Consolidated Financial Statements and

The Auditors' Report Thereon

For the year ended 31 December 2017

Translated from the Official Report issued in Arabic

Allied for Accounting and Auditing – EY   Egyptian Accountants (EGAC)

AUDITORS' REPORT

To the shareholders of Abu Dhabi Islamic Bank - Egypt (S.A.E)

Report on the Consolidated Financial Statements
We have audited the accompanying consolidated financial statements of Abu Dhabi Islamic Bank - Egypt (S.A.E) which compromises the consolidated financial position as at 31 December 2017 and the related consolidated statements of income, changes in equity and consolidated cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements
These consolidated financial statements are the responsibility of Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 and its explanatory instructions and in light of the prevailing Egyptian laws and regulations, management responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated financial statements that are free from material misstatement, whether due to fraud or error; management responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Abu Dhabi Islamic Bank - Egypt (S.A.E) as of 31 December 2017 and of its financial performance and its consolidated cash flows for the year then ended, in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on 16 December 2008 and its explanatory instructions and in light of the prevailing Egyptian laws and regulations related to the preparation of these consolidated financial statements.

Emphasis of a Matter

Without qualifying our report, we draw your attention to:

1- As indicated in note no. (38) to the consolidated financial statements, the Bank's management solely filed a new lawsuit during the year of 2017 to the administrative court, based on the same grounds that the previous lawsuit was based on, regarding the unconstitutional nature of the tax on interest on treasury bills and treasury bonds on the basis that the Bank has not recognized taxable profits for the disputed years and to recover all amount which were previously paid. According to the Bank's external legal and external tax advisors' opinion, it is probable that the Bank will win the case.

2- As indicated in note no. (30) to the consolidated financial statements, the Bank's management formed a probable claims provision of balance L.E 1,515 Million based on the Bank's external legal advisor opinion to cover the potential claims from Abu Dhabi Islamic Bank- UAE.

Report on Legal and Other Regulatory Requirements

We were not a ware of any non-compliance cases of the central bank, banking and monetary institution law No.88 of 2003 nor of its articles of incorporation were noted.

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

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

Cairo; 22 February 2018.

Auditors

Member of Ernst & Young Global

Hossam Nasr Zaki

FESAA – FEST
R.A.A (12254)
EFSA (82)
Allied for Accounting and Auditing EY

H. A. Yassin

Dr. Hazem Ahmed Yassin

FESAA
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EFSA (48)
المــروة للمحاسبة والمراجعة
١٢ ش ابو المعالى - العجوزة - الجيزة

Translation of Financial Statements originally issued in Arabic

Consolidated balance sheet as at 31 December 2017

	Note No	31 December 2017 LE 000's	31 December 2016 LE 000's
ASSETS			
Cash and due from Central Bank of Egypt (CBE)	13	**2,125,571**	1,322,098
Due from banks	14	**1,308,392**	3,398,494
Treasury Bills	15	**7,851,533**	4,748,319
Financial assets held for trading	16	**20,676**	16,754
Facilities to Banks (Net of impairment Losses)	1/17	**266,402**	-
Conventional financing to customers_Net of impairment loss	2/17	**222,023**	215,565
Islamic financing to customers_Net of impairment loss	2/17	**16,060,969**	15,016,128
FINANCIAL INVESTMENTS			
Available for Sale Investment	1/18	**82,406**	98,551
Held to maturity	2/18	**6,850,312**	5,719,617
Financial investments in associates	19	**71,901**	59,984
Intangible assets_Net of accumulated amortization	20	**404**	564
Other assets	21	**1,584,763**	1,374,226
Projects under construction	22	**16,107**	14,664
Fixed assets_Net of accumulated depreciation	23	**743,069**	641,804
Investment property_Net of accumulated depreciation	24	**50,517**	60,168
Assets Held for Sale_Net		**11,170**	996
Leased assets_Net of accumulated depreciation	25	**149,028**	185,420
Deferred tax assets	31	**-**	354,863
TOTAL ASSETS		**37,415,243**	33,228,215
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Due to banks	26	**905,082**	2,239,144
Customers' deposits	27	**29,832,871**	25,516,880
Subordinated financing	28	**777,582**	770,025
Other liabilities	29	**1,845,575**	1,292,817
Other provisions	30	**1,659,225**	1,719,231
Defined benefits obligations	37	**70,893**	65,354
Deferred tax liabilities	31	**31,230**	-
TOTAL LIABILITIES		**35,122,458**	31,603,451
SHAREHOLDERS' EQUITY			
Paid in Capital	2/32	**2,000,000**	2,000,000
Paid under capital increase	3/32	**1,861,418**	1,861,418
Reserves	33	**431,634**	188,978
Difference between Face value and Present value for Subordinated Financing		**81,150**	91,699
Accumulated Losses	4/33	**(2,126,748)**	(2,564,156)
		2,247,454	1,577,939
Non-Controlling Interest		**45,331**	46,825
TOTAL SHAREHOLDERS' EQUITY		**2,292,785**	1,624,764
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**37,415,243**	33,228,215
CONTINGENT LIABILITIES AND COMMITMENTS	2/35	**3,683,496**	2,219,052

The auditors' report is attached.

The accompanying notes from (1) to (39) are integral part of these financial statements.

Mohamed Aly	Soha El Turky
Chief Executive Officer and Managing Director	**Chief Financial Officer**

Cairo 20 February 2018

Consolidated statement of income for the year ended 31 December 2017

	Note No	31 December 2017 LE 000's	31 December 2016 LE 000's
Income from Murabaha, Musharaka, Mudaraba and other similar income	5	**4,125,576**	2,702,704
Cost of deposits and similar expenses	5	**(2,102,180)**	(1,263,787)
NET REVENUE FROM FUNDS		**2,023,396**	1,438,917
Fees and commission income	6	**473,525**	359,223
Fees and commission expense	6	**(9,727)**	(10,058)
NET FEES AND COMMISSION INCOME		**463,798**	349,165
Dividends income	7	**2,209**	2,768
Net trading income	8	**143,482**	214,928
Administrative expenses	9	**(1,172,144)**	(957,762)
Other operating (expenses)	10	**(47,981)**	50,779
(Impairment loss) reversal of impairment credit losses	11	**(132,766)**	(267,105)
Share of associates results		**6,502**	7,952
Gain from financial investments	3/18	**46,128**	5,652
PROFITS BEFORE TAXES		**1,332,624**	845,294
Taxes	12	**(701,026)**	(448,256)
NET PROFIT FOR THE Year		**631,598**	397,038
<u>Distributed as follows</u>			
Equity holders of the Bank		**633,092**	414,096
Non-controlling interest		**(1,494)**	(17,058)
NET PROFIT FOR THE Year		**631,598**	397,038

The accompanying notes from (1) to (39) are integral part of these financial statements.

Translation of Financial Statements originally issued in Arabic

Consolidated statement of change in shareholders' equity for the year ended 31 December 2017

Value in LE 000's

	Paid in Capital	Paid under capital increase	Reserves						Difference between Face value and Present value for Subordinated Financing	Accumulated Losses	Total	Non-controlling interest	Total
			Legal reserve	General reserve	Special reserve	Investments AFS - fair value reserve	General banking risk reserve	General Reserve Risk IFRS 9					
Balance at 1 January 2016	1,999,503	1,861,418	22,878	42,522	26,257	35,448	72,784	-	29,605	(2,963,833)	1,126,582	22,326	1,148,908
Prior year adjustments	-	-	-	-	-	-	-	-	-	(17,110)	(17,110)	(1,569)	(18,679)
Balance at 1 January 2016 - Restated	1,999,503	1,861,418	22,878	42,522	26,257	35,448	72,784	-	29,605	(2,980,943)	1,109,472	20,757	1,130,229
Transferred to general banking risk reserve	-	-	-	-	-	-	6,653	-	-	(6,653)	-	-	-
Net change in fair value of investments available for sale	-	-	-	-	-	(17,564)	-	-	-	-	(17,564)	-	(17,564)
Amortization of the difference between face value from present value for subordinated financing	-	-	-	-	-	-	-	-	62,094	18,990	81,084	-	81,084
Adujsment on Investments in Subsidiaries	497	-	-	-	-	-	-	-	-	4,104	4,601	(2,204)	2,397
Dividends paid - Subsidiaries	-	-	-	-	-	-	-	-	-	(3,256)	(3,256)	-	(3,256)
Net profit of the year	-	-	-	-	-	-	-	-	-	414,096	414,096	(17,058)	397,038
Balance as of 31 December 2016	2,000,000	1,861,418	22,878	42,522	26,257	17,884	79,437	-	91,699	(2,553,662)	1,588,433	1,495	1,589,928
Balance at 1 January 2017	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**26,257**	**17,884**	**79,437**	**-**	**91,699**	**(2,553,662)**	**1,588,433**	**1,495**	**1,589,928**
Prior years Impact of subsidiaries adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,494)**	**(10,494)**	**45,330**	**34,836**
Balance at 1 January 2017 - Restated	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**26,257**	**17,884**	**79,437**	**-**	**91,699**	**(2,564,156)**	**1,577,939**	**46,825**	**1,624,764**
Transferred to general banking risk reserve	**-**	**-**	**-**	**-**	**-**	**-**	**36,150**	**-**	**-**	**(36,150)**	**-**	**-**	**-**
Adjustments for change in FX Revaluation of monetary assets and liabilities related to associates (Note 33/1)	**-**	**-**	**-**	**-**	**5,383**	**-**	**-**	**-**	**-**	**-**	**5,383**	**-**	**5,383**
Net change in fair value of investments available for sale	**-**	**-**	**-**	**-**	**-**	**11,028**	**-**	**-**	**-**	**-**	**11,028**	**-**	**11,028**
Amortization of subordinated financing using EIR method	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(10,549)**	**30,561**	**20,012**	**-**	**20,012**
Net profit of the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**633,092**	**633,092**	**(1,494)**	**631,598**
Transferred to general banking risk reserve IFRS 9 (Note 39)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**190,095**	**-**	**(190,095)**	**-**	**-**	**-**
Balance as of 31 December 2017	**2,000,000**	**1,861,418**	**22,878**	**42,522**	**31,640**	**28,912**	**115,587**	**190,095**	**81,150**	**(2,126,748)**	**2,247,454**	**45,331**	**2,292,785**

- The accompanying notes from (1) to (39) are integral part of these financial statements.

Consolidated statement of cash flows for the year ended 31 December 2017

	Note	31 December 2017 LE 000's	31 December 2016 LE 000's
Cash flows from operating activities			
Profit before tax		**1,332,624**	845,294
Adjustment to reconcile profit before tax to cash flows from operating activities:			
Depreciation of fixed assets	23	**82,909**	68,125
Amortization of intangible assets	20	**1,023**	5,439
Depreciation of investment property	24	**2,975**	3,565
Depreciation of leased assets	25	**83,927**	84,033
Impairment charged for credit losses	17	**183,647**	272,931
Impairment charged for held to maturity investments		**-**	(1,669)
Premium And discount Amortization	1/18	**(12,198)**	(5,682)
Other provisions charged	30	**53,035**	1,551,290
Other provisions no longer required	30	**(95,352)**	(11,615)
Loan loss provisions no longer required	2/17	**(50,880)**	(4,158)
Foreign currency revaluation of held to maturity investments	2/18	**(21,964)**	-
Foreign currency revaluation of available for sale investments	1/18	**1,129**	(25,856)
Loss from revaluation of assets held for trading	8	**(5,739)**	(1,041)
Foreign currency revaluation of other provisions	30	**1,650**	14,948
Foreign currency revaluation of Loan Loss provisions	2/17	**(1,185)**	20,067
Impairment loss of other assets	10	**6,708**	-
Impairment loss of assets reverted to bank	10	**-**	3,604
Gain on sale of assets reverted to the bank	10	**(472)**	2
Gain on sale of fixed assets	10	**(16,741)**	(12,486)
Gain on sale of Leased assets	10	**(30)**	(2)
Gain on sale of assets held for trading	8	**(4,400)**	(813)
Gain on sale of Investment Property	10	**(4,208)**	(2,307)
Gain on sale of treasury bills	3/18	**(2,787)**	(1,134)
Impairment loss of investment in associates		**-**	332
Impairment loss of investment in AFS	3/18	**9,994**	194
Gain on sale of available for sale investments	3/18	**(51,778)**	(5,101)
Share of Associates' results		**(6,502)**	(7,952)
Dividends Income	7	**(2,209)**	(2,768)
Employees Benefits charged	37	**6,051**	11,925
Amortization of subordinated loan using EIR method	28	**30,561**	18,990
Foreign currency revaluation of subordinated financing - With coupon		**(9,698)**	-
Foreign currency revaluation of subordinated financing - Zero coupon		**6,706**	281,780
Operating profit before changes in assets and liabilities utilized in operational activities		**1,516,796**	3,099,935
Net increase in assets & liabilities			
Due from banks		**1,958,854**	(1,462,598)
Treasury bills with maturity more than 90 days		**543,192**	(1,745,890)
Financial assets held for trading		**(14,911)**	12,033
Loans and Islamic financing to customers & Banks		**(1,415,293)**	(5,291,609)
Other assets		**(221,416)**	(386,340)
Due to banks		**(1,334,062)**	1,576,843
Customers' deposits		**4,254,043**	5,161,292
Other liabilities		**334,023**	120,360
Employees Benefit used	37	**(512)**	434
Tax Paid		**(77,162)**	(1,665)
Cash flows resulting from operating activities		**5,543,552**	1,082,795
Used provisions - Other than financing losses	30	**(19,338)**	(5,114)
Used provisions - Financing losses	2/17	**(14,891)**	(15,561)
Net cash flows resulting from operating activities		**5,509,323**	1,062,120

Consolidated statement of cash flows for the period ended 31 December 2017 – Continued

	Note	**31 December 2017 LE 000's**	31 December 2016 LE 000's
Cash flows from investing activities			
Payments to acquire fixed assets and down payments under branches preparition	23	**(157,603)**	(105,039)
Proceeds from sale of fixed assets		**19,731**	21,055
Payments to acquire intangible assets	20	**(863)**	-
Payments to acquire Leased assets		**(61,268)**	(84,856)
Proceeds from sale of Leased assets		**2,106**	1,897
Proceeds from Sale of Investment Property		**10,884**	18,347
Proceeds from Sale of Assets Held for Sale		**150**	-
Proceeds (Payment) of Projects under construction		**(1,444)**	1,550
Payments to acquire investments available for sale	1/18	**(2,397)**	(1,409,725)
Proceeds from sale of Investments available for sale	1/18	**96,634**	718,731
Payments to acquire investment in associates		**(19,913)**	(17,144)
Proceeds from sale of Investments in associates		**11,124**	16,481
Payments to purchase investments Held to maturity		**(1,481,212)**	(614,862)
Proceeds from sale of investments Held to maturity	2/18	**388,003**	254,477
Proceeds from sale of treasury bills		**2,787**	1,134
Dividends income		**2,209**	2,768
Net cash flows (used in) investing activities		**(1,191,072)**	(1,195,186)
Cash flows from financing activities			
Proceeds from subordinated financing		**-**	328,797
Dividends paid		**(45)**	(324)
Net cash flows used in (resulting from) financing activities		**(45)**	328,473
Net increase in cash and cash equivalents during the year		**4,318,206**	195,407
Cash and Cash Equivalents at the beginning of the year		**1,637,367**	1,441,960
Cash and cash equivalents at the end of the year		**5,955,573**	1,637,367
Cash and cash equivalents at end of period are represented in			
Cash and due from Central Bank of Egypt	13	**2,125,571**	1,322,098
Due from banks	14	**1,308,392**	3,398,494
Treasury bills	15	**7,851,533**	4,748,319
Due from banks (maturing in more than 90 Days)		**(1,126,773)**	(3,085,202)
Treasury bills (maturing in more than 90 Days)		**(4,203,150)**	(4,746,342)
Cash and cash equivalents at end of the year	34	**5,955,573**	1,637,367

- The accompanying notes from (1) to (39) are integral part of these financial statements.

