المصرف العربي الدولي
ARAB INTERNATIONAL BANK

ANNUAL REPORT 2017

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01
General View

A Letter From The Chairman

Dear Shareholders,

On behalf of my colleagues, the members of the Board of Directors of the Arab International Bank, and on my own behalf, I am honored to introduce the new issue of the Annual Report of our Bank, which projects the performance of the Bank, its main activities and financial statements ended as at December 31, 2017, the year that witnessed numerous achievements and remarkable growth in the financial performance of our Bank and the accomplishment of strategic objectives that will serve as the cornerstone for further development and add more competition capabilities in the banking market.

The Global Economy

At a global level, the world economic outlook is promising and encouraging, in fact, it is quite optimistic at the moment. Furthermore, the global economic upswing that began around mid-2016 has become broader and stronger and continued in 2017 with a global growth rate of 3.8% in 2017 that has been considered as the fastest pace ever since 2011. Accordingly, the International Monetary Fund (IMF) expected that the world economy would reach 3.9% in 2018 and 2019. Advanced economies will grow faster and euro area economies are set to narrow excess capacity with support from accommodative monetary policy, while taking into consideration that expansionary fiscal policy will drive the US economy above full employment.

Aggregate growth in emerging market and developing economies is projected to firm further, with continued strong growth in emerging Asia and Europe and a modest upswing in commodity exporters.

Naturally, the expected momentum in growth rates will be followed by sluggishness in 2018 and 2019 that shall be ultimately in line with the subsequent economic cycles. Therefore, policymakers should seize the opportunity to support growth, make it more sustainable and get prepared and equipped with better tools to cope with the economic downturn once it occurs and avoid its negative effects on global economic indicators when it comes to the unemployment and employment indicators in particular.

The Host Country

On the domestic level, the national economy was not far-off from the global economy, as the Egyptian economy continued to recover and reap the benefits of the economic reforms adopted by the State. Fitch Ratings Inc. and Standard & Poor's Financial Services LLC(S&P) upgraded the outlook for Egypt from Stable to Positive, the matter that resulted in a growing increase in the demand of the international investors for the Egyptian sovereign bonds in foreign currency.

In the second quarter of the fiscal year 2017/2018, the Gross Domestic Product (GDP) has increased and reached 5.3% corresponding to 3.8% in the same period of the last fiscal year. The Domestic Product growth rate was 4.2% during the fiscal year 2016/2017 compared with 4.3% over the past year, driven by growth in several sectors, most notably tourism, natural gas, construction and building and manufacturing industries. The budget deficit declined to 4.4% as a percentage of the Gross Domestic Product (GDP) during the period July - December 2017/2018, compared to 5% during the same period last year.

It is worth noting that, the emerging economic recovery has been accompanied by a steady decline in the unemployment rate, which fell to the lowest level since mid-fiscal year of 2010. The overall annual and core inflation rates continued to decline for the sixth consecutive month when they reached in January 2018 the rates of 17.1% and 14.4% compared to 33% and 35% respectively, which represent the highest rates sequentially recorded in July 2017.

The balance of payments achieved overall surplus of 2.2% of GDP during the period July - September 2017/2018, compared to 0.5% of GDP during the same period of the previous fiscal year. The trade deficit declined by 8.4% in the fiscal year 2016/2017 compared to last year.

Government gross debt (domestic and foreign) has increased to reach 105.6% of GDP at the end of March 2017.

The World Bank has monitored the positive outlook for the Egyptian economy. It also stressed that as the momentum of economic reforms continues, the economic activity is expected to improve and the structural imbalances shall shrink to a greater extent. Real GDP is expected to grow by 5% in the fiscal year 2018 and gradually increase to 5.8% by 2020. It is also expected that the engine for growth will be the resilience of private consumption and private investments. In addition, a gradual improvement in the balance of payments proceeds shall take place, especially those originated from tourism and natural gas sectors.

Arab International Bank

The Bank spares no efforts to achieve qualitative transformation, comprehensive restructuring and thorough organization of its business that continued to focus on providing services which meet the needs of its customers and keep pace with the developments occurring in the markets. We have successfully implemented one of the most modern banking systems in the world from Finastra International Group (whose main products are introducing state of the art technology in the fields of Retail Banking, Transaction Banking, Treasury and Capital Markets, Investment Management) to be implemented in our Bank as a process of qualitative development that paves the way for us to get into a new digital era and providing modern electronic services, in order to achieve our constant trend that aims at introducing the most recent and developed services in the world of banking business.

The Bank's performance indicators were attributed by total income growth of 45% to become equivalent to 144 million US dollars in 2017 compared to 99 million US dollars last year, while the net profit increased by 43% to become 55.5 million US dollars in 2017 compared to 39 million US dollars last year. Customer deposits also increased by 11% to reach the equivalent of 3.113 billion US dollars in 2017 compared to 3.108 billion US dollars last year. The hedge ratio of provision for impairment of the net nonperforming loans portfolio was 79% in 2017 compared to 62% in the previous year.

This year, It has been proposed not to distribute dividends to shareholders to support the financial position of the Bank and to implement our strategic plan to expand and comply with the international standards and to keep up with the latest developments in the Egyptian banking market and to strengthen the position of our Bank within local banks by means of geographical spread in the upcoming years. With the continued support and cooperation of our shareholders, we are confident that 2018 will be a new year in which more successes and achievements will be accomplished.

In conclusion, I would like to thank all the members of the Board of Directors for their efforts that were exerted to continue working on achieving our planned objectives and thank the Bank's working team for their genuine efforts in serving the Bank and their everlasting contribution to achieve the hopes and aspirations of its shareholders and customers.

Wishing you all success and prosperity

Hisham Ramez Abdel Hafez
Chairman of The Board of Directors

Bank's Background

The Arab International Bank was established in 1974 by virtue of an international treaty concluded by the governments of the Arab Republic of Egypt, Libya, Sultanate of Oman, the State of Qatar and the United Arab Emirates. The legal domicile of the Bank is located in Cairo, Egypt. The purpose of this Bank is to carry out all the banking, financial and commercial activities related to the projects of economic development and foreign trade, especially for the interest of the member states, other countries and the Arab countries. The said activities include but not limited to:

