sale in the short-term, or if being a part of a specific financial portfolio that are managed together and there is evidence of actual recent transactions which refers to earning profits in the short term. Derivatives are classified as being for trading purpose unless specified as being hedging instruments.

Any financial derivative designated as financial instruments recognized at fair value through profits & losses can't be re-classified during its custody or validity period. No financial instrument shifted from the category of financial instruments recognized at fair value through profits and losses may be reclassified in case this instrument is classified by the Bank at the initial recognition as recognized at fair value through profits and losses.

In all cases, the Bank never reclassifies any financial instrument and shift it to the financial instruments recognized at fair value through profits and losses or to the financial assets held for trading purpose.

E/2 Musharaka, Murabaha and Mudaraba with customers

Represent non-derivative financial assets with fixed or determinable amount, that are not current in active market, except:

- Assets that the Bank intends to sell soon or in the short term, in this case will be classified as assets held for trading purpose.
- Assets classified by the Bank as available for sale upon initial recognition.
- Assets that the Bank cannot refund its original investment value for reasons other than deterioration of creditworthiness.

E/3 Financial Investments held to maturity

Financial investments held to maturity are non-derivative assets with fixed or determinable amount and fixed maturity that the Bank management has the ability and the intention to hold it till maturity. The whole group is re-classified as investments available for sale if the Bank sells a substantial amount of the financial assets held to maturity except in the emergency cases.

E/4 Financial Investments available for sale

Financial investments available for sale represent non-derivative financial assets that are intended to be held for indefinite period and may be sold to cover shortage in liquidity or due to changes in return rates, exchange rates or share prices.

For the financial assets, the following has to be applied:

Buying and selling operations of financial assets are recognized as usual on the trade date on which the Bank is committed to buy or sell the financial asset, and this applies to the financial investments held maturity as well as financial investments available for sale.

Financial assets are derecognized when the contractual rights to receive cash flows from the financial assets have expired, or when the Bank has transferred substantially all risks and rewards of ownership. Liabilities are derecognized when they are discharged by disposal, cancellation, or expiry.

Financial investments available for sale and at amortized cost for investments kept to maturity date are subsequently measured at fair value.

Profits and losses arising from changes in the fair value of financial investments available for sale are recognized directly in equity, until the financial asset is derecognized or impaired. At that time, the cumulative profits or losses previously recognized in equity should be recognized in the income statement.



Return calculated at amortized cost, as well as profits and losses of foreign currencies of monetary assets classified as available for sale are recognized in the income statement. Dividends from available for sale equity instruments are also recognized in income statement when declared.

The fair value of quoted investments in active markets is determined based on current Bid Prices. If there is no active market for such financial asset, or no Bid Prices are available, the Bank estimates fair value using one of the valuation techniques. These include the use of recent neutral transactions, discounted cash flow analysis, options pricing methods or other valuation techniques used by other participants. In case of the fair value of the available for sale equity instruments cannot be reliably determined by the Bank, it should be valued at cost after deducting any impairment.

The Bank reclassifies the financial asset within the financial instruments available for sale defined as - Debts (Bonds), transferred from the financial instruments available for sale to financial assets held to maturity date - whenever the Bank has the intention and ability to hold these financial assets during the near future or maturity date. Reclassification is carried out at fair value and any related profits or losses previously recognized in the equity are treated as follows:

- Financial asset with fixed maturity date, profits and losses are amortized over the remaining life of the investment held to maturity date using the effective return method. Any difference between value at amortized cost and value at maturity date over the remaining life of the financial asset is amortized by using the effective return method. In case of subsequent impairment, any profits or losses that have been previously recognized directly in equity should be recognized in the profits and losses.
- Profits or losses related to financial asset without fixed maturity are recorded in equity until the asset is sold or disposed; only then they are recognized in the profits and losses. In case of impairment, profits or losses that have been previously recognized directly in equity, should be recognized in the profits and losses.

If the Bank amended its estimates regarding payments and proceeds, 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 recalculating the book value of the future cash flows using the effective return of the financial instrument. The adjustment is recognized as either income or expenses in the profits and losses.

In all cases, if the Bank reclassified a financial asset as previously stated, and the Bank increased its estimates of the future cash proceeds in a later date as a result of the increase of the amount that will be refunded from its cash proceeds, such increase is recognized as adjustment to the effective return as at the date of the change in estimates, and not as adjustments of the book value of the asset at the date of change in estimates.

F- Offsetting financial instruments

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

Governmental securities, Repos and Reverse Repos agreements are netted in the balance sheet under "Governmental securities" item.

G- Financial derivatives and hedge accounting

Derivatives are recognized at fair value at the date of concluding the derivative contract, and are subsequently revaluated at its fair value. And the fair value is obtained from quoted market prices in active markets, recent market transactions, or other valuation methods such as discounted cash flow models, and option pricing models as appropriate. All derivatives are included in assets when their fair value is positive and liabilities when their fair value is negative.

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Derivatives embedded in other financial instruments, such as conversion option in acquired convertible bonds, are treated as separate derivatives if their economic characteristics and risks are not closely related to those of the original contract and the contract itself is not carried at fair value through profits or losses. The implied Derivatives are measured at fair value and Changes in fair value are recognized in the income statement under "net trading income" item.

Embedded derivatives will not be separated if the Bank chooses to classify the whole contract at fair value through profits or losses.

Recognition of profits and losses resulting from fair value depends on using the derivative as a hedging tool and nature of the hedged item. Derivatives are classified by the Bank as follows:

- * Hedging risks of the fair value of recognized assets and liabilities or definite commitments (fair value hedging)
- * Hedging risks of highly expected future cash flows attributed to a recognized asset or liability, or to predicted transaction (cash flow hedging).
- * Hedging net investments in foreign currencies (net investment hedging).

Hedge accounting is used for derivatives specified for this purpose whenever the required conditions are fulfilled.

At the beginning of the transaction, the Bank establishes documentary relation between the hedged items and hedging tools, as well as the relation between objectives of risk management and strategy of entering various coverage transactions. The Bank also continuously makes documentary process in order to estimate the effectiveness of derivatives used in hedging transactions to face changes in the fair value or cash flows of the hedged item.

G/1 Fair Value hedging

Changes in the fair value of derivatives qualified for fair value hedging are recognized in the income statement along with any changes in the fair value related to risk of the hedged asset or liability.

The impact of the effective changes in the fair value of return rate swap contracts and related hedged items is recorded in "net income from return". And the impact of the effective changes in the fair value of currency forward contracts is recorded in "net trading income".

The impact of Ineffectiveness of all hedge contracts and related items stated in the previous paragraph is recorded in "net trading income".

If the derivative do not meet hedge accounting conditions, the book value adjustments of the hedged item is amortized by using amortized cost method through charging to profits and losses over the year until the maturity date. Adjustments to the book value of the hedged equity instrument should continue to be charged to the equity till disposed.

G/2 Cash flow hedging

The effective part of the changes in the fair value of derivatives specialized and qualified for cash flow hedging is recognized in equity. Profits and losses of the ineffective part are recognized directly in the income statement as "net trading income".

Accumulated amounts in equity should be charged to the income statement at the same periods in which the hedged item affects profits and losses of the effective part of the swaps and options as "net trading income".

When hedge instrument is mature, sold or no longer meet hedge accounting conditions, profits and losses accumulated in equity stays in equity, and recognized in the income statement when the expected transaction is finally recognized. When the projected transaction is not likely to occur, profits and losses accumulated in the equity should be charged immediately to the income statement.

G/3 Net investment hedging

Net investment hedging is accounted for based on the cash flow hedging. Profit or loss related to the effective part of the hedging from the hedge tool should be recognized in equity; while, profit or loss of the ineffective part should be recognized immediately in the income statement. Profits or losses accumulated in the equity should be immediately charged to the income statement when foreign transactions are excluded.

G/4 Unqualified Derivatives for hedge accounting

Changes in fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement under "net trading income". Profits and losses from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities are included in "Net income from financial instruments initially recognized at fair value through profits or losses".

H- Revenues and expenses of the return

Return income and expenses are recognized, in the income statement under "Return on Musharaka, Mudaraba, Murabaha, and similar revenues" item or "Cost of saving pools and similar costs" item, with return income and expenses by using the effective return method for all return-bearing financial instruments, except for those classified as held for trading purpose, or initially recognized at fair value through profits and losses.

Effective return is the method of calculating the amortized cost of financial asset or liability, and allocating returns or expenses of such return over the life of the related instrument. The effective rate of return is the rate used to discount the estimated future cash flows received or paid over the expected life of a financial instrument, or a shorter period whenever appropriate to accurately reach the book value of the financial asset or liability. While calculating the actual rate of return, the Bank estimates the expected cash flows taking into consideration all the contractual terms of the financial instrument (such as early repayment options) disregarding potential credit losses. The calculation method includes all paid or received fees between the contract parties that are considered a part of the actual rate of return, and the transaction cost contains any premiums or discounts.



When classifying finance transactions (Musharaka, Murabaha, and Mudaraba) as non-performing or impaired as the case may be, the return from such is suspended to be recognized as revenue. The Bank recognizes the return income and expenses in the income statement on the accrual basis using the nominal return, as differences between the nominal return and effective return method under this item are insignificant.

I- Fees and commissions revenues

Fees due for finance transactions or facilities are recognized as revenues when service is provided. Fees and commission revenues related to non-performing or impaired debts are suspended and carried off balance sheet and recognized as revenues on a cash basis. Fees and commissions which represent in general an integral part of the actual rate of financial asset are recognized as adjustment to the actual rate of return.

Commitment fees for finance transactions are suspended if there is a probability that such finance will be withdrawn as this commission received by the Bank represents compensation for the continuous interference for acquiring the financial instrument. Such commission is recognized by adjusting the finance actual rate of return. In case the commitment is expired, without issuing the finance transaction, fees are recognized as revenues upon the commitment expiry.

Fees related to debt instruments measured at fair value are recognized as revenue at initial recognition. Fees from marketing syndicated finance transactions are recognized as revenues upon completion of the marketing process, and the finance is fully used by the Bank, or preserves its share using the actual rate of return available for other participants.

Fees and commissions arising from negotiating or participating in the negotiation of a transaction for a third party such as the arrangement of buying of shares or other securities, or acquisition or sale of businesses are recognized in the income statement upon completion of the given transaction. Fees and commissions arising from administrative consulting and other services rendered over a period of time are usually recognized as income over that period and according to all conditions stated in article (19) of the Egyptian Accounting Standard No. (11). Fees from financial planning department and archive services that rendered over a long period of time are usually recognized over that period.

J- Dividend revenues

Dividends are recorded in the income statement only when it is deserved upon declaration by the General assembly of the investee.

K- Impairment of financial assets

K/1 Financial assets stated at amortized cost

At each balance sheet date, the Bank assesses whether there is an objective evidence that a financial investment or a portfolio of financial investments is impaired. A financial investment or a portfolio of financial investments is impaired, and impairment losses are incurred if there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the investment (a loss event) and that loss event has an impact on the future cash flows of the financial investment or a portfolio of financial investments that can be reliably estimated.

The criteria used by the Bank to assess the objective evidence of the impairment loss include:



- Significant financial difficulties facing the borrower.
- Breaching any of the terms of the finance agreement such as default.
- Expecting bankruptcy of the borrower or subject to Liquidation Claim, or restructure of the funds granted.
- Deterioration of the competitive situation of the borrower.
- Due to economic or legal factors that are related to financial difficulties of the borrower, the Bank offered him / her unusual privileges, which are not granted by the Bank in the normal course of business.
- Impairment of the guarantee value.
- Deterioration of creditworthiness.

The impairment losses for a group of the financial assets are incurred if there is an objective evidence with measurable decrease in expected future cash flows in the said group from the initial recognition despite the fact that this decrease cannot be specified for each asset separately. For example, the increase in cases of failure in payment for one of the banking products.

The Bank estimates the period between the loss event and recognizing it for each portfolio that ranges between three to twelve months.

The Bank first assesses if there is an objective evidence of impairment for each financial asset that is individually significant, or collectively for financial assets that are not individually significant. In this concern, the following should be considered:

- If the Bank determines that there is no objective evidence for the impairment of the financial asset that had been solely analyzed, whether significant or not, then its value will be added to other financial assets with similar credit risk characteristics to be evaluated together to determine the impairment according to historical failure rates.
- If the Bank determines that there is objective evidence for the impairment of a financial asset, it should be solely studied. If such study resulted in impairment losses, this asset will not be added to the group of financial assets for which impairment losses are calculated collectively.
- If there are no impairment losses according to the study result, then this asset will be added to the group.

The amount of the impairment losses provision is estimated on the basis of the difference between the asset book value and the present value of the future cash flows, excluding future expected finance and investment losses that have not yet been incurred, discounted through the use of the actual rate of return for the financial asset. The book value of the asset is reduced through using account of the impairment loss provision. Finance and investment Impairment losses are recorded in the income statement.

If the finance and investment held to maturity date has a variable rate of return, the discount rate used to measure any impairment losses is the actual rate of return according to the contract when there is objective evidence that the asset is impaired. The Bank may measure the impairment losses on the basis of the fair value of the instrument through quoted market prices. As for guaranteed financial assets, the present value of expected future cash



flows has to be considered in addition to the proceeds from sale of guarantee after deducting the relevant expenses.

For purposes of estimating the impairment collectively, financial assets are collected in similar groups on the basis of similar risk characteristics of finance and investment. According to the Bank classification taking into consideration the type of asset, industry, geographical location, type of guarantee, and overdues and other relevant factors. Those characteristics are related to the estimation of future cash flows for those groups of assets as they are indicators of the debtors ability to pay all amounts due according to its contractual terms for assets under study.

When the impairment of a group of financial assets is estimated on the basis of rates of historical failure, the Future cash flows of the group is evaluated on the basis of the contractual cash flows of assets and historical losses for assets with finance and investment characteristics similar to those in the group. Rates of historical impairment losses are adjusted on the basis of current observable data to to reflect the effects of current circumstances that are not available during the year on which the historical impairment loss rates is fixed and to remove the effects of circumstances in the historical year that are not currently available.

The Bank makes sure that the estimates of changes in future cash flows for a group of financial assets are not consistent with changes in related reliable data from time to another, such as changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of loss in the group. The Bank reviews methods and assumptions of future flows estimation regularly.

K/2 Financial Investments available for sale

At each balance sheet date, the Bank estimates if there is an objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale. In case of the investments in the equity instruments classified as available for sale, the significant and a prolonged decline below the book value of the fair value of the instrument, should be taken into consideration to assess whether there is impairment in the asset or not.

During the periods starting from January 1st, 2010. decline is considered significant if it reached 10% of the book value cost, and decline is considered prolonged if it continued more than nine months. If there are evidences, the accumulated loss is transferred from equity to the income statement. Impairment loss with regard to equity instruments recognized in the income statement is not refunded even if there is consequent increase in the fair value, but if the fair value of the debt instruments classified available for sale increased, the increase should have been objectively linked to an event occurred after recognizing the impairment in the income statement, the impairment is refunded through the income statement.

L- Real estate Investments

Real estate investments represent lands and buildings owned by the Bank to gain lease revenues or capital increase. Therefore, these do not contain real estate assets used by the Bank or such properties acquired in lieu of debts, And property investments are calculated by the same method applicable to fixed assets.



M- Intangible assets

Computer programs

The expenses related to developing and maintenance of computer programs are recognized as expenses incurred in income statement. The expenses, related to certain programs controlled by the Bank that have economic benefits with a cost exceeding more than a year, are recognized as an intangible asset. The direct expenses include the cost of program staff, in addition to an appropriate share from related public expenses.

The expenses that lead to increase or expansion of computer program performance other than its main specifications, are recognized as development cost and then added to the basic program cost.

The cost of computer programs, recognized as an asset, is amortized over the expected period of use in not more than 3 years.

N- Fixed assets

They represent lands and buildings related to head office, branches and offices. All fixed assets are reported at historical cost minus depreciation and impairment losses, The historical cost includes the expenses directly related to acquisition of fixed assets items.

Consequent expenses are recognized within the book value of the current asset or as a separate asset - as the case may be - when future economic benefits related to the asset are potentially gained by the Bank, and these expenses can be reliably determined. Repair and maintenance expenses are charged to other operating expenses during the period year in which they are incurred.

Fixed assets (except for land) are depreciated at a fixed installment method to write down the cost to their scrap values over the useful life estimated for each as follows:

| | |
|---|--|
| Buildings and constructions | 50 years |
| Rented premises improvements | 50 years or period of the rent contract whichever is less. |
| Office furniture and safes | 10 years |
| Typewriters, calculators and air conditioners | 5 years |
| Vehicles | 5 years |
| Computers / software | 5 years |

The scrap value and the useful life of the fixed assets are reviewed at the date of each financial position, and are amended if necessary. Depreciated assets are reviewed to identify the impairment in case events or changes occurred indicating that the book value may not be refunded. The book value of the asset is immediately declined to the refundable value if the book value exceeds the refundable value.

The refundable value represents the net sale value or the usage value of the asset whichever higher. Profits or losses of disposal of fixed assets are identified by comparing the net proceeds against the book value. Profits and losses are included in other operating revenues (expenses) in the income statement.



O- Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be depreciated. These assets are annually tested for impairment. The impairment of Depreciated assets is reviewed if there are events or changes occurred indicating that the book value may not be refunded.

The impairment loss is recognized and the asset value is reduced as much as the increase of the book value over the refunded value of the asset. The refundable value represents the net sale value or the usage value of the asset whichever higher. For the purpose of estimating the impairment, the asset should be attached to the smallest possible monetary unit. The non-financial assets which had impairment are reviewed to determine if there is impairment was refunded to the income statement at the date of preparing any financial statements.

P- Leases

Operating lease assets are included in the fixed assets in the balance sheet and depreciated over the asset expected production lifetime using the same method applicable to similar assets. The rent revenue minus any discount granted to the tenant at a fixed installment method over the contract term.

Q- Cash and cash equivalent

For the purposes of preparing the cash flow statement, cash and cash equivalent item includes balances which have maturities not exceeding three months from the date of acquisition, cash and balances at the Central Bank of Egypt other than the mandatory reserve, balances at banks, and governmental securities.

R-Other provisions

Provision for restructuring and legal claims costs are recognized when the Bank has a current legal or constructive obligation as a result of the past events, and it is possible that the using of bank resources will be required to settle these obligations, and the amount of this obligation has been reliably estimated.

If there are similar obligations, the outflow used for settlement should be identified taking into account this group of obligations. The provision is recognized even under minor probability that it will be linked with outflow for an item of the group.

Provisions no longer required totally or partially are refunded in other operating revenues (expenses)

The current value of the expected payments to settle obligations after one year from the date of balance sheet using the appropriate rate in accordance with the terms of settlement – ignoring the effect of applicable tax rate – which reflects the time value of money. If the settlement term is less than one year, the estimated value of the obligation unless it has a significant effect is stated at the present value.



S - Financial Collateral Contracts

They are contracts issued by the Bank to guarantee loans or debited current accounts obtained by the Bank's customers from other entities. This, in turn, require to pay certain installments by the Bank to compensate the beneficiary against a loss incurred because inability of the debtor to pay due amounts on maturity dates according to the conditions of debt instruments. Those financial guarantees are submitted to banks and financial institutions and other entities on behalf of the bank's customers.

The initial recognition at fair value in the financial statements at the date of guarantee granting that may reflect the guarantee fees later. So, the Bank commitment is measured by guarantee on the basis of the first measuring amount deducting depreciation in order to record guarantee fees in the income statement at a fixed installment method over the guarantee lifetime or a best estimate for the amounts required to settle any obligation resulting from the financial guarantee at the date of the balance sheet, whichever higher. These estimates are determined according to experience in similar transactions and historical losses, sustained by the management decree.

