



بَنكُ فَیصَلِ الْإِسْلَامِیِّ الْمِصْرِیِّ

FAISAL ISLAMIC BANK OF EGYPT

Islamic Banking Pioneer



Honest dealings - Purity of profits - Safety of funds



بَنْكُ فَیْضِ الْإِسْلَامِیِّ الْمِصْرِ

FAISAL ISLAMIC BANK OF EGYPT

Annual Report 2018



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-Saud
Chairman of the Board of Directors
Faisal Islamic Bank of Egypt



Governor

Mr. Abdel Hamid Mohammed Aboumoussa



Contents

About The Bank.....	8
Board of Directors.....	8
Board of Directors' Committees	9
Religious Supervisory Board	10
Auditors.....	10
Statement of the Chairman	11
Domestic Economic Developments	15
Valuation of the Bank performance during the reporting year	17
Financial Statements	21
The Unconsolidated Balance Sheet	21
The Unconsolidated Income Statement	22
The Unconsolidated Statement of Changes in Shareholders' Equity	23
The Unconsolidated Cash Flows Statement	24
The Proposed Profit Distribution Statement	25
Notes	26
Auditor's Report.....	78
Religious Supervisory Board Report.....	81
The Zakat Fund	82
The Balance Sheet	83
Resources and Disbursements.....	84
Complementary Explanations.....	85
Auditors' Report	86
Sectoral Distribution of the Bank companies.....	87
Agriculture and Animal production:.....	89
Industrial Sector:.....	89
Local and Foreign Trade	90
Pharmaceutical & Medical care.....	90
Investments	90
Housing, Construction and Real estate Investment	90
Information Technology	90
Banks & Financial Institutions	91
Other Sectors	91



Branches	92
Head office , Cairo branch & Giza	92
Greater Cairo.....	92
Alexandria & Lower Egypt Region	94
Canal Region.....	96
Upper Egypt Region.....	97
Branches to be opened soon.....	97
Bank Correspondents.....	98
Head Office and Main Departments	99



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. Eng. Khalid Omar Abdelrahman Azzam

(Representative of DMI for Limited Management Services)

Mr. Raafat Mokbel Hussein

(Representative of Egyptian Company for Investments)

Eng. Sayed Saad Mahrous Abdel-salam

(Representative of Egyptian Endowments Authority)

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 Islamic Investment Company of the Gulf, Al-Sharja)

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 Aal -Saoud | Chairman |
| - Mr. Abdel Hamid Mohammed Aboumoussa (The Bank's Governor) | Executive Board Member |
| - Mr. Raafat Mokbel Hussein (CEO's Assistant) | Executive Board Member |
| - Mr. Yusuf Bin Abbas Bin Hassan Ashaari | Member |
| - Eng. Sayed Saad Mahrous Abdel-salam | 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

- | | |
|--|----------|
| - Eng. Sayed Saad Mahrous Abdel-salam | 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. Mohamed Ahmed Mahmoud Abou El Qassem

Mr. Hassan Basiony Hassan Al Basha



Statement of the Chairman

Dear Shareholders of Faisal Islamic Bank of Egypt

Peace, mercy and blessings of Allah be upon you

I'm pleased to meet you, on behalf of the Board members and on my own behalf, to review the FY 2018 annual report and highlight the most important achievements made by the Bank during 2018 as a result of continuity in the approach adopted by the management during the previous years. These achievements represented in positive financial results reflecting the Bank's effective strategy to achieve sustainable growth and development in all business sectors, its policy aimed at keeping up with changing economic environment, and also its strong position and leadership in Islamic banking activities in the Egyptian banking sector and soundness of its risk management systems.

Due to the fact that the Bank is a key player in the local market, supported by its professional management expertise, shareholders and customers confidence and support, efficient and flexible policies and applicable operational procedures, the Bank was able to develop its operations, overcome crises, face the strong competition in the markets and take advantage of available opportunities. All of these factors resulted in strengthening its competitive position, maintaining its market share and getting ahead as it is the best Islamic bank in Egypt since its inception. This progress has been achieved thanks to Allah, despite continuity of political, economic and social repercussions in many countries of the world and countries of the region in particular.

Globally, high interest rates, stock market crash and devaluation of currencies in some emerging countries or what is known as "Emerging Market Crisis" have continued to be at the center of investors attention. Turmoil in some emerging markets resulted in a flight of capital from those markets to developed ones as these countries are raising interest rates, such as the United States where the Federal Reserve (Fed) raised interest rates four times in 2018 by a quarter percentage point each time. Global stock markets have also fallen sharply due to the decline in most emerging markets because of foreign investors general trend towards investment in government bonds rather than those markets.

Locally, despite good economic performance during 2018, supported by high growth rates and significant increase in remittances of Egyptians working abroad, tourism revenues and the Suez Canal transit tolls, the Egyptian economy still faces some challenges and problems such as high levels of domestic and external public debts, poor foreign investments and dependency of international reserves on a great deal of hot money.

Despite doing business in unfavorable environment that has severely suffered from negative effects at the global, regional and local levels, the Bank's performance during 2018 was outstanding, as it achieved quantitative and qualitative business plan goals to be in line with the Bank's five-year strategy (2017/2021). According to the unconsolidated financial statements of the Bank, total volume of business - represented in total assets, contingent liabilities and commitments - reached EGP 95.4 billion at the end of 2018, recording an annual increase of EGP 11.5 billion at a rate of 13.7%. In the light of great attention focused on providing different kinds of Sharia-compliant saving pools in local and foreign currencies that suit all the customers and have competitive advantages and returns, total

[click here to go to contents page](#)



balances of saving pools and certificates (funds under management) reached EGP 79.1 billion at the end of 2018, recording an annual increase of EGP 7.9 billion at a rate of 11.1%. These balances represent 84.3% of total liabilities and shareholders' equity, which are distributed among more than 1.6 million accounts managed by the Bank for its customers.

Having a complete success, the Bank was able to invest those funds in Sharia-compliant fields under sound investment methods to cover all economic sectors, especially productive sectors which are absolutely vital for the national economy and small and medium enterprises (SMEs). In this regard, the Bank has expanded finance for these projects, bringing the balance of SMEs finance portfolio to EGP 2 billion, representing 21.7% of total investments of the Bank. This in addition to expansion in finances granted through "Mortgage Finance Initiative" aimed at supporting low and middle-income people, guided by its belief in the importance of these initiatives in supporting the economy and achieving sustainable development. The Bank's management is very keen to distribute finance and investment portfolio in a more efficient way to be able to reduce concentration risks, curtail risks to the minimum levels and ensure adequate collaterals and provisions in compliance with the applicable regulatory rules. Consequently, total finance and investment balances reached EGP 85.7 billion, recording an increase of EGP 10 billion at a rate of 13.2%. These balances account for 91.4% of total assets. On the other hand, the Bank has achieved a significant increase in shareholders' equity item to reach EGP 11.7 billion at the end of 2018, recording a 27% annual increase in order to fully support the capital base. Shareholders' equity accounted for 12.3% of total volume of business.

In the light of focusing on the growth of core banking operations according to the above-mentioned figures and developments, the Bank's management has set its goal for maintaining high liquidity rates in all currencies to avoid any risks and seize the excellent local and global investment opportunities, and also to accelerate the completion of its Infrastructure in the field of high-cost information systems and digital banking.

The good management of assets and liabilities, regular follow-up to market developments, efficient liquidity management as well as variety of banking services provided and available investment tools have had positive effects on FY 2018 business results. As total revenues amounted to EGP 8.26 billion compared to EGP 6.84 billion during the previous fiscal year, recording a 20.8% increase amounting to EGP 1.42 billion. Returns distributed to holders of saving pools and certificates increased to EGP 4.12 billion against EGP 3.57 billion during 2017. As a result, Total profit of the reporting year amounted to EGP 6159.077 million, including retained profit of EGP 3639.948 million and banking risk reserve of EGP 1.071 million. The residual amount of EGP 2518.058 million represents the net distributable profit for FY 2018 compared with EGP 1386.336 million in FY 2017, recording a real increase of EGP 1131.722 million at a rate of 81.6% compared with 2017. This reflects the Bank's success in addressing changing customer needs and finding appropriate and diversified solutions to satisfy these needs.

As for the retail banking activities and services, the number of issued Visa Electron cards increased by 46.8 thousand cards to reach 394.5 thousand cards at the end of 2018. In addition, the

[click here to go to contents page](#)



number of ATMs rose by 38 machines during 2018, bringing the total number to 351 machines on 31 December 2018, which are located inside and outside the Bank's branches, at malls, public places and squares in main cities all over the country. As part of a definite strategic plan to offer multiple alternatives for different banking operations, the Bank is currently preparing for the launch of "Faisal Cash" service which allows the customers to pay various bills, make donations and purchases by using mobile phones and the Internet, as well as money transfer and cash withdrawals through "Fawry" outlets. The Bank is also fully updating its website, including design and offering some new services to customers through the website.

Regarding the geographical expansion plan of the Bank's units all across Egypt to support principles of financial inclusion, total number of the Bank's branches at the end of 2018 reached 36 covering most governorates and main cities. Development and re-engineering works were also carried out in some existing branches such as Zagazig, Alazhar and El montazah branches in order to improve the services provided to customers and maintain strong position of the Bank. During 2019, the Bank is planning to open four new branches, namely "Al Rehab, Sheikh Zayed, Mokattam and Shebin El Koum".

This is in addition to completion of the construction works of the Bank's building located in the New Administrative Capital, which is expected to be completed during 2019. Total cost of the land is EGP 150.7 million, of which 126.9 million EGP has been paid representing 84.2% of total cost. The Bank also plans to finish the construction works of the building ahead of schedule which is originally scheduled to be completed on 30/6/2020 under the presidential plan.

With regard to the human element, the Bank gives human resources management special attention, as it seeks to develop the internal work environment by collaborating with one of the leading human resources consultancy providers, as well as providing customized training programs to qualify a cadre of highly trained bankers for all management levels of both sexes under a set plan that enables the Bank to go into strong competition with other banks in the Egyptian banking sector.

Concerning the investment in technology infrastructure, the Bank has spared no effort to invest in technology infrastructure development in order to maximize its operational efficiency indicators (KPI) and to foster the Bank's culture based on continuous improvement in the standards and quality of services provided to customers. Therefore, the Bank has activated and operated the New Automated System launched during 2017 to be the backbone of the Bank's activities, which contributed to the growth of its business volume. The Bank is currently introducing several subsystems into the New System, notably the risk management program and human resources program.

Due to the importance of social responsibility and its effective role in satisfying the Egyptian citizen's needs, the Bank's policy included promoting several main areas such as health sector, Education sector, slum development and combating poverty. During 2018, the Bank contributed EGP 74 million towards projects and programs such as the Initiative of Developing the Neediest Villages (IDNV), "HCV treatment", putting an end to the phenomenon of homeless children, Egypt without debtors and providing finance to the most-favored women's groups. This in addition to the services provided by Zakat Fund, including contributions and aids to medical facilities and clinics, payment

[click here to go to contents page](#)



of the university tuition fees of students who are unable to afford it, charitable student housing, cash Zakat to students, as well as Holy Quran competitions and the Bank's orphanage. Resources of the Bank's Zakat Fund have steadily grown at increasing rates over the past years, bringing the total to EGP 386 million at the end of 2018, which were fully disbursed on Zakat legitimate channels. To this end, the Bank has introduced a system for charitable accounts to provide a periodical return directed to charity purposes and to adopt a simple method for Sadaqah Jaariyah (ongoing charity), showing the Bank's ability to perform its prominent role in the social area because of its positive impact on moving development forward and building a better future for the next generations.

