AiBK | بنك الاستثمار العربى
Arab Investment Bank

Annual Report 2015

بنـك الاستثمــار العـربـى
AiBK | Arab Investment Bank

Annual Report for 2015

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Overview of the Bank

- AIBK was established in 1974 as an investment and commercial bank under the supervision of the Central Bank of Egypt (CBE). AIBK started its operation in 1978 with a capital of USD 40 million, which was increased to EGP 800 million & will be increased to EGP 1 Billion in 2016, with participation of 91.42% from the National Investment Bank & 8.58% from the Federal Arab Republic.
- AIBK provides all types of banking services to individuals through different retail banking products, investment and treasury services, as well as Islamic banking services for which a solid legislative committee is dedicated to work according to Islamic banking standards. That is besides services provided to companies and incorporations through participating in financing national mega projects via syndicated loans, which are of great importance for the national economy as well as the Bank. Moreover AIBK finds out a link between national projects and SMEs, which are seem to be the driving force for achieving socio-economic development currently.
- AIBK provided its services to all its clients through (18) branches spread all over Egypt, yet, it is working on expanding geographically, and opening new branches, including mini branches and Islamic branches, to reach a total of 35 branches. In addition to expanding its ATM network to cover most vital places.
- AIBK is keen on maintaining client satisfaction through providing distinctive services. It seeks to acquire the most updated IT systems to enhance performance and raise the level of its banking services. The Bank is also focusing on enhancing the competencies of its staff through extensive training using the most advanced programs.

Board of Directors

Mr. Mohamed Hany Seif El Nasr

Chairman and Executive Managing Director

Ms. Rafahya El Sayed Hussein	**Board Member representing** Central Bank of Egypt
Mr. Alaa El Din Fekry	**Board Member representing** National Investment Bank
Mr. Ramadan Ahmed Ibrahim	**Board Member representing** National Investment Bank
Mr. Hesham Lotfy Eissa	**Board Member representing** National Investment Bank
Mr. Abd El-Halim Mohamed Omar	**Board Member representing** National Investment Bank

Board Secretary

Ms. Mona Ahmed Ramadan	**General Secretary to the Board**

Attainment Of Perfection In Leadership & Excellence

Chairman's Statement

We are pleased to submit the annual report for the financial year ending on 31 December 2015, which reflects AIBK's results and indicators during the year. AIBK has succeeded again for the fourth year in a row owing to its management's informative and stable vision, as a result of the implementation of the reform program, restructuring and development of systems and policies throughout the Bank, and fostering a culture of change and challenge to maintain AIBK's pioneering place and to achieve the highest growth rates and highest competition levels in order to meet the needs and aspirations of AIBK's clients.

- Results reflect improvement in financial statements, earning EGP 12.8 billion on 31/12/2015 as compared to EGP 8 billion on 31/12/2014, showing a growth rate of 60% and 178% as compared to 2011.

- AIBK also realized net earnings before provisions and taxes amounting to EGP 284.4 million for the financial year ending on 31/12/2015 compared to EGP 177.1 million in 2014 with a growth rate of approximately 61% and 127% as compared with 2011. Moreover, Net earnings after provision, impairment and taxes on 31/12/2015 amounted to EGP 76 million as compared to EGP 56 million on 2014, with a growth rate of 36% and 21% as compared to 2011. This has been achieved in spite of hedging, reserves and impairment, according to regulatory policies and standards. Revenue was distinctively operational profit as a result of expanding all banking activities.

- On 31/12/2015, client deposits reached EGP 11 billion as compared to EGP 6.6 billion during the previous year with a growth rate of 67% and 244% as compared to 2011, in addition to improved cost, type and maturity dates of deposits.

- Regarding loans and facilities granted to clients, they reached an amount of EGP 4.2 billion on 31/12/2015 as compared to EGP 3.2 billion in 2014, with a growth rate of 31% after the deduction of required provisions for the portfolio. In addition to the improved type, degree, worthiness, rating/ classification of clients and diversification of activities, while decreasing risks with a growth rate of 91% as compared to 2011.

- Net earnings from revenue amounted to EGP 376.1 million in 2015 compared to EGP 276.6 million in 2014 with a growth rate of 36% and 126% as compared to 2011.

- Non performing loans have reached approximately EGP 882 million, representing 17.6% of the total loan portfolio, which is covered with necessary provision and Impairment reaching EGP 630 million, representing approximately 71% of the net non-performing loans according to the accounting standards applied by CBE and supervisory authorities.

- AIBK has also been keen on participating actively in the social responsibility that directly meets part of the people's educational, health and economic needs. AIBK donated to several social projects, developing slum areas and providing governmental hospitals requirements. Out of its belief in the important role of social responsibility in bringing forward development among society, AIBK's Board of Directors approved to establish AIBK Foundation for Development. This is non-profit organization that will use the donations received from AIBK or other entities to contribute in supporting and developing the society in different fields so as to achieve social solidarity and sustainable development, and to foster the values of humanity for all members of the society.
- Finally, I would like to thank our customers for their confidence in our Bank and would also like to thank my colleagues for their efforts to realize these accomplishments.
- I would like to assure our customers that we will continue the achievements we started to realize our desired targets and the ambitious strategy that would place AIBK in a distinctive place among Egyptian banks in terms of both growth and efficiency.

Mohamed Hany Seif El Nasr

Chairman and Managing Director

AIBK's Strategy

The Strategy reflects the Board of Directors, top management as well as the employees' willingness to complete the success achieved and have the Bank reach a distinctive place among the best ten banks in the Egyptian banking market in terms of growth and efficiency, owing to the key determinants of the strategic goals that can be summarized as follows:

- Continuing to achieve distinctive growth rates with special focus on reaching the best efficiency rates (operation - cost - productivity - profitability) in the Egyptian banking market.
- Expand the Bank's market share according to an ambitious plan to have branches all over Egypt, besides the diversity and inclusion of the banking products and services, to cover all customer demands.
- The Bank's effective contribution to the ambitious development plan to the Egyptian economy, through contributing to financing national mega projects and to have presence, with its banking and financial services, in targeted development areas (Suez Canal Axis, Sinai development, Golden Triangle, the 1.5 Million Feddans Project, North Coast development, Upper Egypt development…etc.)
- To effectively contribute to providing funds and all types of banking services to SMEs and to have a pioneering role in this field.
- To focus on the concepts of development and inclusive quality when it comes to providing banking products and services and concerning operations, manuals/ directives, work systems and IT infrastructure, in addition to capacity building and enhancing the performance of employees, besides fostering a suitable climate that stimulates innovation and creativity among them.

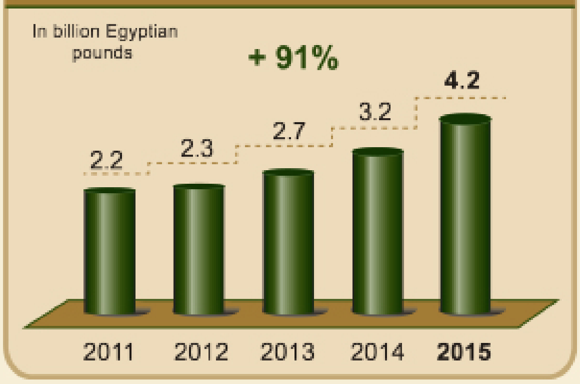
Plans For Continuous Success

Most Significant Financial Indicators up to December 2015

Total budget development

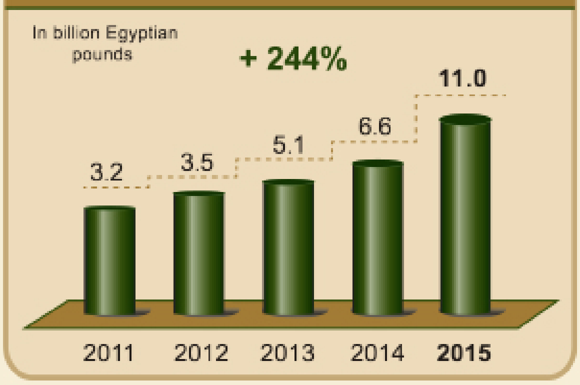
Net interest income development

Net loans & advances to customers development



Net profits before provisions & taxes development

Customers' deposits development



Net profits development

Development To Face Challenges

Overview Of The Bank's Sectors Activities

Customers' Satisfaction Is Our First Priority

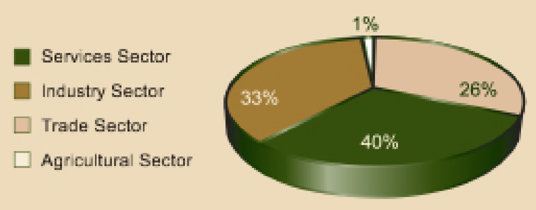
Corporate Finance Sector

In light of AIBK's strategic trends, this sector contributes to financing national projects that aim to serve the society and achieve economic development, that is besides providing a large group of funds and credit facilities in conformity with customers' needs. The department's strategy also aims to diversify the credit portfolio as outlined hereinafter:

- **Credit Facilities:**

The credit facilities portfolio has increased as compared with the previous year, divided over different sectors where the services sector represents the largest share, recording 40% of the total portfolio as shown:

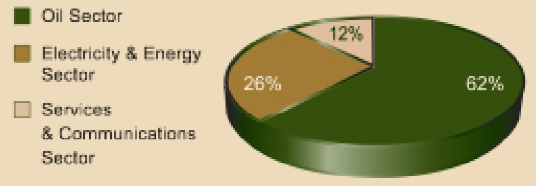
Credit Facilities in 2015



- **Syndicated Loans:**

The oil sector contributed to 62% of the total increase in the portfolio of syndicated loans, as shown:

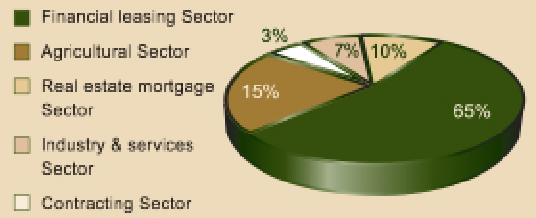
Portfolio of Sydinated Loans in 2015



- **Direct "Investment" Loans:**

The financial services sector (financial lease sector) accounts for 65% of the total increase in the investment loans portfolio, as shown:

Investment Loans Portfolio in 2015



Non-Performing Loans Sector (Remedial)

The non-performing loans sector focus on studying and researching the cases of defaults in the portfolio where it takes such actions including reconciliation, rescheduling and / or booking writing off bad debts to help AIBK realize optimum benefit by collecting the largest possible amount of these bad debts, improving performance indicators and reducing the Bank's bad debts portfolio which had reached 17.6% of the total portfolio of good debts in 2015, while noting that 43.5% of such debts have been settled out of the total portfolio of bad debts.

SMEs Sector:

In compliance with the state's interest in promoting the SMEs sector, which is considered to be the driving force of economic growth, AIBK has shown great interest in setting up a sector dedicated to SMEs which comprises qualified calibers and has focused on providing training according to the highest standards to ensure the provision of distinguished banking and credit services to this sector. In this regard, several contracts have been concluded with banking institutions, as outlined hereinafter:

- A contract was concluded with the Social Fund for Development (SFD) to obtain two credit lines with a subsidized interest rate for SMEs, while a contract is in the pipeline for obtaining a new credit line according to Islamic rules and another line for financing client's franchise projects.
- An agreement was reached with SFD for AIBK sharing in "Gameyety Program" in cooperation with the Ministry of Supplies in order to provide finance to university graduates, post graduates and higher education degrees, as well as early retirement citizens, to establish small consumer associations of areas ranging between 30 - 50 square meters in order to make available low cost products to all citizens.
- The provision of funds through "Partners Programs" launched in 2015 which covers all project requirements (equipment and tools, means of transportation, information technology, furnishing premises, inventory and working capital, medical care and pharmacies).

As a feedback of AIBK's effective participation in financing SMEs, this has resulted in the increase of the financing portfolio of such projects to reach 30% of AIBK's total portfolio by the end of 2015.

Real Estate Financing Sector:

- In light of AIBK's pioneering role in social life, it has allocated EGP 300 million to contribute to CBE's initiation to provide financing to low and medium income citizens for securing decent housing for them based on their needs.
- To activate this contribution & to realize positive outcomes, several cooperation protocols were signed with the Real Estate Financing Fund. These protocols aim to provide funds to low income citizens (according to CBE's terms and conditions) and with several real estate developers and owners of housing communities for low or medium income citizens.
- In application of the initiation, several categories of low income citizens were granted opportunities in a number of social housing and national housing projects across Egypt, such as October Gardens, Badr City, El Khanka, 10th of Ramadan City, Minia Governorate, in addition to providing financing to several medium income citizens for housing in different locations such as Nasr City, Pyramids Hill, Mokattam and Heliopolis.

Retail and Marketing Sector:

- AIBK has an ambitious strategy for the retail banking sector aiming to achieve geographical expansion either for integrated or retail branches.
- Our purpose is to expand in response to the needs of the bank's customers while working hard to support new branches with outstanding caliber.
- A bundle of attractive, competitive banking products have been launched to all customers segments including time deposits, saving accounts, saving certificates with different maturity and competitive interest rates, that is besides, the issuance of a wide range of cards that suit all needs, including credit, installment, debit, payroll and prepaid cards as well as providing personal and car loans in addition to Islamic products through Islamic branches, for which AIBK is known to be unique.
- AIBK is currently preparing for the introduction of electronic services according to the highest quality and competitive banking standards, either through the internet or smart phones.