And any increase in liabilities resulting from financial guarantee is recognized in the income statement under "Other operational revenues (expenses)" item.

T- Income Taxes

Income tax on the profit or loss of the year includes both the current and deferred taxes, and is recognized in the income statement except income tax related to shareholders equity items that are recognized directly in shareholders equity item.

Income tax is calculated on the net taxable profit, using the effective tax rates at the date of balance sheet, in addition to past year tax adjustments.

Deferred taxes are recognized due to the temporary differences between the book value of assets and liabilities according to accounting principles and the amounts used for tax bases, Deferred tax is determined based on the method used to realize or settle values of these assets and liabilities by using the effective tax at the date of the balance sheet.

Deferred tax assets shall be recognized if it is probable that future taxable profits will be realized whereby the asset can be utilized, and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit during the next years. However, In case of increment of the expected taxable benefit, the deferred tax assets are increased within the limit previously decreased.

U- Financing

Finances gained by the Bank should be initially recognized at fair value minus the cost of financing.

Financing should be stated at amortized cost. The difference between the net proceeds and the value paid over the borrowing period using the effective return method should be charged to the income statement.



V- Capital

V/1 Cost of Capital

Issuance cost directly related to issuing new shares or issuing shares against acquisition or share options is charged to shareholders' equity of total proceeds net of tax.

V/2 Dividends

Dividends are recorded on equity when declared by the General Assembly of shareholders. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law.

W- Trust activities

The Bank practices the trust activities that result in ownership or management of assets on behalf of individuals, trust, and retirement benefit plans. These assets and related profits are excluded from the Bank's financial statements, as they are assets not owned by the Bank.

X- Comparative Figures

Comparative figures shall be reclassified when necessary to be in conformity with the changes in the presentation used in the current year.

3 - Financial Risk Management

The Bank - as a result of conducting its activities - is exposed to various financial risks. Since financial activity is based on the concept of accepting risks, some risks or group of risks are analyzed, evaluated and managed all together. The Bank aims at achieving appropriate balance between the risk and return and to reduce the possible negative effects on the Bank's financial performance. The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises of foreign currency exchange rate risk, return rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated systems. The Bank reviews periodically polices and systems of risk management and it can be amended in order to reflect the changes in markets, products, services, and the best modern applications.

Those risks are managed by Risk Department in the light of policies approved by Board of Directors. The risk department determines, evaluates and covers the financial risks through in cooperation with the Bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, like credit risk, foreign exchange rate risk, return rate risk and using the financial derivatives and non- derivative instruments. Moreover, the risk department is independently responsible for periodical review of risk management and control environment.

3/A - Credit Risk

The Bank is exposed to credit risk which it is the risk resulting from failure of one party to meet its contractual obligations towards the Bank. The credit risk is considered one of the most significant risks for the Bank. The credit risk is basically represented in financing facilities and investment activities which resulted in Bank's assets contain debt instruments. The credit risk is also found in off-balance sheet financial instruments like financing commitments. Managing and monitoring process on credit risk is centralized at credit risk management team at Credit Risk Department that prepare reports to Board of Directors, top management and head units on a regular basis.



A/1 Credit risk measurement

Finances and facilities to customers

In order to measure credit risk related to finances and facilities to customers; the following three factors should be considered:

- * Probability of default by a customer or third party in fulfilling contractual obligations.
- * The current status and possible future progress indicating exposure at default.
- * Loss given default.

These factors are inherent in the daily business of the Bank that reflect expected loss (the expected loss model) required by Basel Banking Supervisory Committee. Operational standards may conflict with the impairment loss according to the Egyptian Accounting Standard No. 26. that depends on losses recognized as at the date of the balance sheet (recognized loss model) and not the expected loss model (Note A/3).

The Bank assesses the default probability at the level of each customer using internal evaluation methods to classify the worthiness for various classes of customers. These methods were developed for internal assessment, as to consider statistical analyses, as well as judgment of the credit officials in order to identify the appropriate credit worthiness rating. The Bank's customers were divided into four rating categories. As clarified in the following table, the rating structure applicable in the Bank reflects the probability of delay in payment. Therefore customers could move between the various categories depending on evolving circumstances. Rating methods are reviewed and developed if necessary. The Bank conducts periodic assessment to the performance of the rating methods and its efficiency to predict any delay cases.

Internal ratings

| Rating | Rating Indicator |
|--------|----------------------|
| 1 | Performing loans |
| 2 | Regular follow up |
| 3 | Watch list |
| 4 | Non-performing loans |

The credit status at default depends on the outstanding amounts at the time when the delay occurred. For example, as for lending, this credit status is considered the nominal value. And for commitments, the Bank records all actual withdrawals in addition to any withdrawals occurred till the date of delay, if any.

The expected loss or great loss represents the Bank's expectations when the settlement is due if the delay occurred. And loss percentage differs according to the type of debtor, priority of claims, and the availability of guarantees or any other means to cover credit.

Debt instruments, Treasury bills and other bills

As for debt instruments and bills, the Bank uses external ratings such as Standards and Poor's or similar ratings in order to manage credit risk. If these ratings are not available, the Bank uses methods similar to those applicable to credit customers. These investments in securities and bills are considered a method to have a better credit quality; they also provide an available source to meet financing requirements.

A/2 Risk mitigation and prevention policies

The Bank manages and controls credit concentration at the level of borrower, groups of borrowers, industries and countries.

The Bank controls acceptable credit risk levels using limits for the risk exposure for each borrower, group of borrowers, and at the level of economic activities and geographical sectors. Risks should be continuously monitored and should be annually or repeatedly audited as the case may be. Credit risk limits should be adopted quarterly at the level of the borrower/the group, the product, the sector, and the state by the board of directors.

Credit risk limits of any borrower, including banks, should be divided into sub-limits that include amounts in and out of the balance sheet, daily risk limit related to trading items such as term exchange contracts. Actual amounts should be daily compared with the limits.

Exposure to credit risks should be also managed by conducting periodic analysis of the ability of borrowers and potential borrowers to pay their amounts due as well as amendment of the finance limits as the case may be.

The following are some procedures to minimize the credit risk:

Collaterals

The Bank adopted several policies and procedures to minimize the credit risk. One of these methods is obtaining collaterals against money granted by the Bank. The Bank sets guidelines for certain collaterals to be accepted. The major types of collaterals against financing and facilities are:

- * Real estate mortgage.
- * To mortgage business assets such as machinery and goods.
- * To mortgage financial instruments such as debt and equity instruments.

The Bank is keen to obtain appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured. To minimize the credit loss to its lower level, the Bank tries to get additional collaterals from all counterparts as soon as impairment indicators are noticed for a facility or finance.

The Bank determines types of collaterals held as security for financial assets other than facilities and finances according to the nature of the instrument. Generally, debt instruments and treasury bills are unsecured, except for assets-backed securities and similar instruments which are secured by a portfolio of financial instruments.



Derivatives

The Bank maintains strict control procedures over amount and term for the net value of opened derivative positions i.e., the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of the instrument in which the Bank could gain a benefit from it (i.e., an asset that has a positive fair value), which represents a little part of the contractual value/ the assumed value that reflects volume of current instruments. The Bank manages this credit risk which is considered a part of the total lending limit granted to customer with the expected risk as a result of market changes. Generally no guarantees obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties.

Settlement risk arises when cash, equity instruments or other securities are used in the settlement process, or if there is an expectation to receive cash, equity instruments or other securities. Daily settlement limits are established for each counterpart to cover the aggregate settlement risks that arising from the daily transactions of the Bank.

Master Netting Arrangements

The Bank restricts its exposure to credit risks by entering into master netting agreements with counterparts of significant volume of transactions. Generally, no netting between assets and liabilities at the date of the balance sheet relating to master netting agreements, as aggregate settlements are made. However, the credit risk related to contracts to the favor of the Bank is reduced by master netting agreements in case of default, as netting will be made with the counterpart to settle all transactions. The value of credit risk resulting from derivative instruments faced by the Bank can be changed substantially within a short period of time as it is affected by each transaction under these agreements.

Credit-related Commitments

The main purpose of commitments related to credit is to verify the availability of funds to customers upon request. Guarantees and standby letters of credit related to credit risks of finance. Documentary and commercial letters of credit issued by the Bank on behalf of the customer to grant a third party withdrawal right from the Bank are limited to certain amounts under specified terms and conditions mostly guaranteed by fright goods; consequently it holds risks less than direct financing facilities.

Commitments of credit granting represent the unused part of the authorization for granting finance, collaterals or letters of credits. The Bank is exposed to potential loss with an amount equal to total unused commitments for credit risk emerged from commitments of credit granting. Rather, the expected loss amount is actually less than unused commitments, as most of these commitments represent potential liabilities of customers with specific credit characteristics. The Bank monitors the period of time till the maturity date of these commitments, because the long term commitments usually hold higher rate of credit risk compared to short-term commitments.

A/3 Policies of Impairment and provisions

Internal valuation systems highly concentrate on planning credit quality at the beginning of the lending and investment activities. Otherwise, only impairment losses incurred at the date of the balance sheet should be recognized for the purpose of financial reports based on objective evidences indicating the impairment as later on stated in this note. Taking into consideration the difference of the applied methods, credit losses charged to the financial statements are usually less than the loss amount estimated using expected loss model of the credit rating, and for the purposes of the CBE rules.

Impairment loss Provision stated in the balance sheet at the end of the year is derived from the four internal ratings. Nevertheless, most of the provision emerges from the last rating. The following table illustrates the percentage of the balance sheet items regarding to finance, facilities, and impairment related to each internal rating classes of the Bank:

| The Bank's rating | 31 December 2017 | | 31 December 2016 | |
|----------------------|------------------------|---------------------------|------------------------|---------------------------|
| | Finance and facilities | Impairment loss provision | Finance and facilities | Impairment loss provision |
| | % | % | % | % |
| For customers | | | | |
| Performing loans | 74.8 | 14.1 | 69.9 | 16.6 |
| Regular follow up | 7.8 | 1.6 | 9 | 2.2 |
| Watch list | 0.7 | 0.1 | 3.3 | 0.1 |
| Non-performing loans | 16.7 | 84.2 | 17.8 | 81.1 |
| | <u>100%</u> | <u>100%</u> | <u>100%</u> | <u>100%</u> |

Internal rating tools help the management to identify whether there are objective evidences that impairment losses exist in accordance with the Egyptian Accounting Standard No. 26. and based on the following indicators specified by the Bank:

- Significant financial difficulties are experienced by the finance customer or the borrower.
- Breach any of the terms of the finance agreement such as default.
- Expected bankruptcy of the borrower or subject to Liquidation Claim, or restructure of the funds granted.
- Deterioration of the competitive position of the finance customer.
- Due to economic or legal factors that are related to financial difficulties of the finance customer, the Bank offered him / her unusual privileges, which are not granted by the Bank in the normal course of business.
- Impairment of the guarantee value.
- Deterioration of creditworthiness.

Bank policies require reviewing all financial assets that exceed certain relative significance at least annually or as required. Impairment losses on accounts are identified at individual basis by evaluating incurred losses at the date of the balance sheet case by case. These are applied to all accounts of relative significance. The evaluation usually includes the current guarantee including execution on guarantee and expected proceeds from these accounts.

The impairment loss provision should be formed based on similar assets using available historical experience, personal judgment, and statistical methods.



A/4 Model for measuring general banking risks

In addition to the four categories of credit rating indicated in note (A/1) the management classifies more detailed groups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on information related to the customer, his / her activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. If the provision required for impairment losses according to CBE regulations exceeds the provision required for preparation purposes of financial statements according to the Egyptian Accounting Standards, this increase shall be debited from the retained profit and credited to the "general banking risk reserve" under the equity. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase between the two provisions. This reserve is not distributable. Note (28/A) shows the "general banking risk reserve" movement during the fiscal year.

Here, there is a statement of credit rating categories for the institutions in accordance with the bases of internal evaluation compared with CBE evaluation principles, and rates of the provisions required for impairment of assets exposed to credit risk:

| CBE rating | Rating Indicator | Required provision % | Internal rating | Indicator of the internal rating |
|------------|-----------------------------|----------------------|-----------------|----------------------------------|
| 1 | Low risks | 0 | 1 | Performing loans |
| 2 | Moderate risks | 1% | 1 | Performing loans |
| 3 | Satisfactory risks | 1% | 1 | Performing loans |
| 4 | Adequate 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 | Substandard | 20% | 4 | Non-performing loans |
| 9 | Doubtful risks | 50% | 4 | Non-performing loans |
| 10 | loss | 100% | 4 | Non-performing loans |



A/5 Maximum limit for credit risk before collaterals

| Balance sheet Items exposed to credit risk | 31 December 2017 EGP Thousand | | 31 December 2016 EGP Thousand | |
|---|----------------------------------|-------------------|----------------------------------|-------------------|
| Musharaka, Murabaha and Mudaraba with customers | | | | |
| Individuals | | | | |
| - Personal Murabaha | 680.092 | | 637.093 | |
| - Real estate Murabaha | 449.070 | | 370.978 | |
| Corporate | | | | |
| - Murabaha and Mudaraba with customers | 3.204.643 | | 3.188.009 | |
| - Syndicated Murabaha (companies) | 5.017.813 | | 3.566.241 | |
| Advance revenues | (976.301) | | (724.143) | |
| Impairment loss provision for finance and investment transactions | <u>(1.174.879)</u> | 7.200.438 | <u>(1.078.458)</u> | 5.959.720 |
| * Financial investments: | | | | |
| Available for sale | 606.254 | | 1.345.865 | |
| Held to maturity | 17.165.892 | | 28.555.336 | |
| Other assets | 1.340.274 | 19.112.420 | 1.859.323 | 31.760.524 |
| Total | | <u>26.312.858</u> | | <u>37.720.244</u> |
| * Off-balance sheet items exposed to credit risk | | | | |
| Financing commitments | 725.521 | | 617.488 | |
| Accepted securities | 13.625 | | 20.414 | |
| Letters of guarantee | 175.715 | | 244.456 | |
| Import letters of credit | 389.147 | | 451.588 | |
| Export letters of credit | 1.051 | | - | |
| Swap contracts | - | | 44.749 | |
| Total | | <u>1.305.059</u> | | <u>1.378.695</u> |

The above table represents the maximum exposure limit on 31 December 2017 and 31 December 2016 regardless any collaterals. As for the balance sheet items, the stated amounts depend on the net book value presented in the balance sheet.



A/6 Musharaka, Murabaha and Mudaraba with customers

The following table represents the status of balances of Musharaka, Murabaha and Mudaraba with customers according to their creditworthiness for finance and investments:

| Bank evaluation | Musharaka, Murabaha, and Mudaraba with customers | Musharaka, Murabaha, and Mudaraba with customers |
|--|--|--|
| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
| Neither subjected to impairment nor overdues | 7.724.516 | 6.118.615 |
| Overdues not subjected to impairment | 66.600 | 260.303 |
| Subject to impairment | 1.560.502 | 1.383.403 |
| Total | 9.351.618 | 7.762.321 |
| less: | | |
| Advances and returns | (976.301) | (724.143) |
| Impairment loss provision | (1.174.879) | (1.078.458) |
| Net | 7.200.438 | 5.959.720 |

Musharaka, Murabaha, and Mudaraba with customers (Neither subjected to impairment nor overdues).

Finance and investment quality of Musharaka, Murabaha and Mudaraba transactions neither subjected to impairment nor overdues are evaluated by the internal rating of the Bank.

31 December 2017

| Rating | Individuals | | | Total Musharaka, Murabaha and Mudaraba with customers |
|-------------------|-------------------|----------------------|--|---|
| | Personal Murabaha | Real estate Murabaha | Corporate Direct, syndicated Murabaha and others | |
| performing | 390.533 | 320.761 | 6.280.672 | 6.991.966 |
| Regular follow up | 130.177 | 106.920 | 495.453 | 732.550 |
| Total | 520.710 | 427.681 | 6.776.125 | 7.724.516 |

31. December 2016

| Rating | Individuals | | | Total Musharaka, Murabaha and Mudaraba with customers |
|-------------------|-------------------|----------------------|--|---|
| | Personal Murabaha | Real estate Murabaha | Corporate Direct, syndicated Murabaha and others | |
| Performing | 300.730 | 251.632 | 4.870.276 | 5.422.638 |
| Regular follow up | 100.460 | 83.878 | 511.639 | 695.977 |
| Total | 401.190 | 335.510 | 5.381.915 | 6.118.615 |



Musharaka, Murabaha and Mudaraba with customers having overdues and not subject to impairment

They are Musharaka, Murabaha and Mudaraba with overdues up to 90 days but are not subject to impairment, unless contradicting information are provided. The following table illustrates Musharaka, Murabaha and Mudaraba with customers that are having overdues and not subject to impairment, as well as fair value of collaterals:

31 December 2017

| | (EGP Thousand) | | | | |
|-------------------------------------|-------------------|----------------------|--------|----------------------------|--------|
| | Individuals | | Total | Corporate | |
| | Personal Murabaha | Real estate Murabaha | | Direct Murabaha and others | Total |
| Overdues up to 30 days | 16.372 | 1.234 | 17.606 | 29.260 | 46.866 |
| Overdues more than 30 up to 60 days | 4.488 | 496 | 4.984 | 5.113 | 10.097 |
| Overdues more than 60 up to 90 days | 6.446 | 13 | 6.459 | 3.178 | 9.637 |
| Total | 27.306 | 1.743 | 29.049 | 37.551 | 66.600 |
| Fair value of collaterals | 12.394 | 5.717 | 18.111 | 36.755 | 54.866 |

31 December 2016

| | (EGP Thousand) | | | | |
|-------------------------------------|-------------------|----------------------|--------|----------------------------|---------|
| | Individuals | | Total | Corporate | |
| | Personal Murabaha | Real estate Murabaha | | Direct Murabaha and others | Total |
| Overdues up to 30 days | 7.297 | 440 | 7.737 | 16.570 | 24.307 |
| Overdues more than 30 up to 60 days | 3.084 | 1.104 | 4.188 | 8.871 | 13.059 |
| Overdues more than 60 up to 90 days | 1.029 | 259 | 1.288 | 221.649 | 222.937 |
| Total | 11.410 | 1.803 | 13.213 | 247.090 | 260.303 |
| Fair value of collaterals | 7.761 | 4.384 | 12.145 | 36.170 | 48.315 |

Musharaka, Murabaha and Mudaraba with customers subjected to separate impairment

* Musharaka, Murabaha and Mudaraba with customers

The balance of Musharaka, Murabaha and Mudaraba subjected to separate impairment regardless of any cash flows from collaterals reached EGP 1.560.502 thousand.

Hereunder, an analysis of the total value of Musharaka, Murabaha and Mudaraba subjected to separate impairment including fair value of the collaterals obtained by the Bank against these investments:

31 December 2017

| Current period evaluation | (EGP Thousand) | | | |
|--|-------------------|----------------------|--|--|
| | Individuals | | Corporate Direct and syndicated Murabaha | Total Musharaka, Murabaha, and Mudaraba with customers |
| | Personal Murabaha | Real estate Murabaha | | |
| Musharaka, Murabaha and Mudaraba with customers subjected to separate impairment | 132.076 | 19.646 | 1.408.780 | 1.560.502 |
| Fair value of collaterals | 1.138 | - | 139.774 | 140.912 |

31 December 2016

(EGP Thousand)

| Current period evaluation | Individuals | | Corporate | Total Musharaka: |
|--|-------------------|-------------------------|--------------------------------|---------------------------------------|
| | Personal Murabaha | Real estate Murabaha | Direct and syndicated Murabaha | Murabaha, and Mudaraba with customers |
| Musharaka, Murabaha and Mudaraba with customers subjected to separate impairment | 224.493 | 33.665 | 1.125.245 | 1.383.403 |
| Fair value of collaterals | - | 671 | 117.230 | 117.901 |
| | | 31 December 2017 | 31 December 2016 | |
| | | EGP Thousand | EGP Thousand | |
| Musharaka, Murabaha and Mudaraba with customers | | | | |
| Corporate | | | | |
| - Murabaha and Mudaraba with customers | | 3.204.643 | | 3.188.009 |
| - Syndicated Murabaha (companies) | | 5.017.813 | | 3.566.241 |
| Individuals | | | | |
| - Personal Murabaha | | 680.092 | | 637.093 |
| - Real estate Murabaha | | 449.070 | | 370.978 |
| Total | | 9.351.618 | | 7.762.321 |
| Less: Advances and returns | | (976.301) | | (724.143) |
| Less: Impairment loss Provision | | (1.174.879) | | (1.078.458) |
| Net | | 7.200.438 | | 5.959.720 |

A/7 Debt instruments and Governmental securities

The following table represents an analysis of debt instruments and governmental securities according to rating agencies at the end of the fiscal year, and based on Standards and Poor's rating and its equivalent.