Seeking to develop the control systems used by the Bank, necessary measures have been taken to divide the Bank's business lines into eight main lines under the supervision of a consulting office specialized in providing banking solutions to assist in the completion of partition operations and to design a subsystem to be integrated into the current Automated System. Additionally, The Bank is developing a policy of data classification, applying Data Loss Prevention (DLP) technology to secure sensitive data entry within the Bank, and ensuring the soundness of contingency plans, business continuity and its periodic follow-up.

Generally, The targets set by the Bank's management during the reporting year have already been achieved regarding continued excellence in business results, performance and better development, along with complying with banking rules and regulations. Accordingly, the Bank's high figures and good performance indicators, quality of services and products provided to customers, as well as qualitative and quantitative development of the Bank's activities and working environment were tended to confirm these achievements. Moreover, compliance with regulatory rules imposed by the Central Bank of Egypt was a top priority for the Bank's management, especially "Capital Adequacy Ratios" as the most important regulatory indicators for banks. The risk-based Capital Adequacy Ratio (CAR) has recorded (18.006%) at the end of December 2018 against regulatory minimum 11.875%. Non-risk Capital Adequacy Ratio (LR) reached 8.16% against a regulatory minimum of 3%. This, in turn, will provide a tolerated risk margin that allows the Bank to further expand its activities and business volume in the coming financial periods, God willing.

In conclusion, I would like to extend my sincere gratitude and appreciation to you, to all Board members and the Bank's customers and correspondents for their great confidence and continuing support acted as a catalyst for challenge and achievement. 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 Chairman and members of the Bank's Religious Supervisory Board 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 2018 witnessed many economic successes due to the completion of the reform measures taken by the Egyptian government under economic reform program to address structural imbalances which the Egyptian economy has been suffering for several years. Despite unfavorable global conditions, the Egyptian economy achieved the highest annual growth rate of 5.3% during FY 2017/2018, reaching an all time high in a decade. The reporting year was marked by widespread praise for Egypt's achievements in economic reform, including IMF's praise during the fourth review of Egypt's economic reform program conducted by IMF's team on October 2018, and also all international credit rating agencies were full of praise for these achievements, which was reflected positively in upgrading Egypt's credit rating. In addition, The Central Bank of Egypt's (CBE) prudent monetary policy helped cope with inflationary pressures facing the economy. In the same context, some exceptional decisions that were previously taken by the government have been canceled after bringing stability to the Foreign Exchange Market. These decisions include termination of the Forex Repatriation Mechanism by the Central Bank of Egypt as of the end of 4 December 2018 working day. This decision only applies to any fresh foreign currency portfolio investments willing to enter or exit from local currency Egyptian market, so these investments, from this point on, should be channeled through the Interbank Market. Nevertheless, it should be noted that the Egyptian Economy is still suffering from weaknesses, most notably high levels of public debt, low rates of foreign direct investment (FDI) and deep dependency of foreign reserves on hot money.

The most significant developments of economic indicators during 2018 are as follows:

- GDP growth rate increased to 5.3% during FY 2017/2018. compared to 4.2% during the previous fiscal year, and it continued to grow during the first quarter of the current FY 2018/2019 (July / September 2018) recording a 5.3% growth rate compared to 5.2% during the same quarter a year earlier.
- The International Reserves increased by US\$ 5.531 billion to reach US\$ 42.551 billion at the end of 2018 compared to US\$ 37.020 billion at the end of 2017..
- Outcomes of the State's General Budget Final Account for FY 2017/2018 showed a decline in the overall budget deficit to record 9.8% of GDP compared with 10.9% of GDP in FY 2016/2017. Meanwhile, actual data for the period (July / November 2018) showed that the overall budget deficit has decreased to 3.1% of GDP compared to a 3.7% deficit of GDP during the same period in 2017.
- Total domestic public debt amounted to EGP 3.695 trillion at the end of June 2018 at a rate of 83.3% of GDP, compared to EGP 3.161 trillion at a rate of 91.1% of GDP at the same date of 2017. The external debt amounted to US\$ 92.6 billion at the end of June 2018 at a rate of 37% of GDP compared to US\$ 79 billion at a rate of 33.6% of GDP at the same date of 2017.
- The average annual inflation rate for urban areas decreased to 14.4% during 2018 compared to 29.6% during 2017.
- Egypt's transactions with the external world resulted in an overall BOP surplus of US\$ 12.8 billion during FY 2017/2018 compared to an overall surplus of US\$ 13.7 billion during FY 2016/2017. This decline was attributed to a fall in net inflow on capital and financial account, as it recorded US\$ 22 billion compared with US\$ 31 billion.

[click here to go to contents page](#)



- Egypt's main sources of foreign exchange earnings increased during the FY 2017/2018. as tourism revenues rose by 123.8% to reach US\$ 9.804 billion compared to US\$ 4.380 billion in the previous fiscal year. Similarly, remittances of Egyptians working abroad increased by 21% to reach US\$ 26.393 billion compared to US\$ 21.816 billion in the previous fiscal year. The Suez Canal transit tolls also rose by 15.4% to reach US\$ 5.707 billion compared with US\$ 4.945 billion in the previous fiscal year.
- S&P Global Ratings upgraded Egypt's credit rating from "B-" to "B", Moody's Investors Service raised its outlook on Egypt's credit rating to "Positive" from "Stable" affirming Egypt's "B3" rating. Similarly, Fitch Ratings upgraded Egypt's outlook to "Positive" from "Stable".
- Regarding monetary and banking developments, CBE's Monetary Policy Committee (MPC) decided to cut key CBE Rates by 2% in a two-phased procedure, the last of which was on 29 March 2018. The Egyptian Pound's exchange rate against the US dollar during 2018 decreased from 17.780 EGP/USD to 17.869 EGP/USD, but it rose by 3.5% to reach 20.460 EGP/EUR at the end of the year. Concerning the Egyptian Stock Exchange (EGX) Indices during 2018, market capitalization lost EGP 75.2 billion at a rate of 9.1%, recording EGP 749.7 billion at the end of the year. The main index (EGX30) declined by 13.2% to close at 13035.8 points. Similarly, (EGX70) index decreased by 16.2%, and also the broader index (EGX100) fell by 12.4%



Valuation of the Bank performance during the reporting year

The efforts of the Bank and the financial policies adopted during the FY 2018 have led to achieving a number of results, the most important of which is that total balance sheet amounted to EGP 93771.8 million, and total revenues reached the equivalent of EGP 8258.4 million. These revenues have supported the Bank's ability to distribute returns to the saving pools' customers at an average annual rate of 7% for Investment Accounts held in local currency, 12.17% for the three-year saving certificates, 14.02% for "Nam'a" seven-year saving certificates, 12.57% for "Izdhar" five-year saving certificates, 1.20% for Investment Accounts held in foreign currencies, 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 2519.1 million represents net profit; of which EGP 1.1 million was transferred to banking risk reserve, thus resulting in Net Distributable Profit of EGP 2518 million.

It is worth noting that:

- 1- The financial statements of the Bank at the end of the FY ending on 31/12/2018 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 (2017) were not amended based on instructions of the Central Bank of Egypt and the Bank's auditors (USD = EGP 17.9136 at the end of the fiscal year 2018 compared with EGP 17.7277 at the end of the fiscal year 2017).

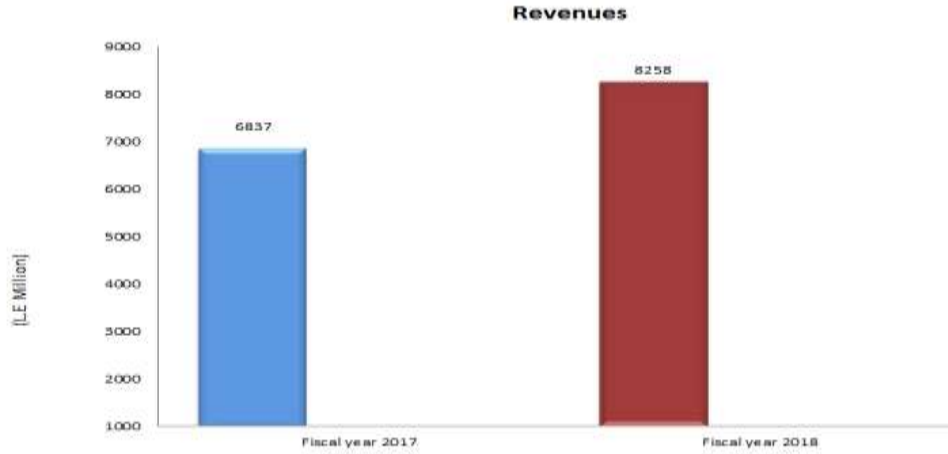
1- Business results:

Net profit of the year amounted to the equivalent of EGP 2519.1 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 equivalent to EGP 8258.4 million, which was generated from different banking activities according to the following:

- * Revenues from Musharaka, Murabaha, Mudaraba, commercial transactions, real estate investments and others with an amount of EGP 7929.5 million, representing 96% of total revenues.
- * Revenues from different banking services amounted to EGP 291.6 million, representing 3.5% of total revenues.
- * Net trading income, dividends, profit of financial investments and other operational revenues amounted to the equivalent of EGP 37.3 million, representing 0.5% of total revenues.



1-2 Expenses:

Total expenses amounted to EGP 5739.3 million, represented in the following:

1 – 2 – 1 Return on saving pools:

Total returns distributed to owners of saving pools amounted to EGP 4116.8 million, representing 71.7% of total expenses.

1 – 2 – 2 Current Expenditures:

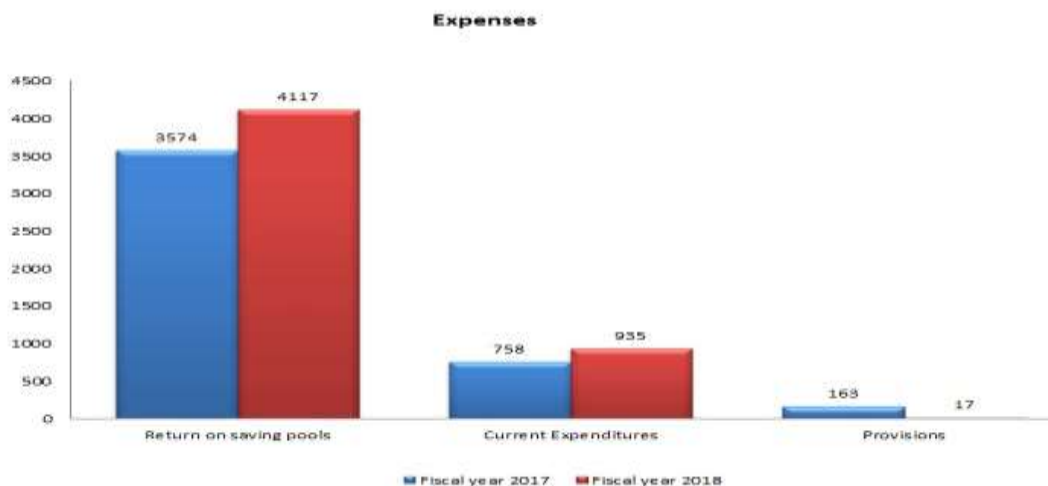
Total current expenditures (General and Administrative expenses, Depreciation and Zakat legitimately due on the Bank's funds) amounted to EGP 935.2 million, representing 16.3% of total expenses.

1 - 2 - 3 Provisions:

Total impairment losses of finance and investment transactions amounted to EGP 17.1 million, representing 0.3 % of total expenses.

1 - 2 - 4 Income Tax expenses:

The income taxes paid amounted to EGP 670.2 million, representing 11.7% of total expenses.





2- Volume of Business and Main Activities:

2-1 Business Volume:

Total balance sheet at the end of December 2018 amounted to the equivalent of EGP 93771.8 million. Off-balance contingent liabilities and commitments amounted to the equivalent of EGP 1669.9 million.