VIP Customer Sector:

AIBK has established a sector for VIP customers that aims at attracting new heavy weight clients. It also aims to encourage existing clients to increase their investments while providing suitable financial investments to manage their funds in the most appropriate fields with competitive interest rates tailored to meet each client’s needs, in addition to the rapid provision of all types of banking services according to international performance standards.

Treasury and Trading Sector:

The Treasury and Trading sector plays a pivotal role in laying the strategy for the management of surplus liquidity and distributing them over short term deposits with central banks, high rank banks and a portfolio of high liquidity treasury bonds and bills of various currencies. This has contributed to increasing net revenue on interest by 36% as compared with 2014, in addition to managing AIBK's foreign currency operations which has added to the Bank's profitability along with enhancing the performance of the fixed income trading activities.

Operations Sector:

In accordance with AIBK Strategy, the operations sector proceeded its main role to implement the various AIBK services, included but not limited to:

- Opening documentary credits for the importers, advising and confirming documentary credits to exports, handling import and export documentary collections in addition to issuance of local and external letters of guarantee for customers centrally by trade finance center.
- Management of the settlement of salary & pensions payments of governmental employees.
- Processing inward and outward transfers centrally in local and foreign currency through swift and automatic clearing house (ACH).
- Supervising the e-payments system of government (the taxes and customs) made through all the bank branches to ensure the correct implementation.

Risks Sector:

This sector aims to develop and reinforce the risks culture at AIBK. It also acts as a fundamental tool for the successful achievement of AIBK's goals.

The Risks Sector determines measures and follows up all types of risks (credit, operation, market, credit implementation & follow up & inquires…etc.), while taking the necessary steps to fix and manage them to mitigate their impact. That is besides participating in evaluating the portfolio strategy and preparing the required reports, for which a professional methodology is followed, including action policies, procedures and rules in line with the nature and volume of AIBK's different activities.

Banking Relations Sector:

This sector had a very effective role in enhancing and increasing high quality banking relations while concluding a number of agreements that facilitate international trade movement and pave way for the best investment opportunities for AIBK through dealing with a selective and diversified network of the best banks and financial institutions, in addition to expanding the network of correspondents geographically to cover all geographical zones in which our clients deal, in a manner that would ensure meeting all demands and achieving best profitability for AIBK. Also AIBK has received the award of distinctiveness for its direct transfers and financial institutions transactions for 2015 through our main Euro correspondent "Commerz Bank AG".

Investment Sector:

AIBK is interested in developing and enhancing the Investment Sector and supporting it using all available capabilities and means to invest in all economic sectors through the following investment fields:

1- Financial investments, which include:

Investment funds: AIBK has established several investment funds to meet all the investment demands of its clients, as outlined hereinafter:

- **AIBK's First Fund - Money Market Fund:** For the daily purchase and sale of IC's. The Fund's money is invested in short term saving deposits.
- **AIBK's Second Fund - Helal:** Investment in stock according to Islamic legislation.
- **AIBK's Third Fund - Sanady (Fixed Income):** Investment in medium term fixed income (treasury bonds, treasury bills, banks deposits and corporate bonds).

2- Direct Investments:

AIBK has direct investments in numerous companies in various economic sectors, as shown hereinafter:

Economic Sectors	Percentage in Total Portfolio
Real Estate	48.21%
Industry	5.20%
Services	19.5%
Finance and Business	19.74%
Tourism	6.94%
Trade	0.12%
Food Security	0.29%

Governance & Compliance Sector:

AIBK has always been keen on abiding by all regulatory instructions, and developing internal auditing systems to cope with the best auditing practices, through applying three pillars:

- **First Pillar - Governance:**

Development of a governance system and working on applying it in proportion to the volume of business and AIBK's capability to absorb risks, in a manner that would insure avoidance of conflict of interest, to foster the culture of good governance, transparency, integrity, objectiveness and accountability. Within this context, the sector has been keen on informing all employees about AIBK's code of ethics.

- **Second Pillar - Compliance:**

Reinforcement of banking inclusive compliance concepts with its wide notion, which includes all laws, instructions and recommendations on local and international levels, while verifying the extent of application of the auditing standards and controls issued by CBE or any other monitory body as well as the applicable laws.

- **Third Pillar - Anti-Money Laundering and Terrorism Financing:**

AIBK has been keen on abiding by anti-money laundering and terrorism financing laws whether local or international ones, through applying the CBE law concerning this matter and applying rules for KYC issued by the anti-money laundering unit, in addition to complying with the recommendations issued by FATF. Further, AIBK has shown great interest to train all its employees in this field.

The sector has taken all necessary measures concerning FATCA, as the first electronic report was sent to the IRS on our clients, subject to the law, in line with the terms and conditions of the Law.

HR and Training Sector:

In light of the great expansions of AIBK on all diversified levels, the HR Sector plays a significant role in implementing the Bank's strategy and achieving its objectives. This is out of our belief in the role of human assets in the implementation of the bank strategy. To this end, the HR Sector has adopted several policies, including:

- Working on attracting distinctive human talents and providing them with the required competencies through training fresh graduates on the foundation program.
- Building the capacity of AIBK employees through implementing a training strategy that enhances employees skills and experiences in light of the bank's reforming strategies. Accordingly , AIBK provided some of the selected employees "train the trainer" certificate in addition to specialized certificates in the banking sector such as credit banking certificate, CDCS, CSDG, certificate of banking services for SMEs, banking lawyer certificate, professional marketing certificate, and specialized training certificates in the fields of compliance, anti-money laundering and governance.
- Building second line management and qualifying talented personnel showing high potential for which a career development plan is in process to be developed through "succession plan exercise" to identify the second line, and the high potential talents and developing their technical and interpersonal skills.
- Medical services provided to AIBK employees has been improved through expanding the Bank's medical services to include numerous pharmacies, hospitals, laboratories and X-ray centers, which has been beneficial to the employees.
- Upgrading the IT system "Ofok" for all activities of the HR Sector is in progress.

AIBK's Social Responsibility

Out of AIBK's belief in its social responsibility, which is no longer confined to the concept of philanthropic activities, but has come to include securing effective mechanisms to face current challenges and find solutions to problems that impede economic growth, and contribute to the development of the society.

AIBK has donated to several social projects and has provided governmental hospitals with some of their requirements, as outlined hereinafter:

- Provision of cardiac catheterization equipment to Ain Shams University hospitals, which would help improve the quality of therapeutic services to Egyptian citizens, in terms of accurate diagnoses of cases and reducing waiting lists.
- Provision of anesthetic apparatuses for ophthalmology diagnoses and treatment at Cairo University hospitals.
- Donations to Hospital 57357 for Children's Cancer.
- Donations to the Breast Cancer Foundation of Egypt.
- Donations to develop informal settlements.
- Donations to the Egyptian Food Bank and sponsoring its fundraising campaigns.

« Recognizing the importance of social responsibility, AIBK's Board of Directors approved to establish AIBK Foundation for Development, a non-profit organization that will provide donations received from AIBK and other external sources to contribute to community development in various fields to realize social solidarity, sustainable development and foster the values of human rights and good for mankind among members of the society. »

بنك الاستثمار العربى
AiBK Arab Investment Bank

الآن يمكنك التبرع من خلال البنك لصالح الجهات التالية

بيت الزكاة والصدقات أموال الزكاة
وأموال الصدقات والتبرعات
حساب 7777 - 8888
بالعملة المحلية والاجنبية

تحيا مصر
حساب 037037
بالعملة المحلية والاجنبية

مستشفى سرطان الأطفال
حساب 57357

بنك الطعام
حساب 888777

مؤسسة مصر الخير
حساب 100100

مؤسسة معا لتطوير العشوائيات
حساب 444/ 333
بالعملة المحلية والاجنبية

مؤسسة صناع الحياة مصر
حساب 999888

المعهد القومى للأورام الجديد
حساب 500500

جمعية نور على نور للأعمال الخيرية
حساب 350035

(مؤسسة خيرية) التبرع لجمع مساهمات
لصالح مستشفى الجامعى التخصص
(ابو الريش اليابانى)
حساب 555557

صندوق إنقاذ التراث المصرى
حساب 7000/7000
بالعملة المحلية والاجنبية

حملة دعم بيت العائلة المصرية
لترميم دور العبادة
حساب 111111
بالعملة المحلية والاجنبية

المعهد القومى للأورام - جامعة القاهرة
حساب 777

مدينة زويل للعلوم والتكنولوجيا
حساب 1000/ 1000
بالعملة المحلية والاجنبية

Auditors' Report

Assessment To Improve Achievements

Auditors' Report
to the Shareholders of Arab Investment Bank "Federal Joint Stock Company"

- Report on the financial statements
- Management's Responsibility for the Financial Statements
- Auditors' Responsibility
- Opinion
- Report on other legal and regulatory requirements

Auditors' Report
To The Shareholders Of Arab Investment Bank
"Federal Joint Stock Company"

Report on the financial statements

We have audited the accompanying financial statements of the Arab Investment Bank "Federal Joint Stock Company" which comprise the balance sheet as at December 31, 2015, and the income statement, statement of changes in shareholders' equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Central Bank of Egypt's rules, pertaining to the preparation and presentation of the financial statements of banks and the recognition and measurement bases approved by the board of directors of the Central Bank of Egypt at December 16, 2008, and in the light of the prevailing Egyptian laws. Management's responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error. Management's 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 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control . An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates used and made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of December 31, 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and the presentation of the financial statements of banks, the recognition & measurement basis approved by the board of directors of the Egyptian Central Bank at December16,2008 and in the light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on other legal and regulatory requirements

According to the information and explanations given to us during the financial year ended December 31, 2015, no violation of Central Bank, Banking and Monetary institution law No. 88 of 2003 and articles of incorporation was noted. The bank maintains proper books, which include all that is required by law and by the status of the Bank; the financial statements are in agreement thereto.

The financial information included in the Board of Directors' report, prepared in accordance with the Law No. 159 of 1981 and its executive regulations is in agreement with the bank's book of account, in so far as such information is recorded therein.

Auditors

Mohamed Abdel Ghani Hawas	Dr. Mohamed Abd Aziz Hegazy	Ola Abd El-Moneem Amean
		Ola Abdel-Monem
(KPMG Hazem Hassan)	(Crowe Horwath Dr. A.M. Hegazy & Co)	Central Auditing Organization
Public Accountants & Consultants	Public Accountants & Consultants	

Cairo: April 28, 2016

Arab Investment Bank
(Federal Joint Stock Company)
Balance Sheet As at December 31, 2015

	Note (no.)	December 31, 2015 EGP (000)	December 31, 2014 EGP (000)
Assets			
Cash & balances with central Bank of Egypt	(15)	726637	529981
Due from banks	(16)	4092872	495237
Treasury bills	(17)	756693	1009613
Financial assets held for trading	(18)	46823	3813
Loans and advances to customers	(19)	4163979	3219820
Financial Investments			
Available for sale	(20)	1552921	920233
Held to maturity	(20)	1078699	1467443
Investment in associated companies	(21)	156072	107757
Intangible assets	(22)	1151	2222
Other assets	(23)	189249	142848
Fixed assets	(24)	56398	58901
Deferred tax assets	(25)	1871	-
Total assets		**12823365**	**7957868**
Liabilities and equity			
Liabilities			
Due to banks	(26)	385370	464520
Customers' deposits	(27)	11008104	6550079
Other loans	(28)	125566	-
Other liabilities	(29)	235400	163476
Other Provisions	(30)	59185	37815
Deferred tax liability	(31)	-	92
Total liabilities		**11813625**	**7215982**
Equity			
Paid-up capital	(32)	800000	600000
Reserves	(33)	113260	87118
Retained earnings (including net profit of the year)	(34)	96480	54768
Total equity		**1009740**	**741886**
Total Liabilities and Equity		**12823365**	**7957868**

The accompanying notes from Page (30) to page (79) form an integral part of these financial statements and to be read therewith.

Mona Mokhtar
Mona Mokhtar
G.M Financial & Plan Divison

Mohamed Hany Seif El-Nasr
Chairman and Managing Director

Independent Auditors' Report "attached".

Auditors

Mohamed Abd El-Ghany Hawas
(KPMG Hazem Hassan)

KPMG Hazem Hassan
Public Accountants and Consultants

Dr. Mohamed Abd El-Aziz Hegazi
(Crowe Dr. A.M. Hegazy & Co.)