31 December 2017

| | Governmental securities | Investments in financial securities | Total |
|--------------|-------------------------|-------------------------------------|-------------------|
| | EGP Thousand | EGP Thousand | EGP Thousand |
| AA+ to AA- | 441.653 | - | 441.653 |
| A+ to A- | 681.630 | - | 681.630 |
| Less than A- | 10.291.962 | 3.358.206 | 13.650.168 |
| Total | 11.415.245 | 3.358.206 | 14.773.451 |

A/8 Acquisition of collaterals

During the current year, the Bank has possessed assets by acquiring some collaterals, as follows:

| Asset's nature | Book value EGP Thousand |
|---------------------|----------------------------|
| Lands and buildings | 28.670 |
| Impairment | (7.066) |
| Sale | (4.443) |
| Total | 17.161 |

Acquired assets are classified as "other assets" in the balance sheet, and they are sold whenever possible.



A/9 Concentration of risks of financial assets exposed to investment and finance risk

Geographical sectors

The following table represents an analysis of the most significant finance and investment transactions of the Bank stated at the book value, distributed by geographical sector at the end of the current year. When preparing this table, risks are distributed to geographical sectors based on customer-related regions:

31 December 2017

(EGP Thousand)

| | Arab Republic of Egypt | | | Europe | Arab Gulf Countries | Other countries | Total |
|--|------------------------|-----------------------------|----------------|------------------|---------------------|------------------|-------------------|
| | Greater Cairo | Alexandria, Delta and Sinai | Upper Egypt | | | | |
| Governmental securities | 10.291.962 | | | | | | 10.291.962 |
| Financial assets held for trading | 31.550 | - | - | - | - | - | 31.550 |
| Musharaka, Murabaha and Mudaraba with customers: | | | | | | | |
| Murabaha transactions for individuals: | | | | | | | |
| - Personal Murabaha | 433.409 | 224.430 | 22.253 | - | - | - | 680.092 |
| - Real estate Murabaha | 306.034 | 124.331 | 18.705 | - | - | - | 449.070 |
| Murabaha transactions for corporations: | | | | | | | |
| - Direct Murabaha | 2.123.375 | 1.014.429 | 66.839 | - | - | - | 3.204.643 |
| - Syndicated Murabaha | 4.705.771 | - | - | - | 71.639 | 240.403 | 5.017.813 |
| Total | 7.568.589 | 1.363.190 | 107.797 | - | 71.639 | 240.403 | 9.351.618 |
| Less: Advances and returns | (790.154) | (142.316) | (11.254) | - | (7.479) | (25.098) | (976.301) |
| Less: Impairment loss provision | (950.870) | (171.263) | (13.543) | - | (9.000) | (30.203) | (1.174.879) |
| Net | 5.827.565 | 1.049.611 | 83.000 | - | 55.160 | 185.102 | 7.200.438 |
| Financial investments: | | | | | | | |
| - Held to maturity | 16.219.138 | - | - | - | 971.697 | - | 17.190.835 |
| - Available for sale | 1.848.926 | 1.316 | - | 1.346.052 | 546.558 | 631.892 | 4.374.744 |
| - Other assets | 1.311.454 | - | - | - | 28.820 | - | 1.340.274 |
| Total at the end of the current year | 35.530.595 | 1.050.927 | 83.000 | 1.346.052 | 1.602.235 | 816.994 | 40.429.803 |
| Total at the end of the comparative year | 51.302.262 | 1.491.316 | 78.919 | 1.264.751 | 1.061.799 | 1.504.875 | 56.703.922 |

Business Sectors

The following table represents an analysis of the most significant finance and investment risk limits of the Bank stated at book value, and distributed according to the customers' activity:

| | 31 December 2017 | | | | | | | |
|--|------------------------|-------------------------|------------------|----------------------|---------------------|------------------|------------------|-------------------|
| | Financial institutions | Industrial institutions | Real estate | Wholesale and retail | Governmental Sector | Other activities | Individuals | Total |
| Governmental securities | - | - | - | - | 10.291.962 | - | - | 10.291.962 |
| Financial assets held for trading: | - | - | - | - | - | 31.550 | - | 31.550 |
| Musharaka, Murabaha and Mudaraba with customers: | | | | | | | | |
| Murabaha transactions for individuals: | | | | | | | | |
| - Personal Murabaha | - | - | - | - | - | - | 680.092 | 680.092 |
| - Real estate Murabaha | - | - | - | - | - | - | 449.070 | 449.070 |
| Murabaha transactions for corporations: | | | | | | | | |
| - Direct Murabaha | 902.136 | 974.890 | 151.860 | 978.589 | - | 197.168 | - | 3.204.643 |
| - Syndicated Murabaha | 71.638 | 3.800.907 | 277.271 | - | 859.312 | 8.685 | - | 5.017.813 |
| Total | 973.774 | 4.775.797 | 429.131 | 978.589 | 859.312 | 205.853 | 1.129.162 | 9.351.618 |
| Less: Advances and returns | (101.661) | (498.589) | (44.801) | (102.164) | (89.711) | (21.491) | (117.884) | (976.301) |
| Less: Impairment loss provision | (119.889) | (587.983) | (52.833) | (120.481) | (105.796) | (25.344) | (162.553) | (1.174.879) |
| Net | 752.224 | 3.689.225 | 331.497 | 755.944 | 663.805 | 159.018 | 848.725 | 7.200.438 |
| Financial investments: | | | | | | | | |
| - Held to maturity | 24.943 | - | - | - | 17.165.892 | - | - | 17.190.835 |
| - Available for sale | 358.385 | 359.454 | 1.262.423 | 725.088 | 606.255 | 1.063.139 | - | 4.374.744 |
| Other assets | 1.298.573 | - | 41.701 | - | - | - | - | 1.340.274 |
| Total at the end of the current year | 2.434.125 | 4.048.679 | 1.635.621 | 1.481.032 | 28.727.914 | 1.253.707 | 848.725 | 40.429.803 |
| Total at the end of the comparative year | 3.204.593 | 4.275.955 | 1.699.349 | 896.238 | 44.069.022 | 1.857.416 | 701.350 | 56.703.923 |

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3/B- Market risk

The Bank is exposed to market risks of fluctuation in the fair value or future cash flows due to change in the market rates. Market risks emerge from open positions of return rates, currency, equity instruments; those are exposed to public and private movements of the market as well as sensitivity levels to market rates or prices such as return rates, exchange rates, and equity instruments. The Bank segregates market risks into either trading or non-trading portfolios.

B/1 Value at Risk summary

Total Value at Risk according to the risk type:

| | (EGP Thousand) | | | | | |
|----------------------------|--|-------------------|-------------------|--|-------------------|-------------------|
| | 12 month till the end of December 2017 | | | 12 month till the end of December 2016 | | |
| | Average | High | Low | Average | High | Low |
| Foreign exchange risk | 1.869.696 | 3.041.929 | 1.516.249 | 1.186.922 | 1.912.131 | 228.977 |
| Return rate risk | 18.541.500 | 20.747.399 | 17.614.273 | 12.833.861 | 19.997.147 | 10.620.604 |
| Equity instruments risk | 10.338.212 | 11.055.574 | 9.667.034 | 7.191.348 | 10.951.488 | 6.388.598 |
| Total value at risk | 30.749.408 | 34.844.902 | 28.807.556 | 21.212.131 | 32.860.766 | 17.238.179 |

Value at risk for trading portfolio by risk type

| | (EGP Thousand) | | | | | |
|----------------------------|--|----------|----------|--|----------|----------|
| | 12 month till the end of December 2017 | | | 12 month till the end of December 2016 | | |
| | Average | High | Low | Average | High | Low |
| Foreign exchange risk | - | - | - | - | - | - |
| Return rate risk | - | - | - | - | - | - |
| Equity instruments risk | - | - | - | - | - | - |
| Total value at risk | - | - | - | - | - | - |

Value at risk for non-trading portfolio by risk type

| | (EGP Thousand) | | | | | |
|----------------------------|--|-------------------|-------------------|--|-------------------|-------------------|
| | 12 month till the end of December 2017 | | | 12 month till the end of December 2016 | | |
| | Average | High | Low | Average | High | Low |
| Foreign exchange risk | 1.869.696 | 3.041.929 | 1.516.249 | 1.186.922 | 1.912.131 | 228.977 |
| Return rate risk | 18.541.500 | 20.747.399 | 17.614.273 | 12.833.861 | 19.997.147 | 10.620.604 |
| Equity instruments risk | 10.338.212 | 11.055.574 | 9.667.034 | 7.191.348 | 10.951.488 | 6.388.598 |
| Total value at risk | 30.749.408 | 34.844.902 | 28.807.556 | 21.212.131 | 32.860.766 | 17.238.179 |

Increase in the value at Risk, particularly the return rate, depends on increase of return rate sensitivity in international financial markets.

The above three results of Value at Risk are calculated independently from the underlying positions and historical market movements. Total trading and non-trading Value at Risk does not represent the Bank's Value at Risk due to correlation between risk types and portfolio types and their effect.



B/2 Foreign currency risk

The Bank is exposed to the risk of fluctuations in foreign currency exchange rates and its impact on the financial position and cash flows. The Board of Directors has set limits by total value for foreign currencies for each position at the end of the day and during the day in which they are timely monitored. The following table summarizes the Bank exposure to foreign currency risks at the end of the fiscal year. The table includes the book value of the financial instruments distributed and categorized by currency:

31 December 2017

(EGP Thousand)

| | EGP | USD | EURO | GBP | Other currencies | Total |
|---|-------------------|-------------------|------------------|----------------|-------------------------|-------------------|
| Financial assets | | | | | | |
| Cash and balances at the Central Banks | 3.823.621 | 3.408.913 | 65.582 | 11.982 | 59.791 | 7.369.889 |
| Balances due from banks | 21.062.599 | 9.687.780 | 516.835 | 88.468 | 1.520.160 | 32.875.842 |
| Governmental securities | 17.963 | 10.273.999 | - | - | - | 10.291.962 |
| Financial assets held for trading | 31.550 | - | - | - | - | 31.550 |
| Musharaka, Murabaha and Mudaraba with customers | 4.603.635 | 2.596.804 | (1) | - | - | 7.200.438 |
| Financial investments: | | | | | | |
| - Available for sale | 1.049.439 | 2.763.446 | 558.923 | 2.936 | - | 4.374.744 |
| - Held to maturity | 13.315.600 | 3.875.235 | - | - | - | 28.576.396 |
| Other financial assets | 1.245.817 | 87.503 | (49.349) | 93.656 | (37.353) | 1.340.274 |
| Total financial assets | 45.150.224 | 32.693.680 | 1.091.990 | 197.042 | 1.542.598 | 80.675.534 |
| | EGP | USD | EURO | GBP | Other currencies | Total |
| Financial liabilities | | | | | | |
| Balances due to banks | 16.223 | 86.976 | 598 | 5 | 14 | 103.816 |
| Saving pools | 40.753.344 | 27.661.457 | 1.026.379 | 147.695 | 1.538.728 | 71.127.603 |
| Other financial liabilities | 1.926.712 | 172.932 | 3.002 | 556 | 4.282 | 2.107.484 |
| Total financial liabilities | 42.696.279 | 27.921.365 | 1.029.979 | 148.256 | 1.543.024 | 73.338.903 |
| Net balance sheet | 2.453.945 | 4.772.315 | 62.011 | 48.786 | (426) | 7.336.631 |
| Commitments related to finance | 134.462 | 1.099.751 | 53.698 | 112 | 17.037 | 1.305.060 |
| At the end of the comparative year | | | | | | |
| Total financial assets | 40.252.146 | 30.067.860 | 1.046.528 | 171.274 | 1.599.358 | 73.137.166 |
| Total financial liabilities | 39.398.388 | 24.448.479 | 1.001.560 | 126.693 | 1.601.773 | 66.576.893 |
| Net balance sheet | 853.758 | 5.619.381 | 44.968 | 44.581 | (2.415) | 6.560.273 |

B/3 Return rate risk

The Bank is exposed to risk of fluctuations in return rates prevailing in the market, that is the possibility that changes in the return rates will affect future cash flows or fair value of a financial instrument because of changes in market return rates, The return margin could increase as a result of these changes, and profits may be decreased in case of unexpected movements. The board of directors sets limits to the difference level of return rate re-pricing that the Bank could apply.

The following table summarizes the Bank exposure to risk of return rate fluctuations that includes book value of financial instruments distributed according to re-pricing dates or maturity dates, whichever is sooner:



31 December 2017

(EGP Thousand)

| | Up to one month | More than one month and up to 3 months | More than 3 months and up to 1 year | More than 1 year and up to 5 years | More than 5 years | Without return | Total |
|---|-------------------|--|-------------------------------------|------------------------------------|-------------------|------------------|-------------------|
| Financial assets | | | | | | | |
| Cash and balances at the Central Bank of Egypt | 2,896,941 | - | - | - | - | 4,472,948 | 7,369,889 |
| Balances due from banks | 30,131,126 | 2,453,408 | - | - | - | 291,308 | 32,875,842 |
| Governmental securities | - | 3,483,079 | 2,064,864 | 4,744,019 | - | - | 10,291,962 |
| Financial assets held for trading | - | 31,550 | - | - | - | - | 31,550 |
| Musharaka, Murabaha and Mudaraba with customers | 107,739 | 190,133 | 1,961,062 | 4,023,050 | 1,780,902 | 1,288,732 | 9,351,618 |
| Less: Advances and returns | (11,247) | (19,850) | (204,733) | (420,003) | (185,925) | (134,543) | (976,301) |
| Less: Impairment loss provision | (13,536) | (23,887) | (246,376) | (505,431) | (223,741) | (161,908) | (1,174,879) |
| Net | 82,956 | 146,396 | 1,509,953 | 3,097,616 | 1,371,236 | 992,281 | 7,200,438 |
| Financial investments: | | | | | | | |
| Available for sale | - | 12,180 | - | 491,598 | 2,721,057 | 1,149,909 | 4,374,744 |
| Held to maturity | - | - | 24,943 | 13,290,657 | 3,875,235 | - | 17,190,835 |
| Other financial assets | 335,069 | 335,068 | 335,069 | 335,068 | - | - | 1,340,274 |
| Total financial assets | 33,446,092 | 6,461,681 | 3,934,829 | 21,958,958 | 7,967,528 | 6,906,446 | 80,675,534 |
| Financial liabilities | | | | | | | |
| Balances due to banks | 12,412 | - | 7,533 | - | - | 83,871 | 103,816 |
| Saving pools and other deposits | 10,448,298 | 8,981,040 | 8,981,040 | 15,737,558 | 24,541,101 | 2,438,566 | 71,127,603 |
| Other financial liabilities | 526,871 | 526,871 | 526,871 | 526,871 | - | - | 2,107,484 |
| Total financial liabilities | 10,987,581 | 9,507,911 | 9,515,444 | 16,264,429 | 24,541,101 | 2,522,437 | 73,338,903 |
| Return re-pricing gap | 22,458,511 | (3,046,230) | (5,580,615) | 5,694,529 | (16,573,573) | 4,348,009 | 7,336,631 |
| At the end of the comparative year | | | | | | | |
| Total financial assets | 12,114,397 | 5,891,508 | 4,752,266 | 36,678,353 | 7,241,583 | 6,459,059 | 73,137,166 |
| Total financial liabilities | 10,248,322 | 8,820,128 | 8,832,084 | 21,797,779 | 15,211,736 | 1,666,844 | 66,576,893 |
| Return re-pricing gap | 1,866,074 | (2,928,620) | (4,079,818) | 14,880,574 | (7,970,152) | 4,792,215 | 6,560,273 |



3/C Liquidity risk

Liquidity risk represents difficulties encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. The consequences may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity risk management

The Bank's liquidity management process, as carried out by the Bank Financial Department includes:

- * Daily funding managed by monitoring future cash flows to ensure that all requirements can be met. This includes replenishment of funds as they due or to be borrowed by customers. The Bank maintains an active presence in the global money markets in order to achieve that goal.
- * The Bank maintains a portfolio of highly marketable assets that can be easily liquidated in the event of any unexpected interruption of cash flows.
- * Monitoring liquidity ratios against internal requirements and CBE requirements.
- * Managing the concentration and profile of financing transaction maturities.

For the purpose of monitoring and reporting, cash flows are measured and expected for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those expectations is an analysis of the contractual maturities of the financial liabilities and the expected collection dates of the financial assets.

Local investment department also monitors unmatched medium-term assets, the level and type of the unused part of the finance commitments, the usage of overdraft facilities and the impact of contingent liabilities such as letters of credit and guarantee.

Funding approach

Liquidity resources are reviewed by a separate team in the Bank Financial Department to maintain a wide diversification by currency, geographical districts, sources, products and terms.

Non-derivative cash flows:

The following table represents paid cash flows by the Bank under non-derivative financial liabilities distributed to the remaining period of contractual maturities at the date of the balance sheet. Amounts stated in the table represent undiscounted contractual cash flows, while the Bank manages liquidity risk on the basis of expected - and not contractual - undiscounted cash flows:



31 December 2017

(EGP Thousand)

| | Up to one month | More than one month and up to 3 months | More than 3 months and up to 1 year | More than 1 year and up to 5 years | More than 5 years | Total |
|--|-------------------|--|-------------------------------------|------------------------------------|-------------------|-------------------|
| Financial liabilities | | | | | | |
| Balances due to banks | 12.412 | - | 7.533 | - | 83.871 | 103.816 |
| Saving pools and other deposits | 10.448.298 | 8.891.040 | 8.981.040 | 15.737.558 | 26.979.667 | 71.127.603 |
| Other financial liabilities | 526.871 | 526.871 | 526.871 | 526.871 | - | 2.107.484 |
| Total financial liabilities on the contractual maturity date | | | | | | |
| Total financial assets on the contractual maturity date | <u>10.987.581</u> | <u>9.507.911</u> | <u>9.515.444</u> | <u>16.264.429</u> | <u>27.063.538</u> | <u>73.338.903</u> |
| Total financial assets on the contractual maturity date | <u>33.446.092</u> | <u>6.461.681</u> | <u>3.934.829</u> | <u>21.958.958</u> | <u>14.873.974</u> | <u>80.675.534</u> |

31 December 2016

(EGP Thousand)

| | Up to one month | More than one month and up to 3 months | More than 3 months and up to 1 year | More than 1 year and up to 5 years | More than 5 years | Total |
|--|-------------------|--|-------------------------------------|------------------------------------|-------------------|-------------------|
| Financial liabilities | | | | | | |
| Balances due to banks | 89.214 | - | 11.956 | - | 116.111 | 217.281 |
| Saving pools and other deposits | 9.600.576 | 8.261.596 | 8.261.596 | 21.239.246 | 16.762.469 | 64.125.483 |
| Other financial liabilities | 558.532 | 558.532 | 558.532 | 558.533 | - | 2.234.129 |
| Total financial liabilities on the contractual maturity date | <u>10.248.322</u> | <u>8.820.128</u> | <u>8.832.084</u> | <u>21.797.779</u> | <u>16.878.580</u> | <u>66.576.893</u> |
| Total financial assets on the contractual maturity date | <u>12.114.396</u> | <u>5.891.508</u> | <u>4.752.266</u> | <u>36.678.353</u> | <u>13.700.643</u> | <u>73.137.166</u> |



3/D Capital management

The Bank's objectives, when managing capital that includes other items in addition to the equity items stated in the balance sheet, are as follows:

- To comply with capital legal requirements in the Arab Republic of Egypt, and in other states in which the Bank branches are operating.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other parties dealing with the Bank.
- To maintain a strong capital base that supports the growth of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the bank's management according to the regulatory authority's requirements (CBE). Employing techniques based on Basel Banking Supervisory Committee guidelines. The required data as well as deposits at the CBE are submitted on a quarterly basis.