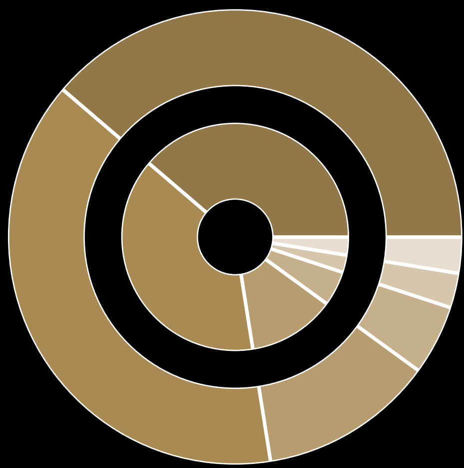
- Accepting time deposits or call deposits and opening accounts for the governments of the Arab countries, non-Arab countries, the organizations, institutions, banks, companies and individuals from the Arab countries and non-Arab countries.
- Financing the foreign trade operations of the Arab countries through providing credit facilities for the importers, granting finance to the exporters and providing insurance or securing the facilities required for such operations.
- Organizing the participation in the projects and investment programs that are related to the economic development particularly those of common nature among a number of the Arab countries.
- Providing long and medium term loans for the purposes of development.
- Establishing or acquiring companies or participating in any manner with the banks, Arab and foreign companies practicing similar activities and assisting the Bank in achieving its purposes in the Arab or foreign countries. Within the framework of the endeavors exerted by the Bank to expand its activities and the establishment of new branches in addition to providing all the services to its customers in a manner according to which the Bank can carry out transactions in all currencies including the Egyptian pound along with maintaining all the privileges granted by virtue

of the Bank Establishment Treaty whether to the shareholders or the bank customers dealing with it, as the Extraordinary General Assembly meeting of the Arab International Bank held on March 22,2012 approved the amendment of some articles of the Bank Establishment Treaty and its statutes, the following are the most significant amendments of which:

- All transactions undertaken by the Bank shall be conducted in all currencies as specified by the Board of Directors.
- The Bank and its branches are not subject to the laws regulating general organizations or organizations of public utility, public sector companies and joint stock companies in Member States where the Bank or its branches operate.
- In a manner that is not in conflict with the above mentioned and with the rest of Bank Establishment Treaty, this Bank is subjected to the supervision of the Central Bank according to the law of Central Bank, the law of Banking and Monetary System in the headquarters hosting country in addition to exercising control by the other central banks over the branches of the Bank of the member states that participated in the Establishment Treaty of the Bank according to the applicable provisions of the laws regulating the banks and credit facilities of the member states .

It has been taken to activate this amendment procedures as of April 2015.

The Shareholders



Central Bank of Egypt on behalf of Arab Republic of Egypt	38.76
Libyan Foreign Bank on behalf of Libya	38.76
Abu Dhabi Investment Authority	12.503
Qatar Holding Company on behalf of Qatar State	4.984
State General Reserve Fund of the Sultanate of Oman	2.490
International Capital Trading Co. (LLC)	2.503
Total	100

Members of the Board of Directors

Mr.	Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Ibrahim Abduljawad	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Gamal Mohamed Negm	Member of the Board of Directors
Mr.	El Taher Amhamad Sarkaz	Member of the Board of Directors
Mr.	Mohamed Mohamed Ben Youssef	Member of the Board of Directors
Mr.	Ali Salem Mohamed El Hebry	Member of the Board of Directors
Mr.	Ahmed Ali Al Hammady	Member of the Board of Directors
Mr.	Tarek Al Kholy	Member of the Board of Directors
Mr.	Hamad Rashed Al Noeimy	Member of the Board of Directors
Mr.	Tarek Fayed	Member of the Board of Directors (Till 31-12-2017)
Mr.	Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr.	Abdulfataha Abdelsalam Enaami	Member of the Board of Directors
Mr.	Khaled Mohamed Al Khajeh	Member of the Board of Directors
Mr.	Mohamed Khalfan Al Dhaheri	Member of the Board of Directors
Mr.	Essam Elddin Salem Allag	Member of the Board of Directors (From 13-7-2017)

The Most Significant Financial Information & Indications

(US $ Thousands)

	2017	2016
Income Statement Items		
Total operating income	144 389	130 841
Total operating expenses	(51 162)	(44 360)
Profit before provisions	93 227	86 481
Net profit	55 463	38 858

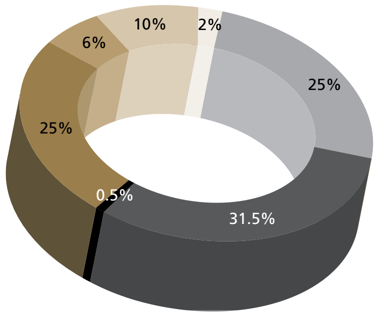
(US $ Million)

Financial Position Items		
Total assets	4 924	4 695
Cash & Placement with banks	1 231	921
Net loans and advances	1 228	1 341
Treasury bills	1 554	1 624
Available for sale Investments	25	35
Held to maturity Investments	308	234
Investments in associates	474	453
Customers' deposits	3 113	2 804
Shareholders' equity	982	934

Ratio (%)	%	%
Assets quality		
Total assets growth rate	4.88	32.5
Loans Provision to gross loan	10.96	8.15
Loans Provision to non-performing loans	104.88	80.19
Capital Adequacy		
Total equity growth rate	5.14	10.14
Total equity to total assets	19.93	19.88
Liquidity		
Net loans to total deposits	31.52	36.07
Net loans to total customers' deposits	39.46	47.82
Total Customers' deposits to total deposits	79.87	75.43
Liquid assets to total assets ratio	56.56	54.19
Profitability		
Operating Income on average assets	1.15	0.94
Return to average equity	5.79	4.36
Return to paid in capital	9.24	6.48

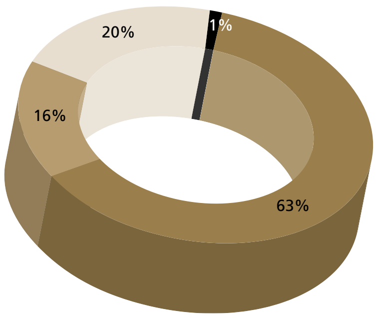
(US $ Thousands)

	Assets Breakdown	
25%	Cash & Cash at Banks	1,231,032
31,5%	Treasury Bills	1,554,341
0,5%	Available for Sale Investments	25,208
0%	Trading Portfolio	0
25%	Loans & Advances	1,228,470
6%	Held to Maturity	308,390
10%	Investments in Associates	473,907
2%	Others	103,017
		4,924,365



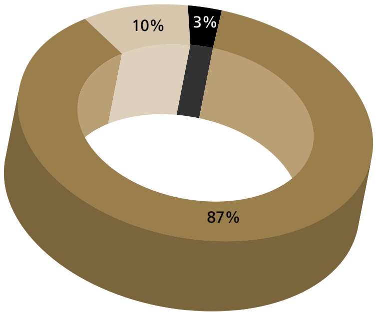
(US $ Thousands)

	Resources Breakdown	
63%	Customers Deposits	3,112,873
16%	Banks Deposits	784,437
20%	Shareholders Equity	981,623
1%	Others	45,432
		4,924,365



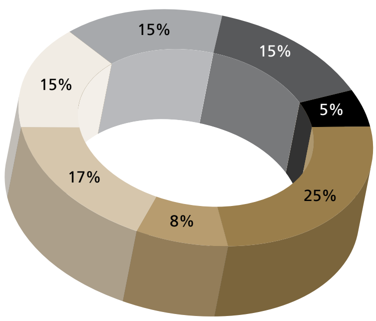
(US $ Thousands)

	Loans & Advances by Type	
3%	Customers	37,857
87%	Corporate Finance	1,287,127
10%	Banks	150,000
		1,474,984