Ola Abd El-Moneem Amean
Ola Abdel-Monem
Central Auditing Organization

Arab Investment Bank
(Federal Joint Stock Company)

Income Statement

For the Financial year Ended December 31, 2015

	Note (no.)	Financial year ended December 31, 2015 EGP (000)	Financial year ended December 31, 2014 EGP (000)
Interest from loans & similar income	(6)	980324	663925
Interest on deposits & similar expenses	(6)	(604271)	(387333)
Net interest income		**376053**	**276592**
Fees and commissions income	(7)	153096	116455
Dividends income	(8)	3754	2602
Net trading income	(9)	37864	60037
Profits from financial investments	(20)	49707	18306
Impairment of loan losses	(12)	(104022)	(54045)
Administrative expenses	(10)	(315971)	(262307)
Other operating (expenses) income	(11)	(30939)	(44422)
Net profit of the year before taxes		**169542**	**113218**
Income tax expenses	(13)	**(93502)**	**(57185)**
Net profit for the year		**76040**	**56033**
Earnings Per Share	(14)	**1.23**	**0.93**

Arab Investment Bank

(Federal Joint Stock Company)

Statement of cash flows

For the financial year ended December 31, 2015

	Note (no.)	Financial year ended 31 December 31, 2015	Financial year ended December31, 2014
Cash flows from operating activities		EGP (000)	EGP (000)
Net Profit before taxes		169542	113218
Adjustments to reconcile net profit to net cash flows from operating activities			
Depreciation		14663	11640
Intangible assets depreciation		1647	2154
Impairment of loan losses		104022	54045
Other provisions used		23408	9847
(Gain) from sale of fixed assets		-	(13382)
(Gain) from sale of financial investments available for sale		(23506)	(2814)
Undistributed (gains) from investments in associated companies		(26317)	(16374)
Revaluation differences of available for sale investments		-	(784)
Amortization of (discount) premium of available for sale and held to maturity investments		(36847)	(27482)
Used provisions excluding loans provision		(2456)	-
Impairment losses of available for sale investment		116	882
Impairment losses of Assets owned by the bank		1058	-
Proceeds from bad debt previously written off		531	1602
Revaluation differences of trading financial assets		(3460)	(3813)
Revaluation differences for provisions other than loans provision in foreign currency		(418)	93
Operating income before changes in assets and liabilities from operating activities		**221983**	**128832**
Net decrease (increase) in assets			
Due from banks		(632734)	31719
Treasury bills		492338	(174006)
Loans and advances to customers		(1049004)	(589162)
Other assets		(45850)	(31308)
Net (decrease) increase in liabilities			
Due to banks		(79150)	436764
Trading financial investments		(43010)	-
Customers' deposits		4458026	1459194
Other Liabilities		59245	25853
Income tax paid		(82786)	(45757)
Net cash flows provided from operating activities		**3299058**	**1242129**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	13382
Payments for purchase of fixed assets & branches preparation		(12160)	(23116)
Payments for purchase of intangible assets		(576)	(3549)
Proceeds from selling of financial investment other than trading financial assets		1081614	327954
Dividends received		3754	13217
Payments for purchase financial investment other than trading financial assets		(1286681)	(1431952)
Net cash flows (used in) investing activities		**(214049)**	**(1104064)**
Cash flows from financing activities			
Other loans		125566	-
Proceeds from capital increase		200000	-
Dividends paid		(9600)	(29600)
Net cash flows provided from (used in) financing activities		**315966**	**(29600)**
Net increase in cash and cash equivalents during the year		3400975	108465
Cash and cash equivalents at beginning of the year		240521	132056
Cash and cash equivalents at end of the year		**3641496**	**240521**
Cash and cash equivalents are represented in:	(35)		
Cash and balances with Central Bank of Egypt		726637	529981
Due from banks		4092872	495237
Treasury bills		776341	1044138
Due from Central Bank of Egypt within the required reserve percentage		(649456)	(461002)
Bank Deposits		(866725)	(422445)
Treasury bills due in more than 3 months		(438173)	(945388)
Cash and cash equivalents at end of the year		**3641496**	**240521**

Arab Investment Bank
(Federal Joint Stock Company)

"Statement of Changes in Shareholders' Equity
For the financial year ended December 31, 2015"

Statement	Capital EGP (000)	Special Reserve EGP (000)	Capital Reserve EGP (000)	Legal Reserve EGP (000)	General Reserve EGP (000)	Fair value Reserve For A.F.S investments EGP (000)	Reserve of General Bank Risk EGP (000)	Retained Earnings EGP (000)	Total EGP (000)
Balances as of January 1, 2014 after dividends	500000	251	11549	19701	110311	8741	12885	13194	**676632**
Net Profit for the year 2014	-	-	-	-	-	-	-	56033	**56033**
Transferred to increase in the capital	100000	-	-	-	(100000)	-	-	-	-
Transferred to reserve of general bank risk	-	-	-	-	-	-	1077	(1077)	-
Transferred to Capital Reserves	-	-	13382	-	-	-	-	(13382)	-
Net change in fair value for AFS Investments	-	-	-	-	-	9221	-	-	**9221**
Balance as of Dec. 31, 2014	**600000**	**251**	**24931**	**19701**	**10311**	**17962**	**13962**	**54768**	**741886**
Balances as of Jan. 1, 2015	600000	251	24931	19701	10311	17962	13962	54768	**741886**
Net Profit for the year 2015	-	-	-	-	-	-	-	76040	**76040**
Proceeds from capital increase	200000	-	-	-	-	-	-	-	**200000**
Transferred to reserve of general bank risk	-	-	-	-	-	-	1079	(1079)	-
Transferred to Legal Reserve	-	-	-	2132	-	-	-	(2132)	-
Transferred to General Reserve	-	-	-	-	21517	-	-	(21517)	-
Dividend	-	-	-	-	-	-	-	(9600)	**(9600)**
Net change in fair value for AFS Investments	-	-	-	-	-	1414	-	-	**1414**
Balance as of Dec. 31, 2015	**800000**	**251**	**24931**	**21833**	**31828**	**19376**	**15041**	**96480**	**1009740**

Notes to the financial statements
For the financial year ended 31 December 2015

1 Background:

Arab Investment Bank (Previously- The Federal Arab Bank for Development and Investment) provides corporate, retail and investment banking services in Arab Republic of Egypt through its head office located in Cairo (8th Abd Elkhalek Tharwat st.) and 18 branches and the bank employs (860) employees at the balance sheet date.

Arab Investment Bank (Previously- The Federal Arab Bank for Development and Investment) was established on February 20, 1974, pursuant to the presidential Council decree no. (1) Of 1974.

According to the Extraordinary General Assembly decision on June 3, 2013 the name of the bank has been modified to be Arab Investment Bank instead of The Federal Arab Bank for Development and Investment.

2 Summary of Significant Accounting Policies:

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

A) Basis of Preparation:

The financial statements are prepared in accordance with Central bank of Egypt instructions approved by its board of directors on December16, 2008 in addition to the historical cost convention basis, modified by the revaluation of assets and liabilities held for trading, assets and liabilities originally valued with fair value through profits and losses, and available for sale investments, and all financial derivatives contracts, these financial statements were prepared in accordance with relevant local laws.

B) Associates company:

- Associates are all entities which the bank owns direct or indirect significant effect but not control, generally the bank owns 20% to 50% of the voting rights.
- The purchase method is used to account for the acquisition of companies by the bank. The cost of an acquisition is measured with the fair value of the assets or asset given or/and equity instruments issued and loans assumed on behalf of the acquired company at the date of exchange, plus costs directly attributable to the acquisition. Net assets including specific contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the bank's share fair value in the net assets acquired is recorded as goodwill.
- If the acquisition cost is less than the fair value, the differences is recognized directly in the income statement under the item "Other operating income (expenses)"

- Accounting for investment associates is recorded by using equity method. According to this method, investment recorded upon acquisition at cost, then the balance of investment is increased or decreased by the amount of change in bank share in the equity of associate company after the acquisition date, then the investment balance is decreased by the amounts of dividends distributed by associate companies.

- If there are subject evidences for an impairment loss of associate company, the value of Loss is calculated as the difference between the book value of investment and the higher of discontinued expected future cash flow with current market rate and net salvage value for each single investment.

The book value of the asset is reduced directly and the value of loss is recognized directly in income statement under "financial investment income (loss)". If any later time, the decrease and increase in impairment can be subjectively linked with an event occurring after recording the impairment value of impairment previously recognized loss can be recovered to income statement and the book value of investment mustn't be more than its cost in the date of impairment loss cancelation if this impairment loss is not recognized.

C) 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 engaged in providing 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.

D) Translation of Foreign Currencies:

D/1 Functional and presentation currency

The financial statements are presented in by thousand Egyptian pound, which is the Bank's functional and presentation currency.

D/2 Translation of Foreign Currencies

The bank maintains its accounts in Egyptian pound and records transactions in foreign currencies during the financial year on the basis of prevailing exchange rates at the date of the transaction, Monetary assets and liabilities denominated in foreign currencies are retranslated at the end of the financial period on the basis of prevailing exchange rates at that date. Foreign exchange gains and losses resulting from the settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:

- Net trading income or net income from financial instruments classified at fair value through profit and loss for assets / liabilities held for trading or those classified at fair value through profit and loss.

- Other operating Income (expense) for the other items.

- Changes in fair value of financial instruments denominated in foreign currency classified as available for sale investments (debt instruments) is analysed between valuation differences resulting from changes in amortized cost of the instrument, differences resulted from changes in the prevailing exchange rates, and differences resulted from changes in the fair value of the instrument. Those changes are recognized in the income statement as income on loans and similar items regarding changes in amortised cost and differences related to changes in the exchange rate are recognised as other operating income (expense), and changes in fair value of available-for-sale investments are recognized in equity (fair value reserve - available for sale investments).

- Valuation differences resulting from non-monetary items include profits and losses resulting from changes in fair value such as equity instruments held at fair value through profits and losses, while valuation differences resulting from equity instruments classified as financial investments available for sale are recognized as "fair value reserve - available for sale investments" under the equity caption.

E) Financial Assets:

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

E/1 Financial assets at fair value through profit or loss

- **This category includes:** financial assets held for trading, and those designated at fair value through profit or loss at inception.
- A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.
- Financial assets are designated at fair value through profit or loss in the following cases:

- When managing certain investments, such as equity investments, at a fair value basis in accordance with a documented risk management or investment strategy and reporting to key management personnel on that basis.
- Financial instruments, such as debt securities held-to-maturity, containing one or more embedded derivatives which significantly modify the cash flows, are designated at fair value through profit and loss.

E/2 Loans and advances

Loans and advances 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 those that the bank upon initial recognition designates at fair value through profit or loss.
- The bank upon initial recognition designates at available for sale.
- The bank may not recover substantially all of its initial investment, for other than deterioration in credit worthiness of the issuer.

E/3 Held-to-maturity financial investments

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the bank has positive intent and ability to hold to maturity. Reclassification will be made to Available-for sale category in case the bank has, during the current financial year sold or reclassified more than an insignificant amount of held to maturity investments before maturity other than those allowed in specific circumstances as specified by the Central Bank of Egypt.

E/4 Financial Investments Available for Sale

Available for sale financial assets are those non-derivative financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following applies to financial assets:

- Purchases or sales of financial assets 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 at fair value through profit and loss at initial recognition are recognized at fair value plus transaction cost, while the financial assets classified as at fair value through profit and loss are initially recognized at fair value only and the transaction cost is recognized in the profit and loss under “net trading income”.
- Financial assets are derecognized when the rights to receive cash flows have expired or when the bank transfer all asset risks and rewards 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. While loans and advances and held to maturity investments are measured subsequently at amortized cost.
- Gains and losses arising from changes in fair value of financial assets designated at fair value through profit and loss are recorded in income statement during the year it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized in “fair value reserve for available for sale investments” in equity until the financial asset is sold, or impaired at which time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.
- Interest income related to monetary assets classified as available for sale is recognized based on the amortized cost method in profit and loss. The foreign currency revaluation differences related to available for sale investments are recognized in the profit and loss. Dividends related to available for sale equity instruments are recognized in the profit and loss when they are declared.
- 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 establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the Bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost less of any impairment losses.

- Debt instruments can be reclassified from the available for sale investments to “loans and receivables” or” financial assets held to maturity” using fair value when the bank has the intention and ability to hold the instrument on the future or till maturity. Any related profits or losses that have been previously recognized in equity are treated as follows:

i. Financial assets with fixed or determinable payments and fixed maturity valued at amortized cost, using the effective interest method. The difference between the amortized cost using the effective interest method and the repayment value is amortized using the effective interest rate method.

ii. In case of financial asset's impairment any profits or losses previously recognized in equity is recognized in profit and loss.

- Profits and losses related to the financial assets without fixed or determinable maturity are recorded in equity till selling or disposing it. In case of impairment, profit and losses that have been previously recognized directly in equity are recognized in the profit and loss.

- 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 profit and loss.

- In all cases, if the bank re-classified 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/5 Offsetting between financial instruments

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.

Treasury bills, Repos and reverse Repos agreements are netted on the balance sheet and disclosed under treasury bill and other government notes.

E/6 Financial derivatives instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

- Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in statement of income under ‘Net income from trading’. However, gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets or liabilities at fair value through profit or loss are included in “net income from financial assets or liabilities at fair value through profit or loss”.

■ The derivatives are measured by its fair value changes in fair value recognized in income statement under the article net trading income. The embedded derivatives are not separated if the bank decides to classify the entire compound contract by the fair value through profits and losses. Recognizing the profits and losses resulted from the fair value depends on whether the derivative is a covering instrument provision and according to the nature of the covered item; the bank classifies some of the derivatives as one of the following:

- Hedging of the fair value of recognized assets and liabilities or confirmed commitments (fair value hedging).
- Risk hedging of future highly expected cash flows related to a recognizes asset or liability or related to an expected transaction (cash flows hedging).

■ Hedging accounting is used for provision derivative for that purpose if the needed conditions are available. At the beginning of the transaction the bank documents the relations between the covered items and hedging instruments, also the objectives of risk management and the strategy of having different hedging transactions. At the beginning of hedging and consciously, the bank documents the estimation of whether the derivative used in hedging transactions are effective in facing the changes in the fair value or cash flows of the covered items.