The CBE requires the Bank to:

- Retain the amount of EGP 500 million as minimum for Issued and paid up capital.
- Maintain a ratio of 10% or more between items of both capital and risk-weighted assets and contingent liabilities.

Bank branches operating outside A.R.E. are subject to supervisory rules regulating banking business in the hosting states. In this regard, the numerator of capital adequacy ratio includes the two following tiers:

Tier 1: Is the Going-concern capital that contains paid-up capital (after deducting the book value of the treasury stocks), retained profit, and reserves resulting from the distribution of profits excluding the general banking risk reserve. Goodwill previously recognized and any carried-forward losses are also deducted from the principal capital.

Tier 2: Is the subordinate capital that contains an equivalent of the risk provision according to the CBE credit rating rules by not more than 1.25% of the total risk-weighted assets and contingent liabilities, subordinate finances/deposits with maturity of more than 5 years (with a depreciation of 20% for each year of the last five years of the schedule), and 45% of the increase between the fair value and book value for each of the financial investments available for sale, held to maturity and subsidiaries and associates.

When calculating the total numerator of capital adequacy ratio, it should be taken into consideration that the subordinate capital may not be more than the principal capital; subordinate finances (deposits) may not also exceed half of the principal capital.

The assets are adjusted with risk-weights range between Zero and 100% classified according to the nature of debit party for each asset to reflect related finance and investment risks, taking into consideration cash guarantees. The same treatment is used for the off-balance sheet amounts after performing the adjustments in order to reflect the contingent nature and the expected losses of these amounts.

The Bank has complied with all local capital requirements, as well as other requirements imposed on its foreign branches for the past two years. The following table summarizes components of the principal and subordinate capital, and capital adequacy ratios at the end of the financial year



| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|-------------------------------------|-------------------------------------|
| Total Capital Base after deductions | 6.927.003 | 5.708.064 |
| Going-Concern Capital 'Tier 1' after deductions | 5.775.255 | 4.482.705 |
| Going-Concern Capital 'Common Equity' after deductions | 5.774.379 | 4.481.863 |
| Issued and paid-up capital | 1.775.681 | 1.580.515 |
| Treasury stocks (-) | (9.892) | (9.892) |
| Reserves | 1.275.516 | 766.931 |
| Retained profit (carried-forward losses) | 3.640.936 | 3.105.402 |
| The surplus (deficit) amount above 4.5% in Going-Concern Capital 'Common Equity' after deductions | 3.631.412 | 2.510.703 |
| Capital conservation buffer available from surplus in components of Going-Concern Capital 'Common Equity' after deductions (if any) | 595.269 | 273.772 |
| Total capital conservation buffer created | 595.269 | 273.772 |
| Additional Going-Concern Capital | 5 | 842 |
| Profits / (losses) on a quarterly basis | 5 | - |
| Minority interest | 876 | 842 |
| Total deductions from Going-Concern Capital 'Common Equity | (907.862) | (961.093) |
| Items to be deducted | (850.313) | (794.267) |
| The Bank's Investments in financial companies (banks or companies) and insurance companies | (841.524) | (788.245) |
| The increase in investments by (10%) of the company's issued capital for each investment (shares) (-) | (32.986) | (17.412) |
| The increase in investments by 10% of the Fund assets for each investment (Mutual Funds) (-) | (22.662) | (13.809) |
| The increase in total investments of the Bank by 10% or less than the issued capital of financial company and net mutual fund assets compared with 10% of Going-concern (common equity) of the Bank after regulatory adjustments (-) | (785.876) | (756.024) |
| Intangible assets (other than Goodwill) (-) | (8.789) | (6.022) |
| Unapplicable items | (57.549) | (166.826) |
| the fair value reserve of available-for-sale financial investments which were reclassified as financial investments held to maturity (if negative) | (57.549) | (166.826) |
| Gone-Concern Capital 'Tier 2' after deductions | 1.151.748 | 1.225.359 |
| 45% of the value of the special reserve | 15.147 | 15.147 |
| 45% of the increase in fair value over the book value of financial investments (if positive) | 1.006.882 | 1.114.239 |
| 45% of the fair value reserve of available-for-sale financial investments | 844.103 | 1.003.510 |
| 45% of the increase in fair value over the book value of financial investments in subsidiaries and associates. | 162.779 | 110.729 |
| Total impairment loss provision for credit facilities and regular contingent liabilities | 129.719 | 95.973 |
| Impairment loss provision for credit facilities and regular contingent liabilities | 129.719 | 95.973 |
| Total assets and contingent liabilities adjusted with credit, market and operation risk weights | 47.621.496 | 43.803.556 |
| Total credit risks | 33.672.645 | 29.081.085 |
| Assets and contingent liabilities adjusted with credit risk weights | 33.672.645 | 29.080.988 |
| Capital requirements for counterparty risks | - | 10 |
| The excess amount for the Bank's largest fifty customers, adjusted with risk weights | 9.851.293 | 11.471.243 |
| Capital requirements for market risks | 16.322 | - |
| Capital requirements for operation risks | 393.434 | 325.123 |
| Going-Concern Capital 'Common Equity' after deductions / Total assets and .10contingent liabilities adjusted with credit, market and operation risk weights | 12.126% | 10.23% |
| Total capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights | 1.25% | 0.63% |
| Going-Concern Capital 'Common Equity' after deductions including capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights | 12.126% | 10.23% |
| Total Going-Concern Capital 'Tier 1' with capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market, and operation risk weights | 12.127% | 10.23% |
| Total Gone-Concern Capital 'Tier 2' / Total assets and contingent liabilities adjusted with credit, market and operation risk weights | 2.419% | 2.80% |
| Total capital base without capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights (Taking into consideration the effect of the Bank's largest 50 customers) | 13.296% | 12.41% |
| Total capital base with capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights (Taking into consideration the effect of the Bank's largest 50 customers) | 14.546% | 13.03% |
| Total capital base with capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights (without taking into consideration the effect of the Bank's largest 50 customers) | 18.340% | 17.65% |



In its session held on 7th July 2015, the Central Bank of Egypt has approved leverage ratio regulatory instructions, which banks must abide by a minimum requirement of (3%) on a quarterly basis as follows :

As an indicative ratio applicable as from the end of September 2015 until 2017.

As a mandatory ratio as from 2018

The CBE requires the Bank to disclose leverage ratio and its components (the numerator and denominator) in published financial statements in the same manner as Risk-based Capital Adequacy Ratio (CAR.)

The numerator and denominator of financial leverage ratio contain:

Components of the numerator: the numerator of leverage ratio consists of Tier 1 capital (after deductions) used in the numerator of Risk-based Capital Adequacy Ratio (CAR)

Components of the denominator: the denominator of leverage ratio consists of all on-and off-balance sheet assets of the Bank - in accordance with the financial statements - what is called "the Bank exposures."

Ratio: ratio of Tier 1 capital from capital base (after deductions) to total Bank exposures should not be less than (3%).

| | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| | EGP Thousand | EGP Thousand |
| Going-Concern Capital "Tier 1" after deductions | 5.775.255 | 4.482.705 |
| Total on- and off-balance sheet exposures | 83.606.965 | 75.451.575 |
| Total on-balance sheet, derivatives transactions and securities financing transaction exposures | 82.542.550 | 74.391.188 |
| On-balance sheet items exposures after Tier 1 capital deductions | 82.542.550 | 74.391.188 |
| Cash and balances at the Central Bank of Egypt | 27.327.236 | 7.857.863 |
| Balances due from banks | 12.990.114 | 8.643.751 |
| Current accounts and deposits | 12.291.114 | 8.643.751 |
| Treasury bills and other governmental securities | 10.291.962 | 14.490.936 |
| Total treasury bills and other governmental securities | 10.291.962 | 14.490.936 |
| Financial assets held for trading | 38.550 | 20.538 |
| Financial Investments available for sale | 4.520.975 | 5.944.491 |
| Financial investments held to maturity | 17.190.835 | 28.576.396 |
| Investments in subsidiaries and associates | 671.088 | 532.363 |
| Total finances and credit facilities for customers | 8.001.378 | 6.575.864 |
| Finances and credit facilities | 9.351.618 | 7.760.896 |
| Impairment loss provision | 1.058.604 | 987.479 |
| Retained revenues | 291.636 | 197.553 |
| Fixed assets (after deducting impairment loss provision and Accumulated depreciation) | 901.262 | 857.934 |
| Other assets | 1.459.463 | 1.852.146 |
| Value of what to be deducted from exposures (after Tier 1 deductions of capital base) | (850.313) | (961.093) |
| Off-balance sheet exposures | 1.064.414 | 1.060.386 |
| Total contingent liabilities ⁽⁴⁾ | 904.936 | 779.084 |
| Letters of credit - import | 77.660 | 88.448 |
| Letters of credit - export | 210 | - |
| Letters of guarantee | 84.456 | 118.547 |
| Letters of guarantee issued at the request of foreign banks or their guarenatee | 3.464 | 3.681 |
| Contingent liabilities for general collaterals to credit facilities and similar collaterals | 725.521 | 547.995 |
| Accepted promissory notes | 13.625 | 20.414 |
| Total commitments | 159.478 | 281.302 |
| Capital commitments | 16.930 | 31.309 |
| Commitments of loans and credit facilities for banks/customers (the unused part) with an original maturity period | 142.548 | 249.993 |
| Irrevocable commitments - more than a year | 120.814 | 123.390 |
| Irrevocable commitments - a year or less | 21.734 | 126.603 |
| Financial Leverage ratio % | 6.91% | 5.94% |



4 - Significant accounting estimates and assumptions:

4/A Impairment losses of Musharaka, Mudaraba and Murabaha

The Bank reviews its portfolio of Musharaka, Murabaha and Mudaraba transactions to assess impairment on quarterly basis at least. The Bank depends on personal judgments to identify whether the impairment losses should be stated in the income statement or not, and to verify any reliable information indicating that measurable impairment occurred in the estimated future cash flows of Murabaha portfolio to recognize the impairment level of each Murabaha in the portfolio. These evidences might include indicators that a negative change affected the capacity of the bank portfolio of finance customers to repayment; or local or economic conditions that correlate with the default of bank assets. When rescheduling the future cash flows, the management uses estimates based on past loss experience for assets with credit risk having characteristics of finance and investment transactions at the existence of objective evidences of the impairment similar to those in the portfolio. The methodology and assumptions for estimating both the amount and period of the future cash flows should be regularly reviewed in order to eliminate any differences between estimated loss and actual loss based on experience.

4/B Impairment of available-for-sale equity investments

The Bank determines that investments in available-for-sale equity are impaired when there is a significant or prolonged decline in the fair value below its cost. A judgment is required to determine that the decline is significant or prolonged. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment loss recognized when there is an evidence of deterioration in the investee financial position, operational and financing cash flows, industry and sector performance, or technology changes.

4/C Financial investments held to maturity

The non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This classification requires high degree of personal judgment. In making this judgment, the Bank evaluates the intention and ability to hold such these investments to maturity. If the Bank fails to keep these investments to maturity – other than for certain circumstances as selling insignificant volume close to maturity, these investments should be reclassified as available for sale. Hence, these investments will be measured at fair value not at amortized cost. In addition to suspending any other investments stated in this item.

4/D Fair value of derivatives

Fair value of the financial instruments not quoted in an active market is determined using valuation techniques. These techniques as models are tested and reviewed on a regular basis using qualified personnel other than those who prepared the techniques. Results depend relatively on experience.

4/E Income Tax

The Bank is subject to income tax, this requires significant estimates to determine the total income tax provision. There are a number of complicated processes and calculation to determine the final income tax. The bank records liabilities of the expected results of the tax investigation based on estimation of probable addition tax required. Difference between final and estimated tax will affect the income tax.



5- Segment analysis

- By activity segment

Activity segment includes operating processes and assets used in providing banking services, management of inherent risks and the return rate of this activity that might be different from other activities. The segmentation analysis of operations according to the Banking activities is as follows:

Large, medium, and small enterprises

Includes current accounts, deposits, debited current accounts, finance and investment transactions, and financial derivatives.

Investment

Includes mergers, purchase of investments, and financing companies restructuring and financial instruments.

Individuals

Includes current accounts, saving pools, deposits, personal Murabaha and real estate Murabaha.

Other activities

Includes other banking activities such as fund management.

Inter-segment transactions are on normal commercial terms and conditions and it includes operating assets and liabilities as stated in the balance sheet.

6- Net income from return

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Return on Musharaka, Murabaha, Mudaraba and similar revenues from: | | |
| The Central Bank of Egypt | 1,533.735 | 369.870 |
| Other banks | 511.817 | 199.098 |
| Customers | 699.240 | 494.900 |
| Total | 2,744.792 | 1,063.868 |
| Return on governmental debt instruments | 3,701.636 | 4,253.872 |
| Return on Investments in debt instruments held to maturity and available for sale | 73.412 | 102.468 |
| Total | 6,519.840 | 5,420.208 |
| Cost of saving pools and similar costs from: | | |
| Banks | (98.184) | (23.194) |
| Customers | (3,475.627) | (3,114.847) |
| Total | (3,573.811) | (3,138.041) |
| Net | 2,946.029 | 2,282.167 |



7- Fees and commissions revenues

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Fees and commissions related to finance and investment transactions | 46.252 | 45.891 |
| Fees of corporate financing services | 8.006 | 5.923 |
| Custody and keeping fees | 4.279 | 3.830 |
| Other fees | 133.618 | 120.661 |
| Total | <u>192.155</u> | <u>176.305</u> |

8- Dividends

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Trading stocks | 1.157 | 1.790 |
| Return on mutual fund held to maturity | 325 | - |
| Available for sale securities | 33.900 | 22.495 |
| Subsidiaries and associates | 48.619 | 148.711 |
| Total | <u>84.001</u> | <u>172.996</u> |

9- Net trading income

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Foreign currency transactions | | |
| Profit from foreign currency transactions | 27.761 | 23.058 |
| Profit (Loss) from evaluation of assets and liabilities balances in trading foreign currency. | 9.115 | (8.381) |
| Equity instruments held for trading | 8.668 | 2.127 |
| Total | <u>45.544</u> | <u>16.804</u> |

10- (Charge) reverse of impairment from losses of finance and investment transactions

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Musharaka, Murabaha and Mudaraba with customers | (167.943) | 3.165 |
| Financial investments held to maturity | 4.853 | 7.586 |
| Total | <u>(163.090)</u> | <u>10.751</u> |



11- Administrative expenses

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|-------------------------------------|----------------------------------|----------------------------------|
| Labor cost | | |
| Wages and salaries | (334.714) | (338.795) |
| Social insurance | (14.438) | (12.805) |
| Pension cost | | |
| Cost of specific retirement schemes | (11.514) | (11.288) |
| | <u>(360.666)</u> | <u>(362.888)</u> |
| Other administrative expenses | *(358.535) | *(257.704) |
| Total | <u><u>(719.201)</u></u> | <u><u>(620.592)</u></u> |

- The Central Bank of Egypt, in its session held on 5th July 2011 and according to the governance instructions for banks, has issued a decision stated that each bank has to - in accordance with these instructions - disclose total value (on an average monthly basis) of amounts that the twenty persons who have the highest salaries and remunerations at the Bank, and consequently, the monthly average for the fiscal year 2017 reached EGP 9.183.453.

| * Analysis of other administrative expenses items | 31 December 2017 EGP Thousand |
|---|----------------------------------|
| Depreciation | 39.111 |
| Subscriptions and fees | 47.258 |
| Employees benefits (medical care + training expenses) | 47.258 |
| Maintenance expenses (computers + buildings, vehicles and machines) | 37.063 |
| Advertisement and promotion | 18.007 |
| Operating expenses of computer and ATM machines | 24.428 |
| Water, electricity and telephone consumption bills | 26.783 |
| Stamp duties | 13.877 |
| SWIFT and postal expenses | 16.569 |
| Meetings and hospitality | 6.422 |
| Travel and transportation allowances | 13.569 |
| End of Employees Service Fund | 12.085 |
| Rental value of ATMs locations | 4.500 |
| Stationery and printouts | 8.739 |
| Visa Electron / commissions | 7.941 |
| Legal expenses | 3.696 |
| Technical consulting | 3.248 |
| Social services | 1.011 |
| Taxes other than income taxes | 1.219 |
| Miscellaneous | 26.793 |
| Total | <u><u>358.535</u></u> |



12- Other operational revenues

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Profit from valuation of monetary assets and liabilities in foreign currency (other than those classified as trading) | 73.679 | 1.557.238 |
| Profit from sale of fixed assets | - | 580 |
| Operating lease | (620) | (894) |
| Others | 57.320 | (14.899) |
| (Charge) of other provisions | (21.476) | (7.138) |
| Total | 108.903 | 1.534.887 |

13- Income tax (expenses)

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Current income taxes | (619.365) | (739.473) |
| Current income taxes are represented in: | | |
| Income taxes that are calculated at 20% tax rate * | (619.365) | (739.473) |
| Total | (619.365) | (739.473) |

* Represent taxes imposed on treasury bills and bonds revenues secured by the Egyptian government in local currency.

Tax position is described below:

First: Legal person earnings tax

- Final settlement with Key Taxpayers Center has been reached and accrued taxes were paid since the beginning of the Bank activity up to the year 2015.
- As for 2016, the tax return has been submitted in scheduled times and accrued tax was paid, but tax inspection has not been made yet, and inspection date for 2017 is being fixed.
- As for 2017, the tax return is being prepared and it will be submitted in legally-determined date.

Second: Payroll Taxes

- Final settlement with Key Taxpayers Center has been reached and accrued taxes were paid since the beginning of the Bank activity up to the year 2016.
- As for 2017, Accrued monthly tax was paid in legally-determined date, and tax inspection has not been made yet.

Third: Stamp duty

- Final settlement with Key Taxpayers Center has been reached and accrued taxes were paid since the beginning of the Bank activity up to the year 2016.
- As for the period from 1/1/2017 to 31/12/2017, the quarterly tax returns have been submitted in scheduled times and accrued tax was paid.

Fourth: Property Tax

- All accrued taxes on the Bank's branches, by which payment claims were sent to the Bank, have been paid according to what was previously determined until 30/6/2013
- Since the application of Law No. 196 of 2008 which came into force on 1/7/2013, accrued taxes on some branches (which were subject to proper tax assessment or settled according to the tax appeal committee decision) have been paid. The Bank has filed an appeal against some tax claims because of unfair tax assessments.