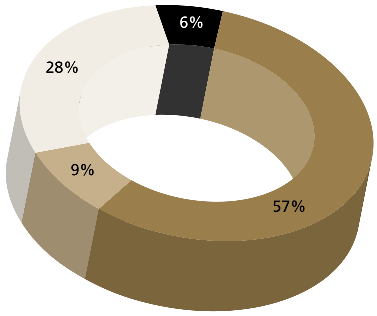
(US $ Thousands)

	Distribution of Net Loans According to Sectors	
15%	Financials	202,722
15%	Industrial	204,800
5%	Commercial	73,489
25%	Petroleum & Gas	353,870
8%	Electricity	113,813
17%	Tourism	238,651
15%	Others	202,792
		1,390,137



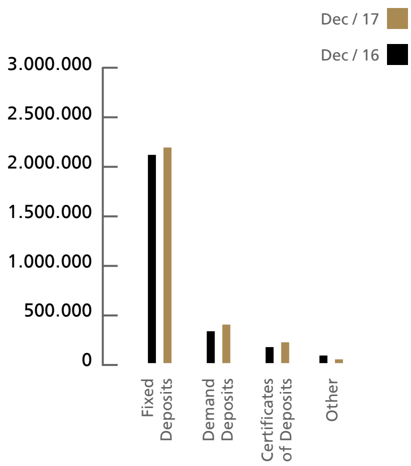
(US $ Thousands)

		Associates by Sectors	
	57%	Financial Institutions	271,921
	9%	Tourism	41,702
	28%	Commercials & Industrial	132,499
	6%	Technology & Education	27,785
			473,907



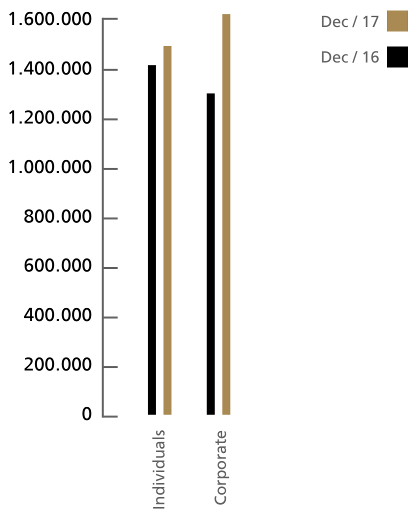
(US $ Thousands)

Customers Deposits	Dec / 17	Dec / 16
Fixed Deposits	2,281,863	2,135,709
Demand Deposits	492,899	414,980
Certificates of Deposits	323,299	207,608
Other	14,812	45,615
	3,112,873	2,803,912



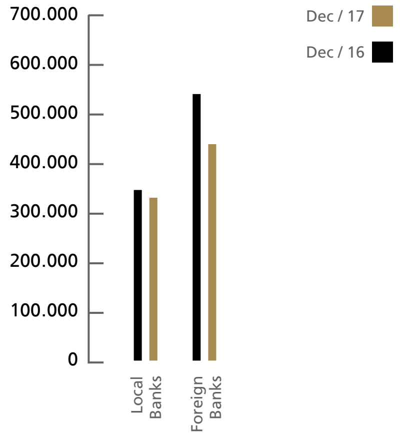
(US $ Thousands)

Distribution of Customers Deposits by Client Type	Dec / 17	Dec / 16
Individuals	1,511,400	1,405,644
Corporate	1,601,473	1,398,268
	3,112,873	2,803,912



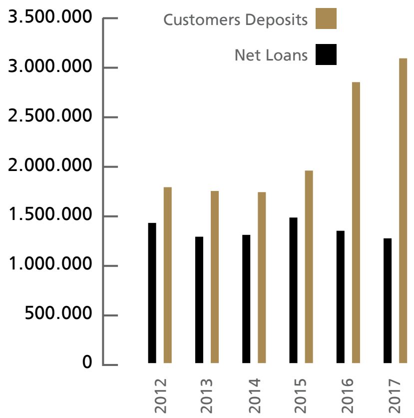
(US $ Thousands)

Distribution of Interbanks Deposits by Region	Dec / 17	Dec / 16
Local Banks	332,928	357,428
Foreign Banks	451,509	556,013
	784,437	913,441



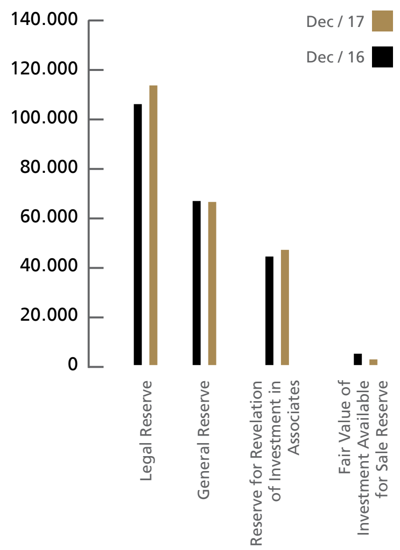
(US $ Thousands)

Net Loans versus Customers Deposits	Customers Deposits	Net Loans
2012	1,794,840	1,462,405
2013	1,760,051	1,352,450
2014	1,785,901	1,348,606
2015	1,943,896	1,438,551
2016	2,803,912	1,340,876
2017	3,112,873	1,228,470



(US $ Thousands)

Reserves Distribution	Dec / 17	Dec / 16
Legal Reserve	117,134	113,248
General Reserve	73,582	73,582
Reserve for Revelation of Investment in Associates	57,814	52,873
Fair Value of Investment Available for Sale Reserve	688	1,277
	249,218	240,980



02
Board of Directors' Report

Board Of Directors' Report On The Activities Of The Bank During The Year 2017

First: Financial Position:

The financial statements of the Bank were prepared in conformity with the regulations of preparing and presenting the financial statements of the banks issued by the Central Bank of Egypt (CBE) as at December 16, 2008.

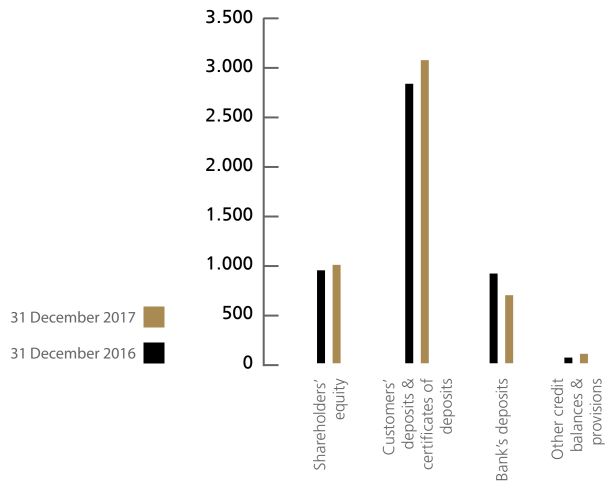
The said financial statements were audited by external auditors in accordance with the above-mentioned regulations and they issued an unqualified opinion (a clean opinion report) to the effect that the financial statements present fairly, in all material respects, the financial position of Arab International Bank as at December 31, 2017, its financial performance and its cash flows for the year then ended.