E/6/1 Fair value hedging:

The changes in the fair value of qualified derivatives provisions for hedging of the fair value are recognized in the income statement, this with any change in the fair value related to the risk of the covered asset or liability. The effective changes in the fair value of return transfers contracts and the related covered items are added to the net return and effective changes in the fair value of the future currency contracts are added to net trading income. Inefficiency in all of the contracts and the related covered items mentioned in the previous paragraph are added to the net trading income. If the hedging is no longer following the hedging accounting procedures, the modification added to the book value of the covered items recorded by the amortized cost method, this is through charging it against the profits and losses along the period till its maturity. Amendments in covered equity instrument's book value remain within the owners' equity till it has been excluded.

E/6/2 Cash flows hedging:

The effective part in the changes in the fair value of the qualified derivative provision to cover the cash flows is recognized as owners' equity, while the profit and losses related to the ineffective part are recognized immediately as (net trading income) in the income statement. The amounts accumulated in the owners' equity are transferred to the income statement in the same periods that the covered item has an effect on profits and losses, profits and losses related to the effective part of the currency transfers and options are added to the net trading item.

When the hedging instrument is being due or sold, or when the hedging is no longer following the hedging accounting procedures, the profits and losses accumulated in the owners' equity in that time remain within the owners' equity item and it is recognized in the income statement when the expected transaction is finally recognized.

But if the expected transaction is no longer expected to occur then the profits and losses accumulated in the owners' equity are immediately transferred to the income statement.

E/6/3 Unqualified derivative of hedging accounting:

Changes in the fair value of the unqualified derivatives of hedging accounting are being recognized in the (net trading income) item. In the income statement, the profits and losses resulted from the changes in the fair value is recognized as (net income of classified financial instruments valued by the fair value of profits and losses), this is through the profits and losses resulted from the changed in the fair value of derivatives managed in relation to the classified assets and liabilities in the profits and losses.

F) Recognizing first day's deferred profits and losses:

Considering the tools that evaluate the fair value, the transaction price is considered to be the best instrument to evaluate the fair value on the transaction date(fair value of delivered or received return) unless the fair value of the instrument on that date is indicated depending in the transaction's price in published market or using evaluation modules. When the bank has a long term transaction, its fair value is specified using evaluation modules that their inputs may not all be from the published market rates or prices, those financial instruments are recognized according to transaction price which is the best indication of the fair value.

Although the value calculated from evaluation modules may be different, and the difference between the transaction price and the amount resulted from the module is not immediately recognized as first day's profits and losses and it is listed as other assets in the case of loss, and as other liabilities in the case of profit.

The timing of recognizing the deferred profit and loss is specified separately for each case through its amortization on the transaction or when it is possible to identify the instrument's fair value using published market's inputs or by approving it when adjusting the transactions, the instruments is measured by the fair value, the subsequent changes in the fair value are immediately recognized in the income statement.

G) Interest Income and Expense:

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated at fair value through profit or loss, are recognized within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective 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 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 interest rate, transaction costs and all other premiums or discounts.

Once loans or debts are classified as nonperforming or impaired , the revenue of the interest income will not be recognized and will be recorded off balance sheet and recognized as income subsequently based on cash basis according to the following:

- When it is collected and this is after redeeming all dues of consumer loans and personnel mortgages also small loans for economic activities.

- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25 % of the rescheduled installments and when these installments continue to be paid for at least one year. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized in revenues. Interest that is marginalized prior to the date when the loan becomes performing is not recognized in profit or loss except when the total balance of loan, prior to that date, is paid in full.

H) Fees and Commissions:

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue as the service is provided. Fees and commissions on non-performing or impaired loans or receivables cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue - on the cash basis - only when interest income on those loans is recognized in profit or loss, at which time, fees and commissions that are an integral part of the effective interest rate of a financial asset are treated as adjustment to the effective interest rate of that financial asset.

Commitment fees received by the bank to originate a loan are deferred if it is probable that the bank will enter into a specific lending arrangement and are regarded as a compensation for an ongoing involvement with the acquisition of the financial instrument and recognized as an adjustment to the effective interest rate. If the commitment expires without the bank making the loan, the fees are recognized as revenue on expiry.

Fees related to debt instruments which are measured at fair value are recognized under revenue at initial recognition. The fees for promotion of joint loans are recognized within 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.

Fees and commissions that are earned on negotiating or participating in the negotiation of a transaction in favour of another entity, such as arrangements for the allotment of shares or another financial instrument or acquisition or sale of an enterprise on behalf of a client, are recognized as revenue when the transaction has been completed. Administrative consultations and other service fees are usually recognized as revenue on a straight-line basis over the period in which the service is rendered. Fees from financial planning management and custodian services provided to clients over long periods are usually recognized as revenue on a straight-line basis over the period in which these services are rendered.

I) Dividends:

Dividends are recognized in the income statement when the bank's right to receive payment is established.

J) Purchase of Resale Agreements, and sale & repurchase agreements:

Financial instruments sold under repurchase agreements, are not derecognized from the books. These are shown in the assets side as an addition to the "treasury bills and other governmental notes" line item in the balance sheet. On the other hand, the bank's obligation arising from financial instruments acquired under resale agreements, is shown as a deduction from the "treasury bills and other governmental notes" line item in the balance sheet. Differences between the selling and repurchase price or between the purchase and resale price is recognized as interest expense or income throughout the period of agreements using the effective interest rate method.

K) Impairment of financial Assets:

K/1 Financial Assets Measured at Amortized Cost

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

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive 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 collaterals.
- Deterioration in the creditworthiness of the borrower.

An objective evidence for impairment loss of the financial asset includes observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, such as the increase of default cases with respect to a banking product.

The estimated period between the date in which the loss occurred and the date on which the impairment loss has been identified for each specific portfolio. In general, the periods used vary between three months and 12 months; in exceptional cases, longer periods are warranted.

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 in this respect the following should be considered:

- 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.
- 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.
- If no impairment losses result from the previous assessment of impairment in this case the asset included in a collective assessment of impairment.
- Provision amount of impairment loss is measured by the difference between the asset's book value and the present value of the expected future cash flows excluding the future credit losses that have not been incurred yet, deducted from the use of actual return rate of the financial asset. The book value of the asset is decreased by the provision of impairment loss. The impairment loss is recognized as credit losses in the income statement.
- If the loan or investment held to maturity has a variable interest rate, the discount rate used to measure any impairment losses is the original effective contractual interest rate. Where practicable, the bank measures the impairment losses based on the fair value of the instrument using declared market prices. In the case of collateralized financial assets, the addition of the present value of the expected future cash flows that may originate from the execution of and sale of the collateral after deducting the related expenses must be observed.
- For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.
- For the purposes of evaluation of impairment for a group of a financial assets according to historical default ratios future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. 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 currently exist.
- Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology & assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

K/2 Available for Sale Financial Investments

At each balance sheet date, the bank assesses whether there is objective evidence that any financial assets or a group of financial assets classified as available for sale or held to maturity has been impaired. A significant or prolonged decline in the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence that the assets is impaired.

During Periods start from First of January 2009, The Decrease Consider significant cause it become 10% From cost of book value and the decrease consider to be extended if it continue for period more than 9 months, and if the mentioned evidences become available then the accumulated loss to be post from the equity and disclosed at the income statement, impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. 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 is reversed through the income statement.

L) Real-estate investment:

Real-estate investment is requested in land & Buildings owned by the bank for gain rental revenues or capital appreciation. Therefore it doesn't include real-estate assets used in the bank's operations or which was received in settlement of the bank's liability. Invesment is accounted by the same method applied for fixed assets.

M) Intangible assets:

M/1 Computer programs

Expenses related to improvement & maintenance of computer programs are recognized as expenses in income statement when incurred. Recognized as an intangible asset expenses related directly with definite programs and under the bank control & expected to generate economical benefits which exceed its cost for more than one year. Direct expenses includes labour cost in the program improvement team in addition to appropriate average of related general expenses and it is recognized as an improvement cost in the expenses that leads to an increased expansion or performance of the computer program more than its original standards, it is added to the program cost.

Computer programs' costs which are recognized as an asset are depreciated over its life time within a period of not more than 3 years.

M/2 Other intangible assets

Represented in the intangible assets other than goodwill and computer programs for example (trademarks, license, and rental contracts benefits). Intangible assets are recorded by acquisition cost and are amortized by straight line method or the economic benefits expected, along its estimated useful life. Considering assets with no definite useful life, they are not amortized but its impairment loss is yearly examined and recorded (if found) in the income statement.

N) Fixed Assets:

Land and buildings comprise mainly branches and offices. 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 items. Subsequent costs are included in the asset's 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. All other repairs and maintenance expenses are recognized in profit or loss within "other operating expenses" during the financial period in which they are incurred. Depreciation is charged so as to write off the cost of assets, other than land which is not depreciated, over their estimated useful lives, using the straight-line method to the extent of their estimated residual values based on the following annual rates:

■ Buildings	20 years
■ Furniture & safe	10 years
■ Machinery and equipment	8 years
■ Transportation vehicles	5 years
■ Computers & Automated systems	5 years
■ Advances & installments	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverble amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

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.

O) Non-financial asset impairment:

Assets without definite useful life are not depreciated & it is being tested annually for impairment. Assets are tested for impairment of events or circumstances indicated that the book value may not be recoverable.

Then the impairment is recognized & decreasing the assets value by the amount of the asset's book value exceeding the recoverable value.

The recoverable values represent the net asset's sale value or the assets usable value whichever is higher.

In order to estimate the impairment, asset is joined to smallest possible generating-cash unit. Non-financial assets with impairment are being reviewed to check if there is any impairment to be credited to the income statement at the date of preparing the financial statement.

P) Rental:

Payments are recorded in operating rent account after deducting any discounts received from the lesser in the expenses in the income statement according to straight line method within the contract period.

Q) Cash and Cash Equivalents:

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the 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 and other government notes.

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 not 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 will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions which negated the purpose of wholly or partly repaid within the item other operating income (expense).

S) Financial collateral contracts:

Financial collateral contract is the contract issued by the bank to collateral loans or debit current accounts presented to its customers from other parties and it is required from the bank to pay certain payments to compensate the beneficiaries of carried loss because debit payment in the due date according to the debt instrument's conditions. These financial collaterals are presented to banks, financial institutions and other parties on behalf of the bank's customers.

Initial recognition in the financial statements is recorded by the fair value at the date of granting the collateral which may reflect the collateral fees. Later on, the bank's liability is measured by the virtue of the collateral on the basis of the initial recognition amount less the amortization to recognize the collateral fees in the income statement by the straight line method over the collateral lifetime, or the best estimation of the needed payments to adjust any financial liability resulted from the financial collaterals on the balance sheet date which is higher. These estimations are specified according to the experience in similar transactions and historical losses and also by the management's judgment.

Any increase in the liabilities resulted from financial collaterals, is recognized in the income statement as other operating revenues (expenses).

T) Labour benefits:

T/1 Pension liabilities

The bank is committed to pay the contributions to the Social Insurance Public Authority, with no other liabilities after paying these contributions. Those contributions are recorded periodically in the income statement in its maturity year and are listed as labor benefits. The bank has insurance fund for the employees of the bank, which was founded 26/1/1979 Working according to law no. 54 for year 1975 and its executive regulations, in the purpose of granting compensation and insurance benefits for the members, this pension fund and its amendments are implemented on all of the employees of the bank's head office and its branches.

The bank is committed to pay the annual and monthly subscription to the fund according to the funds regulation and its amendments. No other liabilities on the bank after the payment of the subscription. Those subscriptions are recognized as administrative expenses when they come due.
The prepaid subscriptions are recognized as assets to the limit that the deposit leads to reduce the future payments or to a refund.

U) Income Taxes:

Income tax expense on the year's profit or loss includes the sum of the tax currently payable and deferred tax and is recognized in the income statement, except when they relate to items that are recognized directly in equity, in which case the tax is also recognized in equity.

Income tax is recognized based on net taxable profit using the tax rates applicable at the date of the budget in addition to tax adjustments for previous years.

Deferred taxes is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. 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.

V) Borrowing:

Loans obtained by the bank are initially recognized at fair value net of transaction costs incurred in connection with obtaining the loan. Borrowings are subsequently measured at amortized cost, with the difference between net proceeds and the value to be paid over the borrowing period, recognized in profit or loss using the effective interest rate method.

W) Capital:

W/1 Cost of capital

The issuance expenses that are related directly with issuing new shares or shares of acquiring entity or issuance options, are presented as a deduction from owners'' equity and the net revenues after tax.

W/2 Dividends

Dividends are recognized when the general assembly of shareholders approves them. Dividends include the employees' profit share and the board of directors' remuneration as prescribed by the bank's articles of association and the corporate law.

X) Comparative Figures:

Comparative figures are reclassified, where necessary, to conform with changes in the current period'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 altogether, 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 risks 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. Moreover, the risk department is responsible for the periodic review of risk management and the control environment independently.

A) Credit Risk

The bank is exposed to the credit risk which is the risk resulting from failure of the client to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the bank, therefore requiring careful management. The credit risk manifests itself in the lending activities and debt instruments in bank's assets as well as off balance sheet financial instruments, such as letters of credit and letters of collateral. The credit risk management and control are centralized in a credit risk management team in Bank Risk management department and reported to the Board of Directors and head of each business unit regularly.