1- General information

Abu Dhabi Islamic Bank – Egypt (formerly National Bank for Development - SAE) was established in 1974 in accordance with Investment Law No. 43 of 1974 and its executive regulations and the amendments thereon and is listed on the Egyptian Stock Exchange (EGX).

Abu Dhabi Islamic Bank - Egypt is subject as a financial institution to the supervision and control of the Central Bank of Egypt (CBE). In addition, as a Shari'a compliant bank it complies with Shari'a principles in all transactions and products provided to its clients, whether such products are investment deposits, Islamic investment Sukuk or savings accounts as well as meeting client's various financing needs by providing options such as Murabaha (Cost-plus), Musharka (Joint Venture), Ijarah (Leasing) and cash back cards. It also offers Islamic options for letter of guarantee and letter of credit. The Bank has a Shari'a Board composed of Islamic jurists who are continually consulted regarding all aspects of new existing and banking transactions.

Based on General Assembly resolution EGM held on September 3, 2007 has approved the amendment of the National Bank for Development was renamed to Abu Dhabi Islamic Bank - Egypt after completing a conversion of the Bank's activities in accordance with the provisions and principles of Islamic law.

The bank provides a full range of banking services to corporate, retail and micro finance clients in Egypt and the head office is located in Cairo, 9 Rostom st, Garden City. Through 68 branches across all governorates and are served by 2,289 employees at 31 December 2017

The Consolidated financial statements for the year ended 31 December 2017 have been approved by the bank's board of directors on 20 February 2017.

2- Summary of significant accounting policies

Below are the significant of accounting policies applicable for the preparation of the consolidated financial statements;

A) Basis of preparation of the consolidated financial statement

These consolidated financial statements have been prepared in accordance with the Central Bank of Egypt (CBE) basis of preparation of the bank's consolidated financial statements and principles of recognition and measurement as approved by its board of directors on December 16th, 2008. These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of trading financial investment, Available for sale financial assets.

There consolidated financial statements have been prepared in accordance with the requirements of related applicable Egyptian laws and regulations. The bank has also prepared consolidated financial statements for the bank and its subsidiaries in accordance with the central bank of Egypt (CBE) basis of preparation, which are companies in which the bank owns directly or indirectly more than half of the voting rights, or has the ability to control the financial and operational policies regardless of the type of activity.

B) Basis of consolidation

B/1 Subsidiaries

Subsidiaries are entities (including special purpose entities) which the group has the power to govern its financial and operating policies. Usually the group's ownership exceeds half the voting power taking into consideration potential future voting power that the group has the option to exercise or convert at the time of control assessment.
Subsidiaries are fully consolidated from the date the group assumed control; it is disposed at the date the group losses control.

Group acquisition of entities is accounted for using purchase method. The cost of acquisition is measured at the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued and any costs directly attributable to the acquisition process.
Identifiable acquired assets, liabilities and assumed contingent liabilities are recognized at fair value at the date of acquisition.
Excess of acquisition cost over the fair value of the group's share in net identifiable acquired assets is recognized as goodwill. If the acquisition cost is less than the fair value of net identifiable acquired assets, the difference is recognized in the income statement.

Subsidiaries which have been consolidated in the bank's financial statements are as follows:

Company	Ownership %	Industry
National company for Glass	86.13%	Manufacturing
National company for trading and development (ENTAD)	65.74%	Commercial
Assuit Islamic company for trading and development	55.13%	Commercial
Cairo national company for investment	75.73%	Financial Investment
ADI Lease for Financial Lease	95.91%	Financial Lease
Abu Dhabi Islamic holding company	99.92%	Holding
Abu Dhabi Islamic Capital	99.88%	Financial Investment
Abu Dhabi Islamic Properties	44.24%	Real estate
ADIB Invest	99.89%	Financial Investment
Alexandria National Company for Financial Investments	69.12%	Financial Investment
Cairo National Company for Brokerage & Securities	51.25%	Financial Investment

Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Accounting policies of subsidiaries are changed when necessary to comply with the group's accounting policies.

B/2 Transactions with Non-controlling interests

The group considers transactions with non-controlling interests as transactions with external parties. Gains and losses due to sale to non-controlling interests are recognized in the income statement. Purchase from non-controlling interests results in goodwill which represents the difference between consideration given and book value of subsidiary's net assets.

B/3 Associates

Associates are entities over which the bank influences the financial and operating policies of the company whilst not reaching control, usually the bank's ownership represents 20% to 50% of the voting power. Investment in associates is initially measured at cost and is accounted for subsequently using equity method. Investment in associates includes goodwill (less impairment loss) which was recognized at acquisition.

The group's share in associates' profit or loss post acquisition is recognized in the income statement while the group's share in changes in associates' equity pre acquisition is recognized in the group's equity. The book value of investment in associates in adjusted with the post-acquisition accumulated changes. If the group's share of the associates' loss exceeds its book value the group does not recognize further losses. Transactions, balances and unrealized gains resulting from transactions between the group entities are eliminated in the consolidated financial statements unless they indicate impairment in the value of transferred assets. Gains and losses that result from changes in ownership structure of associates are recognized in income statement.

B/4 Inventory

Inventory is measured at the lower of cost or net realizable value, Inventory costs include all costs incurred in bringing the inventory to its present location and condition as follows:

- Raw materials, spare parts, packing tools and fuel.
- Purchase costs using moving average method.
- Finished and Simi-finished products.
- Manufacturing costs, direct-labor costs and in-direct costs based on normal activity rates.

Net realizable value is the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale. Reverse on inventory impairment resulting from the increase in net realizable value is recognized in the income statement during the occurring period of this impairment reverse.

B/5 Real Estate Investment

Gains or losses arising from changes in the fair value of real estate investments are recognized in the profits and losses of the year when they were realized.

The fair value of real estate investments is the exchange value of a particular asset between parties each of them has a desire to exchange and aware of the standing facts, dealing with free willing and this estimate of the fair value, in particular, does not include the estimated price inflation or deflation with special conditions or certain conditions such as unusual funding or the special arrangements of sale, Re-lease, The particular amounts or concessions granted by any party related to the sale.

The property determines the fair value without making any deduction for the transaction costs that may be incurred by the facility in the process of selling or the other exclusion.

B/6 Projects under construction

Costs incurred in construction or to acquire fixed assets are recognized as projects under construction till it becomes ready for use after that these assets are transferred to fixed assets when it becomes ready for use, depreciation starts at the date of transfer.
Projects under construction are carried at historical cost after deducting impairment.

B/7 Defined benefit system

The National Company for Glass and Crystal gives end of service benefits for employees of the company; the right to obtain these benefits is calculated based on the last salary and length of service for employees.

B/8 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a segment by which, provide products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

The bank does not have any geographical sectors that operate in a different economic framework as of 31 December 2017.

C) Foreign Currency Transactions

C/1 Trade and presentation currency

The Egyptian pound is the currency of preparation and presentation of the consolidated financial statements.

C/2 Transactions and balances in foreign currency

The banks' accounting records are maintained in Egyptian pounds, transactions in other foreign currencies are recorded at rates of exchange ruling on the transaction date. Monetary assets and the liabilities in foreign currencies are revaluated into Egyptian pounds at the rates of exchange ruling at the balance sheet date, any resultant gain or loss is then recorded in the income statement as follows:

- Net trading income or net income from financial instruments originally classified as a change in fair value through profit and loss according to its type.
- Other operating income/loss for other items.

The changes in fair value of monetary financial instruments denominated in foreign currencies and classified as available for sale (debt instruments) are classified into:

- Differences due to change in amortized cost of the instrument; these are recognized through profit and loss in "Profit/Interest and similar income"
- Differences due to changes in foreign currencies exchange rates; these are recognized through profit and loss in "Other operating income / Expense"
- Differences due to change in fair value of the instrument which recognized through equity in "Available for sale fair value reserve".

Translation differences on non-monetary items such as equity securities held at fair value though profit or loss are reported as part of the fair value gain or loss translation difference on non-monetary items such as available for sale the income is recorded directly in equity within "Net unrealized gains and losses on available for sale assets" .

D) Financial assets

The bank classifies its financial assets into the following groups:

- Financial assets designated at fair value through profit and loss.
- Financings and receivables.
- Financial investments held to maturity.
- Financial investments available for sale.

The management's classification depends on the purpose of the investments at the time of its purchase.

D/1 Financial assets designated at fair value through profit and loss

This group includes financial assets held for trading

Financial instrument are recorded as held for trading if it is acquired for resale in short term, or if it represents a part of specific financial instrument portfolio that are managed together and there is an evidence for actual recent transactions refers to the gain of income in short term.

Financial assets are recognized in the early recognition at fair value through profit and loss.

In managing some investment portfolio like investment in equity instruments they are evaluated and reported with fair value according to investment strategy or risk management and preparing reports to top management according to these bases, these investments are designated at fair value through profit and loss.

Under all circumstances, the bank does not re-classify any financial instrument into financial instruments measured at fair value through profit and loss or to a group of financial assets held for trading.

D/2 Financings and receivables

Financings and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those:

- That the bank intends to sell immediately or in the short term, which are classified as held for trading, or that classified as financial assets designated at fair value through profit and loss.

- Assets that classified as available for sale in the early recognition.

- That the bank upon initial recognition designates as available for sale or for which the bank may not recover substantially all of its initial investment, other than because of a credit deterioration of the issuer.

- Financings and receivables are measured at fair value in the early recognition and it is the pricing of transaction in which includes cost of the transaction that includes fees and commissions paid to agents, brokers, merchants and advisors.

- Historical probability of default for retail portfolio was calculated according to the realized loss for the past 3 to 6 months and based on average delinquency period for each product. For corporate portfolio, Historical probability of default was calculated as per the rates issued by Moody's for the Middle East for each facility as per its facility risk rating.

D/3 Financial Investments held to maturity

Held to maturity financial investments are non-derivative assets which carry fixed or determinable payments and where the bank has the intention and the ability to hold to maturity. All held to maturity financial investments are reclassified as available for Sale in case of a sale of significant amounts unless the sale is in an emergency situation

D/4 Financial investments available for sale

Available for sale financial investments are non-derivatives financial assets that are intended to be held for unspecified period and may be sold to provide liquidity or due to changes in the prices of shares, foreign currencies, or interest rate.

The following principles are followed for the financial assets

Purchases or sales of financial assets designated at fair value through profit and loss, held to maturity financial investments, and available for sale financial investments are recognized at the trade date which is the date the bank is committed to purchase or sell the financial asset.

Financial assets that are not classified as designated at fair value through profit and loss at initial measurement are recognize at fair value plus directly attributable costs of acquisition or issue while financial assets designated at fair value through profit and loss at initial measurement are recognized only at fair value, any directly attributable acquisition or issue costs are recorded in the "net trading income" in the income statement.

Financial assets are de-recognized where the rights to receive cash flows from the asset have expired or the bank has transferred all the risks and rewards of the asset to another party, while a financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value.

Held to maturity financial investments are subsequently measured at amortized cost.

Profit and loss due to changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the period it occurred.

Profit and losses arising from changes in fair value of available for sale financial investments are recognized directly in equity, when the asset is disposed of or impaired, the cumulative profit or loss previously recognized in equity is recognized in the income statement.

Monetary assets' interest/profit income is recognized based on the amortized cost method in the income statement. The foreign currency revaluation differences related to available for sale investments are recognized in the income statement. Available for sale equity instruments related to dividends are recognized in the income statement when they are declared.

Fair values are obtained from quoted market prices in liquid markets. Where no active market exists, or quoted prices are unobtainable the fair value is estimated using a variety of valuation techniques, including discounted cash flow and other pricing models. Inputs to pricing models are generally market-based where available and taken from reliable external data sources.

If the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed, an entity can measure the equity instrument at cost minus any impairment losses.

Interest/profit calculated using the effective interest/profit method and foreign currency gains and losses on monetary assets classified as available for sale are recognized in the income statement, Dividends on available for sale equity instruments are recognized in the income statement when the entities right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices, If there is no active market for a financial asset, the bank measures the equity instruments that are classified as available for sale at cost net of impairment loss, if any.

The Bank reclassifies the financial asset previously classified as available for sale to which the definition of loans-debts (bonds or loans) applies by means of transferring the category of the instruments available for sale to the category of loans and debts or the financial assets held to maturity, once the Bank has the intention and ability to hold such financial assets in the near future or up to the maturity date, such reclassification is made at fair value as on that date. Any profits or losses related to such assets which have been previously recognized within equity shall be treated as follows:

- Financial assets with fixed or determinable payments and fixed maturity is valued at amortized cost, using the effective interest method in case of impairment the profit/interest and loss that have been previously recognized directly in equity is removed from equity and recognized in the income statement.

- Profit and loss related to financial assets without fixed or determinable maturity are held in equity till sale or disposal of the asset then removed from equity and recognized in the income statement, In case of impairment the profits and losses that have been previously recognized directly in equity are removed from equity and recognized in the income statement.

If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.

In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

E) Offset of financial assets and financial liabilities:

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

REPO and reverse REPO agreements represent by net in balance sheet under treasury bills caption.

F) Profit/Interest income and expenses

G/1 Interest income and expense for all interest/profit-bearing financial instruments, except for those classified as held for trading or designated as at fair value through profit or loss, are recognized within 'income from Murabha, Musharka, Mudarba and other similar income and cost of deposits and similar cost in the income statement using the effective profit/interest rate method, The effective profit/interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the profit/interest income or profit/interest expense over the relevant year.

The effective profit/interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective profit/interest rate, the bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective profit/interest rate, transaction costs and all other premiums or discounts.

When financings or debts are classified as non-performing or impaired, related profit/interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues on the cash basis as follows:

- When collected and after recovery of all areas for retail financings, personal financings, real estate financings for personal housing and financings to small business.

- For corporate financings, profit/interest income is also recognized on the cash basis, according to which interest earned during the periods subsequent to reschedule agreements does not start to accrete on the financing principal until the bank collects 25% of the rescheduled installments and after payments of the installments continue to be regular for at least one year, interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

G/2 Revenue is recognized to the extent that bank has a reasonable assurance of the future benefits related to the transaction will be realized and revenue can be reliably measured, revenue is measured by its fair value of the net consideration paid or received after deducting any discount or sales tax or custom fees.

Mentioned below criteria to be taken in consideration before the recognition of revenue:

Sale of goods: Revenue derived from the sale of goods when the bank transferred all risks and rewards to the buyer and usually happens when the goods are delivered to the buyer or the common carrier.

G) Fees and commission income

Accrued fees for loans or advances service are recognized as revenue at the time service is provided. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis, when interest income is recognized as shown in (H/2)

Fees that represent a complementary part of the effective interest on the financial asset in general and treated as adjustment to the effective interest rate.

G/1 Commitment fees on loans granted are deferred if there is a possibility that such loans shall be drawn, since the commitment fees received by the Bank are deemed to be a compensation for the ongoing intervention to acquire the financial instrument; subsequently, they are recognized by adjusting the effective interest rate on the loan. In the event of expiry of the commitment year without issuing the loan by the Bank, the fees are recognized as revenues at the expiry of the commitment Year.