(1) The Resources:

The total amount of resources as at December 31, 2017 amounted to US$ 4 924 million corresponding to US$ 4 695 million as at December 31, 2016 with an increase of US$ 229 million. The following table shows the sources of such resources:

Per Million US$

Resources	31-dec.-2017		31-dec.-2016		Change(-)/ +
	Value	%	Value	%	Value
Shareholders' equity	982	20	934	19.9	48
Customers' deposits & certificates of deposits	3 113	63.2	2 804	59.7	309
Bank's deposits	784	15.9	913	19.4	(129)
Other credit balances & provisions	45	0.9	44	1.0	1
Total	4 924	100	4 695	100	229



(A) Shareholders' Equity

The total shareholders' equity as at December 31, 2017 amounted to US$ 982 million corresponding to US$ 934 million, as at December 31, 2016 at an increase amounting to US$ 48 million. Hereunder is an analysis of the shareholder's equity items as at December 31, 2017 & December 31, 2016:

Per Million US$

Item	31-dec.-2017	31-dec.-2016	Change(-)/ +
	Value	Value	Value
Paid- in capital	**600**	600	-
Reserves	**191**	187	4
Revaluation differences of financial investments available for sale	**1**	1	-
Change in equity of associates	**58**	53	5
Retained earnings	**77**	54	23
Net profit of the year	**55**	39	16
Total	982	934	48

(A/1) Capital

The Ordinary General Assembly meeting of the Bank was held on May 14, 2009 and approved increasing the issued capital from US$ 300 million to US$ 600 million through the issuance of 15 thousand ordinary shares, the value of each is US$ 20 thousand and they were entirely subscribed in. On November 3, 2009, the amount of US$ 150 million of the said increase was called up and paid on November 23, 2009 thus, the paid in capital became US$ 450 million.

On March 6, 2016, the Board of Directors of the Bank resolved to call up the second portion of capital that represents the last one of the issued capital increase portion whose value amounted to US$ 150 million as at June 30, 2016 and thus the issued and paid in capital amounted to US$ 600 million as at December 31, 2016 distributed over 30 000 ordinary shares, the value of each is US$ 20 thousand.

The issued & paid in capital is as follows:

	No. of shares	Value of issued shares (per thousand US$)	%
Arab Republic of Egypt	11 628	232 560	38.76
State Of Libya	11 628	232 560	38.76
Abu Dhabi Investment Authority	3 751	75 020	12.5
State of Qatar	1 495	29 900	5.0
Sultanate of Oman - State General Reserve Fund	747	14 940	2.5
International Capital Trading Company	751	15 020	2.5
Total	30 000	600 000	100

The Bank maintained a strong ratio of capital adequacy as at December 31, 2017 equals to 12.31% while the minimum limit of the requirements of the Central Bank of Egypt is 11.25% including conservation buffer.

(A/2) Available For Sale Investments Revaluation Differences

Available for sale investments revaluation differences are represented in the profits gained from revaluation of outstanding available for sale investments amounting to US$ 0.7 million as at December 31, 2017.

(A/3) Change of Equity in Associates

The increase in the item of change of equity in associates occurred due to the increase of equity in SAIB Bank that amounted to US$ 4.9 million during the year 2017.

(A/4) Retained Earnings

The retained earnings were increased with an amount of US$ 23 million after profits appropriation for the year 2016 .

(B) Deposits

(B/1) Customers' Deposits & Certificates of Deposits

The customers' deposits & certificates of deposits as at December 31, 2017 amounted to US$ 3 113 million corresponding to US$ 2 804 million as at December 31, 2016 with an increase of US$ 309 million at a rate of increase of 11% as the increase rate in financial organizations and institutions deposits reached 15 % while the increase in the certificates of deposits reached 55.7 % and the decrease in retail deposits reached the rate of 1%.

The interest paid in return for customers' deposits as at 31 December 2017 amounted to US$ 193 million corresponding to US$ 154 million as at 31 December 2016 at an average interest rate that reached 6.89 % during the current financial year while corresponding to 5.5 % during the comparative year.

(B/2) Placements from Banks

The Placements from Banks as at December 31, 2017 amounted to US$ 784 million corresponding to US 913 million as at December 31, 2016 with a decrease amounting to US$ 129 million at a rate of decrease of 14 % when compared to last year.

The interest paid on Placements from Banks as at December 31, 2017 amounted to US$ 21 million at an average interest rate amounted to 2.53 % corresponding to US$ 27 million as at December 31, 2016 at an average interest rate of 3.12 %.

(C) Other Liabilities

The Total amount of other credit balances as at December 31, 2017 amounted to US$ 41 million corresponding to US$ 37 million at an increase amounted to US$ 4 million. The said increase is attributed to an amount of US$ 1.2 million that represented the increase in interests due to customers and an increase in the balances of the employee's alternative pension scheme (end of service compensation) with an amount of US$ 2.8 million.

(D) Other Provisions

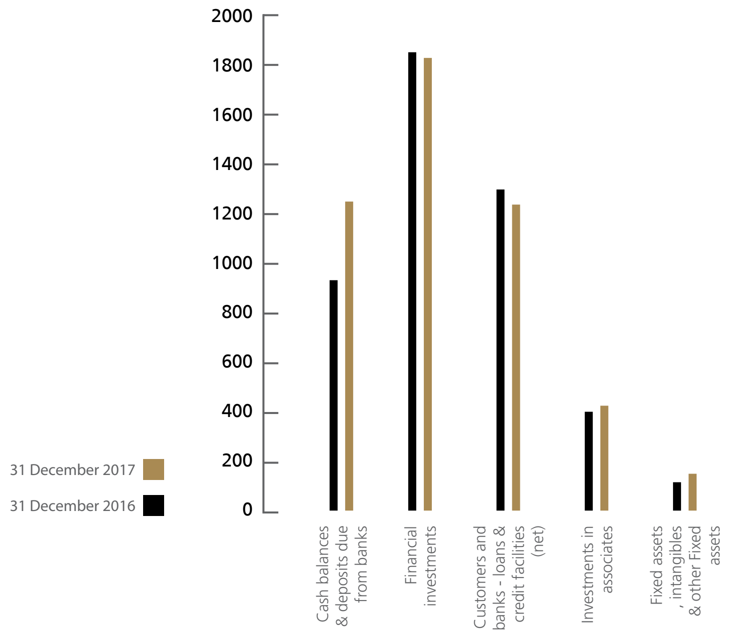
The total other provisions as at December 31, 2017 amounted to US$ 4.4 million corresponding to US$ 6.9 million as at December 31, 2016 with a decrease amounting to US$ 2.5 million. The said decrease is due to the transfer of surplus in the contingent claims provision with the amount of US$ 1 million and transfer of surplus in the banking operations provision with an amount US$ 0,2 million in addition to transferring the surplus in the contingent liabilities provision with an amount of US$ 0.7 million to revenues and the transfer of US$ 0.6 to increase the of loans and advances provision .