2-2 Saving pools:

Total current and investment accounts and saving certificates amounted to the equivalent of EGP 79057.2 million at the end of December 2018. These balances represent 84.3% of total balance sheet

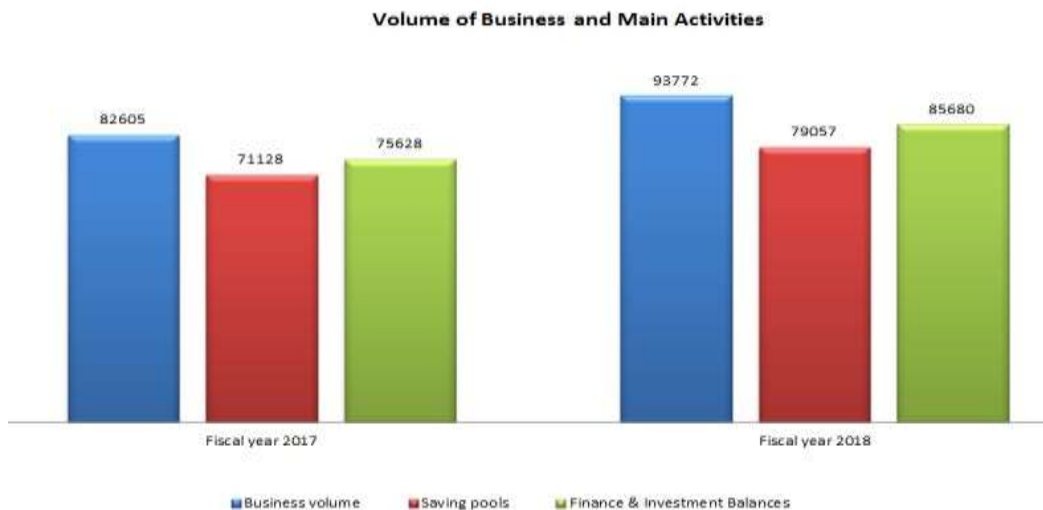
2-3 Finance and Investment Balances:

Finance and investment balances (after deducting provision) amounted to the equivalent of EGP 85679.9 million at the end of December 2018. These balances represent 91.4% 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 and paid-up capital of these companies amounted to EGP 21951 million which is fully paid. The Bank's share in these companies amounted to EGP 2119 million, with a cost amounted to EGP 4044 million and book value of EGP 3284 million at the end of 2018. representing 3.5% 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 1776 employees at end of 2018 against 1774 at end of the previous fiscal year. that a number of female employees has been recruited into different branches and departments of the Bank.

Tailored training programs are provided internally and externally to enhance the personnel efficiency. Training activity during the period under review includes about (2750) trainees for a number of (189) 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, (500) training opportunities have been provided for students during July and August 2018.

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 2019, 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 draft budget shows the following features:

5-1 Saving pools :

An increase of 10.3% in balances of saving pools.

5-2 Finance and investment transactions :

A 9.3% increase 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 2018 corresponding to 24 Rabie Thani 1440 H.

	Note. No.	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Assets			
Cash and balances at the Central Bank of Egypt	(15)	7,948.772	7,369.889
Due from banks	(16)	42,112.679	32,875.842
Governmental securities	(17)	15,068.596	10,284.415
Financial assets held for trading	(18)	41.012	31.550
Musharaka, Murabaha and Mudaraba with customers	(19)	8,386.696	7,200.438
Financial investments			
Available for sale	(20/A)	4,901.837	4,374.744
Held to maturity	(20/B)	11,093.449	17,190.835
Investments in subsidiaries and associates	(20/C)	1,052.396	1,057.265
Intangible assets	(21)	22.573	10.986
Other assets	(22)	2,068.028	1,340.274
Fixed assets	(23)	1,075.782	861.257
Total assets		93,771.820	82,597.495
Liabilities and Shareholders' Equity			
Liabilities			
Due to banks	(24)	104.713	96.269
Saving pools and saving certificates	(25)	79,057.216	71,127.603
Other liabilities	(26)	2,408.252	1,998.173
Other provisions		22.209	19.086
Current Income Tax Liabilities	(27)	435.733	109.311
Total Liabilities		82,028.123	73,350.442
Shareholders' Equity			
Paid-up Capital	(28)	1,775.681	1,775.681
Reserves	(29)	3,810.010	2,830.656
Retained profit (including profit of the year)	(29/D)	6,158.006	4,640.716
Total Shareholders' Equity		11,743.697	9,247.053
Total Liabilities and Shareholders' Equity		93,771.820	82,597.495

Auditors

Mohamed Ahmed Mahmoud Abou El Qassen
Hassan Basiony Hassan Al Basha



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.

[click here to go to contents page](#)



The Unconsolidated Income Statement

For the financial year ended 31 December 2018 corresponding to 24 Rabie Thani 1440 H.

	Note. No.	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Return on Musharaka, Murabaha and Mudaraba and similar revenues	(6)	7,929,464	6,519,840
Cost of saving pools and similar costs	(6)	(4,116,769)	(3,573,811)
Net income from return	(6)	3,812,695	2,946,029
Fees and commissions revenues	(7)	291,581	192,155
Dividends	(8)	86,134	84,001
Net trading income	(9)	41,999	45,544
Profit (loss) from financial investments	(20/D)	(251,507)	(113,742)
Impairment (loss) from finance and investment transactions	(10)	(17,079)	(163,090)
Administrative expenses	(11)	(848,812)	(719,201)
Zakat legitimately due		(86,436)	(38,468)
Other operational revenues	(12)	160,713	108,903
Profit before income tax		3,189,288	2,342,131
Income tax (expenses)	(13)	(670,159)	(619,365)
Net profit of the year		2,519,129	1,722,766
Earnings per share (EGP)	(14)	6.420	4.418

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 2018 corresponding to 24 Rabie Thani 1440 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 2018		1.775.681	2.830.656	2.917.983	1.722.733	9.247.053
Net change in financial investments available for sale		-	454.823	-	-	454.823
Net income directly recognized in Shareholders Equity		1.775.681	3.285.479	2.917.983	1.722.733	9.701.876
Dividends		-	-	-	(492.183)	(492.183)
Transferred to IFRS 9 Banking Risks		-	335.510	-	(335.510)	-
Transferred to legal reserve (general)		-	172.188	-	(172.188)	-
Transferred to other reserves		-	887	-	(887)	-
Transferred to retained profit		-	-	721.965	(721.965)	-
Transferred to banking risk reserve for Assets transferred to the Bank		-	14.875	-	-	14.875
Net profit of the year		-	-	-	2.519.129	2.519.129
Balances on 31 December 2018 before amendment to banking risk reserve		1.775.681	3.808.939	3.639.948	2.519.129	11.743.697
Transferred to general banking risk reserve		-	1.071	-	(1.071)	-
Balances on 31 December 2018	(28),(29)	1.775.681	3.810.010	3.639.948	2.518.058	11.743.697
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	(28)	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	1.722.733	9.247.053

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

[click here to go to contents page](#)



The Unconsolidated Cash Flows Statement

For the financial year ended 31 December 2018 corresponding to 24 Rabie Thani 1440 H.

	Note No.	The year ended 31 December 2018 EGP Thousand	The year ended 31 December 2017 EGP Thousand
Cash flows from operating activities			
Net Profit before Taxes		3.189.288	2.342.131
Adjustments to reconcile net profit with cash flows from operating activities			
Depreciation and Amortization	(21/23)	51.099	39.111
Impairment of assets	(19/20)	292.595	460.853
Revaluation differences for other provisions in foreign currencies	(27)	1	(4)
Charge (reverse) of other provisions	(27)	3.455	3.876
(Profit) from financial investments	(20/D)	(9.134)	(166.619)
(Profit) from sale of fixed assets	(12)	-	(887)
Dividends earned during the year	(8)	(86.134)	(84.001)
Operating income before changes in assets and liabilities from operating activities		3.441.170	2.594.460
Net change in assets and liabilities			
Balances at the Central Bank of Egypt as mandatory reserve ratio	(15)	(533.496)	(877.512)
Governmental securities with maturity exceeding three months	(17)	(4.784.181)	(528.892)
Financial assets held for trading	(18)	(9.462)	(11.944)
Musharaka, Murabaha and Mudaraba with customers *	(19/22)	(1.202.210)	(1.391.500)
Other assets	(22)	(726.627)	501.888
due to banks	(24)	8.444	(118.749)
Saving pools and saving certificates	(25)	7.929.613	7.002.120
Income tax paid		(343.737)	(728.454)
Other liability		407.346	511
Net cash flows resulting from operating activities		4.186.860	6.441.928
Cash flows from investment activities			
(Payments) to purchase fixed assets and branch equipment	(23)	(254.790)	(76.009)
(Payments) to purchase intangible assets	(21)	(22.421)	(7.421)
Proceeds from fixed assets	(12)	-	887
Dividends earned	(8)	86.134	84.001
(Payments for purchase)Proceeds From Financial Investments available for sale *	(20/A, 20/D, 29/C)	(313.788)	955.290
(Payments for purchase) Investments in subsidiaries and associates	(20/C)	(5.120)	(35.355)
Financial investments held to maturity	(20/B)	6.094.799	11.390.571
Net cash flows (used in) investment activities		5.584.814	12.311.964
Cash flows from financing activities			
Dividends paid *		(489.450)	(552.067)
Net cash flows (used in) financing activities		(489.450)	(552.067)
Net increase in cash and cash equivalent during the year		9.282.224	18.201.825
Cash and cash equivalent balance - at the beginning of the year		34.067.520	15.865.695
Cash and cash equivalent balance - at the end of the year		43.349.744	34.067.520
Cash and cash equivalent are represented in:			
Cash and balances at the Central Bank of Egypt		7.948.772	7.369.889
Due from banks		42.112.679	32.875.842
Other Governmental securities deductible at the Central Bank of Egypt		15.068.596	10.284.415
Balances at the Central Bank of Egypt as reserve ratio		(6.711.707)	(6.178.211)
Governmental Securities with maturity (exceeding three months)		(15.068.596)	(10.284.415)
Cash and cash equivalent	(30)	43.349.744	34.067.520

* 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 1.127 thousand. In addition to written off debts with amount of EGP 263.732 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 204.171 thousand, and EGP 9.134 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 492.183 thousand.

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

[click Here To Go to Contents Page](#)



The Proposed Profit Distribution Statement

For the financial year ended 31 December 2018 corresponding to 24 Rabie Thani 1440 H.

	The year ended 31 December 2018 EGP Thousand	The year ended 31 December 2017 EGP Thousand
Net profit of the year (from the income statement)	2,519.129	1,722.766
less:		
Profit from sale of fixed assets credited to the capital reserve by Law	-	(887)
IFRS 9 risk reserve*	-	(335.510)
General banking risk reserve	(1,071)	(33)
Net profit of the year available for distribution **	2,518.058	1,386.336
Add:		
Retained profit at the beginning of the year	3,639.948	3,113.149
Transferred from retained profit to increase capital during the year	-	(195.166)
Net retained profit	3,639.948	2,917.983
Total	6,158.006	4,304.319
Distributed as follows:		
Legal reserve (general) ***	251.913	172.188
Shareholders' Dividends****	524.701	390.183
Employees' profit share	150.000	90.000
Board of director's Remuneration	14.000	12.000
Retained profit at the end of the year	4,216.392	3,639.948
Total	6,158.006	4,304.319

* 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 \$ 0.08 equivalent to EGP 1.4331 at a rate of 8% of nominal value, compared to 6% 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)".



Notes

Notes to the Unconsolidated Financial Statements

For the financial year ended 31 December 2018 corresponding to 24 Rabie Thani 1440 H

1- General Information

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/1

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 for the fiscal 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 revenues/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 reporting

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 and 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 immediately 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 to 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 held 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.