G/2 Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of syndication loans are recognized as revenues upon completing the promotion process without retaining any part of the loan by the Bank, or if the Bank maintains a part thereof with the actual interest rate available to other participants.

G/3 Commissions and fees arising from negotiation, or participating in a negotiation in favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized in the consolidated income statement when the transaction is completed

G/4 Management advisory and other service fees are recognized as income on a time proportionate basis over the life time of the service.

H) Dividends Income

Dividends are recognized in the income statement when the right to receive dividends is established.

I) REPO and reverse REPO agreements

Financial instruments sold in accordance to re-purchase agreements are recognized as assets added to the balance of treasury bills on the balance sheet. Liabilities under purchase and re-sale agreements are deducted from the balance of treasury bills and the difference between sale price and re-purchase price is recognized as accrued income over the term of the agreement using effective interest method.

J) Impairments of financial assets

J/1 Financial assets held with cost to depreciation

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a portfolio of assets is impaired. A financial asset or a portfolio of assets is impaired and impairment losses is incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet data ('a Loss Event') and that loss event or events has had an impact on the estimated cash flow of the financial asset or the portfolio of financial assets that can be reliably estimated.

Objective evidence that a financial asset or a portfolio of financial assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

- Significant financial difficulty of the issuer or the obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becomes probable that the borrower will enter bankruptcy or liquidation.
- Deterioration of Financial position of the borrower.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- Impairment in the value of guarantee.
- Deterioration of creditworthiness.

A substantive proof for impairment loss of group of financial assets that shows the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition including such that cannot be separately determined for each individual asset such as increase of default cases with respect to a banking product.

The bank estimates the period between the date on which the loss event has occurred and the date on which the impairment loss has been identified for each specific portfolio. For application purposes, the bank considers this period from 3 months to one year.

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Taking into consideration the following:

- If the bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment based on the historical loss rates.

- The bank determines that there is an objective evidence that impairment exist, assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

- An asset that is individually assessed for impairment but for which an impairment loss is not recognized is included in a group of other similar assets.

Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recorded cash flow, excluding future expected credit losses not changed yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "Impairment loss" and the book value of the financial asset is reduced by the impairment amount using "Impairment loss provision".

If there is objective evidence that an impairment loss on financings and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (asset nature, business nature, geographical location, type of collaterals, delay positions, etc.) that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Provisions are then related to estimate future payments as an indication of the borrowers' ability to fulfill his contract.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the Bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The bank ensures that estimates of changes in future cash flow reflect the changes in related observable data from period to period. For example, changes in unemployment rates, property price, the position of settlement and any other factors that indicate changes in the probable loss of the group or probable loss in its value.

The methodology and assumptions used for estimating future cash flows are reviewed periodically by the bank to estimate the future cash flow.

J/2 Financial investments available for sale and held to maturity date in associates companies

At each balance sheet date, the bank assesses whether there is objective evidence that any financial asset or group of financial assets that are classified as available for sale has been impaired. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.
Such decline is presumed to be significant for the equity instruments if it reaches 10% of the cost of the financial instrument, whereas it is presumed a prolonged decline when it extends for a period of more than 9 months.

In respect of available for sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in equity. However, if in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss for that debt instrument.

K) Intangible assets

Software (computer programs)

Expenditure on upgrade and maintenance of computer programs is recognized as an expense in the income statement in the period in which it is incurred. Expenditures directly incurred in connection with specific software are recognized as intangible assets if they are controlled by the bank and when it is probable that they will generate future economic benefits that exceed its cost within more than one year. Direct costs include the cost of the staff involved in upgrading the software in addition to a reasonable portion of relative overheads.

Upgrade costs are recognized and added to the original cost of the software when it is likely that such costs will increase the efficiency or enhance the performance of the computers software beyond their original specification.

Cost of the computer software recognized as an asset shall be amortized over the period of expected benefits which shall not exceed three years.

L) Fixed assets

Lands and buildings comprise the head office premises and branches. All fixed assets are carried at historical cost net of accumulated depreciation and accumulated impairment losses Cost includes expenditures that are directly attributable to the acquisition of the fixed assets.

Subsequent costs are included in the assets carrying amount or recognized separately, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the bank and the cost of the item can be measured reliably. Repairs and maintenance expenses are recognized in profit or loss within "other operating costs" line item during the financial period in which they are incurred.

Depreciation is charged on all assets, other than land so as to write off the cost of assets over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates:

Item	Life time
Buildings	20 years
Decorations and preparations	20 years
Integrated systems &equipment	5 years
Motor vehicles	5 years
Furniture and fittings	10 years
Other equipment	8 years

The residual value and useful life of the fixed assets is reviewed on every balance sheet date and adjusted whenever its necessary.

The bank reviews the carrying amounts of its depreciable fixed assets whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered. Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount is reduced to its recoverable amount.

The recoverable amount of an asset is the higher of the asset’s net realizable value or value in use. Gains and losses on disposals are determined by comparing proceeds with relevant carrying amount. These are included in profit or loss in other operating income (expenses) in the income statement.

M) Leased assets

Leased assets are stated at acquisition cost.
The assets are depreciated using the straight line method according to the useful life of the assets starting from the date of usage.

N) Investment property

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity.
Investment property are treated the same accounting treatment for fixed assets.

O) Impairment of non-financial assets

Non-financial assets that do not have definite useful lives, except for goodwill, shall not be amortized. These are annually tested for impairment. Depreciable fixed assets are tested for impairment whenever changes in circumstances or events indicate that the carrying amounts of those assets may not be recovered.

Impairment loss is recognized and the carrying amount of an asset is reduced to the extent that such carrying amount exceeds the asset's recoverable amount.

For the purpose of estimating the impairment loss, where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.
At each balance sheet date, non-financial assets for which an impairment loss is recognized shall be reviewed to assess whether or not such impairment losses should be reversed through profit or loss.

P) Leasing

This is calculated as per law no. 95 for the year 1995, about finance leasing in case the contract grants the right to the tenant to purchase the asset by a set date and a set value, in addition to contract life covers more than 75% of estimated useful life, or if the fair value of total rental payments represent payments more than 90% of the assets value. Other contracts represent operational rent contracts.

Q/1 Rent

As for leasing contracts, the expense of rent in addition to maintenance, is recognized as expenses in the under income statement, If the bank decides upon the usage of its right in purchasing the rented assets, the expenses of purchase is capitalized and depreciated over the remaining useful life the same way as other assets are depreciated

The payments are recognized under operational rent decreased by the amount of any payments received within the stated period, registered in the income statement as steady installments.

Q) Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances due within three months from date of acquisition; they include cash and balances due from central bank of Egypt, other than those within the mandatory reserve, current accounts with banks and treasury bills.

R) Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determine taking into consideration the group of obligations as a whole.
A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

When a provision is wholly or partially no longer required, it is reversed through profit or loss under other operating income/expenses.

Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

S) Taxes

Taxes include income taxes and deferred taxes, both are recognized in the income statement except for income tax relating to the owners' equity, which is recognized directly within the owners' equity statement.

The bank's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period, in addition to income tax adjustments related to previous years.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. However, when it is expected that the tax benefit will increase, the carrying amount of deferred tax assets shall increase to the extent of previous reduction.

T) Employees Benefits

T/1 Employees saving insurance fund

In the first of July 2013 the bank established a private social insurance fund (Alsondoq) according to the law number 54 for the year 1975 "private insurance funds law and the regulations", The bank has registered the fund in 14 January of 2014 with a number of registration (884), Working in this fund started on the first of April 2014, terms and modification of the fund is applied on the employees working in the head office of the bank and its branches in the Arab republic of Egypt.

The bank is committed to pay the subscriptions to the fund monthly calculated according to the rules of the fund and its modifications. Generally the fund is financed through the monthly subscriptions and some other resources specified in fund's list.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

T/2 Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the liabilities of this system represent in the present value of its liabilities minus its assets at the end of each period including the actuarial loss and revenues settlements and also the prior year cost.
The liability determined by independent actuarial expert using the Projected Unit Credit method.
The fair value of the liabilities are determined by the projected forecasted cash outflow using discount rate of governmental bonds with maturities similar the maturity of liability. The liability recorded in other liabilities.

The actuarial revenues or losses arising from experience change in actuarial assumptions and amendments in the medical plan are hitting the income statement. The bank applies the monthly payment method to the medical plan for current employees; these payments hit the income statement in employee's benefits item.

U) Comparative figures

Comparative figures are reclassified, where necessary, for consistency with changes in the current year's presentation.

3- Management of financial risks

The bank, as a result of conducting its activities, is exposed to various financial risks. Since financial activities are based on the concept of accepting risks and analyzing and managing individual risks or group of risks together, the bank aims at achieving a well-balanced risks and relevant rewards, as appropriate and to reduce the probable adverse 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 foreign currency risk, interest 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 up–to–date systems. The bank regularly reviews the risk management policies and systems and amendments thereto, so that they reflect the changes in markets, products and services and the best up-to–date applications.

Risks are managed in accordance with preapproved policies by the board of directors; the risk management department identifies, evaluates and covers financial risks, in close collaboration with the bank's various operating units.
The board of directors provides written rules which cover certain risk areas, such as credit risk, foreign exchange risk, interest rate risk and the use of derivative and non-derivative financial instruments.

3/1 Credit risk

Credit risk is the risk that one party will fail to discharge an obligation and will cause the other party to incur a financial loss. The bank deems financings to customers, banks and financial investments in terms of bills, current accounts, deposits at banks, as financial assets exposed to credit risk of settling part or all of the dues by the concerned parties on the maturity date. Credit risk also exists on items not registered in the balance sheet such as financing commitments Management processes and credit risk controls are the main concern of the credit risk management team in Risk Department, who reports to the Board of Directors, senior management and heads of each business unit.

3/1/1 Measurement of credit risk

Financings and facilities to clients

To evaluate credit risk relating to financings and facilities to banks and/or clients the following 3 components are to be considered:

- Probability of default – by the client or counter party on its contractual obligations.
- Exposure at default – current exposure to the counter party and its likely future developments from which the Bank derive the exposure at default.
- Loss given default

The banks daily activities include measurement of credit risk, which reflects estimated loss (expected loss model) required by Basel banking observatory committee, a conflict could generate between operational measurements and impairments as per the Egyptian Accounting Standards (no 26), which recognizes losses encountered on balance sheet (Recognized losses) rather than "Expected loss" (note 3/1/3).

The bank evaluates each client through a detailed weight categorization; these methods have been developed for internal evaluation usage and for analysis to reach the appropriate weighting. The banks clients have been categorized to 4 categories, reflecting the delay in payment, therefore clients could move between the various categories depending on evolving circumstances. The bank frequently and periodically reviews the efficiency of this method to estimate any delay cases.

Internal categories:

Category	Description
1	Good debts
2	Regular follow up
3	Special follow up
4	Bad debts

- Exposure at default is based on the amounts the bank expects to be outstanding at the time of default.
- The estimated loss, is the loss incurred when delay in payment occurs, being a percentage of financing which differs depending upon client, nature of claim, available collaterals and guarantees.

Debt instruments and treasury bills

The bank in this case uses external categorization, such as standard and poor or other equivalents. If external classification is not available, the method of credit risk is followed. The investment in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirements at the same time.

3/1/2 Minimization and avoidance of risk

The Bank manages limits and controls concentration of credit risk wherever they are identified – in particular, to individual counterparties and banks, and to industries and countries. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industrial segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual, counterparties, product, and industrial sector and by country are approved quarterly by the board of directors.
The exposure to any one borrower including banks is further restricted by subsidiary limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. some other specific control and mitigation measures are outlined below:

Collaterals

Several rules and policies are stated by the bank to minimize credit risk, one of which is collaterals, the bank specifies guidelines for certain types of collaterals. Major types are as follows:

- Real estate mortgage
- Operating asset mortgage such as machinery and goods
- Mortgage of financial instruments such as: securities or equities

Usually the long term facilities and corporate are with collaterals, while credit for retail are without collaterals to minimize any losses to minimal, The bank seeks extra collaterals from related parties if a sign of impairment of any financing or facility occurs.
Collaterals are taken as a guarantee for other assets except for financial and facilities and usually, treasury bills and securities are with no collaterals, except for financial pools covered by asset-backed securities and similar guaranteed by financial instruments.

Commitments related to credits

The major need for commitments related to credits is for the client to have liquidity when needed. Guarantees and standby letters of credit issued by the bank on behalf of the client, to grantee a third party the right to withdrawal from the clients account within a certain limit.

Usually this is guaranteed by shipped merchandise or goods therefore the risk weight is less than direct financings.

Credit commitments represent the hidden unused part of the risk tolerated by the bank such as granting financings, LCs and LGs, the bank then is subject to losses to equal value of credits. Losses indorsed by unused credits are less than the value, due to facilities being granted for possible commitments for a specific client with certain conditions. The bank observes the credits till maturity date (long term credits hold a higher risk weight).

3/1/3 Impairment & provisioning policies

Internal rating system mentioned earlier (Note 3/1/1) focuses more on planning the quality of credit process and this in the beginning of investing and financing activities, other than that. Impairment losses is recognized only on the balance sheet date for financial reporting purposes according to the objective evidence of impairment as per noted in this disclosure and due to the difference in methodologies applied, usually impairment losses that is reported as per Central bank of Egypt laws and regulations using the estimated losses model is higher than those charged to the financial statements (note 3/1/4).

Impairment loss provisions stated on the end of period balance sheet are extracted from the categorized weight risk rating. Provisions are mainly calculated for credits holding the lowest category. The following table clarifies the percentage upon which the provisions are calculated as of 31 December 2017 related financing and facilities and impairment loss provision related to the internal bank rating:

	31 December 2017		31 December 2016	
Banks rating	**Loans and facilities**	**Impairment loss provisions**	Loans and facilities	Impairment loss provisions
Good debts	**78%**	**31%**	78%	38%
Regular follow up	**15%**	**8%**	16%	10%
Special follow up	**2%**	**5%**	1%	1%
Bad debts	**5%**	**56%**	5%	51%
	100%	**100%**	100%	100%

Internal evaluation helps to clarify if there are any significant indications existing for provisions, as per Egyptian accounting standards no. 26, guided by the following points set by the bank:

- Financial problems faced by the client.
- Breaching of financing contract for example overdue installments.
- Prediction of bankruptcy or liquidation or financial restructure.
- Deterioration of competitive position.
- The bank granting superior or extraordinary facilities that the bank could normally not agree upon.
- Impairment of the collateral
- Deterioration of credit status.

The bank's policy includes revising all the bank's assets (exceeding a certain percentage of importance) at least once per year or more if needed.
Loss is evaluated at the balance sheet date on all major accounts. Evaluation normally includes the existing collateral, verifying all payments and withdrawals from the account. Impairment loss is charged on similar assets; historical expertise, personal judgment statistical methods.

3/1/4Model of general risk measurement

In addition to the 4 categories stated in note 3/1/1, the management takes on several other detailed measurements, to comply with the CBE requirements. Assets exposed to risk are categorized as per the CBE's conditions and instructions, mainly related to on the client, such as: activity, financial position, payment stability.

The bank calculates the impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the required for impairment losses as per CBE credit worthiness rules on 16 December 2008 exceeds the provisions, that excess shall be debited to retained earnings and carried to the general reserve for banking risks in the equity section.

Such reserve is always adjusted, on a regular basis, by any increase or decrease so that the reserve shall always be equivalent to the amount of increase between the two provisions. Such reserve is not available for distribution (note 33/3) and shows the movement on the general reserve for banking risks during the financial period.

As follows is the statement of credit rating for corporations as per the bank's internal ratings as compared with those of CBE's, it also includes the percentages of provisions required for impairment of assets exposed to credit risk.