(2) Utilizations

The total utilizations as at December 31, 2017 amounted to US$ 4 924 million corresponding to US$ 4 695 million as at December 31, 2016 at an increase amounted to US$ 229 million. Such utilizations were distributed as follows:

Per Million US$

Utilizations	31-dec.-2017		31-dec.-2016		Change (-)/ +
	Value	%	Value	%	Value
Cash balances & deposits due from banks	1 231	25.0	921	19.6	310
Financial investments	1 888	38.3	1 893	40.3	(5)
Customers and banks - loans & credit facilities (net)	1 228	25.0	1 341	28.6	(113)
Investments in associates	474	9.6	453	9.6	21
Fixed assets , intangibles & other assets	103	2.1	87	1.9	16
Total	4 924	100	4 695	100	229



(A) Cash Balances & Deposits Due From Banks

Cash Balances & Deposits Due From Banks as at December 31, 2017 amounted to US$ 1 231 million corresponding to US$ 921 million as at December 31, 2016 with an increase of US$ 310 million at an increase rate of 34% (including the deposit of an amount equivalent to US$ 67 million that represented balances placed at The Central Bank of Egypt within the percentage of the statutory reserve in EGP) .The percentage of the said balances as at December 31, 2017 amounted to 40 % of the volume of customers' deposits corresponding to 33 % as at December 31, 2016.

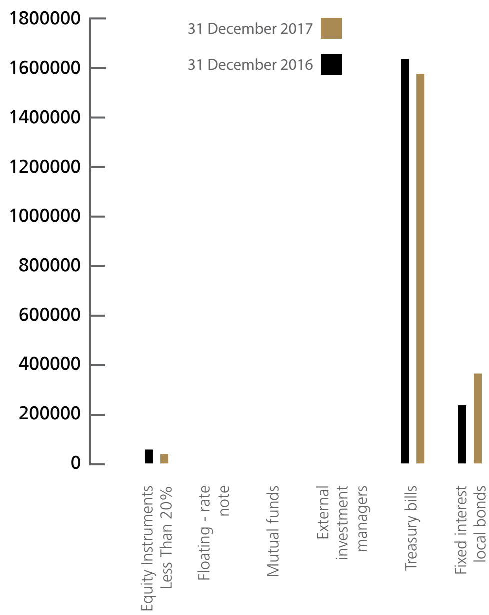
(B) Financial Investments

The balances of financial investments available for sale, held to maturity in addition to treasury bills as at December 31, 2017 amounted to US$ 1 888 million corresponding to US$ 1 893 million as at December 31, 2016 with a decrease of US$ 5 million. The value of such investments represents 38% of the total assets as at December 31, 2017 corresponding to 40 % as at December 31, 2016. The following represents the components of the said investments as at December 31, 2017/ 2016:

Per Thousand US$

Description	Percentage of participation	31-dec. 2017	31-dec. 2016	Change (-)/ + Value
Financial Investments Available For Sale				
Equity Instruments Less Than 20%				
A-Equity Instruments Recorded at Cost				
Arab International Company for Hotels and Tourism (AICHT)	17.6	**16 400**	16 400	-
Société D'Etudes Et Dev. Tunisia	10	**1 583**	1 583	-
Arab Financial Services – Bahrain (AFS CO)	2.3	**704**	704	-
**Egyptian Banks Takaful Insurance Co. (for property and liability insurance)	9.5	**1 769**	1 769	-
The Egyptian Credit Bureau "I-Score"	3.6	**288**	288	-
International Co. for Multi Investments	10.8	**1 532**	1 532	-
Arab Trade Financing Program - ATFP	0.11	**860**	860	-
Miscellaneous	-	**6 509**	6 509	
Less: impairment provision	-	**(6 795)**	(6 795)	-
B-Equity Instruments Recorded at Fair Value				-
Arab Banking Corporation - Bahrain (Bank ABC)	-	**223**	280	(57)
Total Equity Instruments of Participation Percentage Less Than 20%		23 073	23 130	(57)
Floating – rate notes	-	-	9 908	(9 908)
Mutual funds	-	**1 783**	1 039	744
External investment managers	-	**352**	633	(281)
Total investments available for sale		25 208	34 710	(9 502)
Treasury bills	-	**1 554 341**	1 623 658	(69 317)
Total treasury bills		1 554 341	1 623 658	(69 317)
Investments held to maturity:				
Fixed interest local bonds	-	**308 390**	234 155	74 235
Total Investments held to maturity		308 390	234 155	74 235
Total financial investments		1 887 939	1 892 523	(4 584)

The investments available for sale are valuated at their fair value and the differences of valuations are recorded in equity under the item of reserve for differences of valuations of investments available for sale.



(C) Loans & Credit Facilities to Customers and Banks (Net):

The net loans and advances portfolio after deducting the specified and general impairment provisions amounted to US$ 1 228 million as at December 31, 2017 corresponding to US$ 1 341 million as at December 31, 2016 with a decrease amounting to US$ 113 million.

Hereunder is a statement of the loans and credit facilities components as at December 31, 2017/2016:

Per Thousand US$

Description	31-dec.-2017	31-dec.-2016	Change (-)/ + Value
Loans granted to financial institutions (subordinated loan)	150 000	150 000	-
Loans to corporates & firms	1 287 501	1 346 515	(59 014)
Personal loans	37 482	41 913	(4 431)
Total portfolio amount	1 474 983	1 538 428	(63 445)
Less:			
Suspense interests & commissions	(84 846)	(72 164)	(12 682)
Specified & general impairment provision	(161 667)	(125 388)	(36 279)
Total provision, suspense interests & commissions	(246 513)	(197 552)	(48 961)
Net	1 228 470	1 340 876	(112 406)

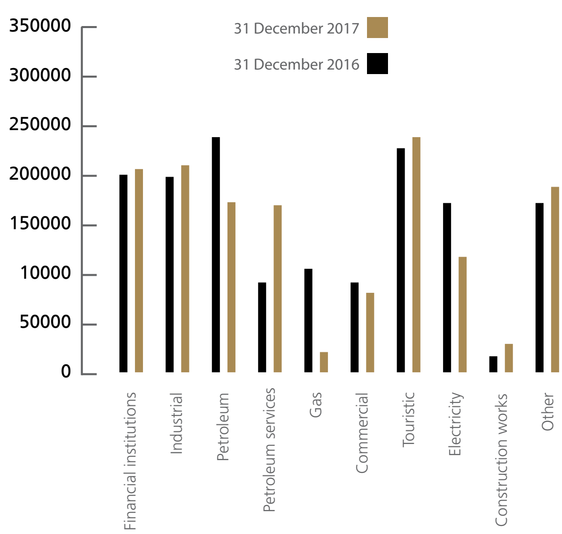
On December 31, 2017, the non-performing loans portfolio after excluding the suspense interests amounted to US$ 154 million corresponding to US$ 156 million during the previous year. The coverage ratio of the specified and general loans and advances impairment provisions to the total credit portfolio (excluding the suspense interests) was 11.63% on December 31, 2017 corresponding to 8.55% on December 31, 2016 while the coverage ratio of the specified impairment provision to the net defaulting loans portfolio was 79% on December 31, 2017 corresponding to 62% on December 31, 2016.