14- Earnings per share

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Net profit of the year | 1.722.766 | 2.887.407 |
| Employees' profit share | (90.000) | (75.000) |
| Board of director's remuneration | (12.000) | (9.000) |
| | <u>1.620.766</u> | <u>2.803.407</u> |
| Weighted average of issued common shares | 366.831 | 356.146 |
| Earnings per share (EGP) | <u>4.418</u> | <u>7.872</u> |

15 - Cash and balances at the Central Bank of Egypt

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Cash | 1.191.678 | 790.958 |
| Balances at the Central Bank of Egypt as mandatory reserve ratio | 6.178.211 | 5.300.699 |
| Total | <u>7.369.889</u> | <u>6.091.657</u> |
| Non- return bearing balances | 4.472.948 | 3.367.637 |
| Return-bearing balances | 2.896.941 | 2.724.020 |
| Total | <u>7.369.889</u> | <u>6.091.657</u> |

16 -Balances due from banks

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Current accounts | 291.308 | 810.161 |
| Deposits | 32.747.881 | 9.555.684 |
| Less: Advance revenues | (163.347) | (24.258) |
| Total | <u>32.875.842</u> | <u>10.341.587</u> |
| The Central Bank of Egypt other than the mandatory reserve ratio | 19.956.208 | 1.764.721 |
| Local banks | 11.774.189 | 7.465.336 |
| Foreign banks | 1.145.445 | 1.111.530 |
| Total | <u>32.875.842</u> | <u>10.341.587</u> |
| Non-return bearing balances | 291.308 | 810.161 |
| Return-bearing balances | 32.584.534 | 9.531.426 |
| Total | <u>32.875.842</u> | <u>10.341.587</u> |
| Current balances | 32.875.842 | 10.341.587 |
| Non-current balances | - | - |
| Total | <u>32.875.842</u> | <u>10.341.587</u> |

17- Governmental securities

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|----------------|----------------------------------|----------------------------------|
| Treasury bills | 10.291.962 | 14.490.936 |
| Total | <u>10.291.962</u> | <u>14.490.936</u> |



Governmental securities are represented in:

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|------------------------------------|----------------------------------|----------------------------------|
| Treasury bills - 91 days maturity | 3,545,540 | 4,733,150 |
| Treasury bills - 182 days maturity | 2,127,324 | 2,941,980 |
| Treasury bills - 365 days maturity | 4,806,479 | 7,271,830 |
| Undue returns | (187,381) | (456,024) |
| Total | <u>10,291,962</u> | <u>14,490,936</u> |

18- Financial assets held for trading

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| <u>Equity instruments listed in the stock markets</u> | | |
| Shares of local companies | 31,550 | 19,606 |
| Total | <u>31,550</u> | <u>19,606</u> |

19- Musharaka, Murabaha and Mudaraba with customers

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|-------------------------------------|-------------------------------------|
| Individuals: | | |
| Personal Murabaha | 680,092 | 637,093 |
| Real estate Murabaha | 449,070 | 370,978 |
| Total (1) | <u>1,129,162</u> | <u>1,008,071</u> |
| Corporate including small Murabaha for economic activities: | | |
| Direct Murabaha | 3,204,643 | 3,188,009 |
| Syndicated Murabaha | 5,017,813 | 3,566,241 |
| Total (2) | <u>8,222,456</u> | <u>6,754,250</u> |
| Total Musharaka, Mudaraba and Murabaha transactions with customers (1+2) | 9,351,618 | 7,762,321 |
| Less: Advance revenues | (976,301) | (724,143) |
| Less: Impairment loss provision | (1,174,879) | (1,078,458) |
| The net distributed to: | <u>7,200,438</u> | <u>5,959,720</u> |
| Current balances | <u>7,200,438</u> | <u>5,959,720</u> |
| Total | <u>7,200,438</u> | <u>5,959,720</u> |

The fair value of tradable securities - that may be disposed only with the approval of the Bank which guarantee commercial finance transactions - amounted to EGP 59,881 thousand at the date of the balance sheet against EGP 66,441 thousand on the comparative date.



Impairment loss provision

Analysis of the impairment loss provision for musharaka, murabaha and mudaraba transactions with customers based on types:

| | 31 December 2017 (EGP Thousand) | | |
|--------------------------------------|---------------------------------|-------------------------|------------------|
| | Individuals | | |
| | Personal and car Murabaha | Real estate Murabaha | Total |
| Balance at the beginning of the year | 199.781 | 12.898 | 212.679 |
| Charge of impairment during the year | 7.280 | - | 7.280 |
| Amounts written off during the year | (9.245) | (150) | (9.575) |
| Provision no longer required | (6.591) | - | (6.591) |
| Transferred from corporate provision | (43.356) | - | (43.356) |
| Valuation differences | (2) | - | (2) |
| Balance on 31 December 2017 | 147.687 | 12.748 | 160.435 |
| | Corporate | | |
| | Direct Murabaha and others | Syndicated Murabaha | Total |
| Balance at the beginning of the year | 864.538 | 1.241 | 865.779 |
| Charge of impairment during the year | 230.803 | - | 230.803 |
| Amounts written off during the year | (54.727) | - | (54.727) |
| Provision no longer required | (62.308) | (1.241) | (63.549) |
| Transferred to individual provision | 43.356 | - | 43.356 |
| Valuation differences | (7.218) | - | (7.218) |
| Balance on 31 December 2017 | 1.014.444 | - | 1.014.444 |
| Total | 1.162.131 | 12.748 | 1.174.879 |



Impairment loss provision

Analysis of the impairment loss provision for musharaka, murabaha and mudaraba transactions with customers based on types:

31 December 2016

| | (EGP Thousand) | | |
|---------------------------------------|----------------------------|-------------------------------|-----------|
| | Individuals | | Total |
| | Personal and car Murabaha | Real estate Murabaha | |
| Balance at the beginning of the year | 67.467 | 12.820 | 80.287 |
| Charge of impairment during the year | 15.648 | 925 | 16.573 |
| Amounts written off during the year | (12.612) | (833) | (13.445) |
| Provision no longer required | (11.344) | (14) | (11.358) |
| Transferred to corporate provision | 140.622 | - | 140.622 |
| Balance on 31 December 2015 | 199.781 | 12.898 | 212.679 |
| | | | |
| | Direct Murabaha and others | Corporate Syndicated Murabaha | Total |
| Balance at the beginning of the year | 959.988 | 7.553 | 967.541 |
| Charge of impairment during the year | 111.897 | - | 111.897 |
| Amounts written off during the year | (77.393) | - | (77.393) |
| Provision no longer required | (113.965) | (6.312) | (120.277) |
| Transferred from individual provision | (140.622) | - | (140.622) |
| Transferred to other provisions | (6.108) | - | (6.108) |
| Revaluation differences | 130.741 | - | 130.741 |
| Balance on 31 December 2015 | 864.538 | 1.241 | 865.779 |
| Total | 1.064.319 | 14.139 | 1.078.458 |



20- Financial investments

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| 20/A- Financial Investments available for sale | | |
| Debt instruments – at fair value: | | |
| - Listed in the stock market | 606.254 | 1.345.865 |
| Equity instruments – at fair value: | | |
| - Listed in the stock market | 69.531 | 241.382 |
| - Unlisted in the stock market | 3.698.959 | 4.210.694 |
| Total financial investments available for sale (1) | <u>4.374.744</u> | <u>5.797.941</u> |
| 20/B- Financial investments held to maturity | | |
| Debt instruments: | | |
| - Listed in the stock market | 17.165.892 | 28.555.336 |
| - Unlisted in the stock market | 25.797 | 26.767 |
| Less: Impairment loss provision | (854) | (5.707) |
| - Total unlisted in the stock market | <u>24.943</u> | <u>21.060</u> |
| Total financial investments held to maturity (2) | <u>17.190.835</u> | <u>28.576.396</u> |
| Total financial investments (1+2) | <u>21.565.579</u> | <u>34.374.337</u> |
| Settlements of impairment loss provision for financial investments held to maturity: | | |
| | 31 December 2017 | 31 December 2016 |
| | EGP Thousand | EGP Thousand |
| Balance at the beginning of the year | (5.707) | (13.293) |
| Charge (Reverse) impairment of mutual funds | 4.853 | 7.586 |
| Total | <u>(854)</u> | <u>(5.707)</u> |

20- Financial investments – Cont.

20/C- Investments in subsidiaries and associates

Participation of the Bank in subsidiaries and associates are as follows:

| | resident country | 31 December 2017 | | | | | |
|---|------------------|-----------------------|---|------------------|--------------------------------|------------------|------------------------|
| | | Assets of the company | Liabilities of the company (without equity) | Company revenues | Profit / (loss) of the company | Book value | Percentage of sharehog |
| | | EGP Thousand d | EGP Thousand | EGP Thousand d | EGP Thousand d | EGP Thousand | |
| A- Subsidiaries: | | | | | | | |
| Ismailia National Co. for Food Industries (FOODICO) (7) | Egypt | 104.911 | 46.349 | 93.674 | 8.219 | 13.000 | %34.72 |
| Horizon Co. for Investment and Industrial Development (7) | Egypt | 733.177 | 480.375 | 504.344 | 11.799 | 35.200 | %40.00 |
| Modern National Co. for Wood Industry (7) | Egypt | 52.292 | 44.325 | 31.961 | (55) | 1 | %44.44 |
| Al-Alamia Co. for Import & Export (1) | Egypt | 8.230 | 45.350 | 187 | (3.795) | - | %50.69 |
| Islamic Co. for Packing Materials "ICOPACK" (7) | Egypt | 581.164 | 351.457 | 516.816 | 35.821 | 76.720 | %40.00 |
| Misr Co. for Packing Materials "EGYRAP" (7) | Egypt | 281.841 | 140.230 | 223.088 | 15.321 | 24.147 | %51.38 |
| Cairo for Cardboard Industry "Copack" (7) | Egypt | 522.326 | 306.172 | 410.319 | 25.585 | 68.715 | %31.37 |
| Islamic Co. for Animal Production (4) | Egypt | 2.185 | 8.536 | 322 | (194) | - | %85.22 |
| Faisal Bank Exchange (5) | Egypt | 6.133 | 234 | 76.588 | 630 | 4.350 | %86.00 |
| Faisal Financial Investments Co. (7) | Egypt | 749.624 | 95.362 | 45.397 | 24.992 | 619.965 | %99.99 |
| Faisal Securities Brokerage Co. (7) | Egypt | 31.946 | 2.206 | 2.502 | (7) | 23.970 | %79.90 |
| TAQA Co. for Electronic Industries (7) | Egypt | 94.207 | 269 | 13.097 | (1.050) | 35.000 | %28.00 |
| Al-Faisal Real Estate Investment Co. (3) | Egypt | 401.855 | 197.720 | 17.851 | 4.116 | 4.990 | %2.50 |
| Total (A) | | | | | | <u>906.058</u> | |
| B- Associates: | | | | | | | |
| Misr International Hospital (2) | Egypt | 166.684 | 43.086 | 166.402 | 29.618 | 14.513 | %24.08 |
| Al-Masryia Co. for Takaful Insurance on Property (6) | Egypt | 858.858 | 628.357 | 83.275 | 63.107 | 30.613 | %24.75 |
| Arabiya Co. for Insurance Brokerage (5) | Egypt | 810 | 1.824 | 8 | (196) | - | %25.00 |
| Orascom Housing and Construction (5) | Egypt | 1.141.049 | 1.236.658 | 95.001 | (4.114) | 106.080 | %40.00 |
| Al-Arabiya Co. for Disinfection Works "ARADIS" (5) | Egypt | 687 | 109 | 465 | 20 | - | %40.00 |
| Islamic Co. for Investment & Development (5) | Egypt | 3.079 | 707 | 55 | (370) | 1 | %43.77 |
| Giza Co. for Paints & Chemical Industries (5) | Egypt | 7.940 | 3.961 | 2.639 | 126 | - | %48.57 |
| Total (B) | | | | | | <u>151.207</u> | |
| Total (A + B) | | | | | | <u>1.057.265</u> | |

Some companies have been listed as subsidiaries, although the percentage of shareholding is less than 50%, as the Bank owns - directly or indirectly - the power to govern financial and operating policies for these companies.

- 1- The stated data is according to the financial statements on 31/12/2009
- 2- The stated data is according to financial statements on 31/12/2015
- 3- The balance sheet on 30/9/2017
- 4- The stated data is according to financial statements on 30/6/2016
- 5- The stated data is according to financial statements on 31/12/2016
- 6- The stated data is according to financial statements on 30/6/2017
- 7- The stated data is according to financial statements on 30/9/2017

20- Financial investments – Cont.

20/C- Investments in subsidiaries and associates

Participation of the Bank in subsidiaries and associates are as follows:

31 December 2016

| | Resident country | Assets of the company EGP Thousand d | Liabilities of the company (without equity) EGP Thousand | Company revenues EGP Thousand d | Profit / (loss) of the company EGP Thousand | Book value EGP Thousand d | Percentage of shareholding |
|---|------------------|---|---|------------------------------------|--|------------------------------|----------------------------|
| A- Subsidiaries: | | | | | | | |
| Ismailia National Co. for Food Industries (FOODICO) (4) | Egypt | 89.671 | 39.986 | 63.470 | 3.510 | 13.000 | 34.72% |
| Horizon Co. for Investment and Industrial Development (4) | Egypt | 570.720 | 323.797 | 365.415 | 31.111 | 35.200 | 40.00% |
| Modern National Co. for Wood Industry (4) | Egypt | 45.856 | 37.786 | 30.377 | 436 | 1 | 44.44% |
| Al-Alamia Co. for Import & Export (1) | Egypt | 8.230 | 45.350 | 187 | (3.795) | - | 50.69% |
| Islamic Co. for Packing Materials "ICOPACK" (3) | Egypt | 471.680 | 267.900 | 221.274 | 8.809 | 76.720 | 40.00% |
| Misr Co. for Packing Materials "EGYRAP" (3) | Egypt | 222.698 | 94.256 | 90.683 | 2.849 | 24.147 | 51.38% |
| Cairo for Cardboard Industry "Copack" (3) | Egypt | 372.685 | 170.928 | 137.796 | 10.970 | 68.715 | 31.37% |
| Islamic Co. for Animal Production (3) | Egypt | 2.185 | 8.536 | 322 | (194) | - | 85.22% |
| Faisal Bank Exchange (4) | Egypt | 5.843 | 44 | 59.300 | 530 | 4.350 | 87.00% |
| Faisal Financial Investments Co. (4) | Egypt | 759.693 | 15.508 | 122.512 | 107.694 | 619.965 | 99.99% |
| Faisal Securities Brokerage Co. (4) | Egypt | 11.237 | 2.222 | 591 | (1.121) | 7.990 | 79.90% |
| Taqa Co. for Electronic Industries (4) | Egypt | 58.686 | 7 | 1.314 | (2.571) | 15.625 | 25.00% |
| Al-Faisal Real Estate Investment Co. (5) | Egypt | - | - | - | - | 4.990 | 4.99% |
| Total (A) | | | | | | 870.703 | |
| B- Associates: | | | | | | | |
| Misr International Hospital (2) | Egypt | 166.684 | 43.086 | 166.402 | 29.618 | 14.513 | 24.08% |
| Al-Masryia Co. for Takaful Insurance on Property (3) | Egypt | 639.938 | 456.689 | 58.872 | 37.541 | 30.613 | 24.75% |
| Arabiya Co. for Insurance Brokerage (2) | Egypt | 1.047 | 1.698 | 318 | (903) | - | 25.00% |
| Orascom Housing and Construction (2) | Egypt | 690.068 | 750.649 | 2.272 | (23.028) | 106.080 | 40.00% |
| Al-Arabiya Co. for Disinfection Works "ARADIS" (2) | Egypt | 667 | 109 | 419 | 13 | 209 | 40.00% |
| Islamic Co. for Production of Flooring Materials (6) | Egypt | - | - | - | - | 20 | - |
| Islamic Co. for Investment & Development (2) | Egypt | 3.704 | 963 | 613 | (1.569) | - | 43.76% |
| Giza Co. for Paints & Chemical Industries (2) | Egypt | 7.871 | 4.019 | 2.306 | (108) | - | 48.57% |
| Total (B) | | | | | | 151.435 | |
| Total (A + B) | | | | | | 1,022.138 | |

Some companies have been listed as subsidiaries, although the percentage of shareholding is less than 50%, as the Bank owns - directly or indirectly - the power to govern financial and operating policies for these companies.

- the stated data is according to the financial statements on 31/12/2009
- the stated data is according to financial statements on 31/12/2015
- the stated data is according to financial statements on 30/6/2016
- the stated data is according to financial statements on 30/9/2016
- under construction
- has been liquidated



20/D- Profit (loss) of financial investments

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Profit from selling financial assets available for sale | 166.462 | 86.309 |
| Profit from selling subsidiaries and associates | 157 | 78.624 |
| (Loss) from selling financial assets held to maturity | - | (374) |
| Charge (Reverse) impairment of subsidiaries and associates | (228) | 41.513 |
| Impairment (loss) of financial assets available for sale | (280.133) | (120.231) |
| Total | (113.742) | 85.841 |

21- Intangible assets

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--------------------------------------|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 10.037 | 7.852 |
| Additions | 7.421 | 9.611 |
| Amortization | (6.472) | (7.426) |
| Total | 10.986 | 10.037 |

22- Other assets

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|-------------------------------------|----------------------------------|
| Accrued revenues | 529.303 | 918.303 |
| Assets transferred to the Bank in lieu of debts (after deducting impairment) * | 221.755 | 204.594 |
| Projects under construction ** | 22.209 | 22.874 |
| Branch accounts / current | 7 | 34.344 |
| Prepaid tax | 315.712 | 391.361 |
| Others | 185.838 | 257.789 |
| Insurance and petty cash | 8.746 | 11.695 |
| Prepaid expenses | 37.152 | 8.189 |
| Advanced payments under purchase of fixed assets | 19.495 | 10.113 |
| Interest-free loan | 57 | 61 |
| Total | 1.340.274 | 1.859.323 |

* Represented in housing and office units and plots of lands that have been acquired by the Bank in lieu of debts for some finance customers. These assets are sold when possible. At the end of every month, the Central Bank of Egypt is notified of the position of these assets in accordance with requirements stated in Article 60 of the Law No. 88 of 2003.