CBE rating	CBE rating description	Required provision %	Internal rating	Internal rating description
1	Low risk	0%	1	Good debts
2	Moderate risk	1%	1	Good debts
3	Satisfactory risk	1%	1	Good debts
4	Appropriate risk	2%	1	Good debts
5	Acceptable risk	2%	1	Good debts
6	Marginally acceptable risk	3%	2	Regular Follow up
7	Risk needs special attention	5%	3	Special Follow up
8	Substandard	20%	4	Non performing financing
9	Doubtful debts	50%	4	Non performing financing
10	Bad debts	100%	4	Non performing financing

3/1/5 Maximum limit for credit risk before guarantees

5/A Maximum limit for credit risk before guarantees

	31 December 2017 LE 000's	31 December 2016 LE 000's
Balance sheet items exposed to credit risks		
Treasury bills	**8,281,126**	4,929,251
Loans and financing to Banks	**305,018**	-
Loans and financing to customers		
Retail loans		
- Overdraft	**3,012**	2,407
- Covered cards	**2,267,484**	2,164,880
- Personal financing	**6,512,773**	4,728,914
- Real estate mortgage	**40**	49
Corporate Loans:		
- Overdraft	**2,372,060**	1,876,783
- Direct financing	**8,729,530**	9,123,237
- Syndicated financing	**760,794**	879,851
Financial investments:		
- Debt instruments	**6,842,812**	5,707,117
Total	**36,074,649**	29,412,489
Off balance sheet items exposed to credit risks		
Letters of credit (Import & confirmed export)	**1,015,314**	265,785
Letters of guarantee	**1,363,652**	917,694
Documentary credit	**291,083**	147,062
Bank guarantees	**1,013,447**	888,511
Total (Note 35-2)	**3,683,496**	2,219,052

The above table represents the maximum limit of risks to be exposed to at the end of 31 December 2017 and without taking into consideration any guarantees, for balance sheet items, amounts stated depends on the net carrying amount shown in the balance sheet.

As shown in the preceding table, 57.23 % (December 31st, 2016: 63.84 %) of the maximum limit exposed to credit risk results from financings and facilities to customers, but the investment in debt 18.97% (31 December 2016 : 19.40%)

The management is confident in its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from financing portfolio, facilities, and debt instruments as follows:

- 95.18 % (December 31st, 2016: 94.25%) of the financings and facilities portfolio are rated on the highest 2 levels of the internal rating.
- 79.51 % (December 31st, 2016: 77.56%) of the financing portfolio and facilities having no arrears or indicators of impairment.
- Financings and facilities valued on a standalone basis amounting to LE 554.5mn (December 31st, 2016: LE 489.1mn) with impairment less than 2.65 % from its value against (December 31st, 2016: LE 4.90%).
- The bank applied more prudential selection process on granting financings and facilities during the financial year ended at 31 December 2017.

- 100% of investments in debt instruments and treasury bills represent debt instruments due from the Egyptian government.

3/1/6 Financing and facilities

The status of balances of financing in terms of credit rating is as follows:

	31 December 2017 LE 000's			31 December 2016 LE 000's	
	Financing and facilities to customers	**Financing and facilities to Banks**	**Total Financing and Facilities**	Financing and facilities to customers	Total Financing and Facilities
Neither past due nor impaired	**16,350,177**	**305,018**	**16,655,195**	14,993,010	14,993,010
Past due not impaired	**3,740,967**	**-**	**3,740,967**	3,294,033	3,294,033
Subject to impairment*	**554,549**	**-**	**554,549**	489,078	489,078
Total (note 17)	**20,645,693**	**305,018**	**20,950,711**	18,776,121	18,776,121
Less:					
Impairment loss provision**	**(762,530)**	**-**	**(762,530)**	(594,960)	(594,960)
Interest in suspense	**(51,337)**	**-**	**(51,337)**	(33,339)	(33,339)
Deferred profits	**(3,548,834)**	**(38,616)**	**(3,587,450)**	(2,916,129)	(2,916,129)
Net (note 17)	**16,282,992**	**266,402**	**16,549,394**	15,231,693	15,231,693

* Customers financing and facilities subjected to impairment related to the period before acquisition.

- Non-performing financing against guarantees and not subject to impairment after taking into consideration the collectability of the guarantees.

- Financings and facilities portfolio has increased by 8.7% as of 31st December 2017 (31st December 2016: increased by 56.26%).

Notes to Consolidated Financial Statements as of 31 December 2017 – Continued.

3/1/6 Financing and facilities - Continued

Financing and facilities to customers and banks

Value in LE 000's

31 December 2017

Rating	Retail				Corporate			Total
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	Financing and facilities
Good debts	**3,012**	**2,250,974**	**6,312,154**	**40**	**1,536,427**	**5,852,971**	**699,617**	**16,655,195**
Regular follow up	**-**	**10,769**	**47,749**	**-**	**658,524**	**2,201,506**	**366,060**	**3,284,608**
Special follow up	**-**	**4,277**	**8,851**	**-**	**177,244**	**265,986**	**-**	**456,358**
Bad debts	**-**	**1,464**	**144,019**	**-**	**-**	**409,067**	**-**	**554,550**
Total	**3,012**	**2,267,484**	**6,512,773**	**40**	**2,372,195**	**8,729,530**	**1,065,677**	**20,950,711**

Value in LE 000's

31 December 2016

Rating	Retail				Corporate			Total
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Overdraft	Direct financing	Syndicated financing	Financing and facilities
Good debts	2,407	2,149,632	4,550,095	49	1,241,388	6,937,579	111,860	14,993,010
Regular follow up	-	10,653	47,090	-	635,379	1,673,734	767,991	3,134,847
Special follow up	-	3,377	11,596	-	16	144,197	-	159,186
Bad debts	-	1,218	120,133	-	-	367,727	-	489,078
Total	2,407	2,164,880	4,728,914	49	1,876,783	9,123,237	879,851	18,776,121

Notes to Consolidated Financial Statements as of 31 December 2017 – Continued.

3/1/6 Financing and facilities - Continued

Financing and facilities past due but not impaired

The credit worthiness for financings and facilities portfolio that are neither past due nor impaired is based on the banks' internal rating they are financing having arrears until 90 days and they are not subject to impairment unless there is information to the contrary. Financings and facilities to customers having arrears and not subject to impairment and fair value of related guarantees are represented as follows:

Value in LE 000's

31 December 2017	**Retail**			
	Overdraft	**Covered cards**	**Personal financing**	**Total**
30 to 60 days arrears	**-**	**10,769**	**47,749**	**58,518**
60 to 90 days arrears	**-**	**4,277**	**8,851**	**13,128**
Total	**-**	**15,046**	**56,600**	**71,646**

	Corporate			
	Overdraft	**Direct financing**	**Syndicated financing**	**Total**
30 to 60 days arrears	**658,524**	**2,201,509**	**366,060**	**3,226,093**
60 to 90 days arrears	**177,244**	**265,984**	**-**	**443,228**
Total	**835,768**	**2,467,493**	**366,060**	**3,669,321**

Value in LE 000's

31 December 2016	Retail			
	Overdraft	Covered cards	Personal financing	Total
30 to 60 days arrears	-	10,653	47,089	57,742
60 to 90 days arrears	-	3,377	11,597	14,974
Total	-	14,030	58,686	72,716

	Corporate			
	Overdraft	Direct financing	Syndicated financing	Total
30 to 60 days arrears	635,379	1,673,735	767,991	3,077,105
60 to 90 days arrears	16	144,195	-	144,211
Total	635,395	1,817,930	767,991	3,221,316

At the initial recognition of financings and facilities, the fair value of the guarantees is determined using similar techniques for similar assets subsequently; its fair value is updated to reflect either the market price or prices of similar assets.

3/1/6 Financing and facilities - Continued

Financings subject to individual impairment

Financings and facilities to clients as follows

Value in LE 000's

31 December 2017	**Retail**		**Corporate**	**Total**
	Covered cards	**Personal financing**	**Direct financing**	**Financing and Facilities to customers**
Financings subject to individual impairment	**1,463**	**144,019**	**409,068**	**554,550**

31 December 2016	Retail		Corporate	Total Financing and Facilities to customers
	Covered cards	Personal financing	Direct financing	
Financings subject to individual impairment	1,218	120,133	367,727	489,078

3/1/7 Investments in debt instruments and treasury bills

The following table represents breakdown of debt instruments and Treasury Bills, as per rating agencies at the end of the financial (Standard and Poors – Mercis).

31 December 2017	**Treasury bills**	**Investments in debt instruments**	**Total**
	LE 000's	**LE 000's**	**LE 000's**
Less than B-	**8,281,126**	**6,842,812**	**15,123,938**
	8,281,126	**6,842,812**	**15,123,938**

31 December 2016	Treasury bills	Investments in debt instruments	Total
	LE 000's	LE 000's	LE 000's
Less than B-	4,929,251	5,707,117	10,636,368
	4,929,251	5,707,117	10,636,368

3/1/8 Sectors analysis according to activity nature

Value in LE 000's

31 December 2017	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenue and expense according to activities sector					
Revenue from activity sectors	**1,108,368**	**407,165**	**1,446,449**	**(322,595)**	**2,639,387**
Expenses of activity sectors	**(214,568)**	**(17,107)**	**(934,674)**	**(140,413)**	**(1,306,762)**
Profit before tax for the year	**893,800**	**390,058**	**511,775**	**(463,008)**	**1,332,625**
Tax	**(160,814)**	**(84,561)**	**(113,465)**	**(342,187)**	**(701,027)**
Profit for the year	**732,986**	**305,497**	**398,310**	**(805,195)**	**631,598**
Assets and liabilities according to activity sector					
Assets related to activity sectors	**11,575,838**	**16,023,412**	**5,122,583**	**-**	**32,721,833**
Non-Classified assets	**-**	**-**	**-**	**4,693,411**	**4,693,411**
Total assets	**11,575,838**	**16,023,412**	**5,122,583**	**4,693,411**	**37,415,243**
Liabilities of activity sectors	**8,171,134**	**1,212,297**	**21,661,736**	**-**	**31,045,167**
Non-classified liabilities	**-**	**-**	**-**	**4,077,286**	**4,077,286**
Total liabilities	**8,171,134**	**1,212,297**	**21,661,736**	**4,077,286**	**35,122,453**

Value in LE 000's

31 December 2016	Wholesale Banking	Capital Banking	Retail Banking	Other Operation	Total
Revenue and expense according to activity sectors					
Revenue from activity sectors	906,970	469,343	752,405	1,210,450	3,339,168
Expenses of activity sectors	(148,849)	(13,247)	(666,515)	(1,665,263)	(2,493,874)
Profit before tax for the year	758,121	456,096	85,890	(454,813)	845,294
Tax	(170,577)	(102,622)	(19,325)	(155,732)	(448,256)
Profit for the year	587,544	353,474	66,565	(610,545)	397,038
Assets and liabilities according to activity sectors					
Assets related to activity sectors	11,879,871	10,643,225	6,896,250	-	29,419,346
Non-Classified assets	-	-	-	3,808,869	3,808,869
Total assets	11,879,871	10,643,225	6,896,250	3,808,869	33,228,215
Liabilities of activity sectors	8,727,543	3,009,168	16,785,970	-	28,522,681
Non-classified liabilities	-	-	-	3,080,770	3,080,770
Total liabilities	8,727,543	3,009,168	16,785,970	3,080,770	31,603,451

3/1/9 Geographical sectors

Value in LE 000's

31 December 2017	Arab republic of Egypt				Other countries	
	Cairo	Alex, Delta & Sinai	Upper Egypt	Total		Total
Treasury bills	**8,281,126**	**-**	**-**	**8,281,126**	**-**	**8,281,126**
Financial assets held for trading	**20,676**	**-**	**-**	**20,676**	**-**	**20,676**
Investments in debt instruments	**6,622,989**	**-**	**-**	**6,622,989**	**-**	**6,622,989**
Facilities to Banks	**305,018**	**-**	**-**	**305,018**	**-**	**305,018**
Financing to customers						
Retail						
Overdraft	**1,971**	**902**	**139**	**3,012**	**-**	**3,012**
Covered cards	**2,208,609**	**46,962**	**11,913**	**2,267,484**	**-**	**2,267,484**
Personal financing	**4,138,615**	**1,863,269**	**510,889**	**6,512,773**	**-**	**6,512,773**
Real estate mortgage	**40**	**-**	**-**	**40**	**-**	**40**
Corporate						
Overdraft	**2,371,843**	**214**	**3**	**2,372,060**	**-**	**2,372,060**
Direct financing	**8,697,871**	**30,862**	**797**	**8,729,530**	**-**	**8,729,530**
Syndicated financing	**760,794**	**-**	**-**	**760,794**	**-**	**760,794**
Total as of 31 December 2017	**33,409,552**	**1,942,209**	**523,741**	**35,875,502**	**-**	**35,875,502**
Total as of 31 December 2016	31,136,712	1,625,496	466,007	33,228,215	-	33,228,215

3/1/10 Activities sectors

Value in LE 000's

	Financial institution	Manufacturing institution	Services	Wholesale and Retail	Governmental sector	Retail	Other Operation	Total
Treasury bills	-	-	-	-	8,281,126	-	-	8,281,126
Financial assets held for trading:								
Equity instruments	20,676	-	-	-	-	-	-	20,676
Loans and facilities to Banks	305,018							305,018
Loans and facilities to customers								
Consumer loans:								
Overdrafts	-	-	-	-	-	3,012	-	3,012
Covered cards	-	-	-	-	-	2,267,484	-	2,267,484
Personal financing	-	-	-	-	-	6,512,773	-	6,512,773
Mortgage financing	-	-	-	-	-	40	-	40
Corporate loans								
Overdrafts	-	596,351	222,919	206,892	1,345,402	-	496	2,372,060
Directs financing	285,071	4,209,741	1,039,210	2,089,889	1,087,870	-	17,749	8,729,530
Syndicated financing	-	394,734	269,076	-	96,984	-	-	760,794
Financial investments								
Debt instruments	-	-	-	-	6,842,812	-	-	6,842,812
Total as of 31 December 2017	610,765	5,200,826	1,531,205	2,296,781	17,654,194	8,783,309	18,245	36,095,325
Total as of 31 December 2016	456,762	5,288,818	1,047,741	2,042,351	13,671,755	6,921,816		29,429,243

3/2 Market risk

The bank exposed to market risks which is the risk that the fair value or future cash flow fluctuation resulted from changes in market prices. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two separate teams. Regular reports about market risk are submitted to the Board of Directors and each business unit head periodically.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; Non-trading portfolios primarily arise from managing assets and liabilities interest rate price relating to retail transactions. Non-trading portfolios also includes foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

3/2/1Market risk measurement techniques

As part of the management of market risk, the Bank undertakes various hedging strategies as well as entering into interest rate swap contracts to offset the associated debt instruments and funds for long -term fixed-income risk if the application of the fair value option. Here are the top measuring tools used to control the risk of the market:

A. Value at risk:

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and monitored by the market risk department.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five hundred days. The Bank applies these historical changes in rates prices indicators….etc. directly to its current positions this approach called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.
As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current
The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

B. Stress testing:

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances Stress testing are designed to match business using standard analysis for specific scenarios. The stress testing carried out by the Bank treasury. Stress testing include: risk factor stress testing where sharp movements are applied to each risk category and test emerging market stress, as emerging market portfolios are subject to sharp movements; and subject to special stress including possible stress events to specific positions or regions - for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors

3/2/2 VAR summary

Total value at risk according to type of risk

	Value in LE 000's			Value in LE 000's		
	12 Months ended 31 December 2017			12 Month ended 31 December 2016		
	Average	**High**	**Low**	Average	High	Low
Foreign currency risk	**17,158**	**38,547**	**628**	36,074	-	-
Interest rate risk	**14,738**	**18,667**	**8,127**	8,021	-	-
Total value upon risk	**31,896**	**57,214**	**8,755**	44,095	-	-

Total value at risk for trading investment held for trade:

	Value in LE 000's			Value in LE 000's		
	12 Months ended 31 December 2017			12 Month ended 31 December 2016		
	Average	**High**	**Low**	Average	High	Low
Foreign currency risk	**17,158**	**38,547**	**628**	36,074	-	-
Interest rate risk	**642**	**1,965**	**10**	-	-	-
Total value upon risk	**17,800**	**40,512**	**638**	36,074	-	-

Total value at risk for Non-trading investment held for trade upon type of risk:

	Value in LE 000's			Value in LE 000's		
	12 Months ended 31 December 2017			12 Month ended 31 December 2016		
	Average	**High**	**Low**	Average	High	Low
Interest rate risk	**14,096**	**16,702**	**8,117**	8,021	-	-
Total value upon risk	**14,096**	**16,702**	**8,117**	8,021	-	-

The increase in VAR especially the interest rate risk mainly proportion to the increase in market interest rates volatility in the global financial markets.