A/1 Measuring the Credit Risk

- Loans and advances to banks and clients

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank's rating system is based on three key pillars:

- The 'probability of default' by the client or counterparty on its contractual obligations.
- Current exposures to the counterparty and its likely future development, from which the Bank derive the (exposure at default).
- The likely recovery ratio on the defaulted obligations (the loss given default).

These credit risk measurements, which reflect expected loss The operational measurements can be contrasted with impairment allowances required under Central Bank of Egypt's rules, pertaining to the preparation and presentation of the financial statements of banks and the recognition and measurement bases approved by the board of directors of the Central Bank of Egypt at December 16, 2008, which are based on losses that have been incurred at the balance sheet date rather than expected losses.

- The Bank assesses the probability of default of individual counterparties using internal rating tools tailored to the various categories of counterparty. They have been developed internally and combine statistical analysis with credit officer judgment and are validated, where appropriate, by comparison with externally available data. Clients of the Bank are segmented into four rating classes. The Bank's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating tools are kept under review and upgraded as necessary. The Bank regularly validates the performance of the rating and their predictive power with regard to default events. Bank's internal ratings scale and mapping of external ratings.

Bank's internal ratings scale	
Bank's Rating	**Description of the grade**
1	Good debts
2	Normal watch-list
3	Special watch-list
4	Nonperforming loans

And the loans expose to default depend on the banks expectation for the outstanding amounts when default occur. Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

- Debt Instruments, Treasury Bills and Bills:

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Risk department for managing of the credit risk exposures, and if this rating is not available, then other ways similar to those used with the credit customers are uses. The investments 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 requirement at the same time.

A/2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations 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 industry 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, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sub-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:

The bank employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advances, which is common practice. The bank implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for loans and advances are:

- Mortgages over residential properties.
- Mortgage business assets such as premises, inventory and accounts receivable.
- Mortgage financial instruments such as debt securities and equities.

Longer-term finance and lending to corporate entities are generally secured; revolving individual credit advances are generally unsecured. In addition, in order to minimize the credit loss the bank will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances.

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other governmental securities are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

Derivatives:

The bank maintains strict control limits on net open derivative positions (i.e., the difference between purchase and sale contracts), by both amount and term. At any one time, the amount subject to credit risk is limited to the current fair value of instruments that are favourable to the bank (i.e., assets where their fair value is positive), which in relation to derivatives is only a small fraction of the contract, or negotiable values used to express the volume of instruments outstanding. This credit risk exposure is managed as part of the overall lending limits with customers, together with potential exposures from market movements.

Collateral or other security is not usually obtained for credit risk exposures on these instruments, except where the bank requires margin deposits from counterparties.

Settlement risk arises in any situation where a payment in cash, securities or equities is made in the expectation of a corresponding receipt in cash, securities or equities. Daily settlement limits are established for each counterparty to cover the aggregate of all settlement risk arising from the Bank market transactions on any single day.

Commitments Related to Credit:

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Collaterals and standby letter of credit carry the same credit risk as loans. Documentary and commercial letters of credit – which are written undertakings by the Bank on behalf of a customer authorizing a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions – are collateralized by the underlying shipments of goods to which they relate and therefore carry less risk than a direct loan.

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, collaterals or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

A/3 Impairment and Provisions Policies

The internal rating systems described in Note a.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast, impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

The impairment provision shown in the balance sheet at the period-end is derived from each of the four internal rating grades. However, the majority of the impairment provision comes from the bottom two grades. The table below shows the percentage of the Bank's in balance sheet items relating to loans and advances and the associated impairment provision for each of the Bank's internal rating categories:

Bank evaluation	Loans and Advances %	Impairment losses provision %	Loans and Advances %	Impairment losses provision %
	December 31, 2015		December 31, 2014	
Performing loan	64.03	4.08	57.41	3.29
Regular watching	10.61	1.76	17.13	2.96
watch-list	7.74	12.35	6.95	9.66
Nonperforming loans	17.62	81.81	18.51	84.09
	100%	**100%**	**100%**	**100%**

The internal rating tools assists management to determine whether objective evidence of impairment according to the basis of preparing and previewing the financial statements of banks , assurance and measurements basis held by board of directors of central bank of Egypt at 16th of December 2008 and based on the following criteria set out by the Bank:

- Cash flow difficulties experienced by the borrower.
- Breach of loan covenants or conditions.
- Initiation of bankruptcy proceedings.
- Deterioration of the borrower's competitive position.
- Bank granted concessions may not be approved under normal circumstances, for economic, legal reasons, or financial difficulties facing the borrower.
- Deterioration in the value of collateral.
- Deterioration in the credit situation.

The Bank's policy requires the review of all financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts.

The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Impairment loss provision is formed on homogenous experience of loan losses, available personal judgment of bank management and statistical methods.

A/4 Bank Risks Measurement General Model

In addition to the four categories of measuring credit worthiness discussed in disclosure 1.a the management makes small groups more detailed according to the CBE rules.

Assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets impairment in addition to credit regulations according to special percentages determined by CBE. In the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the EAS, the general banking risk reserve is included in owners equity deducted from the retained earning with this increase, this reserve is modified with periodic basis with the increase and decrease, which equals the increase in provisions and this reserve is not distributed.

And this are categories of institutional worthiness according to internal ratings compared with CBE ratings and rates of provisions needed for assets impairment related to credit risk:

Classification of the Central Bank of Egypt	Classification Significance	Required provision rate	Internal classification	Internal classification Significance
1	Low risks	Zero	1	Performing loans
2	Average Risk	1%	1	Performing loans
3	Satisfactory risks	1%	1	Performing loans
4	Reasonable Risk	2%	1	Performing loans
5	Acceptable Risk	2%	1	Performing loans
6	Marginally Acceptable risk	3%	2	Regular watching
7	Watch list	5%	3	Watch List
8	Substandard	20%	4	Non performing loans
9	Doubtful	50%	4	Non performing loans
10	Bad Debt	100%	4	Non performing loans

A/5 Maximum limits for Credit risk before Collateral

EGP (000)

Items exposed to credit risk in Balance sheet	December 31, 2015	December 31, 2014
Treasury Bills, other Governmental Notes and trading financial assets	756693	1009613
Loans and advances to customers (Retail loans)		
Overdrafts	150847	111924
personal loans	88771	86730
Loans and advances to customers (Corporate loans)		
Overdrafts	3174866	2436031
Direct loans	400587	408428
Syndicated loans	1190938	920479
other loans	240	86
Financial investments		
debt instruments	2525594	2308464
Other assets	189249	142848
Total	**8477785**	**7424603**
Off Balance sheet Items exposed to credit risk	**December 31, 2015**	**December 31, 2014**
Accepted discounted bills	57385	71539
Letter Of Credit	135523	257973
Letter Of guarantee	1282029	1123141
Total	**1474937**	**1452653**

The above table represents the Maximum bank exposure to credit risk at December 31, 2015 and at December 31, 2014, without taking account of any collateral held. For in balance sheet items, the exposures set out above based on net carrying amounts as reported in the balance sheet.

- As shown above, 59.05 % of the total maximum exposure is derived from loans and advances to banks and customers at December 31, 2015 against 53.39 % at December 31, 2014; while 29.79 % at December 31,2015 represents investments in debt instruments against 31.09% as at December 31, 2014.

Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt Instruments based on the following:

- 73.42 % of the loans and advances portfolio is categorized in the top two grades of the internal rating system of the loans portfolio and credit advances at 31/12/2015 against 75.36% at 31/12/2014.

- 79.85% of the loans and advances without accruals or impairment indicators at 31/12/2015 against 79.16% at 31/12/2014.
- 91.40 % at December 31, 2015 against 99.23% in 31/12/2014 of the investments in debt instruments are represented in governmental instruments.

A/6 Loans and Advances

Following is the position of loans and advances balances to the Clients and Banks in terms of credit solvency:

EGP (000)

Statement	Loans and advances to customers	Loans and advances to customers
	December 31, 2015	December 31, 2014
Neither past due nor impaired	3997445	3137748
Past due but not impaired	126935	92090
Subject to impairment	881869	733840
Total	**5006249**	**3963678**
Less		
Interest In Suspense	(138226)	(129370)
Profits of foreign Islamic operations	(10810)	(14036)
Provision for impairment losses	(693234)	(600452)
Net	**4163979**	**3219820**

Provision of impairment losses represents as at December 31, 2015 an amount of 693,234 thousands Egyptian pound against 600,452 thousand pounds at December 31, 2014 including 629,620 thousands Egyptian pound as at December 31, 2015 against 546,355 thousands Egyptian pound as of December 31, 2014 represents impairment of individual loans and the rest amounted 63,614 thousand Egyptian pound represents impairment of grouped credit portfolio. Note (19) including additional information about Provision of impairment losses.

- **Loans and advances without unpaid balances and is not impaired:**

The credit quality of the portfolio of loans and advances without unpaid balances and is not impaired is evaluated by referring to the internal evaluation used by the bank.

- **Loans and advances to Customers and Banks in net as of December 31, 2015**

EGP (000)

Valuation	Retail		Corporate				Total loans and advances to customers
	Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Performing loans	147734	83246	2019727	197152	710242	240	3158341
Regular watching	-	-	139954	25211	351910	-	517075
Watch list	-	-	224953	13819	83257	-	322029
Total	**147734**	**83246**	**2384634**	**236182**	**1145409**	**240**	**3997445**

Loans and advances to Customers and Banks as of December 31, 2014

EGP (000)

Valuation	Retail		Corporate				Total loans and advances to customers
	Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Performing loans	106718	83512	1378233	187483	513937	86	2269969
Regular watching	-	-	192990	140050	384225	-	717265
Watch list	-	-	141805	8709	-	-	150514
Total	**106718**	**83512**	**1713028**	**336242**	**898162**	**86**	**3137748**

- **Loans and advances past due but not subject to impairment**

Unless other information is available to indicate the contrary. Customers' loans and advances with neither past due but not impaired. The fair values of the collateral related thereto are represented as follows:

December 31, 2015

EGP (000)

Statement	Retail			
	Overdrafts	Personal loans		Total
Past due 30 days	51	62		113
	Corporate			
	Overdrafts	Direct loans	Syndicated loans	Total
Past due more than 90 until 120 days	102175	1408	23239	126822

At the time of initial recording loans and advances, fair value of collateral is assessed based on the valuation techniques usually used with similar assets. In subsequent period, the fair value is updated at the market prices or similar assets prices.

December 31, 2014

Statement	Retail		
	Overdrafts	Personal loans	Total
Past due 30 days	-	183	183
	Corporate		
	Overdrafts	Direct loans	Total
Past due more than 90 until 120 days	91329	578	91907
Fair value of collateral	**90251**	**798583**	**888834**

Loans and advances subject to impairment individually

Customers' loans and advances

Loans and advances assessed on an individual basis before cash flows from collaterals are amounted 877,670 thousands Egyptian Pound as at December 31, 2015 against 733,840 thousands Egyptian Pound as at December 31, 2014

Following is an analysis of the total value of the loans and advances individually subject to impairment including the fair value of the collaterals that the bank received in return for such loans:

December 31, 2015

EGP (000)

Statement	Retail		Corporate				Total loans and advances to customers
	Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Subject to impairment individually	**3063**	**5463**	**688057**	**162997**	**22289**	-	**881869**

December 31, 2014

EGP (000)

Statement	Retail		Corporate				Total loans and advances to customers
	Overdrafts	Personal loans	Overdrafts	Direct loans	Syndicated loans	Other loans	
Subject to impairment individually	5206	3035	631674	71608	22317	-	733840
Fair value of collaterals	**3**	-	**71222**	-	-	-	**71225**

Restructuring Loans and Advances:

Restructuring activities include extended payment arrangements; execute obligatory management programs, modification and deferral of payments. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These policies are kept under continuous review. Restructuring is most commonly applied to long term loans; in particular customer finance loans Renegotiated loans that would otherwise be past due or impaired totalled at the end of the financial period, especially customers' funded loans. Loans that were being renegotiated amounted 48,833 thousands Egyptian Pound against 86,284 thousands Egyptian Pound as at December 31, 2014.

EGP (000)

loans and advances to customers	December 31, 2015	December 31, 2014
Corporate		
Overdrafts	20174	16975
Direct Loans	27387	58246
Individuals		
Overdrafts	293	10773
Personal loans	979	290
Total	**48833**	**86284**

A/7 Debt instruments and treasury bills:

The following table represents the analysis of debt instruments and other treasury bills according to the evaluation agencies at 31/12/2015, based on Standard & Poor's evaluation and equivalents:

EGP (000)

Statement	Treasury bills	Financial investments in securities	Total
AAA	-	9655	9655
AA- to AA+	-	6607	6607
A- to A+	-	-	-
Less A-	756693	2509332	3266025
Total	**756693**	**2525594**	**3282287**

A/8 Acquisition of collaterals:

The bank did not acquire any collateral during the current year.

A/9 The concentration of financial assets exposed to credit risks:

Geographical Segments

The following table represents the analysis of the most important bank's credit risks measured at the book value, allocated according to the geographical segment at 31/12/2015. While preparing this table, risks were allocated to the geographical segments according to the areas related to the bank's customers.