** Stated as follow:

22.099 EGP Thousand Bank branch (Heliopolis / Uthman ibn Affan)



23- Fixed assets

| | Lands and buildings EGP thousand | Leasehold improvements EGP thousand | machinary and tools EGP thousand | Others EGP thousand | Total EGP thousand |
|-------------------------------------|--|---|--|---------------------------|--------------------------|
| Balance on 1/1/2016 | | | | | |
| Net book value on 1/1/2016 | 636.556 | 4.751 | 16.660 | 39.527 | 697.494 |
| Additions | 115.455 | 1.964 | 6.006 | 25.951 | 149.376 |
| Depreciation cost | (9.651) | (702) | (3.212) | (15.418) | (28.983) |
| Net book value on 31/12/2016 | <u>742.360</u> | <u>6.013</u> | <u>19.454</u> | <u>50.060</u> | <u>817.887</u> |
| Balance on 31/12/2016 | | | | | |
| Cost | 853.565 | 8.202 | 55.638 | 180.489 | 1.097.894 |
| Accumulated depreciation | (111.205) | (2.189) | (36.184) | (130.429) | (280.007) |
| Net book value on 31/12/2016 | <u>742.360</u> | <u>6.013</u> | <u>19.454</u> | <u>50.060</u> | <u>817.887</u> |
| Balance on 1/1/2017 | | | | | |
| Net book value on 1/1/2017 | 742.360 | 6.013 | 19.454 | 50.060 | 817.887 |
| Additions | 29.783 | 794 | 12.182 | 33.866 | 76.625 |
| Depreciation cost | (10.906) | (849) | (3.842) | (17.658) | (33.255) |
| Net book value on 31/12/2017 | <u>761.237</u> | <u>5.958</u> | <u>27.794</u> | <u>66.268</u> | <u>861.257</u> |
| Balance on 1/1/2017 | | | | | |
| Cost | 883.348 | 8.996 | 67.820 | 214.355 | 1.174.519 |
| Accumulated depreciation | (122.111) | (3.038) | (40.026) | (148.087) | (313.262) |
| Net book value on 31/12/2017 | <u>761.237</u> | <u>5.958</u> | <u>27.794</u> | <u>66.268</u> | <u>861.257</u> |

24- Balances due to banks

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|-----------------------------|----------------------------------|----------------------------------|
| Current accounts | 83.871 | 116.111 |
| Deposits | 19.945 | 101.170 |
| Total | <u>103.816</u> | <u>217.281</u> |
| Central banks | 7.547 | 11.956 |
| Foreign banks | 96.269 | 205.325 |
| Total | <u>103.816</u> | <u>217.281</u> |
| Non-return bearing balances | 83.871 | 116.111 |
| Floating return balances | 19.945 | 101.170 |
| Total | <u>103.816</u> | <u>217.281</u> |
| Current balances | 103.816 | 217.281 |
| Total | <u>103.816</u> | <u>217.281</u> |



25- Saving pools and saving certificates

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|-------------------------------------|----------------------------------|----------------------------------|
| On demand accounts | 2.267.951 | 1.314.808 |
| Time deposits and callable accounts | 51.998.413 | 48.100.847 |
| Saving certificates | 16.690.624 | 14.473.903 |
| Others * | 170.615 | 235.925 |
| Total | 71.127.603 | 64.125.483 |
| Corporate accounts | 2.407.779 | 2.262.056 |
| Individual accounts | 68.719.824 | 61.863.427 |
| Total | 71.127.603 | 64.125.483 |
| Non-return bearing balances | 2.438.566 | 1.550.733 |
| Floating return balances | 68.689.037 | 62.574.750 |
| Total | 71.127.603 | 64.125.483 |
| Current balances | 71.127.603 | 64.125.483 |
| Total | 71.127.603 | 64.125.483 |

* Saving pools and saving certificates include balances of EGP 33.307 thousand against EGP 77.834 thousand on the comparative date, which represent a guarantee for irrevocable letters of credit import and export, and there is no major difference between its current value and fair value.

26- Other liabilities

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Accrued returns for customers | 1.811.574 | 1.609.458 |
| Various creditors **** | 150.688 | 289.981 |
| Shareholder dividends * | 71.817 | 89.884 |
| Retained amounts for others | 30 | 17.926 |
| Tax liabilities (Ad valorem stamp duties) ** | 7.373 | 5.650 |
| Variable credit balances | 19.468 | 101.669 |
| Local finance remittances | 467 | 78.430 |
| Customer coupons balances | 4.463 | 5.039 |
| Zakat legitimately due | 38.468 | 32.279 |
| Suspended-paid cheques | 2.054 | 2.664 |
| Accrued expenses | 597 | 792 |
| Employees` profit share | 485 | 357 |
| Total | 2.107.484 | 2.234.129 |

* Represent profits from previous years for shareholders who do not have accounts in the Bank, and they have not taken them till now.

** Represent retained amounts against claim of stamp duties which are imposed by Key Taxpayers Center on Murabaha, Mudaraba and Musharaka transactions, these amounts are paid to Tax Authority on a quarterly basis in accordance with the law of Stamp Tax.

*** Stated as follow:

| | | |
|---------------------------------|--------------|---------|
| Governmental bonds taxes | EGP Thousand | 109.311 |
| Collection operations coverage | EGP Thousand | 22.812 |
| Payroll taxes and similar taxes | EGP Thousand | 6.572 |
| Miscellaneous | EGP Thousand | 11.993 |



27- Other provisions

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 15.214 | 82.029 |
| Foreign exchange evaluation differences | (4) | 77 |
| Recognized in the income statement | (688) | 7.092 |
| Amounts written off | 4.763 | - |
| Transferred from impairment provision for customers | - | 6.108 |
| Amount paid during the fiscal year | (199) | (80.092) |
| Balance at the end of the year * | 19.086 | 15.214 |

* Stated as follow:

| Other provisions | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Regular provision for contingent liabilities | 13.444 | 4.994 |
| Legal claims | 4.796 | 1.819 |
| Irregular provision for contingent liabilities | 846 | 8.401 |
| Total other provisions | 19.086 | 15.214 |

28- Capital

Paid-up capital amounts to EGP 1.775.681 Thousand as at 31 December 2017. The par value for the share is \$ 1, and all shares are paid in full.

| | Number of shares | Common shares EGP Thousand | Total EGP Thousand |
|---|---------------------|-------------------------------|-----------------------|
| Balance at the beginning of the year | 356.146.200 | 1.580.515 | 1.580.515 |
| Bonus shares with one share for each five original shares funded by retained profit | 10.684.386 | 195.166 | 195.166 |
| Balance at the end of the year | 366.830.586 | 1.775.681 | 1.775.681 |

29- Reserves

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Reserves | | |
| Banking risk reserve | 154.638 | 137.203 |
| Legal reserve (general) | 745.056 | 456.315 |
| Special reserve | 33.661 | 33.661 |
| Fair value reserve - financial investments available for sale | 1.875.785 | 2.230.021 |
| Capital reserve * | 2.830.656 | 20.936 |
| Total reserves at the end of the year | 2.830.656 | 2.878.136 |

- Represent profit from sale of fixed assets that have been transferred to the capital reserve before profit distribution. This reserve has been created in accordance with Article 40 of the law No. 159 of 1981



A- General banking risk reserve

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|----------------------------------|----------------------------------|
| Balance at the beginning of the year | 137.203 | 96.867 |
| Transferred to banking risk reserve for Assets transferred to the Bank | 17.402 | 39.934 |
| Transferred to general banking risk reserve | 33 | 402 |
| Balance at the end of the year | 154.638 | 137.203 |

B- Legal (general) and capital reserve

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|-------------------------------------|-------------------------------------|
| Balance at the beginning of the year | 477.251 | 400.939 |
| Transferred from Profit to legal reserve (general) | 288.741 | 75.385 |
| Transferred from Profit to capital reserve | 580 | 927 |
| Balance at the end of the year | 766.572 | 477.251 |

C- Fair value reserve - financial investments available for sale

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|-------------------------------------|-------------------------------------|
| Balance at the beginning of the year | 2.23.021 | 757.164 |
| Profit of the change in fair value | (634.369) | 1.352.626 |
| Impairment loss of financial investments available for sale (Note 20/D) | 280.133 | 120.231 |
| Balance at the end of the year | 1.875.785 | 2.230.021 |

D- Net profit of the year and retained profit

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|-------------------------------------|-------------------------------------|
| Balance of retained profit at the beginning of the year | 1.049.465 | 1.186.761 |
| Transferred to retained profit during the year | 2.063.684 | 383.864 |
| Transferred to capital | (195.166) | (521.160) |
| Balance of retained profit at the end of the year * | 2.917.983 | 1.049.465 |
| Net profit of the year | 1.722.766 | 2.887.407 |
| Transferred to general banking risk reserve | (33) | (402) |
| Net profit of the year and retained profit | 4.640.716 | 3.936.470 |

* Retained profit represent carried-forward surplus of the Bank`s profits during previous years until now.



30- Cash and cash equivalent

For the purpose of preparing cash flows statement, cash and cash equivalent include the balances with maturities not exceeding 3 months from possession date:

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|--|--|--|
| Cash and balances at the Central Bank of Egypt | 1.191.678 | 790.958 |
| Balances due from banks | 32.875.842 | 10.341.587 |
| Governmental securities with maturity (less than 3 months) | 3.545.540 | 4.733.150 |
| Total | 37.613.060 | 15.865.695 |

31- Contingent liabilities and commitments

A- Legal claims

There is a number of existing lawsuits filed against the Bank as at 31 December 2017. A provision has been built for those lawsuits during the past years. The provisions that have been created in the past years represent a legal obligation resulted from what happened in the past and it has been reliably estimated, as losses are expected to be incurred. As a result, it has been previously incurred by income statement of the Bank over the past years.

B- Capital commitments

Contracts of the Bank for capital commitments amounted to EGP 367.229 Thousand in the fiscal year ended 31 December 2017 which are represented in financial investments available for sale in subsidiaries and associates. The management is confident that net revenues will be realized and available to cover these commitments.

C- Commitments of finance and investment

the Bank commitments are represented in commitments of finance and investment transactions as follow:

| | 31 December 2016 EGP Thousand | 31 December 2015 EGP Thousand |
|--------------------------|--|--|
| Finance commitments | 725.522 | 617.488 |
| Accepted securities | 13.625 | 20.414 |
| Letters of guarantee | 175.715 | 244.456 |
| Import letters of credit | 389.147 | 451.588 |
| Export letters of credit | 1.051 | - |
| Total swap contracts | - | 44.749 |
| Total | 1.305.060 | 1.378.695 |



32- Related-party transactions

Transactions and balances of related parties at the end of the year are as follow:

A- Musharaka, Morabaha and Modaraba with related parties:

| | Top management members and direct relatives | | Subsidiaries and associates | |
|--|--|------------------|-----------------------------|------------------|
| | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| | EGP Thousand | EGP Thousand | EGP Thousand | EGP Thousand |
| Musharaka, Murabaha, Mudaraba, and facilities for customers | | | | |
| At the beginning of the year | 2.526 | 3.236 | 307.337 | 222.860 |
| Musharaka, murabaha and mudaraba issued during the year | 629 | 538 | 454.419 | 393.801 |
| Musharaka, murabaha and mudaraba collected during the year | (492) | (1.248) | (416.357) | (309.324) |
| At the end of the year | 2.663 | 2.526 | 345.399 | 307.337 |
| Return on Musharaka, Murabaha and Mudaraba * | 373 | 354 | 55.264 | 49.174 |

* The mentioned return is included in the debit balance of the transactions.

- Musharaka, murabaha and mudaraba transactions granted to top management members and their direct relatives during 2017 amounted to EGP 629 thousand (against EGP 538 thousand during the comparative year) to be paid in quarterly/monthly installments with a return rate of 14% (against 14% in the comparative year).

B- Related-party deposits

| | Subsidiaries and associates | |
|--|----------------------------------|----------------------------------|
| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
| Due to customers | | |
| Deposits at the beginning of the fiscal year | 358.800 | 309.720 |
| Deposits charged during the year | 1.702.192 | 1.338.486 |
| Deposits recovered during the year | (1.924.853) | (1.297.849) |
| Revaluation differences | 1.787 | 8.443 |
| Deposits at the end of the year | 137.926 | 358.800 |
| Deposit expenses and similar expenses | 15.185 | 12.393 |

The above deposits are without guarantee and they have floating return and recovered on demand.

C- Transactions with related parties:

| | 31 December 2017 EGP Thousand | 31 December 2016 EGP Thousand |
|---|----------------------------------|----------------------------------|
| Participations and investments with Dar Al-Maal Al-Islami Group and its partners | 297.879 | 625.321 |



D- Mutual funds of Faisal Islamic Bank of Egypt (periodic return and accumulative return)

- Mutual fund of Faisal Islamic Bank of Egypt (periodic return)

The fund is considered one of the banking activities licensed to the Bank by virtue of Capital Market Law no. 95 of 1992 and its executive regulation. The fund is managed by Hermes for Mutual Funds Management. The certificates of the fund reached 500.000 certificates with an amount EGP 50.000.000, of which 50.000 certificates were allocated to the Bank (with a nominal value of EGP 100) to undertake the fund activities.

The Bank purchased 162.420 certificates held with an amount of EGP 22.928.496. with redeemable value of EGP 22.074.502 on 31 December 2017.

The redeemable value of the certificate on 31 December 2017 amounted to EGP 135.91 after distributions amounted to EGP 72 since the activity inception, while the number of outstanding certificates of the fund was 1.084.246 certificates at the same date.

- Mutual fund of Faisal Islamic Bank of Egypt and the CIB (accumulative return)

The fund is considered one of the banking activities licensed to the Bank jointly with the CIB under the Capital Market Law No. 95 of 1992 and its executive regulations. The fund is managed by CI Asset Management for Mutual Funds Management. The number of investment certificates of this fund reached 1.000.000 certificates with a value EGP 100.000.000, of which 25.000 certificates were allocated to the Bank (with a nominal value of EGP 2.500.000) to undertake the fund activities.

The Bank purchased 39.000 certificates held with an amount of EGP 2.868.503 with redeemable value of EGP 3.958.500 on 31 December 2017.

The redeemable value of the certificate on 31 December 2017 amounted to EGP 101.50, while the number of outstanding certificates of the fund was 334.711 certificates at the same date.

According to the fund management contract and subscription bulletin; Faisal Bank receives fees and commissions in return for the supervision on both funds, in addition to other administrative services offered to the fund. Total fees and commissions earned by the Bank amounted to EGP 2.952.576 for the financial year ending 31 December 2017. These fees and commissions are listed in the income statement.

33- Subsequent events

There are no subsequent events to the date of financial statements preparation.

34- Comparative Figures

Figures of the comparative year were not amended.



Auditor's Report



Mohamed Salah El Din Isa Aboutabl

Mohammed Metwally Radwan

Auditors' Report

To: The Shareholders of Faisal Islamic Bank of Egypt

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Faisal Islamic Bank of Egypt (S.A.E.), represented in the Balance Sheet as of 31 December 2017 and the unconsolidated statements of Income, changes in owner's 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

The Bank's management is responsible for these financial statements, as the management is responsible for the preparation and fair presentation of the financial statements according to the rules issued by the Central Bank of Egypt on 16 December 2008 and in the light of the applicable 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 reasonable accounting estimates that are suitable for the circumstances.

Auditor's Responsibility

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

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

We believe that the auditing evidences we have obtained are sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

In our point of view, the unconsolidated financial statements referred to above, give a clear and fair view, in all material respects, about the unconsolidated financial position of Faisal Islamic Bank of Egypt (S.A.E.), as of 31 December 2017, and its unconsolidated financial performance and cash flows for the year then ended in accordance with the rules of preparation and presentation of the financial statements issued by the Central Bank of Egypt on 16 December 2008 and in the light of relevant applicable Egyptian laws and regulations.

Report on other legal and regulatory requirements

The information and explanations given to us during the financial year ended 31 December 2017, show no contravention of any provisions of the Central Bank and Banking as well as Monetary .System Law No. 88 of 2003

The Bank keeps proper accounting records that comply with the laws and the Bank's articles of .association and the financial statements are in compliance with the Bank's records

The financial data included in the Board of Directors' Report, prepared in accordance with the provisions of Law No. 159 of 1981 and its executive regulation, is in consistent with the Bank's .accounting records within the limits that such information is recorded therein

As indicated in note (20/C), the Bank has investments in subsidiaries, and the Bank prepares consolidated financial statements on 31 December 2017. Accordingly, the accompanying unconsolidated financial statements are not considered consolidated financial statements and do not represent the consolidated financial position of the Bank on 31 December 2017, and its financial performance and cash flows for the year then ended.

Cairo: 29 January 2018

Auditors

Mohamed Salah El Din Isa Aboutabl

FESAA

FEST

RAA No. (4434)

CMAR No. (58)

Mohammed Metwally Radwan

FESAA

FEST

RAA No. (1957)

CMAR No. (155)



محمد متولى رضوان
زميل جمعية المحاسبين والمراجعين المصريين
زميل جمعية الضرائب المصرية
م. م. م. (١٩٥٧)
سجل الهيئة العامة للرقابة المالية رقم (١٥٥)

مراقبا الحسابات



المحاسبين المصريين
محمد صلاح الدين عيسى أبو طيل
زميل جمعية المحاسبين والمراجعين المصرية
زميل جمعية الضرائب المصرية
م. م. م. (٤٤٣٤)
سجل الهيئة العامة للرقابة المالية رقم (٥٨)



Religious Supervisory Board Report

Report of the Bank's Religious Supervisory Board For the Financial year ended 31/12/2017 corresponding to 13 Rabie Thani 1439 H

Praise be to Allah, the lord of the whole universe. Peace and blessings be upon the Messenger of Allah; our prophet Mohammed, the last of all prophets and messengers. Allah has sent him as a mercy to all mankind. May Allah's peace and blessings be upon his all family, companions, and his followers who followed his guidance till the Day of Judgment

The Religious Supervisory Board of Faisal Islamic Bank of Egypt assembled on Sunday 4th of February 2018 corresponding to 18 Jumad Al-Awal 1439H. at the Bank's head office. The Religious Supervisory Board discussed with the Bank's representatives the contents of the Balance Sheet and the Income Statement for the fiscal year ended 31 December 2017 corresponding to 13 Rabie Thani 1439 H., as shown in detail in the minutes of the meeting. In the light of discussions raised on the balance sheet, it has been observed that Faisal Islamic Bank of Egypt conducts its investment activities and banking services in accordance with the principles and provisions of Islamic Sharia. The Board has delegated its chairman to prepare the final report to be submitted to the General Assembly of the Bank, and it also authorized him to sign the report

Based on what is stated in detail in the minutes of the Religious Supervisory Board meeting including discussions raised on the balance sheet, it was clear that:

- 2- The Bank was always very keen to conduct its investment activities and banking services pursuant to the principles and provisions of Islamic Sharia.
- 3- The Bank has complied with Islamic Sharia principles regarding Zakat legitimately due and Zakat fund (resources and disbursements)

Therefore

The Religious Supervisory Board believes that Faisal Islamic Bank's transactions including financing, investment activities and banking services during the fiscal year ended 31/12/2017 corresponding to 13 Rabie Thani 1439 H., were carried out under the framework of the provisions and principles of Islamic Sharia and were based on the Fatwas (verdicts) and rulings issued by the Board.

We pray to Allah almighty to guide us to the path of truth and righteousness and bestows prosperity and welfare to all mankind everywhere.

Chairman of the Religious Supervisory Board
Dr. Nasr Farid Wassel
Member of Senior Scholars Council
Member of Fiqh Council - Muslim World League
Former Mufti of the Arab Republic of Egypt

18 Jumad Al-awal 1439 H

4 February 2018



The Zakat Fund



Zakat Fund

The Balance Sheet

31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| <u>Statement</u> | <u>31 December 2017</u> EGP | <u>31 December 2016</u> EGP |
|---|--------------------------------|--------------------------------|
| <u>Assets:</u> | | |
| Cash and balances in the Bank | 10.252.591 | 7.455.487 |
| Fund-owned Lands and buildings | 9.550.285 | 9.679.679 |
| Lands and buildings owned by others | 14.262.800 | 10.416.760 |
| Student housing owned by others | 1.479.104 | 1.479.104 |
| Shares owned by others | 1.846.553 | 2.436.313 |
| Charity Investment Accounts | 146.004.996 | 124.255.799 |
| <u>Total assets</u> | <u>183.396.329</u> | <u>155.723.142</u> |
| <u>Liabilities:</u> | | |
| Zakat beneficiaries rights | 19.802.876 | 17.135.166 |
| Liabilities against Lands and buildings owned by others | 14.262.800 | 10.416.760 |
| Liabilities against Charitable student housing | 1.479.104 | 1.479.104 |
| Liabilities against Shares owned by others | 1.846.553 | 2.436.313 |
| Liabilities against Charity Investment Accounts | 146.004.996 | 124.255.799 |
| <u>Total liabilities</u> | <u>183.396.329</u> | <u>155.723.142</u> |



Resources and Disbursements

31 December 2017 corresponding to 13 Rabie Thani 1439 H.

| Statement | 31 December 2017 EGP | 31 December 2016 EGP |
|--|-------------------------|-------------------------|
| Resources: | | |
| Cash and balances in the Bank (at the beginning of the year) | 7.455.487 | 11.236.934 |
| Zakat due on the Bank's equity | 32.279.494 | 12.521.420 |
| Zakat Provided by the Bank's customers and others | 10.707.366 | 12.314.678 |
| Return on Investment Account | 923.147 | 626.406 |
| Return on Charity Investment Accounts | 8.244.078 | 7.383.944 |
| Miscellaneous revenues | 230.500 | 76.250 |
| Total Resources | 59.840.072 | 44.159.632 |
| Disbursements: | | |
| Individuals | 28.987.742 | 21.143.288 |
| Students | 1.399.926 | 293.922 |
| Mosques | 420.495 | 44.661 |
| Medical institutions & legally recognized charity associations | 18.483.073 | 14.927.289 |
| Miscellaneous disbursements | - | 312 |
| Administrative expenses | 296.245 | 294.673 |
| Total Disbursements | 49.587.481 | 36.704.145 |
| Cash and balances in the Bank (at the end of the year) | 10.252.591 | 7.455.487 |
| Total | 59.840.072 | 44.159.632 |



Complementary Explanations

Complementary Explanations for the Financial Statements on 31/12/2017

About the Fund

Stemming from our belief that participation in serving the community is necessary to achieve social solidarity; the Bank has established Zakat Fund which is considered one of the main features that distinguish the Bank from any other similar institutions. Whereas the linkage between the social and economic activities has positive impacts on making progress towards comprehensive development in the society.