The total amount of the interest income pertaining to the credit portfolio amounted to US$ 83 million on December 31, 2017 corresponding to US$ 78 million on December 31, 2016 at an average interest rate of 6.23% on December 31, 2017 corresponding to 5.24% as at December 31, 2016.

The classification of the loans and advances according to the sectors is as follows (Net after excluding suspense interests & commissions):

Per Thousand US$

Sector	31-dec.-2017	31-dec.-2016
Financial institutions	202 722	198 974
Industrial	204 800	197 515
Petroleum	172 823	234 552
Petroleum services	174 377	93 739
Gas	6 670	102 777
Commercial	73 489	80 010
Touristic	238 651	223 330
Electricity	113 813	167 146
Construction works	9 500	7 153
Other	193 292	161 068
Total	1 390 137	1 466 264



(D) Investments in Associates (Direct Participations):

The volume of the direct participations in the capital of the companies and institutions on December 31, 2017 reached the amount of US$ 474 million corresponding to US$ 453 million on December 31, 2016 with an increase of US$ 21 million. The following is an analytical statement of such participations:

Per Thousand US$

Description	Business Activity	Participation Percentage	31-dec. 2017	31-dec. 2016	Change (-)/+ Amount
Investments in Associates					
Participation Percentage 20% and More					
World Trade Center Company (WTC)	Housing – Administrative	50	**132 499**	131 850	649
Société Arabe Internationale de Banque (SAIB)	Banking	46	**147 279**	129 014	18 265
Suez Canal Bank	Banking	41.5	**116 137**	116 137	-
*Suez Canal Company For Technology	Educational Institutions	24	**27 785**	27 866	(81)
International Company for Tourist Investments (ICTI)	Housing – Hotels	20	**41 702**	40 002	1 700
International Finance Arab Company, Luxembourg	Financial Institutions	89	**8 505**	8 505	-
Total Investments in Associates			473 907	453 374	20 533

* The net value of the Bank's shares in the profits of the associate companies resulting from applying the equity method amounted to US$ 16.3 million as at December 31, 2017 corresponding to US$ 17.5 million as at December 31, 2016.

(E) Intangible Assets:

The net intangible assets after depreciation amounted to US$ 991 thousand as at December 31, 2017, are represented in computer software.

(F) Fixed Assets:

The net value of the fixed assets after depreciation as at December 31, 2017 reached the amount of US$ 49.2 million corresponding to US$ 48.2 million as at December 31, 2016 with an increase amounted to US$ 1 million.

(G) Debit Balances & Accrued Interests:

The debit balances & accrued interests amounted to US$ 52.8 million as at December 31, 2017 corresponding to US$ 38.1 million as at December 31, 2016 with an increase of US$ 14.7 million due to the increase in the reserve of accrued revenues with an amount of US$ 1.6 million and an increase in advance expenses payments with an amount of US$ 1.6 million, advance payments for purchasing fixed assets with an amount of US$ 6.4 million, an increase in the value of assets ownership reverted to the bank with an amount of US$ 0.9 million (as a result of revaluation) in addition to an increase represented in advance payments under the account of employees' profits appropriations with an amount of US$ 0.7 million and an increase of US$ 3.4 million that represented in taxes under settlement – bonds.

(H) Contingent Liabilities and Commitments:

The net amount of contingent liabilities and commitments after excluding cash margin as at December 31, 2017 reached US $ 94 million corresponding to US$ 134 million as at December 31, 2016, which statement is as follows:

Per Thousand US$

Item	31-dec.-2017	31-dec.-2016	Change (-)/+
			Amount
Documentary Credit & Letters of Guarantee			
Documentary Credit	13 537	15 021	(1 484)
Letters of Guarantee	79 225	101 845	(22 620)
Total (A)	92 762	116 866	(24 104)
Commitments			
Loans and Advances	1 514	17 610	(16 096)
Total (B)	1 514	17 610	(16 096)
Total (A+B)	94 276	134 476	(40 200)

The total contingent liabilities provision that represents an obligation on the part of the Bank as at December 31, 2017 amounted to US$ 3.8 million corresponding to US$ 4.8 million as at December 31, 2016.

The net revenues gained from fees and commissions of documentary credit & letters of guarantee as at December 31, 2017 amounted to US$ 3.7 million corresponding to US$ 5.9 million as at December 31, 2016.

Board Of Directors' Report On The Activities Of The Bank During The Year 2017

Second: The Income Statement:

The Bank achieved net profits this year that amounted to US$ 55.5 million as at December 31, 2017 corresponding to US$ 38.9 million as at December 31, 2016.

The following is a detailed statement of the items of revenues and expenses as at 31 December 2017 & 2016:

Per Thousand US$

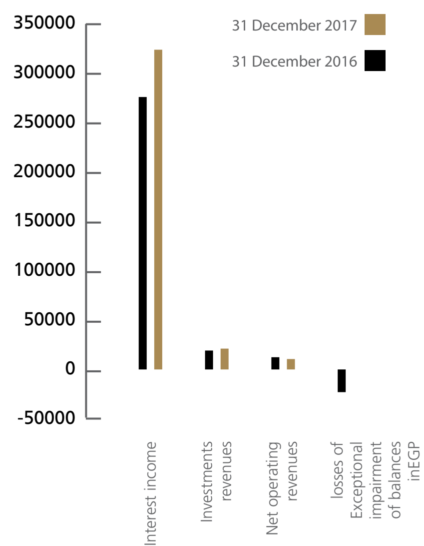
Description	31-dec.-2017	31-dec.-2016
Operating Income	**357 590**	279 907
Operating expenses	**(213 899)**	(180 782)
Total operating Income	**143 691**	99 125
Administrative & general expenses	**(54 668)**	(44 360)
Net profits before provisions	**89 023**	54 765
Provisions no longer required	**2 787**	716
Provisions	**(36 347)**	(16 623)
Net profit	55 463	38 858

(1) Revenues :

The Bank achieved total operating income as at December 31, 2017 that amounted to US$ 358 million corresponding to US$ 280 million as at December 31, 2016 according to the following:

Per Thousand US$

Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
Interest income	**325 861**	**91.1**	279 661	99.9
Investments revenues	**17 274**	**4.8**	17 135	6.1
Other operating income (Net)	**14 455**	**4.1**	14 826	5.3
Exceptional impairment losses of monetary balances in Egyptian pound	-	-	(31 715)	(11.3)
Total	357 590	100	279 907	100



(A) Interest Income

The interest income represents 91.1 % of the total operating revenues as at December 31, 2017 compared to 99.9% as at December 31, 2016.