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 or 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 straight-line method to allocate 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 policies 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 2018		31 December 2017	
	Finance and facilities	Impairment loss provision	Finance and facilities	Impairment loss provision
	%	%	%	%
For customers				
Performing loans	81.1	7.4	74.8	14.1
Regular follow up	5.3	0.5	7.8	1.6
Watch list	1.0	0.5	0.7	0.1
Non-performing loans	12.6	91.6	16.7	84.2
	<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 exposure for credit risk before collaterals

Balance sheet Items exposed to credit risk	31 December 2018 EGP Thousand		31 December 2017 EGP Thousand	
Musharaka, Murabaha and Mudaraba with customers				
Individuals				
- Personal Murabaha	722.530		680.092	
- Real estate Murabaha	495.176		449.070	
Corporate				
- Murabaha and Mudaraba with customers	2.448.575		3.204.643	
- Syndicated Murabaha (companies)	6.911.654		5.017.813	
Advance revenues	(1.260.918)		(976.301)	
Impairment loss provision for finance and investment transactions	<u>(930.321)</u>	8.386.696	<u>(1.174.879)</u>	7.200.438
Financial investments:				
Available for sale	592.375		606.254	
Held to maturity	11.071.093		17.165.892	
Other assets	<u>2.068.028</u>	13.731.496	<u>1.340.274</u>	19.112.420
Total		<u>22.118.192</u>		<u>26.312.858</u>
Off balance sheet items exposed to credit risk				
Financing commitments	868.299		725.522	
Accepted securities	-		13.625	
Letters of guarantee	437.711		175.715	
Import letters of credit	363.890		389.147	
Export letters of credit	-		1.051	
Swap contracts	-		-	
Total		<u>1.669.900</u>		<u>1.305.060</u>

The above table represents the maximum exposure limit on 31 December 2018 and 31 December 2017 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Neither subjected to impairment nor overdues	9.140.671	7.724.516
Overdues not subjected to impairment	108.930	66.600
Subject to impairment	1.328.334	1.560.502
Total	10.577.935	9.351.618
less:		
Advances and returns	(1.260.918)	(976.301)
Impairment loss provision	(930.321)	(1.174.879)
Net	8.386.696	7.200.438

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 2018

(EGP Thousand)

Rating	Individuals		Corporate Direct, syndicated Murabaha and others	Total Musharaka, Murabaha and Mudaraba with customers
	Personal Murabaha	Real estate Murabaha		
performing	430.243	345.336	7.807.838	8.583.417
Regular follow up	143.414	115.112	298.728	557.254
Total	573.657	460.448	8.106.566	9.140.671

31 December 2017

(EGP Thousand)

Rating	Individuals		Corporate Direct, syndicated Murabaha and others	Total Musharaka, Murabaha and Mudaraba with customers
	Personal Murabaha	Real estate Murabaha		
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



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 2018

	(EGP Thousand)				
	Individuals		Total	Corporate	
	Personal Murabaha	Real estate Murabaha		Direct Murabaha and others	Total
Overdues up to 30 days	12.178	1.517	13.695	27.803	41.498
Overdues more than 30 up to 60 days	2.324	4.055	6.379	42.377	48.756
Overdues more than 60 up to 90 days	1.180	41	1.221	17.455	18.676
Total	15.682	5.613	21.295	87.635	108.930
Fair value of collaterals	9.692	8.950	18.642	45.695	64.337

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

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 1.328.334 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 2018

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	133.191	29.115	1.166.028	1.328.334
Fair value of collaterals	9.839	23	87.694	97.556



31 December 2017

(EGP Thousand)

Current period evaluation	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 2018 EGP Thousand	31 December 2017 EGP Thousand
Musharaka, Murabaha and Mudaraba with customers				
Corporate				
- Murabaha and Mudaraba with customers			2.448.575	3.204.643
- Syndicated Murabaha (corporate)			6.911.654	5.017.813
Individuals				
- Personal Murabaha			722.530	680.092
- Real estate Murabaha			495.176	449.070
Total			10.577.935	9.351.618
Less: Advances and returns			(1.260.918)	(976.301)
Less: Impairment loss Provision			(930.321)	(1.174.879)
Net			8.386.696	7.200.438

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 2018

	Governmental securities	Investments in financial securities	Total
	EGP Thousand	EGP Thousand	EGP Thousand
AA+ to AA-	-	534.611	534.611
A+ to A-	-	1.398.598	1.398.598
Less than A-	15.068.596	9.730.260	24.798.856
Total	15.068.596	11.663.469	26.732.065

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	1.008
Impairment	6.978
Sale	(9.113)
Total	(1.127)

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' risk limit 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 2018

(EGP Thousand)

	Arab Republic of Egypt			Europe	Arab Gulf Countries	Other countries	Total
	Greater Cairo	Alexandria, Delta and Sinai	Upper Egypt				
Governmental securities	15.068.596	-	-	-	-	-	15.068.596
Financial assets held for trading	41.012	-	-	-	-	-	41.012
Musharaka, Murabaha and Mudaraba with customers:							
Murabaha transactions for individuals:							
- Personal Murabaha	460.454	238.435	23.641	-	-	-	722.530
- Real estate Murabaha	337.454	137.096	20.626	-	-	-	495.176
Murabaha transactions for corporations:							
- Direct Murabaha	1.622.409	775.096	51.070	-	-	-	2.448.575
- Syndicated Murabaha	6.719.219	-	-	-	36.190	156.245	6.911.654
Total	9.139.536	1.150.627	95.337	-	36.190	156.245	10.577.935
Less: Advances and returns	(1.089.457)	(137.158)	(11.364)	-	(4.314)	(18.625)	(1.260.918)
Less: Impairment loss provision	(803.815)	(101.197)	(8.385)	-	(3.183)	(13.741)	(930.321)
Net	7.246.264	912.272	75.588	-	28.693	123.879	8.386.696
Financial investments:							
- Held to maturity	9.114.918	-	-	-	1.835.222	143.309	11.093.449
- Available for sale	2.655.627	1.184	-	1.058.175	578.743	608.108	4.901.837
- Other assets	2.011.209	-	-	-	56.819	-	2.068.028
Total at the end of the current year	36.137.626	913.456	75.588	1.058.175	2.499.477	875.296	41.559.618
Total at the end of the comparative year	35.523.048	1.050.927	83.000	1.346.052	1.602.235	816.994	40.422.256

Business Sectors

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

	31 December 2018 (EGP Thousand)							
	Financial institutions	Industrial institutions	Real estate	Wholesale and retail	Governmental Sector	Other activities	Individuals	Total
Governmental securities	-	-	-	-	15,068,596	-	-	15,068,596
Financial assets held for trading:	-	-	-	-	-	41,012	-	41,012
Musharaka, Murabaha and Mudaraba with customers:								
Murabaha transactions for individuals:								
- Personal Murabaha	-	-	-	-	-	-	722,530	722,530
- Real estate Murabaha	-	-	-	-	-	-	495,176	495,176
Murabaha transactions for corporations:								
- Direct Murabaha	748,349	672,072	217,608	674,621	-	135,925	-	2,448,575
- Syndicated Murabaha	36,190	5,571,635	169,235	-	1,127,536	7,058	-	6,911,654
Total	784,539	6,243,707	386,843	674,621	1,127,536	142,983	1,217,706	10,577,935
Less: Advances and returns	(93,519)	(744,266)	(46,113)	(80,417)	(134,405)	(17,044)	(145,154)	(1,260,918)
Less: Impairment loss provision	(65,596)	(522,041)	(32,344)	(56,405)	(94,274)	(11,955)	(147,706)	(930,321)
Net	625,424	4,977,400	308,386	537,799	898,857	113,984	924,846	8,386,696
Financial investments:								
- Held to maturity	22,356	-	-	-	10,974,208	96,885	-	11,093,449
- Available for sale	104,692	879,015	1,245,697	921,929	592,375	1,158,129	-	4,901,837
Other assets	1,720,527	-	347,501	-	-	-	-	2,068,028
Total at the end of the current year	2,472,999	5,856,415	1,901,584	1,459,728	27,534,036	1,410,010	924,846	41,559,618
Total at the end of the comparative year	2,434,125	4,048,679	1,635,621	1,481,032	28,720,367	1,253,707	848,725	40,422,256

[click Here To Go to Contents Page](#)



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 specific movements of the market as well as sensitivity levels to market rates or prices such as return rates, exchange rates, and equity instruments prices. 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 2018			12 month till the end of December 2017		
	Average	High	Low	Average	High	Low
Foreign exchange risk	17.668.211	34.303.986	1.731.374	1.869.696	3.041.929	1.516.249
Return rate risk	18.459.864	19.057.060	17.270.706	18.541.500	20.747.399	17.614.273
Equity instruments risk	9.901.388	10.743.564	9.491.014	10.338.212	11.055.574	9.667.034
Total value at risk	46.029.463	64.104.610	28.493.094	30.749.408	34.844.902	28.807.556

Value at risk for trading portfolio by risk type

	(EGP Thousand)					
	12 month till the end of December 2018			12 month till the end of December 2017		
	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 2018			12 month till the end of December 2017		
	Average	High	Low	Average	High	Low
Foreign exchange risk	17.668.211	34.303.986	1.731.374	1.869.696	3.041.929	1.516.249
Return rate risk	18.459.864	19.057.060	17.270.706	18.541.500	20.747.399	17.614.273
Equity instruments risk	9.901.388	10.743.564	9.491.014	10.338.212	11.055.574	9.667.034
Total value at risk	46.029.463	64.104.610	28.493.094	30.749.408	34.844.902	28.807.556

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 2018

(EGP Thousand)

	EGP	USD	EURO	GBP	Other currencies	Total
Financial assets						
Cash and balances at the Central Banks	4.162.574	3.619.845	85.286	15.803	65.264	7.948.772
Balances due from banks	30.160.439	9.755.121	473.054	131.973	1.592.092	42.112.679
Governmental securities	4.692.217	10.376.379	-	-	-	15.068.596
Financial assets held for trading	41.012	-	-	-	-	41.012
Musharaka, Murabaha and Mudaraba with customers	4.880.769	2.505.927	-	-	-	8.386.696
Financial investments:						
- Available for sale	1.350.583	3.097.104	454.150	-	-	4.901.837
- Held to maturity	5.116.355	5.977.094	-	-	-	11.093.449
Other financial assets	2.069.530	(134.262)	110.400	48.284	(25.924)	2.068.028
Total financial assets	53.473.479	35.197.208	1.122.890	196.060	1.631.432	91.621.069
	EGP	USD	EURO	GBP	Other currencies	Total
Financial liabilities						
Balances due to banks	6.218	97.759	731	5	-	104.713
Saving pools	466.675.847	29.565.115	1.038.620	150.212	1.627.422	79.057.216
Other financial liabilities	2.146.747	251.888	4.586	567	4.464	2.408.252
Total financial liabilities	48.828.812	29.914.762	1.043.937	150.784	1.631.886	81.570.181
Net balance sheet	4.644.667	5.282.446	78.953	45.276	(454)	10.050.888
Commitments related to finance	279.295	1.296.151	63.441	67	30.946	1.669.900
At the end of the comparative year	-	-	-	-	-	-
Total financial assets	45.142.677	32.693.680	1.091.990	197.042	1.542.598	80.667.987
Total financial liabilities	42.579.421	27.921.365	1.029.979	148.256	1.543.024	73.222.045
Net balance sheet	2.563.256	4.772.315	62.011	48.786	(426)	7.445.942