EGP (000)

Statement	Arab Republic of Egypt		
	Cairo	Alexandria & the Delta & Sinai	Total
Treasury bills	756693	-	756693
Loans& advances to customers			
Retail			
overdrafts	115580	35267	150847
Personal loans	83049	5722	88771
Corporate			
overdrafts	2858555	316311	3174866
Direct loans	400587	-	400587
Syndicated loans	1190938	-	1190938
Other loans	240	-	240
Financial Investments			
Debt instruments	2525594	-	2525594
Other Assets	189249	-	189249
Total as of December 31, 2015	**8120485**	**357300**	**8477785**
Total as of December 31, 2014	**7075270**	**349333**	**7424603**

The concentration of financial assets exposed to credit risks:

Activity Segments

The following table represents the analysis of the most important bank's credit risk in book value, allocated according to the customers' activity.

December 31, 2015

EGP (000)

Statement	Arab Republic of Egypt							
	Financial Institutions	Industrial Institutions	Real estate activity	Wholesale & retail trade	Govern-mental sector	Other Activity	Individuals	Total
Treasury bills	-	-	-	-	756693	-	-	756693
Loans & advances								
Retail								
overdrafts	-	-	-	-	-	150847	-	150847
Personal loans	-	-	-	-	-	88771	-	88771
Corporate								
overdrafts	-	373524	780597	919700	-	1101045	-	3174866
Direct loans	-	36462	130992	20249	-	212884	-	400587
Syndicated loans	-	643194	265678	8379	-	273687	-	1190938
Other loans	-	-	-	-	-	-	240	240
Financial Investments								
Debt instruments	-	-	-	-	2525594	-	-	2525594
Other Assets	-	-	-	-	-	189249	-	189249
Total as of Dec. 31, 2015	**-**	**1053180**	**1177267**	**948328**	**3282287**	**2016483**	**240**	**8477785**
Total as of Dec. 31, 2014	**1013792**	**1143553**	**862717**	**-**	**3409559**	**796337**	**198654**	**7424612**

B) Market Risk

The bank takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, credit spreads, foreign exchange rates and equity prices. The Bank separates exposures to market risk into either trading or non-trading portfolios.

The market risks arising from trading and non-trading activities are concentrated in Bank risk exposure department and monitored by two teams separately. Regular reports are submitted to the Board of Directors and heads of each business unit.

Trading portfolios include those positions arising from market-making transactions where the Bank acts as principal with customers or with the market Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

The bank uses the method of relating debit interest rate with credit interest rate to avoid the risk of fluctuations in interest rate. The bank also depends on fluctuated interest rate which does not exceed 3 months except in specific cases interest rates are specified for longer period relating resources portfolio with application portfolio to get return that covers its costs.

In addition the bank should not exceed the following:

- The surplus amount of any foreign currency positions for 1 % from the capital base.
- The total surplus of foreign currency positions for 2 % from capital base.
- The total shortage amount in the position of any currency for 10 % from capital base.
- The total shortage of (local/foreign) currency positions for 20 % from capital base.

B/1 Summary on the Value at Risk of trading portfolios:

EGP (000)

Statement	December 31, 2015			December 31, 2014		
	Average	Higher	Lower	Average	Higher	Lower
Interest rate risk	5066	9330	1418	42137	62050	9331
Total value at risk	**5066**	**9330**	**1418**	**42137**	**62050**	**9331**

- The increase of VAR especially the interest rate risk, mainly relates to the increased volatility of market interest rates in global principal financial markets.
- The three previous values exposed to risk results are calculated independently from concerned centres and historical movements of market. The total amount exposed to risk for trading and for non-trading does not expresses the amount exposed to risk at the bank due to the relation between risks types and portfolio types and what follows for different impacts.

B/2 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in aggregate for both overnight and intra-day positions, which are monitored daily. The table below summarizes the Bank's exposure to foreign currency exchange rate risk and Bank's financial instruments at carrying amounts, categorized by currency.

Foreign currency risk on the financial instruments:

December 31, 2015

EGP (000)

Statement	US Dollar	Euro	Jap. Yen	Sterling Pound	Other Currencies
Financial Assets:					
Cash and Due From Central Bank	85250	830	-	4	124
Due from banks	44094	4438	44546	7900	1491
Treasury bills	31100	6000	-	-	-
Loans & Advances to customers	205204	7529	34644	1	-
Financial investments:					
Available for sale	6688	-	-	-	-
Other assets	2526	34	-	56	13
Total financial assets as of December 31, 2015	**374862**	**18831**	**79190**	**7961**	**1628**
Financial liabilities:					
Balances due to banks	6187	4030	-	-	-
Customers' deposits	300759	13252	64196	7989	2151
Other Loans	10000	-	-	-	-
Provision for impairment losses	38841	-	-	-	-
Other provisions	1077	-	-	-	-
Other liabilities	23336	1531	16734	20	6
Total financial liabilities as of December 31, 2015	**380200**	**18813**	**80930**	**8009**	**2157**
Net financial position of the balance sheet as of December 31 ,2015	(5338)	18	(1740)	(48)	(529)
Total financial assets as of December 31, 2014	**219163**	**14921**	**23313**	**8825**	**100**
Total financial liabilities as of December 31, 2014	**222991**	**15083**	**22919**	**8811**	**-**
Net financial position of the balance sheet as of December 31, 2014	(3828)	(162)	394	14	100

B/3 Interest rate Risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Risk Dept. The following table summarizes the risk that the bank faces the change in the return value including the book value of financial instruments allocated based on the re-pricing dates or due dates price whichever is sooner.

December 31, 2015

EGP (000)

Statement	Up to 1 month	More than 1 month to 3 months	More than 3 months to 1 year	More than 1 year to 5 years	More than 5 years	Without return	Total
Financial Assets:							
Cash and Due From Central Bank	-	-	-	649457	-	77180	726637
Due from banks	3479643	255272	357957	-	-	-	4092872
Treasury Bills	188211	238802	349328	-	-	-	776341
Financial assets held for trading	46823	-	-	-	-	-	46823
Loans & Advances to customers	503795	119873	1142541	367116	1027307	1845617	5006249
Financial investments:							
Available for sale	1506786	-	-	46135	-	-	1552921
Held to maturity	-	-	-	1078699	-	-	1078699
Associated Company	-	-	-	-	-	156072	156072
Other financial assets	-	-	-	108177	81072	-	189249
Total financial assets	**5725258**	**613947**	**1849826**	**2249584**	**1108379**	**2078869**	**13625863**
Financial liabilities:							
Balances due to banks	385370	-	-	-	-	-	385370
Customer's deposits	1391595	589096	1348160	4172259	743770	2763224	11008104
Other loans	-	-	240	-	-	-	240
Other financial liabilities	-	-	-	235400	-	-	235400
Other provisions	-	-	-	-	59185	-	59185
Total financial liabilities	**1776965**	**589096**	**1348400**	**4407659**	**802955**	**2763224**	**11688299**
Re-pricing gap	3948293	24851	501426	(2158075)	305424	(684355)	1937564
December 31, 2014							
Total financial assets	**985424**	**542559**	**1730352**	**989615**	**2279010**	**2113643**	**8640603**
Total financial liabilities	**1693392**	**583955**	**568358**	**1844017**	**741017**	**1747336**	**7178075**
Re-pricing gap	(707968)	(41396)	1161994	(854402)	1537993	366307	1462528

C) Liquidity Risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn.The consequence may be the failure to meet obligations to repay depositors and fulfill commitments to lend.

Liquidity Risk Management

The Bank's liquidity management process, as carried out within the Bank and monitored by Risk Management Dept, includes:

- Day-to-day funding, managed by monitoring future cash flows to ensure that requirements can be met. This includes replenishment of funds as they mature or is borrowed by customer - the Bank maintains an active presence in global money markets to enable this to happen.
- Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- Monitoring balance sheet liquidity ratios against internal and requirements of Central Bank of Egypt.
- Managing the concentration and profile of debt maturities.
- Monitoring and reporting take the form of cash flow measurement and projections for the next day, week and month respectively, as these are key periods for liquidity management. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection date of the financial assets.
- Risk Management Dept. also monitors unmatched medium-term assets, the level and type of undrawn lending commitments, the usage of overdraft advances and the impact of contingent liabilities such as standby letters of credit and guarantees.

Funding approach

- Sources of liquidity are regularly reviewed by a separate team in the Risk Management (Assets & liabilities), to maintain a wide diversification by currency, provider, product and term.

The available assets to cover all the liabilities and the loan's obligations include cash, balances at Central bank, dues from banks, treasury bills, other governmental securities and loans and advances to customers and banks, customers' loans that are due within a year are extended partially for the ordinary activity of the bank. In addition, some of debt instruments, treasury bills and governmental securities are mortgaged to guarantee the liabilities, the bank has the ability to cover the net unexpected cash flows through the sale of financial securities and finding other funding resources.

D) Financial Assets and Liabilities Fair Value

According to the applied valuation bases used in evaluating banks' assets and liabilities included in the notes attached to the financial statements the fair value of the financial assets and liabilities do not significantly differ from its book value at the balance sheet date.

E) Capital Management

The Bank's objectives when managing capital, which consists of another items in addition of owner's equity stated in balance sheet are:

- To comply with the legal requirements in Egypt.
- To safeguard the Bank's ability to continue as ongoing concern so that it can continue to provide returns for shareholders and stakeholders and other parties that deal with the bank.
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee as implemented by the Central bank Of Egypt, for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

Central bank Of Egypt requires the following:

- Hold the minimum level of the issued and paid up capital of EGP500 Million
- Maintain a ratio of total regulatory capital to the risk weighted asset or above the agreed minimum of 10%.

The nominator of capital adequacy standard consists of two tiers:

- **Tier One**:

Tier one, consisting of paid-in capital (after deducting the book value of treasury shares), and retained earnings and reserves resulting from the distribution of profits with the exception of banking risk reserve and deducting there from previously recognized goodwill and any transferred loss.

- **Tier Two**:

Qualifying subordinated loan capital, which consists of the equivalent of the risk allocation according to the principles of credit issued by the Central Bank of Egypt for not more than 1.25% of total assets and liabilities weighted with risk, loans / deposits support in excess of the schedule of five years (with consumption of 20% of their value in each year of the last five years of the schedule) and 45% of the increase between the fair value and book value for each of the financial investments available for sale and held to maturity in subsidiaries.

When calculating the total dominator of capital adequacy, it shall not exceed the capital cushions (Qualifying subordinated loan capital) for share capital and loans not to increase (deposits) support for half of the share capital. Assets are risk weighted ranging from zero to 100% classified by the relation of the debtor to all each asset to reflect the credit risk associated with it, taking the cash collateral account. These are used for the treatment of off balance sheet items after adjustments to reflect the nature of contingency and the potential loss of those amounts.

The weighted asset risk weights ranging from zero to 100% classified by the nature of the debtor all out to reflect the credit risk associated with it, taking the cash collateral account. Are used for the treatment of amounts outside the budget after adjustments to reflect the nature of spin-off and the potential loss of those amounts.

The bank had complied with all the local capital requirements during the past two years. The following table summarizes the Tier 1 and Tier 2 capital components and the capital adequacy ratio at the end of these two years.

EGP (000)

Capital	December 31, 2015	December 31, 2014
(Tier 1 capital) basic capital		
Paid-up capital	800000	600000
Other reserves	78843	55194
Retained earnings	21517	13194
Total qualifying Tier 1 capital	**900360**	**668388**
(Tier 2 capital) backup capital		
General Risk Provision for advances & contingent liabilities	66653	52670
45% of the increase in fair value over the book value for financial investments liabilities excluding trading portfolio	16661	98569
Total syndicated capital	**83314**	**151239**
Total paid up capital	**983674**	**819627**
Risk-weighted assets:		
In-balance sheet	4597572	3534091
Off-balance sheet	734695	679488
Total risk-weighted assets	**5332267**	**4213579**
Capital Adequacy ratio (%)	**18.45%**	**19.45%**

According to the Central Bank of Egypt requirements, the improvement of banking organization situation related to capital adequacy of Basel II.

The following table summarizes of capital base in 31/12/2015 according to Basel II :

EGP (000)

Capital	December 31, 2015	December 31, 2014
(Tier 1 capital) basic capital		
Paid-up capital	800000	600000
Untangible assets	1066	-
Other reserves	78592	54943
Retained earnings	21517	13194
Total Disposals of investment capital	**(10711)**	**-**
(Tier 1 capital) after deduction	**890464**	**668137**
(Tier 2 capital) syndicated capital		
45% of special reserve	251	-
Impairment provisions for loans and regular contingent	44458	55282
45% of the increase in fair value than the book value of the Investments	16661	98569
Tier 2 after deduction	**61370**	**153851**
Total capital	**951834**	**821988**
Total risk-weighted assets & contingent liabilities	**6106492**	**4839316**
Capital Adequacy ratio (%)	**15.59%**	**16.99%**

4 Critical accounting estimates and judgments:

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and available info.

A) Impairment losses on loans and advances

Based on personal basis The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis in determining whether an impairment loss should be recorded in the income statement, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

B) Impairment of available for-sale equity investments:

The Bank determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

C) Fair value of derivatives:

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practical, models use only observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect reported fair value of financial instruments.