The above three VAR results (average, high and low) are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading VAR results does not represent the bank's VAR due to correlations of risk types and portfolio types and their effect.

3/2/3 Foreign exchange volatility risk

The below table includes the book values of the financial instruments before deducting the impairment losses.

31 December 2017					Value/ Equivalent in LE 000's		
	EGP	USD	Euro	Sterling	Yen	Others	Total
Assets							
Cash and due from CBE	2,004,995	81,181	25,307	1,755	98	12,235	2,125,571
Due from banks	409,181	692,437	37,773	9,218	2,193	157,589	1,308,391
Treasury bills	5,793,950	2,359,557	127,618	-	-	-	8,281,125
Financial assets held for trading	20,676	-	-	-	-	-	20,676
Financing and facilities to Banks	-	305,018	-	-	-	-	305,018
Financing and facilities to customers	15,738,959	4,795,150	89,549	22,035	-	-	20,645,693
Financial investments							
- Available for sale	38,534	43,871	-	-	-	-	82,405
- Held to maturity	6,630,489	219,823	-	-	-	-	6,850,312
Investments in associates	71,901	-	-	-	-	-	71,901
Total Financial Assets	30,708,685	8,497,037	280,247	33,008	2,291	169,824	39,691,092
Liabilities							
Due to banks	51,332	800,208	-	-	-	53,543	905,083
Customers' deposits	25,021,862	4,383,343	294,720	36,992	1,880	94,074	29,832,871
Subordinated Loan	-	777,582	-	-	-	-	777,582
Total Financial Liabilities	25,073,194	5,961,133	294,720	36,992	1,880	147,617	31,515,536
Net financial position	5,635,491	2,535,904	(14,473)	(3,984)	411	22,207	8,175,556
31 December 2016							
Total Financial Assets	23,485,547	10,249,021	163,879	221,692	1,136	199,595	34,320,870
Total Financial Liabilities	20,180,868	7,763,225	51,012	348,044	3,513	176,020	28,522,682
Net Financial Position	3,304,679	2,485,796	112,867	(126,352)	(2,377)	23,575	5,798,188

3/2/4 Profit rate risk

The Bank is exposed to profit rate risk which is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market profit rates. Fair value profit rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Profit margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board of Director sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by Bank risk department

The following table summarize the extend that the bank is exposed to fluctuation in profit rate that includes the book value for the financial instruments distributed on reprising dates or maturity date which is closest

Value in LE 000's

31 December 2017	Up to 1 Month	1-3 months	3-12 Months	1-3 years	More than 3 years	Total
Financial assets						
Cash and due from CBE	1,528,120	492,085	1,337	1,690,995	-	3,712,537
Due from banks	-	-	-	-	-	-
Treasury bills	1,188,177	2,594,326	4,498,622	-	-	8,281,125
Financial assets held for trading	-	20,676	-	-	-	20,676
Facilities to banks	-	-	-	-	-	-
Financing and facilities to customers	2,709,541	2,911,510	5,974,998	4,259,514	2,642,779	18,498,342
Financial investments						
- Available for sale	-	-	-	82,406	-	82,406
- Held to maturity	-	147,533	541,749	3,492,504	2,668,538	6,850,324
Investments in associates	-	-	-	-	71,901	71,901
Other financial assets	45,395	-	-	63,569	4,268,561	4,377,525
Total financial assets	5,471,233	6,166,130	11,016,706	9,588,988	9,651,779	41,894,836
Financial liabilities						
Dues to banks	235,829	-	709,108	-	-	944,937
Customers deposits	5,650,000	2,564,095	3,979,462	16,501,772	1,114,921	29,810,250
Subordinated financing	-	-	-	-	777,582	777,582
Other financial liabilities	21,634	-	-	-	9,329,627	9,351,261
Total financial liabilities	5,907,463	2,564,095	4,688,570	16,501,772	11,222,130	40,884,030
Interest re-pricing	(436,230)	3,602,035	6,328,136	(6,912,784)	(1,570,351)	1,010,806

3/3 Liquidity risk

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may results in failure in fulfilling the Bank obligation to repay to the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank risk department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and central bank of Egypt requirements.
- Managing financing and facilities concentration and dues.

For monitoring and reporting purposes The Bank calculates the expected cash flow for the next day, week and month which are the main time Spain to manage liquidity.
The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Its' role is also to monitor the liquidity gaps between average maturity assets and the level and type of unused financing commitments, the ratio of usage of debit current accounts, and the effect of contingent liabilities such as LCs and LGs.

Funding strategy

Liquidity resources are reviewed through a separate team at the risk department to maintain wide diversification by currencies, geographical location, sources as well as maturities.

Assets available to meet all liabilities and cover financing commitments include cash, balances with the central bank, Balances due from banks, treasury bills and financings and facilities to banks and customers. Moreover, some financing and facilities to customers may be extended during the normal course of business of the bank. The bank has the ability to meet unexpected net cash flows through selling financial papers, and finding other financing sources.

The CBE regulations require compliance with the following:

- Maintaining LE 500mn as a minimum requirement for the authorized and issued capital.
- Maintaining a ratio between capital elements, asset and contingent liability elements weighted by risk weights at 10% or more.

The capital adequacy ratio consists of the following two tiers:

Tier 1:
It is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks), retained earnings, reserves resulting from profit appropriations except the general banking risk reserve less any goodwill previously recognized and any carried forward losses.

Tier 2:
Is the sub-ordinate capital comprising the equivalent of the general bank risk reserve in accordance with CBE credit rating deposits not more than 1.25 % of total assets and contingent liabilities (weighted credit risk rates), subordinate deposits / financings maturing after more than 5 years (amortizing 20% of their value each year), and 45 % of the increase between the fair value and carrying amount for the available for sale investments, investments held to maturity, and investments in affiliates and subsidiaries.

The numerator of capital adequacy ratio calculation has to consider:

- Subordinated capital not exceed the basic capital.
- Subordinated financing (deposits) not exceed half basic capital.

Assets are risk weighted in a range from 0% to 100 % according to the type of asset, to reflect related credit risk taking into consideration cash guarantees; the same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The bank has complied with all the capital requirements during the period. Following is a table summarizing capital and capital adequacy ratio:

3) Management of financial risk - Continued

According to Basel II	31 December 2017 LE 000's	31 December 2016 LE 000's
Tier 1 Capital		
Going concern capital - Basic		
Capital shares	**2,000,000**	2,000,000
Paid under capital increase	**1,861,418**	1,861,418
Reserves	**255,494**	65,400
Accumulated loss	**(2,155,351)**	(2,341,431)
Deduct:100% of the decline in the fair value of the book value of financial investments transferred from AFS to HTM	**(12,941)**	(16,264)
Deduct: Deferred Tax	**(1,780)**	(214,632)
Deduct: Intangible Assets	**(323)**	(339)
Deduct: Financial institutions and Insurance Co. investment	**(29,387)**	(21,174)
Total Going concern capital - Basic	**1,917,130**	1,332,978
Going concern capital - Additional		
Difference between FV and PV for subordinated financing	**81,150**	91,697
Total Going concern capital - Additional	**81,150**	91,697
Total Tier 1 Capital	**1,998,280**	1,424,675
Tier 2 Capital		
Impairment losses related to financing, facilities, performing contingent liabilities	**237,618**	203,143
Subordinated financing	**777,582**	712,337
45 % of the increase in fair value compared to carrying amount of available for sale investment, investments held to maturity & investments in affiliates and associates	**122,567**	51,104
45% of special reserve	**7,722**	7,724
Total Tier 2 Capital	**1,145,490**	974,308
Capital base (Tier 1 +Tier2)	**3,143,770**	2,398,983
Contingent assets and liabilities weighted risk	**19,009,463**	16,251,404
Capital requirement for market risk	**148,476**	289,737
Capital requirement for operation risk	**3,201,004**	2,326,710
Total risk weighted assets and contingent liabilities	**22,358,943**	18,867,851
***Capital adequacy ratio (%) Out of TOP 50 Effect**	**14.06%**	12.71%
Top 50 Excess charge	**580,918**	1,666,065
***Capital adequacy ratio (%)**	**13.70%**	11.68%

*Based on consolidated Banking group with its financial institutions and in accordance with The CBE instructions issued on 24 December 2012.

3/4 Leverage Financial Ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on 7 July, 2015 special supervisory instructions related to leverage ratio which maintain a minimum level of leverage ratio of 3% to be reported on quarterly basis as following:

- Guidance ratio starting from reporting year end September 2015 till December 2017.

- Obligatory ratio to start from year 2018.

This ratio will be included in Basel requirement tier 1 (minimum level of capital adequacy ratio) in order to maintain the Egyptian Banking System strong and safe, as long as to keep up with the best international regulatory treatments. Leverage financial ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (After Exclusions) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio Elements:

Ratio Elements

A-The numerator elements

The numerator consists of tier 1 for capital that is used in capital adequacy ratio (After Exclusions) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

B-The denominator elements:

The denominator consists of all bank assets (on balance sheet and off-balance sheet) as per the financial statements “Bank exposure” which includes the total of the following:

1-On balance sheet exposure items after deducting some of tier 1 exclusions for capital base

2-Derivatives contracts exposures.

3-Financing financial notes operations exposures.

4-Off-balance sheet items (weighted by credit conversion factor)

3/4 Leverage Financial Ratio Continued

The tables below summarize the leverage financial ratio:

	31 December 2017 LE 000's	31 December 2016 LE 000's
Tier 1 capital after exclusions (1)	**1,998,280**	1,424,675
Cash and due from Central Bank of Egypt (CBE)	**2,989,646**	4,091,646
Due To Banks	**707,441**	627,539
Treasury bills	**7,842,065**	4,748,319
Financial assets held for trading	**20,351**	11,865
Financial investments available-for-sale	**65,339**	88,006
Financial investments held to maturity	**6,850,312**	5,719,617
Investments in subsidiaries and associates	**224,798**	144,971
Loans and credit facilities to customers	**16,855,915**	15,857,288
Fixed assets (Net of Accumulated depreciation & Impairment loss Provisions)	**525,164**	413,837
Other assets	**1,338,488**	1,674,585
Deducted amounts from exposures (some of tier 1 exclusions for capital base)	**(31,490)**	(252,408)
Total on-balance sheet exposures items after deducting some of tier 1 exclusions for capital base	**37,388,029**	33,125,265
Total on-balance sheet exposures, Derivatives contracts and financing financial securities	**37,388,029**	33,125,265
Import L/Cs	**181,047**	53,048
Export L/Cs	**22,016**	109
L/Gs	**673,784**	433,489
L/Gs according to foreign banks	**499,596**	437,856
Contingent liabilities for general collaterals for financing facilities and similar collaterals	**12,699**	47,106
Bank acceptance	**291,083**	147,062
Total contingent liabilities	**1,680,225**	1,118,670
Capital commitments	**21,087**	17,680
Operating lease commitments	**121,562**	39,698
Loan commitments to clients /banks (unutilized part) original maturity period	**708,419**	412,914
Total commitments	**851,068**	470,292
Total exposures off-balance sheet	**2,531,293**	1,588,962
Total exposures on-balance sheet and off-balance sheet (2)	**39,919,322**	34,714,227
Leverage financial ratio (1/2)	**5.01%**	4.10%

4- Significant accounting estimates

The bank undertakes estimations and judgments that affect the value of assets and liabilities that have been disclosed during the next financial period, consistently estimations and judgments are based on historical experience and other factors, including the expectations of future events that are reasonably estimated in accordance with the available information and circumstances.

4/1) Impairment loss for financings and facilities

The bank reviews the portfolio of financings and facilities on at least a quarterly basis to evaluate the impairment. The bank uses discretionary judgment on determining whether it is necessary to record impairment in the income statement using reliable data indicating measurable decline in the expected future cash flows from financing portfolio before identifying any decline at the level of one financing. This evidence include data indicating negative change in the ability of a portfolio of borrowers to repay the bank, or local and economic circumstances related to default. On scheduling future cash flows, the management use estimates based on previous experience related to impairment of assets having credit risks. Such experience refers to impairment similar to that of the portfolio in question.
The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on given experience.

4/2) Impairment loss of equity instruments available for sale

In the case of investment in available for sale equity instrument, a significant or prolonged decline in the fair value of the security below its cost is considered as impairment. Where such evidence exists, significant or prolonged decline needs a personal judgment. To make this judgment the bank assesses- besides other factors- the common share price volatility. In addition, impairment exists when there is objective evidence that a certain company has a financial difficulty in its cash flow from operating and financing activities, industry tool or sector or technological advances.

4/3) financial investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as investments held to maturity. This category requires personal judgment and therefore the bank tests whether there is a genuine intent and ability to hold such investments to maturity. If the bank fails to hold such investments till maturity (except for certain tightly defined circumstance such as if an entity sells an insignificant amount of held to maturity investments close to maturity date), investments should be reclassified as available for sale, which will be` measured at fair value instead of amortized cost.