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 2018

(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	3.209.701	-	-	-	-	4.739.071	7.948.772
Balances due from banks	37.048.076	4.878.216	-	-	-	186.387	42.112.679
Governmental securities	2.200.386	2.492.770	2.692.738	7.682.702	-	-	15.068.596
Financial assets held for trading	-	41.012	-	-	-	--	41.012
Musharaka, Murabaha and Mudaraba with customers	129.018	227.685	2.023.800	4.952.307	2.132.635	1.112.490	10.577.935
Less: Advances and returns	(15.379)	(27.141)	(241.242)	(590.328)	(254.216)	(132.612)	(1.260.918)
Less: Impairment loss provision	(11.347)	(20.025)	(177.992)	(435.551)	(187.564)	(97.842)	(930.321)
Net	102.292	180.519	1.604.566	3.926.428	1.690.855	882.036	8.386.696
Financial investments:							
Available for sale	-	591.534	-	783.902	2.283.035	1.243.366	4.901.837
Held to maturity	-	1.932.757	22.356	5.495.057	3.643.279	-	11.093.449
Other financial assets	517.007	517.007	517.007	517.007	-	-	2.068.028
Total financial assets	43.077.462	10.633.815	4.836.667	18.405.096	7.617.169	7.050.860	91.621.069
	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 liabilities							
Balances due to banks	-	-	-	-	-	104.713	104.713
Saving pools and other deposits	11.308.254	9.746.944	9.746.944	17.887.599	27.255.460	3.112.015	79.057.216
Other financial liabilities	602.063	602.063	602.063	602.063	-	-	2.408.252
Total financial liabilities	11.910.317	10.349.007	10.349.007	18.489.662	27.255.460	3.216.728	81.570.181
Return re-pricing gap	31.167.145	284.808	(5.512.340)	(84.566)	(19.638.291)	3.834.132	10.050.888
At the end of the comparative year							
Total financial assets	33.446.092	6.461.681	3.927.282	21.958.958	7.967.528	6.906.446	80.667.987
Total financial liabilities	10.960.253	9.480.583	9.480.583	16.237.102	24.541.101	2.522.423	73.222.045
Return re-pricing gap	22.485.839	(3.018.902)	(5.553.301)	5.721.856	(16.573.573)	4.384.023	7.445.942



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 2018

(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	-	-	-	-	104.713	104.713
Saving pools and other deposits	11.308.254	9.746.944	9.746.944	17.887.599	30.367.475	79.057.216
Other financial liabilities	602.063	602.063	602.063	602.063	-	2.408.252
Total financial assets on the contractual maturity date	<u>11.910.317</u>	<u>10.349.007</u>	<u>10.349.007</u>	<u>18.489.662</u>	<u>30.472.188</u>	<u>81.570.181</u>
Total financial assets on the contractual maturity date	<u>43.077.462</u>	<u>10.633.815</u>	<u>4.836.667</u>	<u>18.405.096</u>	<u>14.668.029</u>	<u>91.621.069</u>

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	-	83.857	103.816
Saving pools and other deposits	10.448.298	8.981.040	8.981.040	15.737.558	26.979.667	71.127.603
Other financial liabilities	499.543	499.543	499.543	499.543	-	1.998.173
Total financial liabilities on the contractual maturity date	<u>10.960.253</u>	<u>9.480.583</u>	<u>9.480.583</u>	<u>16.237.102</u>	<u>27.063.524</u>	<u>73.222.045</u>
Total financial assets on the contractual maturity date	<u>33.446.092</u>	<u>6.461.681</u>	<u>3.927.282</u>	<u>21.958.958</u>	<u>14.783.974</u>	<u>80.667.987</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 2018*	31 December 2017
	EGP Thousand	EGP Thousand
Total Capital Base after deductions	9.281.163	6.928.424
Going-Concern Capital 'Tier 1' after deductions	7.789.899	5.776.676
Going-Concern Capital 'Common Equity' after deductions	7.788.989	5.775.800
Issued and paid-up capital	1.775.681	1.775.681
Treasury stocks (-)	(9.892)	(9.892)
Reserves	1.193.121	1.275.516
IFRS 9 risk reserve	335.510	-
Retained Profit (Carried-Forward Losses)	5.237.580	3.642.228
The surplus (deficit) amount above 4.5% in Going-Concern Capital 'Common Equity' after deductions	5.469.480	3.632.827
Capital conservation buffer available from surplus in components of Going-Concern Capital 'Common Equity' after deductions (if any)	966.462	595.270
Total capital conservation buffer created	966.462	595.270
Additional Going-Concern Capital	910	876
Profits / (losses) on a quarterly basis	-	-
Minority interest	910	876
Total deductions from Going-Concern Capital 'Common Equity	(743.011)	(907.733)
Items to be deducted	(736.098)	(850.184)
The Bank's Investments in financial companies (banks or companies) and insurance companies	(713.525)	(841.395)
The increase in investments by (10%) of the company's issued capital for each investment (shares) (-)	(26.007)	(32.986)
The increase in investments by 10% of the Fund assets for each investment (Mutual Funds) (-)	(14.117)	(22.662)
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 (-)	(673.401)	(785.747)
Intangible assets (other than Goodwill) (-)	(22.573)	(8.789)
Unapplicable items	(6.913)	(57.549)
the fair value reserve of available-for-sale financial investments which were reclassified as financial investments held to maturity (if negative)	1.491.264	1.151.748
Gone-Concern Capital 'Tier 2' after deductions	15.147	15.147
45% of the value of the special reserve	1.311.070	1.006.882
45% of the increase in fair value over the book value of financial investments (if positive)	1.048.774	844.103
45% of the fair value reserve of available-for-sale financial investments	262.296	162.779
45% of the increase in fair value over the book value of financial investments in subsidiaries and associates.	165.047	129.719
Total impairment loss provision for credit facilities and regular contingent liabilities	165.047	129.719
Impairment loss provision for credit facilities and regular contingent liabilities	51.544.642	47.621.625
Total assets and contingent liabilities adjusted with credit, market and operation risk weights	37.296.897	33.672.774
Total credit risks	37.296.897	33.672.774
Assets and contingent liabilities adjusted with credit risk weights	9.178.019	9.851.293
The excess amount for the Bank's largest fifty customers, adjusted with risk weightslimits	9.744	16.322
Capital requirements for market risks	497.229	393.434
Capital requirements for operation risks	15.111%	12.13%
Going-Concern Capital 'Common Equity' after deductions / Total assets and . contingent liabilities adjusted with credit, market and operation risk weights	1.875%	1.25%
Total capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights	15.111%	12.13%
Going-Concern Capital 'Common Equity' after deductions including capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market and operation risk weights	15.113%	12.13%
Total Going-Concern Capital 'Tier 1' with capital conservation buffer / Total assets and contingent liabilities adjusted with credit, market, and operation risk weights	2.893%	2.42%
Total Gone-Concern Capital 'Tier 2' / Total assets and contingent liabilities adjusted with credit, market and operation risk weights	16.131%	13.30%
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)	18.006%	14.55%
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)	21.907%	18.34%

* After approval of Central Bank of Egypt and the Bank's General assembly for 2018 profit of the Bank.

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 2018*	31 December 2017
	EGP Thousand	EGP Thousand
Going-Concern Capital "Tier 1" after deductions	7.789.899	5.776.676
Total on- and off-balance sheet exposures	95.470.830	83.599.547
Total on-balance sheet, derivatives transactions and securities financing transaction exposures	93.185.276	82.535.132
On-balance sheet items exposures after Tier 1 capital deductions	93185.276	82.535.132
Cash and balances at the Central Bank of Egypt	33.683.510	27.327.236
Balances due from banks	16.425.081	12.990.114
Current accounts and deposits	16.425.081	12.990.114
Treasury bills and other governmental securities	15.105.658	10.284.415
Total treasury bills and other governmental securities	15.068.596	10.291.962
Sale of treasury bills with a commitment to repurchase	(37.062)	(7.547)
Financial assets held for trading	51.463	38.550
Financial Investments available for sale	5.048.068	4.520.975
Financial investments held to maturity	11.093.449	17.190.835
Investments in subsidiaries and associates	695.564	671.088
Total finances and credit facilities for customers	8.533.779	8.001.378
Finances and credit facilities	10.577.935	9.351.618
Impairment loss provision	(783.238)	(1.058.604)
Retained revenues	(1.260.918)	(291.636)
Fixed assets (after deducting impairment loss provision and Accumulated depreciation)	1.111.153	901.262
Other assets	2.210.711	1.459.463
Value of what to be deducted from exposures (after Tier 1 deductions of capital base)	(736.098)	(850.184)
Off-balance sheet exposures	2.285.554	1.064.415
Total contingent liabilities	1.196.591	904.936
Letters of credit - import	72.778	77.660
Letters of credit - export	-	210
Letters of guarantee	246.391	84.456
Letters of guarantee issued at the request of foreign banks or their guarenatee	9.123	3.464
Contingent liabilities for general collaterals to credit facilities and similar collaterals	868.299	725.521
Accepted promissory notes	-	13.625
Total commitments	1.088.963	159.478
Capital commitments	277.703	16.930
Commitments of loans and credit facilities for banks/customers (the unused part) with an original maturity period	811.260	142.548
Irrevocable commitments - more than a year	746.155	120.814
Irrevocable commitments - a year or less	65.106	21.734
Financial Leverage ratio %	8.16%	6.91%

*approval of Central Bank of Egypt and the Bank's General assembly for 2018 profit of the Bank.



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 2018 EGP Thousand	31 December 2017 EGP Thousand
Return on Musharaka, Murabaha, Mudaraba and similar revenues from:		
The Central Bank of Egypt	4,068,439	1,533,735
Other banks	724,753	511,817
Customers	807,616	699,240
Total	5,600,808	2,744,792
Return on governmental debt instruments	2,266,265	3,701,636
Return on Investments in debt instruments held to maturity and available for sale	62,391	73,412
Total	7,929,464	6,519,840
Cost of saving pools and similar costs from:		
Banks	(98,158)	(98,184)
Customers	(4,018,611)	(3,475,627)
Total	(4,116,769)	(3,573,811)
Net	3,812,695	2,946,029



7- Fees and commissions revenues

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Fees and commissions related to finance and investment transactions	34.877	46.252
Fees of corporate financing services	11.949	8.006
Custody and keeping fees	4.668	4.279
Other fees	239.087	133.618
Total	<u>291.581</u>	<u>192.155</u>

8- Dividends

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Trading stocks	1.320	1.157
Return on mutual fund held to maturity	244	325
Available for sale securities	61.906	33.900
Subsidiaries and associates	22.664	48.619
Total	<u>86.134</u>	<u>84.001</u>

9- Net trading income

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Foreign currency transactions		
Profit from foreign currency transactions	48.334	27.761
Profit (Loss) from evaluation of assets and liabilities balances in trading foreign currency.	(6.307)	9.115
Equity instruments held for trading	(28)	8.668
Total	<u>41.999</u>	<u>45.544</u>

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

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Musharaka, Murabaha and Mudaraba with customers	(14.492)	(167.943)
Financial investments held to maturity	(2.587)	4.853
Total	<u>(17.079)</u>	<u>(163.090)</u>



11- Administrative expenses

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Labor cost		
Wages and salaries	(392.164)	(334.714)
Social insurance	(15.877)	(14.438)
Pension cost		
Cost of specific retirement schemes	(11.975)	(11.514)
	<u>(420.016)</u>	<u>(360.666)</u>
Other administrative expenses	*(428.796)	*(358.535)
Total	<u>(848.812)</u>	<u>(719.201)</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 2018 reached EGP 10.160.215.