According to the volume of business of Zakat Fund during the reporting year, we find that its resources amounted to EGP 52.4 million, in addition to an amount of EGP 7.5 million representing the balance at the beginning of the year against EGP 387 thousand in 1980. In this concern, cumulative resources of the fund at the end of 2017 amounted to EGP 325.6 million; of which EGP 101 million represents the accrued Zakat legitimately due on the Bank's funds, and the remaining balance represents Zakat from investment accounts' holders and individuals, as well as grants, donations, returns of charity investment accounts, and others. These resources have been directed to the beneficiaries and taking care of students either in cash and in kind or through construction of students residence compounds at the universities in several cities: (Cairo, Assiut, Sohag, El Mansoura and Shebin ElKom). Disbursements also included rehabilitation of mosques and providing public hospitals and medical dispensaries in all governorates with medical equipment, in addition to the Holy Koran competitions and the orphanage. So, Total actual disbursements during the reporting year amounted to EGP 49.6 million, which were distributed as follows:

"EGP thousand"

| Aspects of spending | Individuals | Students | Mosques | Medical institutions & legally recognized charity associations | Administrative expenses | Total |
|---------------------|-------------|----------|---------|--|-------------------------|-------|
| Amounts | 28988 | 1400 | 420 | 18483 | 296 | 49587 |

- Individual: is the basis of the nation's integrity and progress of society. therefore, the Zakat Fund must support individuals and double spending. In this regard, an amount of EGP (28.9) million was disbursed during the year under review compared with EGP (21.1) million in the previous year and we are looking forward to increasing support in the years ahead .
- Due to the great trust in the Bank's Zakat Fund and its good reputation, benevolent and bountiful persons have deposited funds in Charity Accounts (Wakf) amounted to EGP (146) million until the end of 2017. Returns on these accounts are disbursed in the Zakat legitimate channels and other charity purposes including charity associations, hospitals and orphanages in accordance with Charitable Investment Contracts.
- Out of the Zakat Department's belief that interaction with the society is important, and because of more than 25 million persons in Egypt are infected with Hepatitis (C), an account has been opened for the purposes of liver transplant operations and treatment, and an amount of EGP 5 million has been allocated for liver transplant operations and treatment. This amount is listed in "Zakat beneficiaries of individuals" item.
- One of The most important activities of the fund was establishing a standard orphanage at Al-Muqatam Zone on an area of 2200 square meters, with a capacity of 160 children. The orphanage has an independent account No. (262500.)
- Fund-owned Lands and buildings amounting to EGP (9.6) million are represented in Zakat Department building at Zaytoun (Cairo), the Orphanage building at Mokattam (Cairo), two plots of land at EL-Hadaba-El-Wosta (Mokattam), another plot of land at Mokattam, an apartment in Alexandria Governorate, and a villa at the village of Sama El-Arish, North Sinai Governorate.
- Lands and buildings owned by others amounting to EGP (14.3) million are represented in a villa and an apartment in Giza and a villa in New Cairo city, which were donated to the Zakat fund, but they will be received after the death of their owners in accordance with the deed of donation.
- Shares owned by others amounting to EGP (1.8) million have been donated by a benefactor. Returns on these shares are disbursed in the Zakat legitimate channels and other charity purposes after the death of the donor in accordance with the deed of donation.
- Charitable Student Housing amounting to EGP (1.5) million is represented in buildings and furnishings in El-Mansoura city, which have been delivered to the management of Al-Azhar University.
- For the purpose of preparing the balance sheet, balances in foreign currencies have been transferred to Egyptian Pound based on the exchange rates declared by the Central Bank of Egypt within the foreign currency free market at the date of preparing the financial statements of the fund.



Mohamed Salah El Din Isa Aboutabl

Mohammed Metwally Radwan

Auditors' Report

To: The Shareholders of Faisal Islamic Bank of Egypt

We have audited the financial statements of The Zakat Fund of Faisal Islamic Bank of Egypt, represented in the balance sheet as of 31 December 2017. and the related statement of resources and disbursements for the year then ended, and the management is responsible for these financial statements, but our responsibility is limited to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Egyptian Standards on Auditing and in the light of applicable Egyptian laws and regulations. Those standards require planning and performing the audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit involves performing test procedures for documents and evidences asserting the amounts and disclosures stated in the financial statements. The audit process also includes assessing the appropriateness of accounting policies used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We have obtained the data and explanations that we considered necessary for the audit purposes. We believe that our audit provides an appropriate basis for our audit opinion on these financial statements.

The fund keeps proper accounting records that are required by Article (59) of the Bank's Articles of Association as well as by the General By-Laws of the Zakat Fund. Both the Balance Sheet and the resources and disbursements Account are in agreement with what were recorded in those accounts. The financial data stated in the Fund's Board Report are in agreement with the Fund's books and records within the limit that such data is recorded therein.

In our opinion, the financial statements referred to above and their complementary explanations give a true and fair view, in all material respects, about the financial position of The Fund as of 31 December 2017 and the resources and disbursements Account presents fairly the fund's activity results for the year then ended.

Cairo: 29 January 2018

Auditors

Mohamed Salah El Din Isa Aboutabl

FESAA
FEST
RAA No. (4434)
CMAR No. (58)

Mohammed Metwally Radwan

FESAA
FEST
RAA No. (1957)
CMAR No. (155)



Sectoral Distribution of the Bank companies

Attachment (1)

Sectoral Distribution of the Bank companies

The Bank invests a part of its funds directly in establishing companies by participating in their capital with other qualified and experienced investors. The Bank was keen to cover all economic activities by diversity and multiplicity of companies. These companies have contributed to moving forward development process and provided thousands of jobs.

Most of these companies have leading positions in their fields such as fields of Pharmaceuticals, integrated health care and industrial and animal production. These companies have contributed to cover a big part of local market needs and exports.

Number of companies established and participated in by the Bank amounted to (56) companies, (including 33 available- for sale companies and 23 subsidiaries and associates) with issued capital amounting to (EGP 7.793 billion, USD 713 million, and SDP 971 million) equivalent to EGP 22.903 billion, of which EGP 22.901 billion is paid after currency evaluation by exchange rates on 31/12/2018.

The Bank's equity share in these companies amounted to EGP 2.217 billion, at a cost of EGP 3.408 billion and book value of EGP 2.699 billion.

Statement of consolidated sectoral distribution for these companies is as follows

"EGP Thousand"

| Sector | No. of companies | Issued and Paid-up Capital | | | | | | Equity share | Participation cost | Book value |
|-------------------------------------|------------------|----------------------------|---------|--------|--------|--------|--------|--------------|--------------------|------------|
| | | EGP | | USD | | SDP | | | | |
| | | Issued | Paid | Issued | Paid | Issued | Paid | EGP | EGP | EGP |
| Agriculture and Animal production | 2 | 50000 | 50000 | ----- | ----- | ----- | ----- | 19885 | 36243 | 13000 |
| Industry | 18 | 851080 | 849280 | 287489 | 287489 | ----- | ----- | 464402 | 718153 | 599225 |
| Local and Foreign Trade | 2 | 25252 | 25252 | ----- | ----- | ----- | ----- | 18422 | 18435 | 0 |
| Pharmaceuticals and Health Care | 4 | 296520 | 296520 | ----- | ----- | ----- | ----- | 42100 | 790369 | 786295 |
| Investments | 2 | 5000 | 5000 | 35276 | 35276 | ----- | ----- | 47833 | 47337 | 0 |
| Housing and Real estate Investments | 6 | 3754974 | 3754974 | ----- | ----- | ----- | ----- | 224671 | 360067 | 208285 |
| Information Technology | 3 | 233000 | 233000 | ----- | ----- | ----- | ----- | 17512 | 26757 | 26757 |
| Banks and Financial Institutions | 14 | 1656262 | 1656262 | 390316 | 390316 | 971252 | 971252 | 1350428 | 1373194 | 1031756 |
| Others | 5 | 920830 | 920830 | ----- | ----- | ----- | ----- | 31356 | 37396 | 33187 |
| Total | 56 | 7793198 | 7791098 | 713081 | 713081 | 971252 | 971252 | 2216609 | 3407950 | 2698504 |



"EGP Thousand"

| No. | Statement | Type of participation | Percentage of Bank's participatin | Issued capital of the company | Paid-up capital of the company | Type of currency | No. of Bank's shares | Nominal value of the company share | The Bank's share EGP | Contractual participatin cost EGP | Book value EGP | Resident country | Date of starting activity |
|---|--|-----------------------|-----------------------------------|-------------------------------|--------------------------------|------------------|----------------------|------------------------------------|----------------------|-----------------------------------|----------------|------------------|---------------------------|
| Agriculture and Animal production: | | | | | | | | | | | | | |
| 1 | Ismailia National Co. for Food Industries "FOODICO" | Associate | %34.72 | 45000 | 45000 | EGP | 3124897 | EGP 5 | 15624 | 32030 | 13000 | Ismailia | 1987 |
| 2 | Islamic Co. for Animal Production | Subsidiary | %85.22 | 5000 | 5000 | EGP | 42612 | EGP 100 | 4261 | 4213 | 0 | Giza | 1986 |
| Total | | | | 50000 | 50000 | EGP | | | 19885 | 36243 | 13000 | | |
| Industrial Sector: | | | | | | | | | | | | | |
| 1 | Horizon Co. for Investment and Industrial Development | Associate | %40.00 | 88000 | 88000 | EGP | 2514297 | EGP 14 | 35200 | 35200 | 35200 | El Menofia | 2000 |
| 2 | ICOPACK Co. for Packing & printing | Associate | %40.00 | 125000 | 125000 | EGP | 1000000 | EGP 50 | 50000 | 76720 | 76720 | 6th of October | 1990 |
| 3 | Misr Co. for Packing Materials (EGYRAP) | Subsidiary | %51.38 | 40000 | 40000 | EGP | 205500 | EGP 100 | 20550 | 31014 | 24147 | 6th of October | 2000 |
| 4 | Islamic Floor Production Co. | Associate | %20.00 | 10000 | 10000 | EGP | 200000 | EGP 10 | 2000 | 2020 | 1 | 6th of October | 1989 |
| 5 | The Modern National Company for Wood Industries | Associate | %44.44 | 27000 | 27000 | EGP | 12000 | EGP 1000 | 12000 | 12000 | 1 | Alexandria | 1994 |
| 6 | Giza Paints & Chemical Industries Co. | Associate | %48.57 | 6600 | 6600 | EGP | 145710 | EGP 22 | 3206 | 3206 | 0 | 6th of October | 1987 |
| 7 | Cairo Co. for Cartoon Industry "Copack" | Associate | %31.37 | 125000 | 125000 | EGP | 392150 | EGP 100 | 39215 | 68715 | 68715 | 6th of October | 2005 |
| 8 | Suez Gas Co. "Sugaz" | Available for sale | %7.76 | 15466 | 15466 | EGP | 12000 | EGP 100 | 1200 | 1937 | 1937 | Suez | 2003 |
| 9 | Multi Gas Co. | Available for sale | %7.27 | 10450 | 10450 | EGP | 7600 | EGP 100 | 760 | 760 | 560 | El Menofia | 2002 |
| 10 | Golden Textiles & Clothes Wool Co. | Available for sale | %1.33 | 142834 | 142834 | EGP | 190345 | EGP 10 | 1903 | 1797 | 1315 | El Sharqeya | 1985 |
| 11 | Educational Projects Co. | Available for sale | %7.67 | 6000 | 6000 | EGP | 45980 | EGP 10 | 460 | 460 | 0 | El Sharqeya | 1988 |
| 12 | Educational Accessories Co. | Available for sale | %3.22 | 10000 | 8200 | EGP | 26400 | EGP 10 | 264 | 4137 | 4137 | El Sharqeya | 2006 |
| 13 | International Co. for Casting & Modern Industries | Available for sale | %15.00 | 35000 | 35000 | EGP | 525000 | EGP 10 | 5250 | 5371 | 5371 | El Sharqeya | 2007 |
| 14 | Egyptian Co. For Industry "Siltal Pacific" | Available for sale | %2.39 | 69730 | 69730 | EGP | 166456 | EGP 10 | 1665 | 1595 | 0 | Cairo | 1986 |
| 15 | Al-Nubariya Co. for Agricultural Engineering and Machinization | Available for sale | %6.02 | 15000 | 15000 | EGP | 90274 | EGP 10 | 903 | 969 | 0 | El Behiera | 1983 |
| 16 | Energy Co. for Electronic Industries and lighting systems | Associate | %28.00 | 125000 | 125000 | EGP | 350000 | EGP 100 | 35000 | 35000 | 35000 | Cairo | 2015 |
| 17 | Midor Co. for Electricity "Midalic" | Available for sale | %5.00 | 137489 | 137489 | USD | 68745 | USD 100 | 121869 | 261748 | 170617 | Alexandria | 2001 |
| 18 | Helwan Fertilizers Co. | Available for sale | %5.00 | 150000 | 150000 | USD | 7500000 | USD 1 | 132985 | 175504 | 175504 | Helwan | 2007 |
| Total | | | | 851080 | 849280 | EGP | | | 464402 | 718153 | 599225 | | |
| | | | | 287489 | 287489 | USD | | | | | | | |



"EGP Thousand"

| No. | Statement | Type of participation | Percentage of Bank's participation | Issued capital of the company | Paid-up capital of the company | Type of currency | No. of Bank's Shares | Nominal value of the company share | The Bank's share EGP | Contractual participation cost EGP | Book value EGP | Resident country | Date of starting activity |
|---|---|-----------------------|------------------------------------|-------------------------------|--------------------------------|------------------|----------------------|------------------------------------|----------------------|------------------------------------|----------------|------------------|---------------------------|
| Local and Foreign Trade | | | | | | | | | | | | | |
| 1 | Islamic Foreign Trade Co. | Subsidiary | %78.80 | 20000 | 20000 | EGP | 787990 | EGP 20 | 15760 | 15760 | 0 | Giza | 1983 |
| 2 | Universal Co. For Import & Export | Subsidiary | 50.69% | 5252 | 5252 | EGP | 26618 | EGP 100 | 2662 | 2675 | 0 | Cairo | 1990 |
| Total | | | | 25252 | 25252 | EGP | | | 18422 | 18435 | 0 | | |
| Pharmaceutical & Medical care | | | | | | | | | | | | | |
| 1 | Misr International Hospital | Associate | %24.08 | 60000 | 60000 | EGP | 14448 | EGP 1000 | 14448 | 18587 | 14513 | Giza | 1983 |
| 2 | Ibn Sina "Pharma" | Available for sale | %13.00 | 168000 | 168000 | EGP | 87360000 | EGP 0.25 | 21840 | 725088 | 725088 | Cairo | 2002 |
| 3 | Cairo Specialized Hospital | Available for sale | %6.83 | 26520 | 26520 | EGP | 181242 | EGP 10 | 1812 | 41394 | 41394 | Cairo | 1981 |
| 4 | El Mona Co. for Medical Services | Available for sale | %9.52 | 42000 | 42000 | EGP | 4000 | EGP 1000 | 4000 | 5300 | 5300 | Giza | 2004 |
| Total | | | | 296520 | 296520 | EGP | | | 42100 | 790369 | 786295 | | |
| Investments | | | | | | | | | | | | | |
| 1 | Islamic Co. for Investment and Development | Associate | %43.77 | 5000 | 5000 | EGP | 218832 | EGP 10 | 2188 | 2273 | 0 | Cairo | 1983 |
| 2 | Islamic Development Limited Co. (The Sudan) | Available for sale | %7.30 | 35276 | 35276 | USD | 2574762 | USD 1 | 45645 | 45064 | 0 | the Sudan | 1985 |
| Total | | | | 5000 | 5000 | EGP | | | 47833 | 47337 | 0 | | |
| Total | | | | 35276 | 35276 | USD | | | | | | | |
| Housing, Construction and Real estate Investment | | | | | | | | | | | | | |
| 1 | Orascom Construction and Urbanization | Associate | %4.00 | 50000 | 50000 | EGP | 20000 | EGP 1000 | 20000 | 160000 | 106080 | Giza | 2006 |
| 2 | El-khlood Co. for Real estate and Tourism Development | Associate | %25.19 | 509999 | 509999 | EGP | 892646 | USD 25 | 128494 | 95762 | 0 | Giza | 2006 |
| 3 | Arab Land Direct Mutual Fund | Available for sale | %10.00 | 20000 | 20000 | EGP | 20000 | EGP 100 | 2000 | 2100 | 0 | Giza | 2000 |
| 4 | El-Arabiya Co. for Hotel and Tourism Investments | Available for sale | %1.82 | 2850000 | 2850000 | EGP | 518073 | EGP 100 | 51807 | 74152 | 74152 | Giza | 2005 |
| 5 | EL Asher for Development & Real Estate Investment | Available for sale | %13.91 | 124975 | 124975 | EGP | 1738001 | EGP 10 | 17380 | 23063 | 23063 | Cairo | 1999 |
| 6 | Al-Faisal for Real Estate Investment | Subsidiary | %2.50 | 200000 | 20000 | EGP | 49900 | EGP 100 | 4990 | 4990 | 4990 | Cairo | 2016 |
| Total | | | | 3754974 | 3754974 | EGP | | | 224671 | 360067 | 208285 | | |
| Information Technology | | | | | | | | | | | | | |
| 1 | Egyptian Banks Co. For Technological Development | Available for sale | %2.21 | 100000 | 100000 | EGP | 44239 | EGP 50 | 2212 | 10463 | 10463 | Cairo | 1997 |
| 2 | Technology Development Fund Co. | Available for sale | %11.54 | 130000 | 130000 | EGP | 1500000 | EGP 10 | 15000 | 15000 | 15000 | Giza | 2005 |
| 3 | Al Ahly Computer Equipment Co. | Available for sale | %10.00 | 3000 | 3000 | EGP | 3000 | EGP 100 | 300 | 1294 | 1294 | Giza | 1998 |
| Total | | | | 233000 | 233000 | EGP | | | 17512 | 26757 | 26757 | | |