5- Net revenue from funds

	31 December 2017 LE 000's	31 December 2016 LE 000's
Income from Murabaha, Musharaka, Mudaraba and other similar income		
Financing and facilities to customers	**2,450,718**	1,474,909
Treasury bills and bonds	**1,549,924**	1,143,530
Deposits and current accounts	**124,934**	84,265
Total	**4,125,576**	2,702,704
Cost of deposits and similar expenses		
Deposits and current accounts:		
To banks	**(203,274)**	(99,864)
To customers	**(1,898,906)**	(1,163,923)
Total	**(2,102,180)**	(1,263,787)
Net Revenue from funds	**2,023,396**	1,438,917

6- Net fees and commission income

	31 December 2017 LE 000's	31 December 2016 LE 000's
Fees and commissions income:		
Fees and commissions related to financing	**62,898**	81,858
Fees related to corporate finance	**286,611**	175,315
Other fees	**124,016**	102,050
Total	**473,525**	359,223
Fees and commissions expenses:		
Other fees paid	**(9,727)**	(10,058)
Net fees and commission income	**463,798**	349,165

7- Dividends income

	31 December 2017 LE 000's	31 December 2016 LE 000's
Investments held for trading	**770**	563
Available for sale investments	**1,439**	2,205
Total	**2,209**	2,768

8- Net trading income

	31 December 2017 LE 000's	31 December 2016 LE 000's
Foreign currencies operations:		
Gain from foreign currencies exchange	**133,343**	213,074
Debt instruments held for trading	**-**	590
Equity instruments held for trading	**10,139**	1,264
Total	**143,482**	214,928

9- Administrative expenses

	31 December 2017 LE 000's	31 December 2016 LE 000's
Employees' cost		
Salaries and wages and benefits	**(495,164)**	(424,616)
Social insurance	**(21,635)**	(19,008)
Employees' benefits		
Defined contribution plan	**(37,396)**	(23,591)
Defined benefit plan	**(21,608)**	(23,701)
Depreciation and amortization	**(86,907)**	(77,127)
Other administrative expenses	**(509,434)**	(389,719)
Total	**(1,172,144)**	(957,762)

10- Other operating income

	31 December 2017 LE 000's	31 December 2016 LE 000's
Profit from revaluations of monetary assets & liabilities other than trading	**(118,699)**	1,517,808
Gain (Loss) on sale of assets reverted to bank	**472**	(2)
Gain on sale of fixed assets	**16,741**	12,486
Gain on sale of investment properties	**4,208**	2,307
Gain from sale of Leased Assets	**30**	2
Software cost	**(7,892)**	(2,935)
Operating lease	**(44,903)**	(37,175)
Impairment Losses For Assets Reverted To The Bank	**-**	(3,604)
Impairment Losses For Other Assets	**(6,708)**	-
Early retirement costs	**(3,909)**	(1,000)
Impairment of other provisions	**43,058**	(1,539,674)
Others	**69,621**	102,566
Total	**(47,981)**	50,779

11- Impairment credit losses

	31 December 2017 LE 000's	31 December 2016 LE 000's
Financing and facilities to customers after deducting provision no longer required (Note 17)	**(132,766)**	(268,773)
Reversal of impairment of HTM investments	**-**	1,668
Total	**(132,766)**	(267,105)

12- Taxes

	31 December 2017 LE 000's	31 December 2016 LE 000's
Income tax	**(312,984)**	(240,508)
Deferred tax *	**(388,042)**	(207,748)
	(701,026)	(448,256)

- Additional information about deferred tax is presented in note 31. The effective tax that has been charged to the income statement could be different from the amount that arises using tax rates as shown below.

	31 December 2017 LE 000's	31 December 2016 LE 000's
Income before tax	**1,332,624**	845,294
Current Tax Rate	**22.5%**	22.5%
Income tax (expenses) based on applied tax price	**299,840**	190,191
Impact of Provisions	**30,868**	362,090
Impact of Depreciation	**3,724**	(3,295)
Untaxable revenues	**(33,412)**	(342,651)
Loss / income tax unrecognized	**62,657**	5,128
undeductible expenses	**24,365**	(3,715)
Income Tax	**312,984**	240,508
Income tax according to effective tax rate	**701,026**	448,256
Effective tax rate	**52.6%**	53.0%

- Additional information about deferred tax is presented in note 31.

13- Cash and due from central bank of Egypt

	31 December 2017 LE 000's	31 December 2016 LE 000's
Cash	**434,575**	473,493
Due from Central Bank mandatory reserve requirement	**1,690,996**	848,605
Total	**2,125,571**	1,322,098
Non-profit bearing balances	**2,125,571**	1,322,098

14- Due from banks

	31 December 2017 LE 000's	31 December 2016 LE 000's
Current accounts	**182,469**	313,717
Deposits	**1,125,923**	3,084,777
Total	**1,308,392**	3,398,494
Due from Central bank except mandatory reserve requirement	**867,085**	2,770,223
Local banks	**125,499**	125,509
Foreign banks	**315,808**	502,762
Total	**1,308,392**	3,398,494
Non-profit bearing balances	**182,469**	425,717
Fixed profit balances	**1,125,923**	2,972,777
Total	**1,308,392**	3,398,494

15- Treasury bills

	31 December 2017 LE 000's	31 December 2016 LE 000's
Treasury bills maturing within 91 days	**470,975**	2,000
Treasury bills maturing within 182 days	**1,089,425**	80,525
Treasury bills maturing within 273 days	**2,203,526**	3,086,161
Treasury bills maturing within 364 days	**4,517,200**	1,760,565
	8,281,126	4,929,251
Unearned revenues	**(429,593)**	(180,932)
Total	**7,851,533**	4,748,319

16- Financial assets held for trading

	31 December 2017 LE 000's	31 December 2016 LE 000's
Equity Instruments		
Domestic companies shares	**18,529**	10,869
Mutual funds certificates	**2,147**	5,885
Total	**20,676**	16,754

17- Financings and Facilities to banks and customers

17/1- Financing and facilities to banks

	31 December 2017 LE 000's	31 December 2016 LE 000's
Overdraft	**135**	-
Syndicated financing	**304,883**	-
	305,018	-
<u>Less</u>		
Deferred profit	**(38,616)**	-
Net	**266,402**	-

17/2- Financing and facilities to banks

	31 December 2017 LE 000's	31 December 2016 LE 000's
Retail		
Overdraft	**3,012**	2,407
Covered cards	**2,267,484**	2,164,880
Personal financing	**6,512,773**	4,728,914
Real estate mortgage	**40**	49
Total (1)	**8,783,309**	6,896,250
Corporate (including SMEs)		
Overdraft	**2,372,060**	1,876,783
Direct financing	**8,729,530**	9,123,237
Syndicated financing	**760,794**	879,851
Total (2)	**11,862,384**	11,879,871
Total financing and facilities (1+2)	**20,645,693**	18,776,121
Impairment losses	**(762,530)**	(594,960)
Profit in suspense*	**(51,337)**	(33,339)
Deferred profit	**(3,548,834)**	(2,916,129)
Net	**16,282,992**	15,231,693
Classified in balance sheet as follow		
Conventional loans to customers after deducting impairment loss	**222,023**	215,565
Financing to customers after deducting impairment loss	**16,060,969**	15,016,128
Net	**16,282,992**	15,231,693

* Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

17- Financing and facilities to customers – Continued

Movement analysis for impairment loss provision related to financing and facilities to customers;

	31 December 2017 LE 000's	31 December 2016 LE 000's
Impairment loss provision		
Balance at the beginning of the period	**594,960**	312,943
Impairment loss charged during the period	**183,646**	272,931
Recoveries from written off debts	**50,880**	8,738
Used from provision during the period	**(14,891)**	(15,561)
Provisions no longer required	**(50,880)**	(4,158)
Foreign currency revaluation differences	**(1,185)**	20,067
Balance at the end of period	**762,530**	594,960

The following are the total Financing and facilities to customers (Net of Deferred Profit)

	31 December 2017 LE 000's	31 December 2016 LE 000's
Retail		
Overdraft	**3,012**	2,406
Covered cards	**355,672**	310,939
Personal financing	**4,909,200**	3,726,560
Real estate mortgage	**40**	49
Total (1)	**5,267,924**	4,039,954
Corporate (including SMEs)		
Overdraft	**2,372,060**	1,876,783
Direct financing	**8,722,656**	9,090,607
Syndicated financing	**734,219**	852,648
Total (2)	**11,828,935**	11,820,038
Total financing and facilities (1+2)	**17,096,859**	15,859,992
Impairment losses provisions	**(762,530)**	(594,960)
Profit in suspense **	**(51,337)**	(33,339)
Net	**16,282,992**	15,231,693
Classified in balance sheet as follow		
Conventional financing (after deducting impairment loss)	**222,023**	215,565
Islamic financing (after deducting impairment loss)	**16,060,969**	15,016,128
Net	**16,282,992**	15,231,693

** Profit in suspense was previously formed in accordance with credit instructions issued by CBE.

17-Financing and facilities to customers – Continued

Movement analysis for impairment loss provision related to financing to customers as per type

Value in LE 000's

	Retail				
	Overdraft	**Covered cards**	**Personal financing**	**Real estate mortgage**	**Total**
Balance as of 1 January 2017	**-**	**2,070**	**109,335**	**-**	**111,405**
Impairment loss charged during the period	**-**	**11,881**	**23,113**	**-**	**34,994**
Used from provision during the period	**-**	**(11,302)**	**(2,675)**	**-**	**(13,977)**
Recoveries from written off debts	**-**	**1,445**	**262**	**-**	**1,707**
Provision no longer required	**-**	**(1,445)**	**(262)**	**-**	**(1,707)**
Balance as of 31 December 2017	**-**	**2,649**	**129,773**	**-**	**132,422**

	Retail				
	Overdraft	Covered cards	Personal financing	Real estate mortgage	Total
Balance as of 1 January 2016	-	2,120	95,808	20	97,948
Impairment loss charged during the year	-	7,019	17,438	(20)	24,437
Used from provision during the year	-	(7,070)	(3,911)	-	(10,981)
Recoveries from written off debts	-	1,834	3,057	-	4,891
Provisions no longer required	-	(1,833)	(3,057)	-	(4,890)
Balance as of 31 December 2016	-	2,070	109,335	-	111,405

	Corporate				
	Overdraft	**Direct financing**	**Syndicated financing**	**Others**	**Total**
Balance as of 1 January 2017	**8,219**	**455,173**	**20,163**	**-**	**483,555**
Impairment loss charged during the period	**17,568**	**139,648**	**(8,564)**	**-**	**148,652**
Used from provision during the period	**-**	**(914)**	**-**	**-**	**(914)**
Recoveries from written off debts	**-**	**49,173**	**-**	**-**	**49,173**
Provisions no longer required	**-**	**(49,173)**	**-**	**-**	**(49,173)**
Foreign currency revaluation differences	**-**	**(1,185)**	**-**	**-**	**(1,185)**
Balance as of 31 December 2017	**25,787**	**592,722**	**11,599**	**-**	**630,108**

0.00	Corporate				
	Overdraft	Direct financing	Syndicated financing	Others	Total
Balance as of 1 January 2016	7,965	198,400	8,629	-	214,994
Impairment loss charged during the year	253	236,707	11,534	-	248,494
Used from provision during the year	-	(4,580)	-	-	(4,580)
Recoveries from written off debts	-	3,847	-	-	3,847
Transferred to other provisions	-	-	-	-	-
Provisions no longer required	-	732	-	-	732
Foreign currency revaluation differences	-	20,067	-	-	20,067
Balance as of 31 December 2016	8,219	455,173	20,163	-	483,555

18- Financial investments

	31 December 2017 LE 000's	31 December 2016 LE 000's
18/1 Available for sale investment		
Equity instruments - at fair value		
Listed	**13,282**	30,059
Unlisted	**69,124**	68,492
Total available for sale investments (1)	**82,406**	98,551
18/2 Financial investment held to maturity		
Debt instruments- at amortized cost		
Listed Treasury Bills	**6,622,989**	5,707,117
Un listed Treasury Bills	**219,823**	-
Mutual fund certificates - Sanabel (*)	**2,500**	7,500
Mutual fund certificates - El-Naharda (**)	**5,000**	5,000
Total investments held to maturity (2)	**6,850,312**	5,719,617
Total financial investments (1 + 2)	**6,932,718**	5,818,168
Categorized as follows:		
Current	**845,317**	**5,737,176**
Non-current	**6,087,401**	80,992
	6,932,718	5,818,168
Categorized as follows:		
Fixed profit debt instruments	**6,842,812**	5,707,117
Variable profit debt instruments	**7,500**	12,500
Variable profit equity instruments	**82,406**	98,551
	6,932,718	5,818,168

Unlisted Financial Investment Available for Sale were recorded at cost since its inception date as there is no active market for these investments to determine its fair value.

Mutual fund

*** Sanabel Islamic Mutual Fund**

- The investments held to maturity include the bank's investment in Sanabel Islamic mutual fund in association with ABC bank, managed by HC Company.
- The number of bank's certificates share is 25k and 2.5% of par value LE 100. The acquisition cost amounted to LE 2,500k and market value of the certificate amounted to LE 153.72 (December 31, 2016: LE 124.26).

**** Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund**

- The Bank has established Abu Dhabi Islamic Bank (El-Naharda) Mutual Fund (compatible with the principles of Islamic Sharia law, the fund is managed by Beltone management of investment funds.
- The number of bank's certificates share is 50k and 2% of par value LE 100, market value of the certificate amounted to LE 135.68 (31 December 2016: LE 118.36).

- The Bank reclassified treasury bonds amounted to LE 5,341 Million from Available For Sale investment portfolio into Held to maturity investment portfolio using last trade price on the date of reclassification, and the revaluation difference for the reclassified bonds amounted to 19.8 Million included as Available For Sale fair value reserve, the bank management reclassification has been executed in accordance with market risk management strategy

18- Financial investments – Continued

	Available for sale investment	Financial investment held to maturity	Total
	LE 000's	LE 000's	LE 000's
Balance as of 1 January 2017	**98,551**	**5,719,617**	**5,818,168**
Additions	**2,397**	**1,481,212**	**1,483,609**
Premium and discount amortization	**-**	**12,198**	**12,198**
Disposals (sales/redemption)	**(15,128)**	**(388,003)**	**(403,131)**
Foreign currency revaluation difference	**(1,129)**	**21,964**	**20,835**
Net change in the fair value	**7,708**	**3,324**	**11,032**
Impairment loss provisions	**(9,994)**	**-**	**(9,994)**
Balance as of 31 December 2017	**82,406**	**6,850,312**	**6,932,718**
Balance as of 1 January 2016	4,765,248	10,831	4,776,079
Additions	1,409,725	614,862	2,024,587
Premium amortization	-	5,682	5,682
Disposals (sales/redemption)	(743,470)	- 254,477	(997,947)
Transferred from AFS to HTM	(5,341,050)	5,341,050	-
Foreign currency revaluation difference	25,856	-	25,856
Net change in the fair value	(17,564)	-	(17,564)
Impairment loss provisions	(194)	1,669	1,475
Balance as of 31 December 2016	98,551	5,719,617	5,818,168

18/3 Gain from financial investment

	31 December 2017	31 December 2016
	LE 000's	LE 000's
Gain On Sale Of T.Bills	**2,787**	1,134
Gain On Sale Of Investment In Subsidiaries & Associates	**-**	(57)
Gain On Sale Of AFS Investment	**51,778**	5,101
Impairment Of Investment In Subsidiaries & Associates	**-**	(332)
Impairment Of Investment AFS	**(9,994)**	(194)
Gain of sale of HTM MF	**1,557**	-
Total	**46,128**	5,652

19- Financial Investments in associates (Net)

	31 December 2017 Value	31 December 2017 Share %	31 December 2016 Value	31 December 2016 Share %
			Value in LE 000's	
Arab Oriental Company for Takaful insurance - Egypt	**55,409**	**20%**	43,395	20%
Assuit National Company for Agricultural Development	**15,855**	**53%**	15,823	53%
United Group for Trading and Engineering	**637**	**24%**	766	24%
	71,901		59,984	

20- Intangible assets

	31 December 2017 LE 000's	31 December 2016 LE 000's
Computer software		
Net book value at the beginning of the period	**564**	6,003
Additions	**863**	-
Amortization for the period	**(1,023)**	(5,439)
Net book value at the end of the period	**404**	564

21- Other assets

	31 December 2017 LE 000's	31 December 2016 LE 000's
Accrued revenues	**433,746**	348,515
Pre-paid expenses	**142,531**	93,654
Down payments under purchase fixed assets	**65,671**	95,348
Assets reverted to the bank in settlement of debts (Net of impairment)	**90,550**	95,409
Deposits and custody	**5,295**	5,121
Due from tax authority - Debit balances*	**271,828**	271,828
Settlement account- leasing	**23,980**	19,940
Inventory	**43,561**	47,791
Suspense account-correspondent banks	**410,735**	286,820
Other debit Balance	**103,574**	109,800
Total	**1,591,471**	1,374,226
Impairment of other assets	**(6,708)**	-
Net other debit Balance	**1,584,763**	1,374,226

* Represents amounts under settlements in dispute with the tax authority Note (38)

22- Projects under construction

	31 December 2017 LE 000's	31 December 2016 LE 000's
Balance for beginning of the period	**14,664**	15,850
Additions	**3,385**	6,174
Disposal	**(1,942)**	(7,360)
Net book value at the end of the period	**16,107**	14,664

23- Fixed assets – Net of accumulated depreciation

Value in LE 000's

	Land& premises	Machinery & equipment	Other assets	Total
Net book value as of 1 January 2017	**229,367**	**90,976**	**321,461**	**641,804**
Additions	**2,582**	**2,273**	**182,425**	**187,280**
Disposals	**(3,144)**	**(3,685)**	**(4,034)**	**(10,863)**
Depreciation	**(7,703)**	**(11,913)**	**(63,293)**	**(82,909)**
Depreciation related to disposals	**1,120**	**2,688**	**3,949**	**7,757**
Net book value as of 31 December 2017	**222,222**	**80,339**	**440,508**	**743,069**
Cost	**240,579**	**112,683**	**666,242**	**1,019,504**
Accumulated depreciation	**(18,357)**	**(32,344)**	**(225,734)**	**(276,435)**
Net book value as of 31 December 2017	**222,222**	**80,339**	**440,508**	**743,069**

Value in LE 000's

	Land& premises	Machinery & equipment	Other assets	Total
Net book value as of 1 January 2016	210,421	101,604	301,962	613,987
Additions	28,739	862	75,438	105,039
Disposals	(10,633)	(221)	(12,108)	(22,962)
Depreciation	(7,304)	(11,490)	(49,331)	(68,125)
Depreciation related to disposals	8,144	221	5,500	13,865
Net book value as of 31 December 2016	229,367	90,976	321,461	641,804
Cost	241,141	114,095	487,851	843,087
Accumulated depreciation	(11,774)	(23,119)	(166,390)	(201,283)
Net book value as of 31 December 2016	229,367	90,976	321,461	641,804

- Fixed Assets not registered to the name of the bank amounted to LE 22mn as of 31 December 2017 (31 December 2016: EGP 8.43mn) Legal registration procedures are under progress.