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
* Analysis of other administrative expenses items		
Depreciation	51.099	39.111
Subscriptions and fees	40.198	47.258
Employees benefits (medical care + training expenses)	51.994	37.063
Maintenance expenses (computers + buildings, vehicles and machines)	21.101	18.007
Advertisement and promotion	11.356	24.428
Operating expenses of computer and ATM machines	33.710	26.783
Water, electricity and telephone consumption bills	16.470	13.877
Stamp duties	21.289	16.569
SWIFT and postal expenses	7.475	6.422
Meetings and hospitality	12.776	13.597
Travel and transportation allowances	11.813	12.085
End of Employees Service Fund	3.000	4.500
Rental value of ATMs locations	11.055	8.739
Stationery and printouts	7.552	7.941
Visa Electron / commissions	4.011	3.696
Legal expenses	2.191	3.248
Technical consulting	2.675	1.011
Social services	1.092	1.219
Taxes other than income taxes	11.827	46.188
Miscellaneous	106.112	26.793
Total	<u>428.796</u>	<u>358.535</u>



12- Other operational revenues

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Profit from valuation of monetary assets and liabilities in foreign currency (other than those classified as trading)	154.610	73.679
Operating lease	(910)	(620)
Others	10.468	57.320
(Charge) of other provisions	(3.455)	(21.476)
Total	160.713	108.903

13- Income tax (expenses)

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Current income taxes	(670.159)	(619.365)
Current income taxes are represented in:		
Current income taxes	(350.000)	
Income taxes that are calculated at 20% tax rate *	(320.159)	(619.365)
Total	(670.159)	(619.365)

* 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 2017.
- As for 2018. the tax return is being prepared and it will be submitted in legally-determined dates.

Second: Payroll Taxes

- Final settlement with Key Taxpayers Center has been made and accrued taxes were paid since the beginning of the Bank activity up to the year 2017.
- As for the period from 1/1/2018 to 31/12/2018. Accrued monthly tax was paid in legally-determined.

Third: Stamp duty

- Final settlement with Key Taxpayers Center has been made and accrued taxes were paid since the beginning of the Bank activity up to the year 2017.
- As for the period from 1/1/2018 to 31/12/2018. 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, were paid according to what was previously determined.
- Since the application of Law No. 196 of 2008 which came into force on 1/7/2013. accrued taxes on the Bank,s branches till the end of 2018 (by which payment claims were sent to the Bank) have been paid including appealed tax claims until the the tax appeal committee makes decisions.



14- Earnings per share

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Net profit of the year	2.519.129	1.722.766
Employees' profit share	(150.000)	(90.000)
Board of director's remuneration	(14.000)	(12.000)
	<u>2.355.129</u>	<u>1.620.766</u>
Weighted average of issued common shares	366.831	366.831
Earnings per share (EGP)	<u>6.420</u>	<u>4.418</u>

15 - Cash and balances at the Central Bank of Egypt

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Cash	1.237.065	1.191.678
Balances at the Central Bank of Egypt as mandatory reserve ratio	6.711.707	6.178.211
Total	<u>7.948.772</u>	<u>7.369.889</u>
Non- return bearing balances	4.739.071	4.472.948
Return-bearing balances	3.209.701	2.896.941
Total	<u>7.948.772</u>	<u>7.369.889</u>

16 -Balances due from banks

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Current accounts	186.387	291.308
Deposits	42.002.863	32.747.881
Less: Advance revenues	(76.571)	(163.347)
Total	<u>42.112.679</u>	<u>32.875.842</u>
The Central Bank of Egypt other than the mandatory reserve ratio	25.734.317	19.956.208
Local banks	14.605.508	11.774.189
Foreign banks	1.773.854	1.145.445
Total	<u>42.112.679</u>	<u>32.875.842</u>
Non-return bearing balances	186.387	291.308
Return-bearing balances	41.926.292	32.584.534
Total	<u>42.112.679</u>	<u>32.875.842</u>
Current balances	42.112.679	32.875.842
Total	<u>42.112.679</u>	<u>32.875.842</u>

17- Governmental securities

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Treasury bills	15.105.658	10.291.962
Sale of treasury bills with a commitment to repurchase	(37.062)	(7.547)
Total	<u>15.068.596</u>	<u>10.284.415</u>



Governmental securities are represented in:

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Treasury bills - 182 days maturity	1.600.000	-
Treasury bills - 273 days maturity	1.500.000	-
Treasury bills - 365 days maturity	12.619.024	10.479.343
Undue returns	(613.366)	(187.381)
Total (1)	<u>15.104.658</u>	<u>10.291.962</u>
Sale of treasury bills with a commitment to repurchase	(37.062)	(7.547)
Total (2)	<u>(37.062)</u>	<u>(7.547)</u>
Total (1) + (2)	<u>15.068.596</u>	<u>10.284.415</u>

18- Financial assets held for trading

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
<u>Equity instruments listed in the stock markets</u>		
Shares of local companies	<u>41.012</u>	<u>31.550</u>
Total	<u>41.012</u>	<u>31.550</u>

19- Musharaka, Murabaha and Mudaraba with customers

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Individuals:		
Personal Murabaha	722.530	680.092
Real estate Murabaha	495.176	449.070
Total (1)	<u>1.217.706</u>	<u>1.129.162</u>
Corporate including small Murabaha for economic activities:		
Direct Murabaha	2.448.575	3.204.643
Syndicated Murabaha	6.911.654	5.017.813
Total (2)	<u>9.360.229</u>	<u>8.222.456</u>
Total Musharaka, Mudaraba and Murabaha transactions with customers (1+2)	<u>10.577.935</u>	<u>9.351.618</u>
Less: Advance revenues	(1.260.918)	(976.301)
Less: Impairment loss provision	(930.321)	(1.174.879)
The net distributed to:	<u>8.386.696</u>	<u>7.200.438</u>
Current balances	<u>8.386.696</u>	<u>7.200.438</u>
Total	<u>8.386.696</u>	<u>7.200.438</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 59.881 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 2018 (EGP Thousand)

	Individuals		
	Personal and car Murabaha	Real estate Murabaha	Total
Balance at the beginning of the year	147.687	12.748	160.435
Charge of impairment during the year	20.032	62	20.094
Amounts written off during the year	(9.129)	(351)	(9.480)
Provision no longer required	5.866	-	5.866
Transferred from corporate provision	(28.928)	(376)	(29.304)
Valuation differences	95	-	95
Balance on 31 December 2018	135.623	12.083	147.706

	Corporate		Total
	Direct Murabaha and others	Syndicated Murabaha	
Balance at the beginning of the year	1.014.444	-	1.014.444
Charge of impairment during the year	55.449	-	55.449
Amounts written off during the year	(254.252)	-	(254.252)
Provision no longer required	(31.747)	-	(31.747)
Transferred to individual provision	(5.866)	-	(5.866)
Transferred from individual provision to provisions	333	-	333
Valuation differences	4.254	-	4.254
Balance on 31 December 2018	782.615	-	782.615
Total	918.238	12.083	930.321



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	(9.425)	(150)	(9.575)
Provision no longer required	(6.591)	-	(6.591)
Transferred from corporate provision	(43.356)	-	(43.356)
Valuation differences	(2)	-	(٢)
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



20- Financial investments

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
20/A- Financial Investments available for sale		
Debt instruments – at fair value:		
- Listed in the stock market	592.374	606.254
Equity instruments – at fair value:		
- Listed in the stock market	982.637	69.531
- Unlisted in the stock market	3.326.826	3.698.959
Total financial investments available for sale (1)	<u>4.901.837</u>	<u>4.374.744</u>
20/B- Financial investments held to maturity		
Debt instruments:		
- Listed in the stock market	11.071.093	17.165.892
- Unlisted in the stock market	25.797	25.797
Less: Impairment loss provision	(3.441)	(854)
- Total unlisted in the stock market	<u>22.356</u>	<u>24.943</u>
Total financial investments held to maturity (2)	<u>11.093.449</u>	<u>17.190.835</u>
Total financial investments (1+2)	<u>15.995.286</u>	<u>21.565.579</u>
Settlements of impairment loss provision for financial investments held to maturity:		
	31 December 2018	31 December 2017
	EGP Thousand	EGP Thousand
Balance at the beginning of the year	(854)	(5.707)
Charge (Reverse) impairment of mutual funds	(2.587)	4.853
Total	<u>(3.441)</u>	<u>(854)</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 2018					Book value	Percentage of shareholding
		Assets of the company	Liabilities of the company (without equity)	Company revenues	Profit / (loss) of the company			
		EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand			
A- Subsidiaries:								
Ismailia National Co. for Food Industries (FOODICO) (6)	Egypt	108.039	42.142	62.601	5.770	13.000	%34.72	
Horizon Co. for Investment and Industrial Development (6)	Egypt	819.741	564.942	535.541	4.759	35.200	%40.00	
Modern National Co. for Wood Industry (5)	Egypt	48.680	45.468	13.459	(3.130)	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' (5)	Egypt	608.176	381.906	401.336	11.250	76.720	%40.00	
Misr Co. for Packing Materials 'EGYRAP' (5)	Egypt	304.602	157.064	167.000	12.540	24.147	%51.38	
Cairo for Cardboard Industry 'Copack' (5)	Egypt	550.357	341.836	318.027	10.506	68.715	%31.37	
Islamic Co. for Animal Production (2)	Egypt	1.674	6.950	4.218	1.074	-	%85.22	
Faisal Bank Exchange (6)	Egypt	6.375	31	3.535	471	4.350	%87.00	
Faisal Financial Investments Co. (6)	Egypt	699.973	29.596	26.559	18.061	619.965	%99.99	
Faisal Securities Brokerage Co. (6)	Egypt	36.443	4.194	5.171	2.089	23.970	%79.90	
TAQA Co. for Electronic Industries (6)	Egypt	118.244	7.582	26.034	(3.290)	25.011	%28.00	
Al-Faisal Real Estate Investment Co. (5)	Egypt	400.455	188.997	11.753	4.692	4.990	%2.50	
Total (A)						896.069		
B- Associates:								
Misr International Hospital (3)	Egypt	173.338	68.340	193.424	19.664	19.633	%24.08	
Al-Masryia Co. for Takaful Insurance on Property (5)	Egypt	1.207.354	912.748	111.868	89.296	30.613	%24.75	
Arabiya Co. for Insurance Brokerage (4)	Egypt	653	1.635	6	(191)	-	%25.00	
Orascom Housing and Construction (4)	Egypt	1.162.127	1.292.138	36.163	(34.388)	106.080	%40.00	
Al-Arabiya Co. for Disinfection Works 'ARADIS' (5)	Egypt	690	104	455	8	-	%40.00	
Islamic Co. for Investment & Development (3)	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)						156.327		
Total (A + B)						1.052.396		

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 30/04/2018.
- 3- The stated data is according to financial statements on 31/12/2016
- 4- The stated data is according to financial statements on 31/12/2017
- 5- The stated data is according to financial statements on 30/06/2018.
- 6- The stated data is according to the financial statements on 30/09/2018

20- Financial investments – Cont.