The following is a detailed statement of the collected interests as at December 31, 2017/2016:

Per Thousand US$

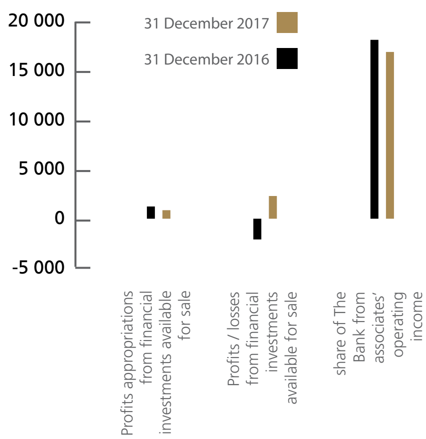
Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
From cash balances and deposits at banks	**12 253**	**4**	17 866	6
From loans to customers & banks	**82 956**	**25**	78 104	28
From investments portfolio	**230 652**	**71**	183 690	66
Total	325 861	100	279 660	100

(B) Investment Revenues

The investment revenues amounted to US$ 18 million as at December 31, 2017 corresponding to US$ 17 million as at December 31, 2016 as follows:

Per Thousand US$

Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
Profits appropriations from financial investments available for sale	**203**	**1**	299	1.7
Profits / losses from financial investments available for sale	**1 480**	**8**	(692)	(4.0)
The Bank's share from associates' operating income	**16 288**	**91**	17 528	102.3
Total	17 971	100	17 135	100



(C) Other Operating Income (Net)

The other operating income (net) amounted to US$ 14.5 million as at December 31, 2017 compared to US$ 14.8 million as at December 31, 2016 with an approximate decrease of US$ 0.3 million .

The following is a detailed statement of the revenues items:

Per Thousand US$

Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
Fees & commissions revenues (net)	**9 800**	**67.8**	15 109	102
Losses/ profits from foreign exchange transactions and translation differences	**3 464**	**24**	(2 507)	(17)
Other operating income (net)	**1 191**	**8.2**	2 226	15
Total	**14 455**	**100**	14 828	100

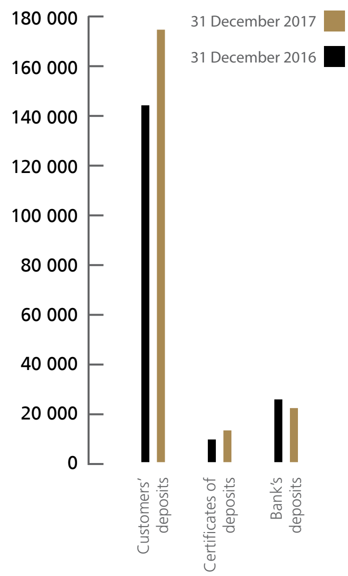
(2) Expenses:

(A) Interests Expenses:

The interests expenses as at December 31, 2017 reached the amount of US$ 213.9 million compared to US$ 180.8 million on December 31, 2016 and the following table presents a detailed description of the paid interests:

Per Thousand US$

Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
Customers' deposits	**176 104**	**82**	142 652	79
Certificates of deposits	**17 081**	**8**	11 104	6
Bank's deposits	**20 714**	**10**	27 026	15
Total	213 899	100	180 782	100



(B) Administrative and General Expenses:

The administrative and general expenses as at December 31,2017 reached the amount of US$ 54.7 million corresponding to US$ 44.4 million as at December 31, 2016 with an increase of US$ 10.3 million at an increase rate of 23% as follows:

Per Thousand US$

Description	31-dec.-2017		31-dec.-2016	
	Value	%	Value	%
Salaries, wages and their equivalents	**41 024**	**75.0**	29 232	65.9
Amount paid to the Employees' Fund from the surplus of early retirement plan	**4 991**	**9.1**	6 409	14.4
Other administrative expenses	**8 653**	**15.9**	8 720	19.7
Total	54 668	100	44 361	100

The main reason of increase in salaries and its equivalent with the amount of US$ 11.8 million is due to the support in Employees' pension Fund with the difference of the investment return and the cost of adding the allowance of the year 2017 with an amount of US$ 3.5 million in addition to charging the income statement with the allowances determined for the Board of Directors' members with an amount of US$ 3.2 million in addition to an increase of US$ 0,6 million in the end of service compensation amount for the employees whose alternative pension scheme is applicable and an increase of US$ 4.6 million being the cost of the Salaries and their equivalents.

(C) Provisions

The provision of loans and advances was increased during the year 2017 with the amount of US$ 36.2 million (including US$ 18 million as an additional provision allocated for the tourism sector to encounter the effects of applying IFRS 9) and the increase of the contingent liabilities provision with an amount of US$ 153 thousand in December 2017 while having provisions no longer required with the amount of US$ 2 787 thousand as at December 31, 2017 corresponding to US$ 716 thousand as at December 31, 2016 in addition to impairment losses of investments in associates represented in the impairment of fair value of the Suez Canal Company for Technology with an amount of US$ 697 thousand as follows:

Per Thousand US$

Description	31 DEC. 2017	31 DEC. 2016	Change (-) / + Value
Loans provision increase	**(36 193)**	(11 252)	(24 941)
Impairment of investments in associates	**(697)**	(5 000)	4 303
Contingent liabilities provision increase	**(153)**	-	(153)
Contingent claims provision increase	-	(371)	371
Total increase	**(37 043)**	(16 623)	(20 420)
Provisions no longer required	**2 787**	716	2 071
Total	(34 256)	(15 907)	(18 349)

(3) Applying IFRS 9

On January 28, 2018, the Central Bank of Egypt issued its instructions to get the banks prepared for applying IFRS 9 (International Financial Reporting Standards No 9). For the purpose of supporting the financial positions of the banks to encounter the expected increase in the volume of provisions as a result of adopting the approach of the Expected Credit Losses (ECLs) that takes into consideration the future outlook of the economic conditions, hence the Central Bank of Egypt obligated the banks to form a risk reserve based on IFRS 9 at a rate of 1% of the total credit risk weighted that is to be taken from the net profit for the year 2017 provided that it shall be included in the core capital item of the capital base and shall not be utilized unless an approval is given by the Central Bank of Egypt.

Accordingly, the Bank formed a risk reserve (based on IFRS9) with an amount of US$ 26 429 thousand at a rate of 1% of the total credit risk weighted and included in the proposed profits appropriations for the financial year ended as at December 31, 2017 in addition to forming an additional provision for the tourism sector from the year with an amount of US$ 18 million to be prepared to overcome the impacts of applying IFRS 9 as mentioned in the item of provisions.

It is expected that the said reserve and additional provision formed for the tourism sector shall be used when the IFRS 9 is applied starting from the year 2019.

It is worth noting that the transitional application of the aforementioned standard as of 2018 shall indicate the adequacy of the amounts allocated for the reserve and the provision when the actual implementation thereof is in place.

03
Governance

Governance

The Arab International Bank is committed to apply the corporate governance principles issued by Basel Committee on Banking Supervision in addition to the rules and instructions issued by the Central Bank of Egypt that are applied to the Banks working in Egypt and in the light of the establishment treaty of the Bank and its articles of association.

Basic Principles of Governance Applied by the Arab International Bank

- Securing shareholders rights and treating them on equal footing basis.
- Respecting and protecting the interests and rights of the other related parties.
- Determining the duties and responsibilities of the Board of Directors and the executive administrative levels.
- Ensuring the importance of the internal and external audit in addition to the audit committees.
- Complying with the disclosure and transparency standards in addition to the proper professional practices.