- Fully depreciated assets as of 31 December 2017 and still in use amounted to LE 266mn (31 December 2016: LE 214mn)

24- Investment property (Net)

Value in LE 000's

	Land	Premises	Others	Total
Balance as of 1 January 2017	**13,159**	**46,736**	**273**	**60,168**
Disposals	**(400)**	**(7,518)**	**-**	**(7,918)**
Depreciation expense	**-**	**(2,838)**	**(137)**	**(2,975)**
Depreciation expense related to disposals	**-**	**1,242**	**-**	**1,242**
Balance as of 31 December 2017	**12,759**	**37,622**	**136**	**50,517**
Balance as of 1 January 2016	27,125	50,090	410	77,625
Disposals	(13,966)	(2,429)	-	(16,395)
Depreciation expense	-	(3,428)	(137)	(3,565)
Depreciation expense related to disposals	-	2,503	-	2,503
Balance as of 31 December 2016	13,159	46,736	273	60,168

25- Financial leased assets (Net)

	31 December 2017 LE 000's	31 December 2016 LE 000's
Cost		
Beginning balance	**328,224**	305,961
Additions	**61,268**	84,856
Disposals	**(69,642)**	(62,593)
	319,850	328,224
Accumulated depreciation		
Beginning balance	**(142,804)**	(119,469)
Depreciation	**(83,927)**	(84,033)
Disposals	**55,909**	60,698
	(170,822)	(142,804)
Net book value at the end of the period	**149,028**	185,420

26- Due to banks

	31 December 2017 LE 000's	31 December 2016 LE 000's
Current accounts	**145,974**	28,898
Deposits	**759,108**	2,210,246
Total	**905,082**	2,239,144
Local banks	**90,659**	200,039
Foreign banks	**814,423**	2,039,105
Total	**905,082**	2,239,144
Non-profit bearing balances	**145,974**	28,898
Fixed profit bearing balances	**759,108**	2,210,246
Total	**905,082**	2,239,144

27- Customers' deposits

	31 December 2017 LE 000's	31 December 2016 LE 000's
Demand deposits	**7,844,878**	7,037,495
Time deposits and call accounts	**7,248,569**	3,950,393
Term saving certificates	**8,933,356**	9,517,332
Savings deposits	**5,164,439**	4,066,849
Other deposits	**641,629**	944,811
Total	**29,832,871**	25,516,880
Corporate deposits	**9,374,714**	8,727,543
Retail deposit	**20,458,157**	16,789,337
Total	**29,832,871**	25,516,880
Non-profit balances	**4,256,685**	5,127,587
Variable profit balances	**25,576,186**	20,389,293
Total	**29,832,871**	25,516,880
Current balances	**20,899,515**	15,999,548
Non-current balances	**8,933,356**	9,517,332
Total	**29,832,871**	25,516,880

28- Subordinated financing

	31 December 2017 LE 000's	31 December 2016 LE 000's
Subordinated Financing without coupon*	**458,483**	441,228
Subordinated Financing with coupon**	**319,099**	328,797
Total	**777,582**	770,025

	31 December 2017 LE 000's	31 December 2016 LE 000's
Balance at the beginning of the period	**441,228**	258,205
Cost of subordinated loan using EIR	**30,561**	18,990
Closure of subordinated financing given on 27 Dec 2012	**-**	(117,747)
Foreign exchange difference	**(13,306)**	281,780
Total	**458,483**	441,228

* Subordinated financing represents amount of USD 39 Million granted from Abu Dhabi Islamic Bank- UAE under Wakala investment agreement for 6 years starting from 27 December 2012 with a profit rate equals to 0.125% from the investment amount and the expected profit equals to (LIBOR USD) on any extension period after those 6 years. On 27 March 2016, a supplementary agreement for the subordinated financing has been made to increase the tenor period for 3 tranches of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 29,250 Thousands, subsequently, at 27 December 2016 a supplementary agreement for the subordinated financing has been made to increase the tenor period for fourth tranche of the agreement ending 27 December 2023 instead of 27 December 2018 by an amount of USD 9,750 Thousands . The bank has recorded the mentioned first three tranches by using discount rate 7.51% and the fourth one with rate 5.88% which affected the shareholder's equity by a net amount of LE 81,150 Thousands, which is represents the difference between the face value and the present value of the subordinated financing as of subordinated financing extension agreement date.

** On 29 September 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 September 2016 with a profit rate equals to 5.88% from the investment amount, which is not significantly different from the market discount rate.

** On 29 December 2016 the bank was granted an additional subordinated financing of USD 9mn from Abu Dhabi Islamic Bank-UAE under Wakala investment agreement for 7 years starting from 29 September 2016 with a profit rate equals to 6.50% from the investment amount, which is not significantly different from the market discount rate.

29- Other liabilities

	31 December 2017 LE 000's	31 December 2016 LE 000's
Accrued revenue	**181,999**	69,400
Unearned revenues from the sale & leaseback assets	**-**	2,080
Accrued expenses	**274,821**	225,813
Down payment - leasing clients	**37,344**	38,932
Due to tax authority - Credit balances *	**271,828**	271,828
Other credit balances	**1,079,583**	684,764
Total	**1,845,575**	1,292,817

*Represents amounts under settlements in dispute with the Tax Authority (note 38)

30- Other Provisions

Value in LE 000's

	Provision * for Contingent Claims	Provision for Tax	Provision for Contingent Liabilities	Other Provision	Total
Balance as of 1 January 2016	**1,615,817**	**62,483**	**29,209**	**11,722**	**1,719,231**
Provisions charged during the period	**26,122**	**4,553**	**21,628**	**732**	**53,035**
Provisions used during the period	**(13,827)**	**(5,096)**	**-**	**(415)**	**(19,338)**
Provisions no longer required	**(93,231)**	**-**	**(1,480)**	**(641)**	**(95,352)**
Foreign exchange difference	**-**	**-**	**1,650**	**-**	**1,650**
Balance as of 31 December 2017	**1,534,881**	**61,940**	**51,007**	**11,398**	**1,659,225**
Balance as of 1 January 2016	101,281	49,451	12,437	3,686	166,855
Provisions charged during the year	1,527,443	13,987	1,824	8,036	1,551,290
Provisions used during the year	(1,292)	(3,822)	-	-	(5,114)
Provision no longer required	(11,615)	-	-	-	(11,615)
Foreign exchange difference	-	-	14,948	-	14,948
Transferred to tax provision	-	2,867	-	-	2,867
Balance as of 31 December 2016	1,615,817	62,483	29,209	11,722	1,719,231

*As notified in the bank's General Assembly Meeting held on 18 October 2015, there is a probable claim from Abu Dhabi Islamic Bank-UAE relating to a difference in opinion as to whether the USD amounts paid by Abu Dhabi Islamic Bank-UAE under capital increase should be treated as USD or EGP amounts. Based on Abu Dhabi Islamic Bank-Egypt's external legal opinion on probability of loss from the foreign currency movement, the bank has built a provision of EGP 1,515 million under provision for probable claims for the effect of the foreign currency movement from 31 December 2014 up to 31 December 2017.

31- Deferred tax

The deferred tax calculated on the differences based on the liability using the actual tax rate.

	31 December 2017 LE 000's Assets / (Liabilities)	31 December 2016 LE 000's Assets / (Liabilities)
The following is balance of assets/liabilities of deferred tax:		
Fixed assets (Depreciation)	**(48,905)**	(34,371)
Provisions (other than the impairment loss for financing)	**6,114**	30,264
Profit in suspense	**11,561**	7,959
Tax losses carried forward	**-**	351,011
Net tax resulted in assets	**(31,230)**	354,863

	31 December 2017 LE 000's Assets / (Liabilities)	31 December 2016 LE 000's Assets / (Liabilities)
Movement of deferred tax assets and liabilities method:		
Beginning balance of the period	**354,863**	564,521
Additions	**3,169**	5,183
Disposals	**(389,262)**	(214,841)
Ending balance of the period	**(31,230)**	354,863

Deferred tax assets resulted from tax losses carried forward are not recognized unless there's future taxable profits is likely to happen by which the bank can benefit from on the short term.

32- Capital

32/1 Authorized capital

The authorized capital amounts to LE 4bn (December 31st, 2016: LE 4bn)

32/2 Issued and paid-In capital:

The issued and paid in capital amounted to LE 2Bn (December 31st, 2016: LE 2Bn) represented by 200mn shares with a nominal value of LE 10 per share

32/3 Amounts paid under capital increase

ADIB – UAE made cash deposit of LE 1,662k as amounts paid under capital increase up till year 2012, on 28 December, 2011 ADIB – UAE approved to transfer the full amount of subordinated financing of LE 199mn to amounts paid under capital increase, Accordingly balance of total amounts paid under capital increase reached LE 1,861mn at 31 December 2017 (December 31, 2016 LE 1,861Mn).

33- Reserves and accumulated losses

Reserves	31 December 2017 LE 000's	31 December 2016 LE 000's
Legal reserves	**42,522**	22,878
General reserve	**22,878**	42,522
Special reserves	**31,640**	26,257
Fair value reserve – Investments available for sale	**28,912**	17,884
General Banking Risk Reserve	**115,587**	79,437
General Reserve IFRS 9	**190,095**	-
Total	**431,634**	188,978

33/1 Special reserves

	31 December 2017 LE 000's	31 December 2016 LE 000's
Adjustments resulted from change in the valuation policy of AFS Investments related to prior years	**17,165**	17,165
Adjustment resulted from valuation policy of impairment loss for financing and facilities of prior years	**9,092**	9,092
Adjustments for change in FX Revaluation of monetary assets and liabilities	**5,383**	-
Total	**31,640**	26,257

- Distribution from this reserve prohibited unless there is CBE approval
- Distribution from this reserve prohibited unless there FRA.

33/2 Fair value reserve – Available for sale investments

	31 December 2017 LE 000's	31 December 2016 LE 000's
Beginning balance	**17,884**	35,448
Net Change in fair value	**11,028**	(17,018)
(Loss) Profit transferred to income statement related to AFS disposals	**-**	(546)
Ending balance of the period	**28,912**	17,884

33/3 General banking risk reserves

	31 December 2017 LE 000's	31 December 2016 LE 000's
Beginning balance	**79,437**	72,784
Transferred from (To) accumulated losses	**36,150**	6,653
Ending balance	**115,587**	79,437

The CBE instructions require the bank to provide general bank reserves to guarantee any differences in impairment loss measurement methods for financings/facilities and assets reverted to the bank (Note 3/1/4)

33/4 Accumulated losses

	31 December 2017 LE 000's	31 December 2016 LE 000's
Beginning balance	**(2,564,156)**	(2,980,943)
Prior Year Adjustments	**-**	(10,494)
Net income for the period	**633,092**	414,096
Transferred to general banking risk reserve	**(36,150)**	(6,653)
Transfer to Credit Reserve - IFRS 9	**(190,095)**	-
Amortization of the difference between FV and PV of the subordinated financing	**30,561**	18,990
Prior periods adjustment - Subsidiaries	**-**	4,104
Dividends paid - Dividend subsidiaries	**-**	(3,256)
Ending balance of the period	**(2,126,748)**	(2,564,156)

33/5 General Reserve IFRS 9*

	31 December 2017 LE 000's	31 December 2016 LE 000's
Beginning balance	-	-
1% of Risk - weighted Assets - Credit Risk	190,095	-
Total	190,095	-

* This reserve is prohibited to be used without CBE approval.

34- Cash and cash equivalent

For the purpose of presenting the cash flow statement, cash and cash equivalents include the following balances maturing within less than 3 months from the date of acquisition.

33- CASH AND CASH EQUIVALENT

	31 December 2017 LE 000's	31 December 2016 LE 000's
Cash and due from CBE (Note 13)	2,125,571	1,322,098
Due from banks (Note 14)	1,308,392	3,398,494
Treasury bills (Note 15)	7,851,533	4,748,319
Due from banks maturities more than 3 months	(1,126,773)	(3,085,202)
Treasury bills maturities more than 3 months	(4,203,150)	(4,746,342)
Total	5,955,573	1,637,367

35- Contingent liabilities and commitments

35/1 Capital commitments:

The Banks contracts for capital commitments reached LE 21,087 Thousands as of 31 December 2017 (31 December 2016: LE 6,520 Thousands). Representing purchases of fixed assets and the management is adequately confident that finance shall be made available to cover these commitments when due.