20/C- Investments in subsidiaries and associates

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

31 December 2017

	resident country	Assets of the company	Liabilities of the company (without equity)	Company revenues	Profit / (loss) of the company	Book value	Percentage of shareholding
		EGP Thousan d	EGP Thousand	EGP Thousan d	EGP Thousan 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 (١)	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/D- (loss) of financial investments

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Profit from selling financial assets available for sale	9.134	166.462
Profit from selling financial assets held to maturity	-	157
Charge (Reverse) impairment of subsidiaries and associates	(9.989)	(228)
Impairment (loss) of financial assets available for sale	(250.652)	(280.133)
Total	(251.507)	(113.742)

21- Intangible assets

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance at the beginning of the year	10.986	10.037
Additions	22.421	7.421
Amortization	(10.834)	(6.472)
Total	22.573	10.986

22- Other assets

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Accrued revenues	811.398	529.303
Assets transferred to the Bank in lieu of debts (after deducting impairment) *	220.628	221.755
Projects under construction **	308.362	22.209
Prepaid tax	448.012	315.712
Others	206.699	185.845
Insurance and petty cash	10.361	8.746
Prepaid expenses	23.363	37.152
Advanced payments under purchase of fixed assets	39.139	19.495
Interest-free loan	66	57
Total	2.068.028	1.340.274

* 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:

272.410 EGP Thousand	Bank branch - The New Administrative Capital
35.952 EGP Thousand	Bank branch - Sheikh Zayed



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 1/1/2017					
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	761.237	5.958	27.794	66.268	861.257
Balance on 31/12/2017					
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	761.237	5.958	27.794	66.268	861.257
Balance on 1/1/2018					
Net book value on 1/1/2018	761.237	5.958	27.794	66.268	861.257
Additions	174.102	-	10.103	70.585	254.790
Depreciation cost	(11.620)	(756)	(4.210)	(23.679)	(40.265)
Net book value on 31/12/2018	923.719	5.202	33.687	113.174	1.075.782
Balance on 1/1/2018					
Cost	1.057.450	8.996	77.923	284.940	1.429.309
Accumulated depreciation	(133.731)	(3.794)	(44.236)	(171.766)	(353.527)
Net book value on 31/12/2018	923.719	5.202	33.687	113.174	1.075.782

24- Balances due to banks

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Current accounts	104.713	83.871
Deposits	-	12.398
Total	104.713	96.269
Foreign banks	104.713	96.269
Total	104.713	96.269
Non-return bearing balances	104.713	83.871
Floating return balances	-	12.398
Total	104.713	96.269
Current balances	104.713	96.269
Total	104.713	96.269

25- Saving pools and saving certificates

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
On demand accounts	2.733.753	2.267.951
Time deposits and callable accounts	54.344.858	51.998.413
Saving certificates	20.599.342	16.690.624
Others *	378.263	170.615
Total	79.057.216	71.127.603
Corporate accounts	2.766.880	2.407.779
Individual accounts	76.290.336	68.719.824
Total	79.057.216	71.127.603
Non-return bearing balances	3.112.016	2.438.566
Floating return balances	74.944.200	68.689.037
Total	79.057.216	71.127.603
Current balances	79.057.216	71.127.603
Total	79.057.216	71.127.603



* Saving pools and saving certificates include balances of EGP 30.958 thousand against EGP 33.307 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Accrued returns for customers	2.087.237	1.811.574
Various creditors ****	54.464	41.377
Shareholder dividends *	74.550	71.817
Retained amounts for others	-	30
Tax liabilities (Ad valorem stamp duties) **	7.562	7.373
Variable credit balances	92.993	19.468
Local finance remittances	-	467
Customer coupons balances	967	4.463
Zakat legitimately due	86.436	38.468
Suspended-paid cheques	2.086	2.054
Accrued expenses	583	597
Employees` profit share	374	485
Total	2.408.252	1.998.173

* Stated as follow:

18.640	EGP Thousand	Collection operations coverage
3.663	EGP Thousand	Payroll taxes and similar taxes
33.161	EGP Thousand	Miscellaneous

** Represent retained amounts against claim of stamp tax which 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.

27- Other provisions

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance at the beginning of the year	19.086	15.214
Foreign exchange evaluation differences	1	(4)
Recognized in the income statement	(2.043)	(688)
Amounts written off	4.498	4.763
Transferred from impairment provision for customers	(333)	-
Amount paid during the fiscal year	-	(199)
Balance at the end of the year *	22.209	19.086

* Stated as follow:

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Other provisions		
Regular provision for contingent liabilities	17.964	13.444
Legal claims	3.252	4.796
Irregular provision for contingent liabilities	993	846
Total other provisions	22.209	19.086



28- Capital

Paid-up capital amounts to EGP 1,775.681 Thousand as at 31 December 2018. 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	366.830.586	1.775.681	1.775.681
Balance at the end of the year	366.830.586	1.775.681	1.775.681

29- Reserves

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Reserves		
Banking risk reserve	170.584	154.638
IFRS 9 banking risk reserve *	334.510	-
Legal reserve (general)	917.244	745.056
Special reserve	33.661	33.661
Fair value reserve-financial investments available for sale	2.330.608	1.875.785
Capital reserve **	22.403	21.516
Total reserves at the end of the year	3.810.010	2.830.656

- In accordance with CBE's instructions issued on 28 January 2018, Banks are required to Create IFRS 9 risk reserve (1% of total weighted credit risk) deducted from 2017 net profit after tax, amounting to EGP 335.510 thousand (Changes in Shareholders' Equity Statement) to be listed in Going-concern Capital of capital base. This reserve should be used after obtaining CBE's approval, Note No. (29).
- 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance at the beginning of the year	154.638	137.203
Transferred to banking risk reserve for Assets transferred to the Bank	14.875	17.402
Transferred to general banking risk reserve	1.071	33
Balance at the end of the year	170.584	154.638

B- Legal (general) and capital reserve

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance at the beginning of the year	766.572	477.251
Transferred from Profit to legal reserve (general)	172.188	288.741
Transferred from Profit to capital reserve	887	580
Balance at the end of the year	939.647	766.572



C- Fair value reserve - financial investments available for sale

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance at the beginning of the year	1.875.785	2.230.021
Profit of the change in fair value	49.564	(634.369)
Impairment loss of financial investments available for sale (Note 20/D)	405.259	280.133
Balance at the end of the year	2.330.608	1.875.785

D- Net profit of the year and retained profit

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Balance of retained profit (including profit of the year) at the beginning of the year	4.640.716	(3.936.470)
Net profit of the year	2.519.129	(1.722.766)
Distributed as follows:		
Transferred to capital reserve by law	(887)	(580)
Transferred to IFRS 9 risk reserve	(335.510)	-
Transferred to legal reserve (general)	(172.188)	(288.741)
Shareholders' Dividends	(390.183)	(450.000)
Employees' profit share	(90.000)	(75.000)
Board of director's Remuneration	(12.000)	(9.000)
Transferred to capital	-	(195.166)
Total	6.159.077	(4.640.749)
Transferred to general banking risk reserve	(1.071)	(33)
Balance of retained profit (including profit of the year) at the end of the year *	(6.158.006)	4.640.716

* 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Cash and balances at the Central Bank of Egypt	1.237.065	1.191.678
due from banks	42.112.679	32.875.842
Total	43.349.744	34.067.520

31- Contingent liabilities and commitments

A- Legal claims

There is a number of existing lawsuits filed against the Bank as at 31 December 2018. 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 656.972 Thousand in the fiscal year ended 31 December 2018 which are represented in financing syndicated Murabaha transaction, financial investments available for sale, investment in subsidiaries and associates and different finance transactions with customers. 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Finance commitments	868.299	725.522
Accepted securities	-	13.625
Letters of guarantee	437.711	175.715
Import letters of credit	363.890	389.147
Export letters of credit	-	1.051
Total	1.669.900	1.305.060

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 2018	31 December 2017	31 December 2018	31 December 2017
	EGP Thousand	EGP Thousand	EGP Thousand	EGP Thousand
Musharaka, Murabaha, Mudaraba, and facilities for customers				
At the beginning of the year	2.663	2.526	345.399	307.337
Musharaka, murabaha and mudaraba issued during the year	1.005	629	267.310	454.419
Musharaka, murabaha and mudaraba collected during the year	(1.067)	(492)	(311.084)	(416.357)
At the end of the year	<u>2.601</u>	<u>2.663</u>	<u>301.625</u>	<u>345.399</u>
Return on Musharaka, Murabaha and Mudaraba *	<u>364</u>	<u>373</u>	<u>61.079</u>	<u>55.264</u>

* 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 2018 amounted to EGP 1.005 thousand (against EGP 629 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 2018 EGP Thousand	31 December 2017 EGP Thousand
Due to customers		
Deposits at the beginning of the fiscal year	137.926	358.800
Deposits charged during the year	1.756.932	1.702.192
Deposits recovered during the year	(1.805.914)	(1.924.853)
Revaluation differences	(19)	1.787
Deposits at the end of the year	<u>88.925</u>	<u>137.926</u>
Deposit expenses and similar expenses	<u>13.111</u>	<u>15.185</u>

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



C- Transactions with related parties:

	31 December 2018 EGP Thousand	31 December 2017 EGP Thousand
Participations and investments with Dar Al-Maal Al-Islami Group and its partners	35.832	297.879

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 19.487.152 on 31 December 2018.

The redeemable value of the certificate on 31 December 2018 amounted to EGP 119.98 after distributions amounted to EGP 73.5 since the activity inception, while the number of outstanding certificates of the fund was 876.255 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. Investment certificates of this fund reached 1.000.000 certificates with a value EGP 100.000.000. of which the Bank was allocated 25000 certificates (of nominal value of EGP 2.500.000) to undertake the fund activities.

The Bank purchased 39000 certificates held with an amount of EGP 2.868.503. with redeemable value of EGP 4.036.110 on 31 December 2018.

The redeemable value of the certificate on 31 December 2018 amounted to EGP 103.49 while the number of outstanding certificates of the fund was 335.313 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 1.072.687 for the financial year ending 31 December 2018. These fees and commissions are listed in the income statement.

33- Important Events

IFRS 9: Financial Instruments

The final version of IFRS 9 was issued in July 2014. On 28 January 2018, Central Bank of Egypt issued instructions that banks in Egypt will be required to comply with IFRS 9 requirements as of January 1st, 2019. The final CBE's instructions in this regard will be issued later.

IFRS 9 sets out the requirements for recognition and measurement of financial assets and liabilities, and also basic accounting models for financial assets impairment and hedge accounting. IFRS 9 is the replacement of IAS 39 Financial Instruments: Recognition and Measurement.



A- Classification and Measurement:

The application of IFRS 9 affects the classification and measurement of financial assets and it is not expected to have any impact on classification and measurement of financial liabilities.

Under IFRS 9 requirements, classification and measurement of financial assets will depend primarily on business models by which we manage those financial assets and the contractual cash flows characteristics associated with those assets. These factors determine whether the financial asset is measured at amortized cost or at fair value through profit or loss (FVTPL) or at fair value through other comprehensive income (FVOCI). IFRS 9 eliminates IAS 39's classification of financial assets held to maturity, different finance transactions with customers and banks, government securities and financial assets available for sale.

B- Impairment of financial assets:

Impairment of financial assets measured at amortized cost and fair value is calculated through other comprehensive income as well as finance commitments and financial guarantee contracts. At initial recognition, expected credit losses (ECL) resulting from Probability of Default (PD) in the next 12 months are calculated. In the event of a significant increase in credit risks, the expected credit losses (ECL) resulting from Probability of Default are calculated over the expected life of the financial instrument.

Financial assets that their 12-month expected credit losses have been calculated and which have no signs of increased credit risks are classified in Stage 1. Financial assets that have a significant increase in credit risks since initial recognition are classified in Stage 2. Credit-impaired financial assets are classified in Stage 3. The financial instrument is monitored and reviewed on a periodic basis by the Bank since the initial recognition to identify the extent of increase in credit risks.

Estimate of expected credit losses should be unbiased and probability-weighted, and it should include all relevant historical, future and expected information including economic outlook and the time value of the money at the reporting date. Accordingly, expected credit losses estimate in accordance with IFRS 9 is a forward-looking estimate when compared to IAS (39).

In accordance with CBE's instructions issued on 28 January 2018, the Bank has created IFRS 9 risk reserve (1% of total weighted credit risk) deducted from 2017 net profit after tax, amounting to EGP 334.510 thousand (Changes in Shareholders' Equity Statement) to be listed in Going-concern Capital of capital base. This reserve should be used after obtaining CBE's approval, Note No. (29). At the date of approval to these financial statements, CBE's final instructions regarding the application of IFRS 9 had not been issued.

34- Comparative Figures

Comparative figures on 31 December 2017 have been amended to conform with CBE's instructions issued on 16 December 2008. The effect of the amendments to the comparative figures is as follows:

	Balance before amendment	Amendment	EGP Thousand Balance after amendment
Governmental securities	10.291.962	(7.547)	10.284.415
Due to banks	103.816	(7.547)	96.269
Other liabilities	2.107.484	(109.311)	1.998.173
Current income tax liabilities	-	109.311	109.311



Auditor's Report



Baker Tilly Wahid Abdel Ghaffar & Co

United for Accounting and Auditing (United)

Auditor's 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 2018 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 2018. 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 2018. 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.