"EGP Thousand"

| No. | Statement | Type of participation | Percentage of Bank's participation | Issued capital of the company | Paid-up capital of the company | Type of currency | No. of Bank's Shares | Nominal value of the company share | The Bank's Share EGP | Contractual participation cost EGP | Book Value EGP | Resident country | Date of starting activity |
|---|---|-----------------------|------------------------------------|-------------------------------|--------------------------------|------------------|----------------------|------------------------------------|----------------------|------------------------------------|----------------|------------------|---------------------------|
| Banks & Financial Institutions | | | | | | | | | | | | | |
| 1 | Faisal Bank Exchange | Subsidiary | %87.00 | 5000 | 5000 | EGP | 4350 | EGP 1000 | 4350 | 4350 | 4350 | Giza | 1993 |
| 2 | Faisal Financial Investments Co. | Subsidiary | %99.99 | 620000 | 620000 | EGP | 6199650 | EGP 100 | 619965 | 619965 | 619965 | Giza | 2011 |
| 3 | Faisal Financial Securities Co. | Subsidiary | %79.90 | 30000 | 30000 | EGP | 2397000 | EGP 10 | 23970 | 23970 | 23970 | Cairo | 2016 |
| 4 | Egyptian-Emirates Life Takaful Co. | Available for sale | %9.95 | 60000 | 60000 | EGP | 597000 | EGP 10 | 5970 | 5970 | 5970 | Cairo | 2015 |
| 5 | Arabiya Co. for insurance brokerage | Associate | %25.00 | 2000 | 1700 | EGP | 50000 | EGP 10 | 500 | 456 | 0 | Giza | 2011 |
| 6 | Egyptian Takaful Insurance on Properties Co. | Associate | %24.75 | 120000 | 120000 | EGP | 297000 | EGP 100 | 29700 | 30613 | 30613 | Cairo | 2008 |
| 7 | International Co. For Leasing "Incolease" | Available for sale | %10.00 | 200000 | 200000 | EGP | 1999999 | EGP 10 | 20000 | 15555 | 15555 | Giza | 1997 |
| 8 | Egyptian Mortgage Refinance Co. | Available for sale | %1.08 | 363542 | 363542 | EGP | 4000 | EGP 1000 | 4000 | 4191 | 4045 | Cairo | 2007 |
| 9 | Egyptian Saudi Insurance House Co. | Available for sale | %13.50 | 120000 | 120000 | EGP | 1620000 | EGP 10 | 16200 | 56862 | 56862 | Giza | 2003 |
| 10 | Egyptian Life Takaful Co. | Available for sale | %8.25 | 130000 | 130000 | EGP | 107250 | EGP 100 | 10725 | 12566 | 12566 | Cairo | 2008 |
| 11 | Sudanese Islamic Bank | Available for sale | %0.68 | 180185 | 180185 | SDP | 9419074 | SDP 0,13 | 3112 | 2745 | 2745 | The Sudan | 1983 |
| 12 | Faisla Islamic Bank of Sudan | Available for sale | %2.50 | 700000 | 700000 | SDP | 17515180 | SDP 1,00 | 44512 | 28164 | 28164 | The Sudan | 1978 |
| 13 | Dar Al-Maal Al-Islami Trust - The Bahamas | Available for sale | %8.20 | 390316 | 390316 | USD | 320051 | \$100 | 567377 | 567377 | 226951 | The Bahamas | 1981 |
| 14 | Export Development Bank - The Sudan | Available for sale | %0.02 | 91067 | 91067 | SDP | 185969 | SDP 0,10 | 47 | 410 | 0 | The Sudan | 1984 |
| Total | | | | 1610542 | 1595242 | EGP | | | 1350428 | 1373194 | 1031756 | | |
| | | | | 390316 | 390316 | USD | | | 390316 | | | | |
| | | | | 971252 | 971252 | SDP | | | | | | | |
| Other Sectors | | | | | | | | | | | | | |
| 1 | Al-Arabiya Co. for Disinfection activities "Aradis" | Associate | %40.00 | 500 | 500 | EGP | 2000 | EGP 100 | 200 | 209 | 0 | Giza | 1984 |
| 2 | The Egyptian Credit Bureau "I-Score" | Available for sale | %3.57 | 45000 | 45000 | EGP | 401786 | EGP 4 | 1607 | 7638 | 7638 | Cairo | 2008 |
| 3 | Misr for Central Clearing, Depository and Registry Co. | Available for sale | %0.63 | 184800 | 184800 | EGP | 11708 | EGP 100 | 1171 | 1171 | 1173 | Cairo | 1996 |
| 4 | Almasriya Co. for Construction and Management of Commercial Centers | Available for sale | 13.33 | 30000 | 30000 | EGP | 400000 | EGP 10 | 4000 | 4000 | 0 | Cairo | 2008 |
| 5 | Ayadi Co. for Investment & Development | Available for sale | %3.69 | 660530 | 660530 | EGP | 243783 | EGP 100 | 24378 | 24378 | 24378 | Cairo | 2015 |
| Total | | | | 920830 | 920830 | EGP | | | 31356 | 37396 | 33187 | | |



Attachment (2)

Branches

Head office & Cairo branch & Giza

Cairo branch

Address: 3, 26th July St., Cairo, Egypt
Tel.: (02) 27868723 – 27868724 - 27868939
Fax: (02) 27866744
Telex 93878 – 20952 F.BANK.UN
Postal Code: 11531
P.O.Box: 2446
Postal Address: Faisal Bank
Commercial Register No.:197055 Cairo
SWIFT Code: FIEG EG CX CAI
Website: [Http://www.faisalbank.com.eg](http://www.faisalbank.com.eg)
E-Mail: cairo@faisalbank.com.eg

Giza branch

Address: 149 El-Tahrir St., Galaa Square, Dokki, Giza
Tel.: (02) 37621285 / 6 / 7 / 9
Fax: (02) 37621281
Telex: 93878 – 20952 F.BANK.UN
Postal Address: Faisal Bank – Cairo.
P.O.Box: 283
Postal Code: 12311
SWIFT Code: FIEG EG CX MAI
E-Mail: giza@faisalbank.com.eg

Greater Cairo

Al-Azhar branch

Address: 106 Gohar Alkaed St., Al-Azhar District, Cairo
Tel.: (02) 25911280 - 25934263 – 25916341
Fax: (02) 27869538
Postal Code: 11675
P.O.Box: 20
SWIFT Code: FIEG EG CX AZH
E-Mail: azhar@faisalbank.com.eg

Ghamra branch

Address: 14 A El Sabaa St., Al Zaher District, Cairo
Tel.: (02) 25904756 - 25904794 - 27878620
Fax: (02) 25904828
Postal Code: 11674
P.O.Box: 8
SWIFT Code: FIEG EG CX GHM
E-Mail: ghamra@faisalbank.com.eg



Heliopolis branch

Address: 82 Othman Ibn Affan St., between Safir and Triumph Squares, Heliopolis, Cairo
Tel.: (02) 27764487 - 27764493 - 27764495
Fax: (02) 27764497
P.O.Box: 5962 West Heliopolis **Postal Code:** 11757
SWIFT Code: FIEG EG CX HEL
E-Mail: helio@faisalbank.com.eg

Dokki branch

Address: 17 El Falouga St., Intersection of Abdel Moneim Riad, Agouza, Giza
Tel.: (02) 33027513 - 33040417 - 33445909
Fax: (02) 33465823
Hotline: (02) 33463590 **Postal Code:** 12411 Agouza
SWIFT Code: FIEG EG CX DOK
E-Mail: dokki@faisalbank.com.eg

Nasr City branch

Address: 15 Ahmed Qassem Gouda St., Off Abbas El Akkad St., Nasr City, Cairo
Tel.: (02) 24023946 - 24029472 – 24029548-240239936
Fax: (02) 24023596
Postal Code: 11371 **P.O.Box:** 8202
SWIFT Code: FIEG EG CX NSR
E-Mail: nasrcity@faisalbank.com.eg

El Sayeda Zeinab branch

Address: 38 Abdel Magid El Labban St., El Sayeda Zeinab, Cairo
Tel.: (02) 23611008 - 23637139
Fax: (02) 25322682
Postal Code: 11521 **P.O.Box:** 5 El Dawaween
SWIFT Code: FIEG EG CX ZNB
E-Mail: saydah@faisalbank.com.eg

Zizinia branch

Address: In front of The American University in Cairo (AUC) Gate 4, Zizinia, 5th Compound, New Cairo
Tel.: (02) 26083777 - 26083900
Fax: (02) 26083700
Postal Code: 11835 **P.O.Box:** 184 5th Compound
SWIFT Code: FIEG EG CX ZEN
E-mail: zizinia@faisalbank.com.eg

6th of October branch

Address: 38, 39 Central Spine, Beside Emergency Police, 6th of October City, Giza
Tel.: (02) 38245017 – 38245258 – 38245259
Fax: (02) 38245433
Postal Code: 12596 **P.O.Box:** 28 3rd District
SWIFT Code: FIEG EG CX OCT
E-Mail: october@faisalbank.com.eg



El-Obour branch

Address: A.C Milan Club wall, units (8, 9), Golf City, El Obour City
Tel.: (02) 44828404 – 44828405 - 44828406
Fax: (02) 44828268
SWIFT Code: FIEG EG CX OBR
E-mail: obour@faisalbank.com.eg

El Haram branch

Address: 230 El Haram St., Zizinia Mall Building, El haram, Giza
Tel.: (02) 37808936 - 37808938 - 37808944 - 37808947
Fax: (02) 37808933 **Postal Code:** 12111
SWIFT Code: FIEG EG CX HRM
E-mail: haram@faisalbank.com.eg

Shoubra branch

Address: 51 Shoubra St., Cairo
Tel.: (02) 27737074 / 5 / 6 **Fax:** (02) 25798111
Postal Code: 12111 **P.O.Box:** 283
SWIFT Code: FIEG EG CX SHB
E-mail: shoubra@faisalbank.com.eg

Madinaty branch

Address: Unit 111, First Floor, building of companies and banks, Administrative buildings area (First Phase), Madinaty, New Cairo.
Tel.: 01008199081 – 01008109811 – 01008199399
SWIFT Code: FIEG EG CX MDN
E-mail: madinaty@faisalbank.com.eg

Maadi branch

Address: (66) Corniche El Nile St., next to Embassy of Japan, Maadi, Cairo Governorate.
Tel.: (02) 25265035 - 25265053 - 25265054 - 25255445
SWIFT Code: FIEG EG CX MDN
E-mail: maadi@faisalbank.com.eg

Alexandria & Lower Egypt Region

Alexandria branch

Address: 392, 394 El Ashraf Towers, Intersection of El Horiya Rd. with Ahmed Shawky St., Mustafa Kamel, Alexandria (Temporary office).
Tel.: (03) 5466239 – 5466252 – 5466238
Fax: (03) 5466260 **P.O.Box:** 1215
Postal Code: 21131
SWIFT Code: FIEG EG CX ALX
E-Mail: alex@faisalbank.com.eg

Mustafa Kamel branch

Address: 392, 394 El Ashraf Towers, Intersection of El Horiya Rd. with Ahmed Shawky St., Mustafa Kamel, Alexandria
Tel.: (03) 5466039 – 5426848 – 5465278 - 5465426
Fax: (03) 5466075 **P.O.Box:** 181 Sidi Gaber
Postal Code: 21311
SWIFT Code: FIEG EG CX AX2
E-Mail: alex2@faisalbank.com.eg



El Montazah branch

Address: 698 (A) El Geish Road, Intersection of Atlas St. with Miami, El-Montazah Police Station, Alexandria

Tel.: (03) 5522125 / 6 / 7 / 8

Fax: (03) 5522105

P.O.Box: 230 El Saraya Post office

SWIFT Code: FIEG EG CX AX3

E-Mail: montazah@faisalbank.com.eg

El Agamy branch

Address: Commercial Center St., Agamy Star Mall, Gate 8, Alexandria-Matrouh Rd., El Agmay's Traffic station, El Agamy district, Alexandria

Tel.: (03) 4318739 / 40 / 42

Fax: (03) 4318734

SWIFT Code: FIEG EG CX AX4

E-Mail: agamy@faisalbank.com.eg

El Mansoura branch

Address: 1 Talaat Harb St., El Mansoura, El-Dakahlia

Tel.: (050) 2319965 – 2318792 - 2305158

Fax: (050) 2315635

Postal Code: 35111

SWIFT Code: FIEG EG CX MNS

E-Mail: mansoura@faisalbank.com.eg

New Damietta branch

Address: Plot 85, Central Zone, New Damietta City, Damietta Governorate

Tel.: (057) 2410201 – 2410202

Fax: (057) 2410203

SWIFT Code: FIEG EG CX DOM

E-Mail: domiat@faisalbank.com.eg

El Mahala AlKobra branch

Address: El Geish St., El Awqaf building, El Mahalla El Kobra, El Gharbeya

Tel.: (040) 2237708 - 2231708 - 2239274

Fax: (040) 2246817

Postal Code: 31911

P.O.Box: 244

SWIFT Code: FIEG EG CX MHL

E-Mail: mehalla@faisalbank.com.eg

El Zagazig branch

Address: El Akkadin building, El Montazah Square, El Zagazig, El Sharkeya Governorate

Tel.: (055) 2308506 – 2308507

Fax: (055) 2314628

Postal Code: 44511

P.O.Box: 435

SWIFT Code: FIEG EG CX ZAG

E-Mail: zagazig@faisalbank.com.eg

Tenth of Ramadan branch

Address: Building 4, 1st District, in front of Educational Administration, 10th of Ramadan

Tel.: (015) 373318 - 373319 - 373324

Fax: (015) 373066

Postal Code: 44637

P.O.Box: 225

SWIFT Code: FIEG EG CX ASH

E-Mail: tenthramadan@faisalbank.com.eg



Damanhour branch

Address: El Sheikh Mohammed Abdel Karim St., Damanhour, El Beheira Governorate
Tel.: (045) 3311888 - 3310099 - 3311199
Fax: (045) 3314000 **Postal Code:** 22599
SWIFT Code: FIEG EG CX DMN
E-Mail: damanhour@faisalbank.com.eg

Tanta branch

Address: 2 Mohamed Said Pasha St., on the corner of El Galaa St., El Gomhoureya Sq., Tanta, El Gharbeya Governorate
Tel.: (040) 3287982 - 3287983 - 3287985
Fax: (040) 3287986 **P.O.Box:** 393
Postal Code: 31111
SWIFT Code: FIEG EG CX TAN
E-Mail: tanta@faisalbank.com.eg

Banha branch

Address: El Bahr St., El Tatbiqeyeen Syndicate building, Banha, El Qalubiya Governorate
Tel.: (013) 3267249 – 3257861
Fax: (013) 3254702 **Postal Code:** 13511
SWIFT Code: FIEG EG CX BNH
E-Mail: banha@faisalbank.com.eg

Canal Region

Suez branch

Address: 3 EL-Galaa St., Suez
Tel.: (062) 3334345 – 3333902
Fax: (062) 3334346 **P.O.Box:** 79
Postal Code: 43111
SWIFT Code: FIEG EG CX SUE
E-mail: suez@faisalbank.com.eg

Ismailia branch

Address: 4 Orabi St. intersection of El Geish St., El afrangy district, next to Suez Canal villa, Ismailia
Tel.: (064) 3915035 - 3915020 - 3915028 - 3915029
Fax: (064) 39145019 **P.O.Box:** 10
Postal Code: 41511
SWIFT Code: FIEG EG CX ISM
E-mail: ismailia@faisalbank.com.eg

Ismailia branch

Address: 4 Tarh El Bahr St., Garden city tower, beside the state security apparatus, Port Said Governorate
Tel.: (066) 3222802 - 3222805 - 3222810 - 3222812
Fax: (066) 3222817
SWIFT Code: FIEG EG CX POR
E-mail: portsaid@faisalbank.com.eg



Upper Egypt Region

El Fayoum branch

Address: 30 (repeated) Saad Zaghloul St., next to Governmental Authorities Complex, El Fayoum City, El Fayoum Governorate

Tel.: (084) 2166210 - 2166211 – 2166212 - 2166188

Fax: (084) 2166207

SWIFT Code: FIEG EG CX FYM

E-mail: fayoum@faisalbank.com.eg

El Menia branch

Address: 244 El Horiya St., Courniche Al Nil, Awkaf building, El Menia

Tel.: (086) 2319851 / 2 / 3 / 4

Fax: (086) 2319863

SWIFT Code: FIEG EG CX MIN

E-mail: menia@faisalbank.com.eg

Sohag branch

Address: Baga St., El Tatbiqeyeen Syndicate building, Sohag

Tel.: (093) 2324792

Fax: (093) 2324795

Postal Code: 82111

P.O.Box: 16

SWIFT Code: FIEG EG CX SOH

E-Mail: sohag@faisalbank.com.eg

Assiut branch

Address: Extension of Yousry Ragheb St., Assiut

Tel.: (088) 2343312 - 2343313 - 2337261

Fax: (088) 2333739

Postal Code: 71511

P.O.Box: 112

SWIFT Code: FIEG EG CX ASU

E-Mail: assiut@faisalbank.com.eg

Aswan branch

Address: 74 Abtaal El-tahrir St., off Abou Simbel St., Awkaf Building, Aswan

Tel.: (097) 2335064 - 2306578

Fax: (097) 2335058

Postal Code: 81511

P.O.Box: 150

SWIFT Code: FIEG EG CX ASW

E-Mail: aswan@faisalbank.com.eg

Qena branch

Address: El Tatbiqeyeen Syndicate building, Extension of Luxor St., El Omal City, Qena

Tel.: (096) 5349315 / 6 / 7 / 8

Fax: (096) 5349314

Postal Code: 83111

P.O.Box: 22 Qena Post Office

SWIFT Code: FIEG EG CX QNA

E-Mail: qena@faisalbank.com.eg

Branches to be opened soon

" Al-Rehab – Shebin El-Koum - Kafr El-sheikh - The New Administrative Capital "



Bank Correspondents

| Currency | Bank Name | Account Number | IBAN | WIFT / BIC Code |
|----------|---|-------------------------------------|---|---|
| USD | The Bank of New York Mellon, New York | 803-3388-676 | | IRVT US 3N |
| EUR | COMMERZBANK A.G., Frankfurt UniCredit Bank Austria , Vienna UniCredit Spa. Milan Intesa San Paolo Spa. Milan | 400887909001EUR 100100003677 | - AT 22 1200 0127 1714 6801 IT38 U020 0832 9780 0000 8334 200 IT05D030694010110010000 3677 | COBA DE FF BKAU AT WW UNCR IT MM BCIT ITMM |
| CHF | COMMERZBANK A. G., Frankfurt am main | 4008879090 00CHF | - | COBA DE FF |
| JPY | The Bank of Tokyo-Mitsubishi UFJ LTD., Tokyo | 6530421790 | - - | BOTK JP JT |
| GBP | The Bank of New York Mellon, New York London | | GB141RVT70022596470360 | IRTV GB 2X |
| SEK | Skandinaviska Enskilda Banken AB Stockholm | 52018510800 | - | ESSE SE SS |
| SAR | Riyad Bank, Riyadh | 9250307849940 | SA8920000009250307849940 | RIBL SA RI |



Hot Line 19851

Head Office and Main Departments

| Contact | E-mail |
|--|--|
| Governor Office | Governor@faisalbank.com.eg |
| Inspection, Branches and Systems of Work | Mails@faisalbank.com.eg |
| Anti-Money Laundering Management | Compliance@faisalbank.com.eg |
| Information System | Infosys@faisalbank.com.eg |
| Human Resources | Humanres@faisalbank.com.eg |
| Training | Training@faisalbank.com.eg |
| Administrative | Admindept@faisalbank.com.eg |
| Foreign Relations | Foreigndept@faisalbank.com.eg |
| Remittances and Forex | Forex@faisalbank.com.eg |
| Retail Banking | Retail@faisalbank.com.eg |
| Real Estate | Realestate@faisalbank.com.eg |
| SME's | Sme@faisalbank.com.eg |
| Correspondents Accounts | corres@faisalbank.com.eg |
| VISA | Card-center@faisalbank.com.eg |
| Local Investment | LocalInv@faisalbank.com.eg |
| Public Relations | Publicrelat@faisalbank.com.eg |
| Risk Management | Risk@faisalbank.com.eg |
| Financial Statment | financedept@faisalbank.com.eg |