D) Financial Investments Held to Maturity:

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. In making this judgment, the Bank evaluates its intention and ability to hold such investments to maturity. If the Bank fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity it will be required to reclassify the entire category as available for sale. The investments would therefore be measured at fair value not amortized cost and the classification of any such investments will be suspended.

E) Income taxes:

The bank is subject to income taxes in relation with the operation of its branches abroad. This requires the use of significant estimations in order to determine the total provision for income tax. There are several operations and accounts for which the final tax cannot be determined with certainty. The bank created provisions for the expected results of the tax inspection that is being conducted and to account for probable additional tax. When there is a difference between the final results of the tax and the pre recorded amounts, these differences will be adjusted against the income tax and the deferred income tax provision at the period in which the difference has been determined.

5 Segment Analysis:

EGP (000)

December 31, 2015	Analysis of geographical Segments		
	Cairo	Alex. & the Delta	Total
Income and expenditure in accordance with the geographical Segment			
Revenues	1154462	70283	1224745
Expenses	(978240)	(76963)	(1055203)
Sector profit results	176222	(6680)	169542
Net income for the year before taxes	176222	(6680)	169542
Taxes	-	-	(93502)
Net income for the year	**-**	**-**	**76040**
Assets and liabilities according to the geographical Segment			
Assets of geographic Segment	11846118	918978	12765096
Unclassified Assets	58269	-	58269
Total Assets	**11904387**	**918978**	**12823365**
Liabilities' of geographic Segment	10835463	918977	11754440
Unclassified Liabilities	59185	-	59185
Total Liabilities	**10894648**	**918977**	**11813625**

6 Net interest income:

EGP (000)

	December 31, 2015	December 31, 2014
Interest from loans & similar income		
Loans & advances to customers	412975	329648
Treasury bills	142716	66045
Deposits and current accounts	67118	11876
Investments in debt instruments held to maturity and available for sale	357515	256356
	980324	**663925**
Interest on deposits & similar expenses: Deposits and current accounts		
Banks	(25614)	(8911)
Customers	(578657)	(378422)
	(604271)	(387333)
Net	**376053**	**276592**

7 Fees and commissions income:

EGP (000)

	December 31, 2015	December 31, 2014
Fees and commissions related to credit	130877	101629
Other Fees	22219	14826
Total	**153096**	**116455**

8 Dividends income:

EGP (000)

	December 31, 2015	December 31, 2014
Financial securities Available for sale	3754	2602
Total	**3754**	**2602**

9 Net trading income:

EGP (000)

	December 31, 2015	December 31, 2014
Profits from dealing in foreign currencies	34326	56224
Fund investment documents revaluation differences	3460	3813
Profits of the sale documents of investment funds	78	-
Total	**37864**	**60037**

10 Administrative Expenses:

EGP (000)

	December 31, 2015	December 31, 2014
Staff cost		
Wages and salaries	213839	179849
Social insurances	6428	5623
Specific contributions systems	21428	18636
	241695	**204108**
Other Administrative Expenses	74276	58199
Total	**315971**	**262307**

11 Other operating (expenses) income:

EGP (000)

	December 31, 2015	December 31, 2014
(losses) Gains from revaluation of monetary assets & liabilities determined in foreign currency other than those classified for trading	(7503)	(48048)
loss of selling assets reverted to the bank	(40)	(3)
Gain from sale of fixed assets	-	13382
Other Provision	(23396)	(9847)
Exchange difference of available for sale debt instrument	-	94
Total	**(30939)**	**(44422)**

12 Impairment of loan loss:

EGP (000)

	December 31, 2015	December 31, 2014
Loans and advances to customers (Note 19)	(104022)	(54045)
Total	**(104022)**	**(54045)**

13 Income tax expenses:

EGP (000)

	December 31, 2015	December 31, 2014
Deferred taxes	1963	1000
Current income taxes	(95465)	(58185)
Total	**(93502)**	**(57185)**

14 Earnings per share:

The earnings per share is calculated by dividing the profit for the year by the number of shares outstanding.

EGP (000)

	December 31, 2015	December 31, 2014
Net profit for the year	76040	56033
Weighted average number of shares	61660	60000
Earning per share	**1.23**	**0.93**

15 Cash and balances with Central Bank of Egypt:

EGP (000)

	December 31, 2015	December 31, 2014
Cash	77181	68979
Due from central Bank within the required reserve percentage	649456	461002
Total	**726637**	**529981**

16 Due from banks:

EGP (000)

	December 31, 2015	December 31, 2014
Current accounts	159177	72792
Deposits	3933695	422445
	4092872	**495237**
Central Bank	3616382	333892
Local Banks	251798	3226
Foreign Banks	224692	158119
	4092872	**495237**
Balances with no return	159176	72788
Balances with fixed return	3933696	422449
	4092872	**495237**
Current balances	3755653	314330
Noncurrent balances	337219	180907
	4092872	**495237**

17 Treasury bills:

EGP (000)

	December 31, 2015	December 31, 2014
Treasury bills, maturity 91 days	338168	98750
Treasury bills, maturity 182 days	363725	60000
Treasury bills, maturity 272 days	8414	128725
Treasury bills, maturity 364 days	66034	756663
Unearned interest	(19648)	(34525)
Total	**756693**	**1009613**

18 Financial assets held for trading:

EGP (000)

	December 31, 2015	December 31, 2014
Arab Investment Bank First Fund (Monetary)	-	2581
Arab Investment Bank Second Fund (HELAL)	-	1046
Arab Investment Bank Third Fund (SANDY)	-	186
Total	**-**	**3813**
Debt instruments		
Governmental bonds	46823	-
Total Financial assets held for trading	**46823**	**3813**

19 Loans & advances to customers:

EGP (000)

	December 31, 2015	December 31, 2014
Retail		
Overdrafts	150847	111924
Personal loans	88771	86730
Total	**239618**	**198654**
Institutions including small loans for economic activities		
Overdrafts	3174866	2436031
Direct loans	400587	408428
Syndicated loans	1190938	920479
Other loans	240	86
Total	**4766631**	**3765024**
Total Loans & advances to customers	**5006249**	**3963678**
Less: Loan impairment loss provision	(693234)	(600452)
Interest in suspense	(138226)	(129370)
Deferred revenues of Islamic operations	(10810)	(14036)
Total	**4163979**	**3219820**
Total is allocated to		
Current Balances	3414724	2634685
Non Current Balances	1591525	1328993
Total	**5006249**	**3963678**

Impairment loss provision

EGP (000)

	December 31, 2015	December 31, 2014
Balance at the beginning of the year	600452	540645
Impairment loss during the year	104022	54045
Amounts written off during the year	(32695)	(2376)
Foreign currency valuation difference	20924	6536
Collection from bad debt previously written off	531	1602
Provision at year end	**693234**	**600452**

20 Financial Investments:

EGP (000)

	December 31, 2015	December 31, 2014
Financial Investments available for sale (Debt instruments at fair value)		
Debt instrument listed	1455879	856021
Debt instrument unlisted	6016	-
Financial Investments available for sale (Equity instruments at fair value)		
Equity instrument listed	41429	26312
Equity instrument unlisted	49597	37900
Total Financial Investments available for sale	**1552921**	**920233**
Financial Investments Held to maturity (Debt Instruments - amortization cost method)		
Debt instrument listed	1053452	1426755
Debt instrument unlisted	10247	25688
Mutual fund's instruments established according to the issued rates	15000	15000
Total Financial Investments Held to maturity	**1078699**	**1467443**
Total Financial Investments	**2631620**	**2387676**
Current Balances	479406	398957
Non Current Balances	2152214	1988719
Total Balances	**2631620**	**2387676**
Debt Instruments - with fixed return	2509331	2282776
Debt Instruments - with variable return	16263	25688
Total Debt Instruments	**2525594**	**2308464**

Financial Investments

EGP (000)

	Financial Investments available for sale	Financial Investments Held to maturity	Total
Balance as of Jan 1, 2015	920233	1467443	2387676
Additions	1267725	-	1267725
Disposals (Sales / Redemption)	(666697)	(405690)	(1072387)
Revaluation differences of Monetary assets in foreign currency	3082	975	4057
Profit from the change of fair value	6359	-	6359
Amortization of (premium) / discount	22335	15971	38306
Impairment loss	(116)	-	(116)
Balance as of December 31, 2015	**1552921**	**1078699**	**2631620**
Balance as of Jan 1, 2014	324674	920583	1245257
Additions	768035	663883	1431918
Amortization of (premium) / discount	(184880)	(140083)	(324963)
Disposals (Sales / Redemption)	429	588	1017
Revaluation differences of Monetary assets in foreign currency	7847	-	7847
Profit from the change of fair value	5010	22472	27482
Impairment loss provision	(882)	-	(882)
Balance as of December 31, 2014	**920233**	**1467443**	**2387676**

Financial investments revenues

EGP (000)

	December 31, 2015	December 31, 2014
Gains on sale of available for sale investments	23506	2814
Impairment loss of equity instruments available for sale	(116)	(882)
Unallocated profits of investments in associates	26317	16374
Total	**49707**	**18306**

21 Investments in associates:

The percentage contribution of the Bank in associates companies:

EGP (000)

	Company's headquarters	Company's asset	Liabilities (less owners (equity'	Net profit (loss) activity	Profit/ (losses) Company	Percentage of contribution	Value of contribution
December 31, 2015							
Pipes Industries & Plastic Products Co.	Cairo	51244	24062	(7015)	1042	39.95%	10859
Designing & Manufacturing Investment Equipment	Cairo	4631	3112	(1539)	(958)	35.00%	428
Zahraa El Maadi Co.	Cairo	1628273	1026311	161581	209964	20.30%	122403
Free trade Company for manufacturing and trade	Port said	2498	9395	(885)	-	31.90%	-
Middle East company for land reclamation	Cairo	47974	192215	(24763)	-	24.47%	-
Festia Co. for Ready Made Clothes	Alex	47702	26750	222	-	20.00%	-
Praim services managements	Cairo	2362	65	66	(403)	20.00%	459
Enmaa Company for leasing	Cairo	70081	299	(218)	791	21.99%	21923
Total							**156072**
December 31, 2014							
Pipes Industries & Plastic Products Co.	Cairo	60205	25718	(8556)	(1759)	39.95%	13778
Designing & Manufacturing Investment Equipment	Cairo	5747	2689	(1129)	576	35.00%	1070
Zahraa El Maadi Co.	Cairo	1529507	1074780	112486	68365	20.30%	92464
Free trade Company for manufacturing and trade	Port said	2498	9395	(885)	(872)	31.90%	-
Middle East company for land reclamation	Cairo	47974	192215	(24763)	(14755)	24.47%	-
Festia Co. for Ready Made Clothes	Alex	47702	26750	222	20	20.00%	-
Praim services managements	Cairo	2405	173	240	(314)	20.00%	445
Total							**107757**

* The market value of financial investment in associates resisted in the security exchange market amounted L.E 167,756 thousands Egyptian pounds at 31/12/2015 against 268,917 thousands Egyptian pounds at 31/12/2014.

22 Intangible assets:

EGP (000)

	December 31, 2015	December 31, 2014
Cost	4431	882
Additions	576	3549
Total	**5007**	**4431**
Accumulated amortization as of 1/1/2015	(2209)	(55)
Amortization	(1647)	(2154)
Accumulated amortization as of 31/12/2015	(3856)	(2209)
Net book value as of December 31, 2015	**1151**	**2222**

23 Other assets:

EGP (000)

	December 31, 2015	December 31, 2014
Accrued revenues	98803	71834
Prepaid expenses	1251	769
Assets owned by the bank for debts (after deducting impairment)	16118	15317
Insurance and consignments	974	2409
Advances to purchase of fixed assets	44435	2729
Other	27668	49790
Total	**189249**	**142848**

24 Fixed assets:

Fixed asset include amount of 7,509 thousand pounds representing assets not registered yet in the bank as follows:

- Giza branch building value 463 Thousand L.E
- Nasr City branch building (Nasr building centre Abass El-Akaad st.) value 200 Thousand L.E
- Alexandria Islamic branch building value 238 Thousand L.E
- Alexandria branch building value 275 Thousand L.E
- 10th of Ramadan land value 596 Thousand L.E
- 5th settlement building value 5,737 Thousand L.E

The legal procedures needed are currently performed to register those real-estates by the bank's name.