Cairo: 04 February 2019

Auditors

Mohamed Ahmed Mahmoud Abou El
Qassem

Hassan Basiony Al Basha

United for Accounting and Auditing (United)

Baker Tilly Wahid Abdel Ghaffar & Co





Religious Supervisory Board Report

Report of the Bank's Religious Supervisory Board For the Financial year ended 31/12/2018 corresponding to 24 Rabie Thani 1440 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 thusday 14th of February 2019 corresponding to 09 Jumad Akhar 1440H. 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 2018 corresponding to 24 Rabie Thani 1440 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:

- 3- The Bank was always very keen to conduct its investment activities and banking services pursuant to the principles and provisions of Islamic Sharia.
- 4- 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 31/12/2018 corresponding to 24 Rabie Thani 1440 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

09 Jumad akhar 1440 H

14 February 2019



The Zakat Fund



Zakat Fund

The Balance Sheet

31 December 2018 corresponding to 24 Rabie Thani 1440 H.

<u>Statement</u>	31 December 2018 EGP	31 December 2017 EGP
<u>Assets:</u>		
Cash and balances in the Bank	7.045.353	10.252.591
Fund-owned Lands and buildings	17.969.490	9.550.285
Lands and buildings owned by others	5.482.140	14.262.800
Student housing owned by others	2.198.625	1.479.104
Shares owned by others	14.479.104	1.846.553
Charity Investment Accounts	2.198.625	146.004.996
<u>Total assets</u>	<u>220.685.452</u>	<u>183.396.329</u>
<u>Liabilities:</u>		
Zakat beneficiaries rights	25.014.843	19.802.876
Liabilities against Lands and buildings owned by others	5.482.140	14.262.800
Liabilities against Charitable student housing	1.479.104	1.479.104
Liabilities against Shares owned by others	2.198.625	1.846.553
Liabilities against Charity Investment Accounts	186.510.740	146.004.996
<u>Total liabilities</u>	<u>220.685.452</u>	<u>183.396.329</u>



Resources and Disbursements

31 December 2018 corresponding to 24 Rabie Thani 1440 H.

Statement	31 December 2018 EGP	31 December 2017 EGP
Resources:		
Cash and balances in the Bank (at the beginning of the year)	10.252.591	7.455.487
Zakat due on the Bank's equity	38.468.473	32.279.494
Zakat Provided by the Bank's customers and others	10.003.620	10.707.366
Return on Investment Account	946.781	923.147
Return on Charity Investment Accounts	10.464.471	8.244.078
Miscellaneous revenues	482.864	230.500
Total Resources	70.618.797	59.840.072
Disbursements:		
Individuals	35.299.270	28.987.742
Students	997.243	1.399.926
Mosques	125.675	420.495
Medical institutions & legally recognized charity associations	26.888.281	18.483.073
Administrative expenses	262.975	296.245
Cash and balances in the Bank (at the end of the year)	7.045.353	10.252.591
Total	70.618.797	59.840.072



Complementary Explanations

Complementary Explanations for the Financial Statements on 31/12/2018 corresponding to 24 Rabie Thani 1440 H

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 60.4 million, in addition to an amount of EGP 10.2 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 2018 amounted to EGP 386 million; of which EGP 139.5 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 63.5 million, which were distributed as follows:

"EGP thousand"

Aspects of spending	Individuals	Students	Mosques	Medical institutions & legally recognized charity associations	Administrative expenses	Balance at the beginning of the year	Total
Amounts	35.299	997	126	26.888	263	7.45	70.618

- 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 35.3 million was disbursed during the year under review compared with EGP 28.9 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 186.5 million until the end of 2018. 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.
- 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 18 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, a villa at the village of Sama El-Arish in North Sinai Governorate and a villa at Boulak Eldakroun in Gize will be received after the death of one of endowment (Heba) parties.
- Lands and buildings owned by others amounting to EGP 5.5 million are represented in an apartment in Giza and a villa in New Cairo city, which was 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 2.2 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 were 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.



Baker Tilly Wahid Abdel Ghaffar & Co.

United for Accounting and Auditing (United)

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 2018, 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.

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 2018 and the resources and disbursements Statment presents fairly the fund's activity results for the year then ended.

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.

Cairo: 4 February 2019

Auditors

Mohamed Ahmed Mahmoud Abou El Qassem

Hassan Basiony Al Basha

United for Accounting and Auditing (United)

Baker Tilly Wahid Abdel Ghaffar & Co

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 (55) companies, (including 33 available- for sale companies and 22 subsidiaries and associates) with issued capital amounting to (EGP 8.675 billion, USD 713 million, and SDP 1.335 million) equivalent to EGP 22.951 billion, of which EGP 22.951 billion is paid after currency evaluation by exchange rates on 31/12/2018.

The Bank's equity share in these companies amounted to EGP 2.119 billion, at a cost of EGP 4.044 billion and book value of EGP 3.284 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	857614	857614	287489	287489	-----	-----	467582	1146087	1109799
Local and Foreign Trade	2	25252	25252	-----	-----	-----	-----	18422	18435	0
Pharmaceuticals and Health Care	4	329020	329020	-----	-----	-----	-----	47963	992594	988520
Investments	2	5000	5000	35276	35276	-----	-----	48312	47809	0
Housing and Real estate Investments	5	4309975	4309975	-----	-----	-----	-----	120461	352058	296038
Information Technology	3	235000	235000	-----	-----	-----	-----	17712	33661	33661
Banks and Financial Institutions	14	1850321	1850021	390316	390316	1334900	1334900	1347203	1367228	793035
Others	5	1013230	1013230	-----	-----	-----	-----	31828	50330	50121
Total	55	8675412	8675112	713081	713081	1334900	1334900	2119366	4044445	3284174

"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"	Subsidiary	%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	22000	22000	EGP	17069	EGP 100	1707	2067	2067	Suez	2003
9	Multi Gas Co.	Available for sale	%7.27	10450	10450	EGP	7600	EGP 100	760	888	888	El Menofia	2002
10	Golden Textiles & Clothes Wool Co.	Available for sale	%1.33	142834	142834	EGP	190345	EGP 10	1903	1797	1184	El Sharqeya	1985
11	Educational Projects Co.	Available for sale	%7.66	6000	6000	EGP	45980	EGP 10	460	931	931	El Sharqeya	1988
12	Educational Accessories Co.	Available for sale	%2.64	10000	10000	EGP	26400	EGP 10	264	4379	4379	El Sharqeya	2006
13	International Co. for Casting & Modern Industries	Available for sale	%15.00	35000	35000	EGP	525000	EGP 10	5250	7172	7172	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	989	989	El Behiera	1983
16	Energy Co. for Electronic Industries and lighting systems	Associate	%28.00	125000	125000	EGP	350000	EGP 100	35000	35000	25011	Cairo	2015
17	Midor Co. for Electricity "Midalic"	Available for sale	%5.00	137489	137489	USD	68745	USD 100	123147	459338	459338	Alexandria	2001
18	Helwan Fertilizers Co.	Available for sale	%5.00	150000	150000	USD	7500000	USD 1	134352	403056	403056	Helwan	2007
Total				857614	857614	EGP			467582	1146087	11097799		
				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	%24.30	80000	80000	EGP	19443	EGP 1000	19443	23707	1451319633	Giza	1983
2	Ibn Sina "Pharma"	Available for sale	%12.58	180500	180500	EGP	90830468	EGP 0.25	22708	921929	912929	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	5564	5564	Giza	2004
Total				329020	329020	EGP			47963	992594	988520		
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	46123	45536	0	the Sudan	1985
Total				5000	5000	EGP			48312	47809	0		
Total				35276	35276	USD							
Housing, Construction and Real estate Investment													
1	Orascom Construction and Urbanization	Associate	%40.00	50000	50000	EGP	20000	EGP 1000	20000	160000	106080	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	%1.94	3915000	3915000	EGP	760905	EGP 100	76091	161905	161905	Giza	2005
5	Ardak 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				4309975	4309975	EGP			120461	352058	296038		
Information Technology													
1	Egyptian Banks Co. For Technological Development	Available for sale	%2.21	100000	100000	EGP	44239	EGP 50	2212	16840	16840	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	5000	5000	EGP	5000	EGP 100	500	1822	1822	Giza	1998
Total				235000	235000	EGP			17712	33661	33661		

"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	7337	7337	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	160000	160000	EGP	396000	EGP 100	39600	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	%1.07	373321	373321	EGP	4000	EGP 1000	4000	9749	9749	Cairo	2007
9	Egyptian Saudi Insurance House Co.	Available for sale	%13.50	200000	200000	EGP	270000	EGP 10	27000	29943	29943	Giza	2003
10	Egyptian Life Takaful Co.	Available for sale	%9.24	200000	200000	EGP	184783	EGP 100	18478	20320	20320	Cairo	2008
11	Sudanese Islamic Bank	Available for sale	%0.68	243832	243832	SDP	12746232	SDP 0,13	623	2774	2774	The Sudan	1983
12	Faisal Islamic Bank of Sudan	Available for sale	%2.50	1000000	1000000	SDP	25021685	SDP 1,00	9413	28459	28459	The Sudan	1978
13	Dar Al-Maal Al-Islami Trust - The Bahamas	Available for sale	%8.20	390316	390316	USD	320051	\$100	573327	573327	0	The Bahamas	1981
14	Export Development Bank - The Sudan	Available for sale	%0.02	91067	91067	SDP	185969	SDP 0,10	7	410	0	The Sudan	1984
Total				1850321	1850321	EGP			1347203	1367228	793835		
				390316	390316	USD			390316				
				1334900	1334900	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	13207	13207	Cairo	2008
3	Misr for Central Clearing, Depository and Registry Co.	Available for sale	%0.59	277200	277200	EGP	16431	EGP 100	1643	1171	1171	Cairo	1996
4	Almasriya Co. for Construction and Management of Commercial Centers	Available for sale	13.33	30000	30000	EGP	400000	EGP 10	4000	4612	4612	Cairo	2008
5	Ayadi Co. for Investment & Development	Available for sale	%3.69	660530	660530	EGP	243783	EGP 100	24378	31131	31131	Cairo	2015
Total				1013230	1013230	EGP			31828	50330	50121		



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
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 **Postal Code:** 18111
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 **Fax:** (02) 21109905
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
SWIFT Code: FIEG EG CX AX3
E-Mail: montazah@faisalbank.com.eg
P.O.Box: 230 El Saraya Post office

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
Postal Code: 21221 Hanoville

El Mansoura branch

Address: 1 Talaat Harb St., El Mansoura, El-Dakahlia
Tel.: (050) 2319965 – 2318792 - 2305158
Fax: (050) 2315635
SWIFT Code: FIEG EG CX MNS
E-Mail: mansoura@faisalbank.com.eg
Postal Code: 35111

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
Postal Code: 35417

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
SWIFT Code: FIEG EG CX MHL
E-Mail: mehalla@faisalbank.com.eg
P.O.Box: 244

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
SWIFT Code: FIEG EG CX ZAG
E-Mail: zagazig@faisalbank.com.eg
P.O.Box: 435

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
SWIFT Code: FIEG EG CX ASH
E-Mail: tenthramadan@faisalbank.com.eg
P.O.Box: 225



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

Port Said 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 PSD
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) 2440181 - 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 –Mokattam – Sheikh Zayed –
- 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	400887909001EUR	- AT 22 1200 0127 1714 6801 IT38 U020 0832 9780 0000 8334 200	COBA DE FF BKAU AT WW UNCR IT MM
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