35/2 Contingent liabilities

34- CONTINGENT LIABILITIES AND COMMITMENTS

	31 December 2017 LE 000's	31 December 2016 LE 000's
Financing commitment	1,015,314	265,785
Letter of guarantee	1,363,652	917,694
Documentary credit	291,083	147,062
Bank guarantees	1,013,447	888,511
Total	3,683,496	2,219,052

35/3 Operating lease commitment

34- OPERATING LEASE COMMITMENTS

	31 December 2017 LE 000's	31 December 2016 LE 000's
Less than one year		
From 1 year up to 5 years	**6,274**	16,079
More than 5 years	**115,288**	23,619
Total	**121,562**	39,698

36- Related party transactions

36/1 The related party balances included in the consolidated financial statement were as follows

	Associates LE 000's	Major shareholder LE 000's	Total LE 000's
31 December 2017			
Due from banks	**-**	**128,972**	**128,972**
Total	**-**	**128,972**	**128,972**
Due to banks	**-**	**713,295**	**713,295**
Customers' deposits	**6,705**	**-**	**6,705**
Subordinated financing	**-**	**777,582**	**777,582**
Paid under capital increase	**-**	**1,861,418**	**1,861,418**
Difference between face value and present value of subordinated loan	**-**	**81,150**	**81,150**
Total	**6,705**	**3,433,445**	**3,440,150**

	Associates LE 000's	Major shareholder LE 000's	Total LE 000's
31 December 2016			
Due from banks	-	57,437	57,437
Total	-	57,437	57,437
Due to banks	-	1,646,970	1,646,970
Customers' deposits	6,526	-	6,526
Other liabilities	-	59	59
Subordinated financing	-	770,025	770,025
Paid under capital increase	-	1,861,418	1,861,418
Difference between face value and present value of subordinated loan	-	91,699	91,699
Total	6,526	4,370,171	4,376,697

36/2 During the Period significant transactions with related parties included in the consolidated income statement are as follows:

	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
31 December 2017			
Profit from Murabaha, Musharaka, Mudaraba and similar income	**-**	**159**	**159**
Cost of deposits and similar expenses	**-**	**(28,099)**	**(28,099)**
Cost of subordinated loan using the effective profit rate	**-**	**(10,549)**	**(10,549)**
Cost of subordinated loan with rate	**-**	**(20,127)**	**(20,127)**

	Associates	Major shareholder	Total
	LE 000's	LE 000's	LE 000's
31 December 2016			
Cost of subordinated loan with zero copoun	-	(18,990)	(18,990)
Cost of subordinated loan using EIR	-	(2,101)	(2,101)

* Salaries and wages for the Period ended 31 December 2017 includes an amount of Thousand LE 20,8K which represents average total top 20 salaries paid during the Period.

37- Employees Benefits

	31 December 2017	31 December 2016
	LE 000's	LE 000's
Liabilities listed in Balance sheet		
Medical benefits past retirement	**70,893**	65,354
Total	**70,893**	65,354
Amounts recognized in Income statement		
Pension benefits	**(37,396)**	(23,591)
Medical benefits past retirement	**(21,608)**	(23,701)
Total	**(59,004)**	(47,292)

37/1 Private insurance fund

At the first of July 2013, the bank established private insurance fund (the fund) according to Law No.54 for year 1975, the fund registered in EFSA on 14 January 2014 with No. (884), on 1 April 2014 the fund started its work. The employees in the head office and all branches are committed to the fund regulations.

The bank obligated to pay monthly contributions, in which, calculated according to fund regulation, generally the fund financed through monthly contributions in addition to other resources that detected in fund regulation.

The insurance benefits will be paid when the member reaches end of service due to retirement or death or total or partial disability, In case the term of membership is less than 3 years, the member will receive his contribution balance paid by himself to the fund on the date of retirement or membership.

EFSA has approved to start investing the monthly contributions accrued to employees and depositing the amount in the fund manager investment account.

37/2 Legacy staff medical benefit plan

The Bank has a Defined Benefit Medicare Plan for its legacy employees during their service period and post retirement, the bank hired independent actuarial expert to conduct the study and determine the necessary amount of the obligation to be recorded in financial statements using the projected unit credit method.

- The main assumptions are used by the actuarial expert listed as follows:-
- Death rate from British table A49-ULT52
- Inflation rate 12%
- Discount rate 9.5%
- Using projected unit credit method in calculating liabilities

37/3 Early retirement cost

Bank pays 3,909 million EGP to the employees whom requested early retirement during the period to the employees who requested early retirement during the year.

37/4 End of service fund - Defined benefit plan for employees in National Company for Glass and Crystal

The national company for Crystal and Glass has End of service Defined benefit plan for workers. The company has assigned an independent actuarial expert to estimate the obligations resulting from the end of service mentioned above applying the total present value method of end of service reward discharged when the employees stay at work until they reach the legal age of retirement or death prior to that calculated in accordance with the terms of the actual service until 12/31/2014 and inserted at an annual salary until the end of the service.

The main assumptions used by the actuarial expert were represented as follows:

- The life rate according to the British table A67-70ULT of life rates.
- Discount rate 12.5%
- According to the restated labor law which were decided to have a minimum annual premium of 7% has been considered that rate of 7% calculated annually
- Legal retirement age is 60 years.

The expense of the liability was charged to the accumulated losses according to the Egyptian accounting standard No. 5 (Accounting policies and changes in accounting estimations and faults).

38- Tax position

Tax position for ADIB - EG

Corporate Tax

- The Bank's corporate income tax position has been examined, paid and settled with the tax authority since the operations start up until the end of year 2012, pending disputed points are transferred to committees and the courts for adjudication.
- The bank's corporate income tax position under examination for the year 2013:2014 and for 2015 it has been providing the tax declaration for 2015 within the legal deadline.
- The Bank started from February 2012 on the basis of the opinion of the legal advisor and the tax advisor of the Bank to raise the case in front of the judicial courts to recover the value of the payment of the treasury bills/bonds taxes as the bank was incurring tax losses during the financial years of the dispute and the following which lead to stop paying these taxes and their penalties which is shown in other assets "due from tax authority", (Note 21). During the period, the Bank appealed to the Supreme Administrative Court against the ruling issued by the Administrative Court of First Instance rejecting the case to form a multiplicity of plaintiffs and filing another claim individually to refund what paid of T-bills/Bonds taxes in excess of the tax payable amounts during the financial years in dispute, based on the same foundations already cited by the previous case, and saw both legal advisor and consultant tax of the Bank that the court ruling of this case will be in the favor of the bank.
- The Bank has charged the necessary provisions for tax on income of T-Bills/Bonds for the years which the bank incurs tax profits

Salary tax

- Tax inspections and internal committee for the years prior 2013/2014 has been finalized and no tax due for this year
- The Bank's salary tax is currently under examination for the year 2015/2016.
- The bank pays the payroll taxes on monthly basis on the due dates as stated by law.

Stamp duty tax

- Tax Inception and payment done till end 31 March 2013.
- Period from 1 April 2013 till 31 December 2015 still under inception.
- Year 2016, bank didn't receive any notes to start the inception.

Sales tax

- Inspection of the bank branches till 2015 has been finalized and all taxes due were paid.
- Years 2016/2017 still to inspect.

Real estate Tax

- The bank received claims for real estate tax for some branches and the bank objected on these claims in the legal deadlines, and we are following - up the objections in front of the appeal committees for these claims.

38-Tax position - Continued

<u>Tax position for National Company for glass and crystal</u>

Corporate tax
- Tax inspections till year 2006 have been fully completed and all due taxes have been paid.
- However there is an incurred retained tax losses, an estimated tax inspection had been done from 2007 till 2010 and the dispute is being considered in the appeals committee.
- Company books have not been inspected for years ended 2011 till 2015.

Sales tax
- Tax inspections till year 2012 have been fully completed all due taxes have been paid.
- Tax inspections for the years 2013 and 2014 have been done and the dispute is being considered in the appeals committee.
- Company books have not been inspected for year ended 2015.

Salary tax
- Tax inspections till year 2004 have been fully completed and all due taxes have been paid.
- However there is an incurred retained tax losses, an estimated tax inspection had been done from 2005 till 2010 and the dispute is being considered in the appeals committee.
- Company books have not been inspected for years ended 2011 till 2015.

Stamp duty tax
- Tax inspections for the years prior 2015 have been fully completed and all due taxes have been paid.

<u>Tax position for national company for trading and development (ENTAD):</u>

Sales tax
- Tax inspections till 2011 have been fully completed and all due taxes have been paid.
- From year 2012 up to date, the company books have not been inspected and the company is submitting the tax declarations on the legal dates and pay all taxes according to these declarations.

Stamp duty tax
- Tax inspections till year 2004 have been fully completed and all due taxes have been paid.
- Company books have not been inspected for years ended 2005 up to date.

Salary tax
- <u>Period from the beginning of the activity till 31/12/2004:</u>

  Tax inspection has been fully completed and all due taxes have been paid.

- <u>Period from 1/1/2005 up to date:</u>
  Company is paying due taxes regularly as per the monthly salary schedules in its due dates, Tax inspection is not performed till date.

Corporate tax:
- <u>Period from the beginning of the activity till 31 December 2004</u>
  The tax inspection had been done and there is final claim with EGP 4.8Mn in addition to the late payment penalties and the company paid EGP 1.7Mn and the rest of due taxes will be settled.

- <u>Period from 1/1/2005 up to date:</u>
  Company is paying due taxes regularly as per the monthly salary schedules in its due dates, Tax inspection is not performed till date.

38-Tax position – Continued

Tax position for Cairo national company for investment

Income tax

- **From 1995 till 2012**:
  Tax inspection has been fully completed and all due taxes have been paid as agreed with tax authority.

- **From 2005 till 2016:**

  The tax return was prepared and delivered to tax authority for this period in accordance with income tax law No.91 for the year 2005 and its executive regulations.

  The income tax EGP 65,058 is representing the withholding taxes on treasury bills-bonds and the tax of dividends income on shares.

Salary tax

- Tax inspection from 1995 till 2014 has been fully completed and all due taxes have been paid.
- The taxes are paid monthly and in regular basis.

Stamp duty tax

- Tax inspection from 1995 to 2010 has been fully completed and all due taxes have been paid.
- Tax inspection for the periods from 2011 to 2014 is not performed yet.

Real estate Tax

- The company paid the due real estate tax till 31-December-2015 according to the latest valuation of the company headquarter without any disputes with the tax authority.

Tax position for Assiut Islamic company for trading and development

Income tax

- **From 1989 till 1992:**
  Tax inspections for the years have been fully completed and all due taxes have been paid.

- **From 1993 till 1995:**
  The company paid in accordance to the latest court order.

- **From 1996 and 1997:**

  The company books are inspected waiting for the inspection declaration to be prepared by the inspection officer.

- **From 1998 till 2002:**
  Processing by the council of the country.

- **For 2003 till 2004:**
  However the company books are not inspected, the company received from # 19 and it is appealed.

38-Tax position - Continued

- **<u>For 2005 till 2009:</u>**
  The tax return was prepared and delivered to tax authority for this period in accordance with income tax law No.91 for the year 2005 and its executive regulations.

- **<u>For 2010 till 2015:</u>**
  The tax inspection for these years in under processing.

Salary tax

- Tax inspections have been fully completed and all due taxes have been paid till 31 December 1994.
- The taxes paid monthly and in regular basis till the balance sheet date.
- The tax inspection for year 1995 till 2011 is under processing.

Withholding tax

- Tax inspection have been fully completed and all due taxes have been paid till 30 September 2005.
- The tax is paid regularly on quarterly basis till the balance sheet date.

Stamp duty tax

- Tax inspection has been completed and all the due taxes have been paid up to 31 December 2010.
- Tax inspection for 2011 till 2016 has not been done yet.

Sales Tax

The company is submitting the tax declarations of National Palace Hotel regularly till the balance sheet date.

Social insurance

The insurance due taxes are paid on regular basis till the balance sheet date.

<u>Tax position for ADI lease</u>

Corporate tax

- Tax inspections till year ended 2000 have been fully completed and all due taxes have been settled.
- Tax inspections from 1/1/2001 till 31/12/2009 have been fully completed and the company notified of the tax inspection result with form (19) and objected on legal dates to the result of the tax inspection and the internal committee is currently considering the tax dispute and this dispute is settled with paying the tax differences.
- No tax inspection has been carried out from 2010 up till now.

Salary tax

- Salary tax inspections till 2001 have been fully completed and the company objected to the result of the tax inspection and the internal committee was notified and all due taxes have been settled.
- Salary tax inspections from 1/1/2002 till 31/12/2009 have been fully completed and the internal committee was held and all due taxes have been settled.
- No tax inspection has been carried out from 2010 up till now.

38-Tax position – Continued

Stamp tax

- Tax inspections till 31/12/2010 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 2011 up till now.

<u>Tax position for ADI Holding</u>

Corporate tax

No tax inspection has been carried out up till date.

Salary tax

- Salary tax is paid on regular monthly payments.
- No tax inspection has been carried out up till date.

Stamp tax

No tax inspection has been carried out up till date.

Value added tax

The company is not subject to this tax.

<u>Tax position for ADIB capital</u>

Commercial & Industrial income tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

Salary tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

Stamp tax

Company is subject to tax law no. 143 year 2006 and its amendments.

Value added tax

The company is not subject to this tax.

<u>Tax position for ADI properties</u>

Commercial and manufacturing profits tax

- The company is subject to the corporate tax No.91 for 2005 and its amendments.
- There is no tax inspection has taken place for the period from the inception date till date.

Salary tax

- Company is subject to tax law no. 91 year 2005 and its amendments.
- No tax inspection has been carried out up till date.

38-Tax position – Continued

Stamp duty taxes

- The company is subject to the corporate tax No.143 for 2006 and its amendments.
- No tax inspection has been carried out up till date.

Tax position for Cairo national company for brokerage and securities:

Corporate tax

- Tax inspections from 1995 to 2004 have been fully completed and all due taxes have been settled.
- Years from 2005 to 2016 tax declarations have been sent on time according to law regulations 1991 – 2005 and settled.
- The inspection for years 2010 till 2012 is under processing.

Salary tax

- Tax inspections from 1995 to 2012 have been fully completed and all due taxes have been settled.
- Tax inspection for years 2013 till 2017 is under processing.
- The taxes are paid monthly and in regular basis.

Tax position for Alexandria national company for investment:

Corporate tax

- Tax inspections from the beginning of the activity till 31 December 2010 have been fully completed and all due taxes have been settled.
- Years from 1 January 2011 to 31 December 2015 no tax inspection has been carried out and tax declarations have been sent on time and no tax dues have been recognized.

Movable values tax

- Years from the beginning of the of the company's activity till 31 December 1999 no agreement has been set with the tax authority regarding the tax pools for 1996/1999 with amount EGP 279 K and a court case was raised without judgment till now.
- Tax inspections from 1 January 2000 to 31 December 2004 have been fully completed and all due taxes have been settled.

Salary tax

- Tax inspections till 2006 have been fully completed and all due taxes have been settled.
- Tax inspections from 1/1/2007 till 31/12/2009 have been fully completed.
- Salary tax is paid to tax authority on regular monthly payments from employees' salaries

Stamp tax

- Tax inspections till 2012 have been fully completed and all due taxes have been settled.
- No tax inspection has been carried out from 1 January 2013 till 31 December 2015.

39- Subsequent events:

The IASB issued IFRS 9 'Financial Instruments' in its final form in July 2014 and Central Bank of Egypt ("CBE") issued a circular on 28 January 2018 instructing Banks to implement the standard with effect from 1 January 2019. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets, impairment of financial assets and hedge accounting. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

a. Classification and measurement
The adoption of this standard will have an effect on the classification and measurement of Group's financial assets but is not expected to have a significant impact on the classification and measurement of financial liabilities. The classification and measurement of financial assets will depend on how these are managed (the entity's business model) and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortized cost, fair value through other comprehensive income or fair value through statement of income. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

b. Impairment of financial assets
The impairment requirements apply to financial assets measured at amortized cost, fair value through other comprehensive income, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, allowance is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').
Financial assets where 12-month ECL is recognized are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile.

The Bank is in the process of quantifying the impact of this standard on the Bank's consolidated financial statements, when adopted. CBE in its circular of 28 January 2018 has mandated all Banks to account for a reserve equal to 1% of the credit Risk Weighted Assets ("RWA") as of 31 December 2017, the reserve amounted EGP 190,094,628. CBE has also advised that this reserve should be included in Tier 1 Capital and should be appropriated only with CBE's approval.