EGP (000)

	Land & building	Lease hold Improvement	Machines & equipment	Others	Total
As of January 1, 2014					
Cost	42059	15511	8496	30328	96394
Accumulated Depreciation	(19158)	(7785)	(5456)	(16570)	(48969)
Net book value as of January 1, 2014	**22901**	**7726**	**3040**	**13758**	**47425**
Additions	10256	7018	1056	4786	23116
Disposals cost of Assets	-	-	-	(7)	(7)
Disposals cost of Depreciation	-	-	-	7	7
Cost of Depreciation	(1749)	(4993)	(596)	(4302)	(11640)
Net book value as of December 31, 2014	**31408**	**9751**	**3500**	**14242**	**58901**
Cost	52315	22529	9552	35107	119503
Accumulated Depreciation	(20907)	(12778)	(6052)	(20865)	(60602)
Net book value as of January 1, 2015	**31408**	**9751**	**3500**	**14242**	**58901**
Additions	-	6054	1134	4972	12160
Cost of Depreciation	(1966)	(7355)	(685)	(4657)	(14663)
Net book value as of December 31, 2015	**29442**	**8450**	**3949**	**14557**	**56398**
As of December 31, 2015					
Cost	52315	28583	10686	40079	131663
Accumulated Depreciation	(22873)	(20133)	(6737)	(25522)	(75265)
Net book value as of December 31, 2015	**29442**	**8450**	**3949**	**14557**	**56398**

25 Deferred tax assets:

EGP (000)

	December 31, 2015	December 31, 2014
Beginning balance	(92)	-
Additions	1963	-
Ending balance	**1871**	**-**

26 Due to banks:

EGP (000)

	December 31, 2015	December 31, 2014
Current accounts	28523	139
Deposits	356847	464381
Total	**385370**	**464520**
local banks	381234	3
Foreign banks	4136	464517
Total	**385370**	**464520**
Non-interest bearing balances	28523	139
Fixed interest bearing balances	356847	464381
Total	**385370**	**464520**
Current balances	**385370**	**464520**

27 Customers' deposits:

EGP (000)

	December 31, 2015	December 31, 2014
Demand deposit	1142266	500536
Time & call deposits	2817285	1691868
Savings and deposits certificates	5042645	2948534
Saving deposits	199463	203874
Other deposits	1806445	1205267
Total	**11008104**	**6550079**
Institutions deposits	5112552	2710045
Individual deposits	5895552	3840034
Total	**11008104**	**6550079**
balances with no return	2460824	1478264
Variable return balances	3552546	2186320
Fixed return balances	4994734	2885495
Total	**11008104**	**6550079**
Current balances	5965459	3600943
Non-current balances	5042645	2949136
Total	**11008104**	**6550079**

28 Other Loans:

EGP (000)

	December 31, 2015	December 31, 2014
Social fund for development	32924	-
Housing low/middle –income loan	15341	-
Banca UBAE	77301	-
Total	**125566**	-

29 Other liabilities:

EGP (000)

	December 31, 2015	December 31, 2014
Accrual interests	135432	87722
Prepaid revenue	4129	4565
Accrual expenses	51358	25481
Creditors	10929	8724
Other credit balance	33552	36984
Total	**235400**	**163476**

30 Other Provisions:

EGP (000)

	December 31, 2015	December 31, 2014
Beginning balance	37815	27875
Foreign currency valuation difference	418	93
Transferred to income statement	23408	9847
Provisions used during the financial year	(2456)	-
Ending balance	**59185**	**37815**

There is a provision of LE 45,133 thousand for the financial year ending on 31/12/2015 against LE 33,919 thousand until the date of comparison for facing contingent liabilities.

31 Deferred tax assets:

The deferred tax during the year either assets or liabilities as follows:

EGP (000)

	December 31, 2015	December 31, 2014
Beginning balances	-	1093
Disposals	-	(1001)
Ending balance	**-**	**92**

Unrecognized deferred tax liabilities:

The deferred tax assets were unrecognized as to the following items:

EGP (000)

	December 31, 2015	December 31, 2014
Loans impairment provision excluding the 80% during the year	13235	9074
	13235	**9074**

The deferred tax assets related to items previously mentioned were not recognized, and this is due to that there is not a reasonable assurance to benefit from it, or the existence of an appropriate level to ensure the existence of sufficient future tax returns through which it is possible to benefit from these assets.

32 Paid up capital:

	No. of shares (in millions)	Common shares EGP (000)	Total
	80	800000	800000
Balance at 31/12/2015	**80**	**800000**	**800000**

- According to the extraordinary general assembly decision on 7/7/2014, the issued and paid in capital increased from LE 500 million divided on LE 50 million shares with LE 10 face value for each share to LE 1 billion divided on 100 million shares with face value LE 10, 100 million by distributing one share for every outstanding share by capitalizing on the general reserve.
- According to the extraordinary general assembly decision on 07/07/2015 , An amount of LE 200 million of the second tranche of the bank capital increase was called up for payment.
- Moreover the remaining amount of the capital increase amounting to LE 200 million to be paid up during 2016 according to the decision of the extraordinary general meeting above mentioned.

33 Reserves:

EGP (000)

	December 31, 2015	December 31, 2014
Banking risks reserve	15041	13962
Legal reserve	21833	19701
Reserves for AFS investments revaluation difference	19376	17962
Special reserve	251	251
Capital reserve	24931	24931
General reserve	31828	10311
Total reserves	**113260**	**87118**

Reserves are presented as follows:

EGP (000)

A) Banking risks reserve	December 31, 2015	December 31, 2014
Beginning balance	13962	12885
Transferred from retained earning	1079	1077
Ending balance	**15041**	**13962**

EGP (000)

B) Legal reserve	December 31, 2015	December 31, 2014
Beginning balance	19701	17109
Transferred from retained earning	2132	2592
Ending balance	**21833**	**19701**

EGP (000)

C) Unrealized gain of AFS evaluation	December 31, 2015	December 31, 2014
Beginning balance	17962	8741
Net profit of fair value change	9443	9044
Net profit transferred to income statement after disposals	(8029)	177
Ending balance	**19376**	**17962**

EGP (000)

D) Special reserve	December 31, 2015	December 31, 2014
Beginning balance	251	251
Ending balance	**251**	**251**

EGP (000)

E) Capital reserve	December 31, 2015	December 31, 2014
Beginning balance	24931	11549
Transferred from retained earnings	-	13382
Ending balance	**24931**	**24931**

EGP (000)

F) General reserve	December 31, 2015	December 31, 2014
Beginning balance	10311	97117
Transferred from retained earnings	21517	13194
Transferred to Capital	-	(100000)
Ending balance	**31828**	**10311**

34 Retained earnings:

EGP (000)

	December 31, 2015	December 31, 2014
Beginning balance	54768	58580
Transferred to legal reserve	(2132)	(2592)
Transferred to general reserve	(21517)	(13194)
Shareholders share in profit	-	(20000)
The share of employees & members of the Board of Directors in profit	(9600)	(9600)
Net profit for the year	76040	56033
Transferred to Banking risks reserve	(1079)	(1077)
Transferred to capital reserve	-	(13382)
Ending balance	**96480**	**54768**

35 Cash and cash equivalents:

For presenting cash flow statement, cash and cash equivalents include the following balances that they do not mature within 3 months from the acquisition date:

EGP (000)

	December 31, 2015	December 31, 2014
Due from central bank	77181	68979
Due from banks	3226147	72792
Treasury bills, maturity 91 days	338168	98750
Total	**3641496**	**240521**

36 Contingent liabilities:

A) Capital obligations (Financial investments)

The obligations related to the financial investments that were not due till the balance sheet date 31/12/2015 according to the following:

	Share value USD (000)	Amount USD (000)	Remaining USD (000)
African bank for trade	$968	$518	$450

B) Loans, collaterals and advances

Loans, collaterals and advances are represented in the following:

EGP (000)

	December 31, 2015	December 31, 2014
Letters of guarantees	1282029	1123141
Letters of credit (import & export)	135523	257973
Accepted notes of suppliers advances	57385	71539
Total	**1474937**	**1452653**

37 Transactions with related parties:

The transactions and balances of related parties at the end of the fiscal year are represented in the following:

A) Loans & advances to related parties

EGP (000)

	Associated companies		Interest income	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Loans and advances to customer				
Loans at the year end	22737	11495	1167	1966

*The loans granted to associates conditions are the same as the outstanding loans in the bank.

B) deposits from related parties

EGP (000)

	Deposits		Cost of deposits	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Due to shareholders (National Investment Bank)				
Deposits at the year end	149083	101568	3992	2100
Due to customers				
Deposits at the year end	5998	14068	208	1007
Total	**155081**	**115636**	**4190**	**3107**

*The deposits granted to associate condition are the same as the outstanding in the bank.

C) The average net monthly salary paid to the top 20 employees in the bank for the financial year ended December 31, 2015 amounted to 1,561,401 EGP against 1,511,724 EGP for the financial ended December 31 , 2014.

38 Mutual Funds:

Fund is one of the bank activities licensed to the bank by the virtue of capital market law no. 95 of year 1992 and its executive regulation.

1- The monetary investment fund of Arab Investment Bank (with the daily accumulated return in Egyptian Pound):

- The fund is managed by EFG Hermes for Investments' Funds Management.
- The number of investment documents of this fund is 1,195,916 amounted L.E 11,959,160 from which 500,000 documents were allocated to carry out the fund's activities (face value LE 5 million).
- The document's recoverable value at 31/12/2015 reached LE 10 while the number of fund's documents standing at the same date was 29,195,764 documents.
- According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees & commissions for its supervision as well as the other administrative services. The total commission amounted LE 1,165 thousand for the financial year ended 31/12/2015 listed at the fees and commissions in the revenue item / other fees in the income statements.

2- AIBK Second Fund (HELAL):

- The fund is managed by Cairo for Investments' Funds Management.
- The number of investment documents of this fund is 269,954 amounted L.E 26,954,900 from which 50,000 documents were allocated to carry out the fund's activities (face value LE 5 million).
- The document's recoverable value at 31/12/2015 reached LE 105,377 while the number of fund's documents standing at the same date was 67,822 documents.
- According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees and commissions for its supervision as well as the other administrative services. The total commission amounted LE 61 thousand for the financial year ended 31/12/2015 listed at the fees & commissions in the revenue item / other fees in the income statements.

3- AIBK Third Fund for fixed returns instruments (SANDY):

- The fund is managed by HC Securities and Investment.
- The number of investment documents of this fund is 5,206,672 amounted L.E 52,066,720 from which 500 thousand documents were allocated to carry out the fund's activities (face value LE 5 million).
- The document's recoverable value at 31/12/2015 reached LE 10 while the number of fund's documents standing at the same date was 809,780 documents.
- According to the fund's management contract and shares subscription issue the Arab Investment Bank get the fees and commissions for its supervision as well as the other administrative services. The total commission amounted LE 51 thousand for the financial year ended 31/12/2015 listed at the fees & commissions in the revenue item / other fees in the income statements.

Branches Addresses

Head Office
Cairo Sky Building - 8 Abdel Khalek Tharwat St. - Cairo.
Phone: 25760031 - 25770376

Commercial branches

Cairo Branch
Cairo Sky Building - 8 Abdel Khalek Tharwat St. - Cairo.
Phone: 25759249 - 25765020

Zamalek Club Branch
No.26 - 26 July St. - beside Zamalek Club Gate - El Mohandseen.
Phone: 33467646 - 33467645

Shobra Branch
AghaKhan Towers - Cornich ElNile - Shobra.
Phone: 22034464 - 24301673

Giza Branch
Sky Center Building - 28 Mourad St. - Giza.
Phone: 35734234 - 35736420

Alexandria Branch
68 El Horeya Road - Alexandria.
Phone: (03) 4807451 - 4807452

Port Said Branch
Freebour Building - ElNahdah St. - Port Said.
Phone: (066) 3327565 - 3327758

Faisal Branch
48 King Faisal St. - Giza.
Phone: 33832354 - 33837751

Maadi Branch
206 St., Salah Salem - Degla El Maadi - Cairo.
Phone: 25201170 - 25201174

El Mohandseen Branch
59 Mosadak St. - Dokki.
Phone: 33381547 - 33381546

Nasr City Branch
Nasr Center Building - Abass El Akaad St. - Nasr City - Cairo.
Phone: 22749680 - 22722967

Heliopolis Branch
29 Asmaa Fahmy St. - Heliopolis.
Phone: 24141053 - 24159385

Tenth of Ramadan Branch
Plot No. 1/4/D the second phase - Tenth of Ramadan city.
Phone: 015371332 - 015371355

Obour Branch
Unit No. 17/18 Commercial Mall – Golf City Mall.
Phone : 44828423

Al Tagamoa Al Khamis Branch
Plot No. 44 Concord Mall - 90th St. - New Cairo.
Phone: 29296173 - 29296158

Mall of Arabia Branch
Unit No. 142 / 143 Ground Floor - Gate 17 H - Mall of Arabia - 6th of October.
Phone: 38260202 - 38260203

Al Menia Branch
236 Cornish El Nile St.
Phone: (086) 2317658 - 2317657

Islamic Branches

Zamalek Islamic Branch
8 El Mansour Mohamed St. - Zamalek - Cairo.
Phone : 27373105 - 27352012

Alexandria Islamic Branch
68 El Horeya Road - Alexandria.
Phone : (03) 4875677 - 4879994

Opening soon

Lebanon Square Branch
56 Lebanon St. - El Mohandseen.

El Khalefa El Mamoun Branch
27 El Khalefa El Mamoun St. - Heliopolis.

Suez Branch
45/45A elshohadaa - City Mall - Suez City.

Smouha Branch
107 Albert Al Awal St. - Ali Ibn Abi Taleb square Smouha - Alexandria.

Nehru Branch
40 Nehru St. - Behind Merryland - Heliopolis.
Phone: 24527122

City Stars Branch
Unit no. 110 - City Stars Mall - Nasr City.

Galleria 40 Branch
Unit no. A53 - Galleria 40 Mall - Shekiah Zaid.

Zamalek Branch
44 Mohamed Mazhr St. - Zamalek.

Obour Building Branch
8 Obour Building.

بنك الاستثمار العربي

AiBK | Arab Investment Bank

حساب توفير بلس

- يصرف العائد وفقاً لرغبة العميل

*تطبق الشروط والأحكام

بنك يحقق أحلامك

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