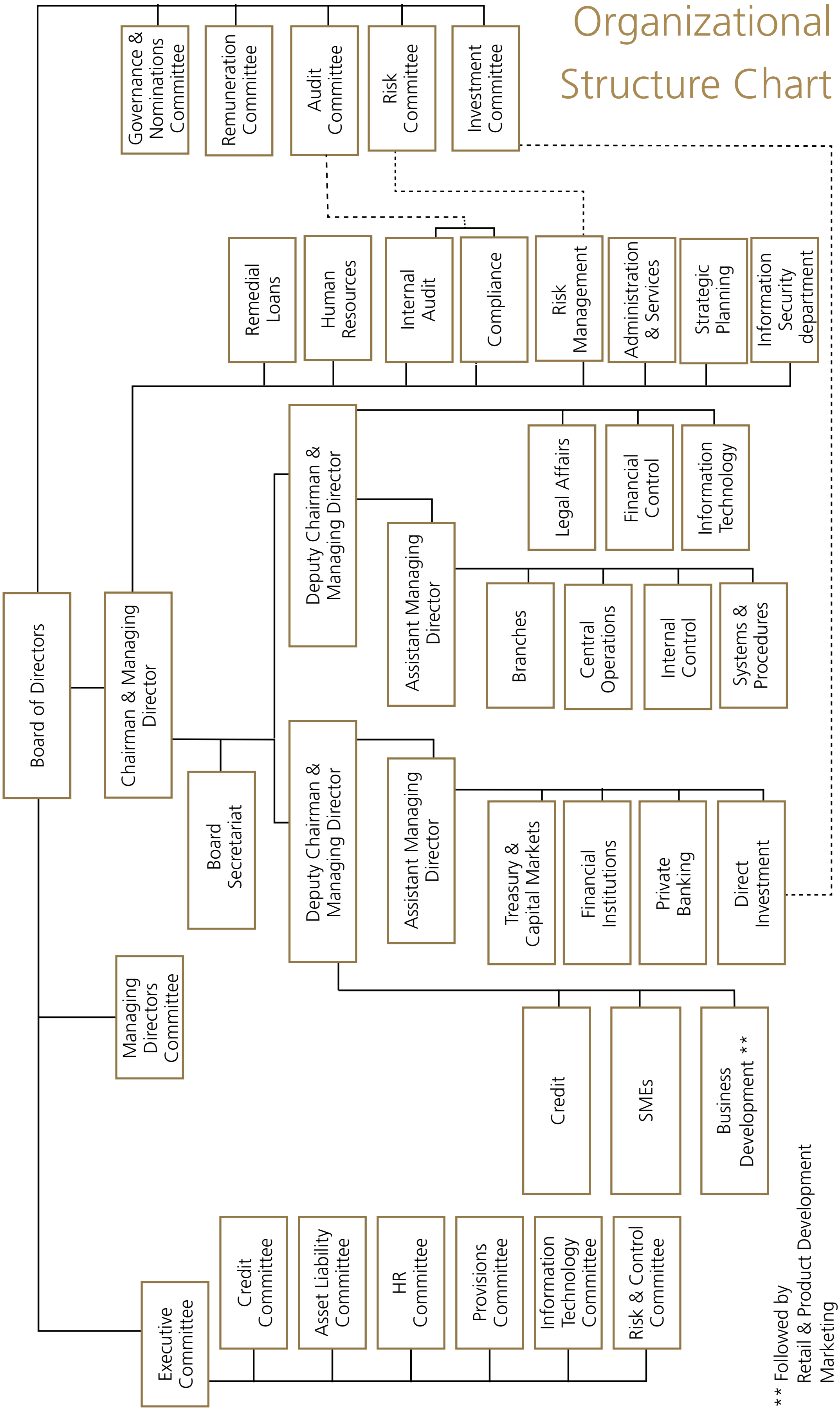
The Board of Directors

The Board of Directors shall have the most extensive authority to manage the Bank except for the matters that are explicitly stated as authorities and powers that can only be exercised by the General Assembly. The Board of Directors shall convene at the head office of the Bank at least once every three months.

The Board of Directors Main Responsibilities

- Ensuring that the interests of the shareholders, depositors and other related parties of interest are fulfilled.
- Laying out the strategic objectives of the Bank.
- Making sure that the Bank is carefully and properly managed within the frame work of laws, regulations and the Bank's approved policies.
- Making sure that the internal control systems are competent and efficient

Organizational Structure Chart



** Followed by Retail & Product Development Marketing

Board Committees

Managing Directors Committee:

Mr.	Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Ibrahim Abduljawad	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director

Governance and Nominations Committee:

Mr.	Gamal Mohamed Negm	Member of the Board of Directors
Mr.	Mohamed Mohamed Ben Youssef	Member of the Board of Directors
Mr.	Mohamed Khalfan Dhaheri	Member of the Board of Directors

The Risk Committee:

Mr.	Tarek Al Kholy	Member of the Board of Directors
Mr.	El Taher Amhamad Sarkaz	Member of the Board of Directors
Mr.	Ali Salem Mohamed El Hebry	Member of the Board of Directors
Mr.	Hamad Rashed Al Noeimy	Member of the Board of Directors
Mr.	Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr.	Khaled Mohamed Al Khajeh	Member of the Board of Directors

Audit Committee:

Mr.	Gamal Mohamed Negm	Member of the Board of Directors
Mr.	Tarek Fayed	Member of the Board of Directors (Till 31-12-2017)
Mr.	Abdulfataha Abdelsalam Enaami	Member of the Board of Directors

Board Committees

The Remunerations Committee:

Mr.	Mohamed Mohamed Ben Youssef	Member of the Board of Directors
Mr.	Ali Salem Mohamed El Hebry	Member of the Board of Directors
Mr.	Ahmed Ali Al Hammady	Member of the Board of Directors
Mr.	Tarek Fayed	Member of the Board of Directors (Till 31-12-2017)

The Investments Committee:

Mr.	Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Ibrahim Abduljawad	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Mohamed Ben Youssef	Member of the Board of Directors
Mr.	Tarek Fayed	Member of the Board of Directors (Till 31-12-2017)
Mr.	Rami Ahmed Aboulnaga	Member of the Board of Directors
Mr.	Abdulfataha Abdelsalam Enaami	Member of the Board of Directors

The Executive Committee:

Mr.	Hisham Ramez Abdel Hafez	Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Kamal El-Din Barakat	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Mohamed Ibrahim Abduljawad	Deputy-Chairman of the Board of Directors & Managing Director
Mr.	Amr Bahaa	Assistant Managing Director
Mr.	Amr Atallah	Assistant Managing Director
Mr.	Adel Ezzat	General Manager – Credit
Mr.	Assem Awwad	General Manager – Risk Management (As an Observer)
Mr.	Abdel Hamed Al Zanaty	General Manager – Legal Affairs Administration - (As an Observer)

Internal Control systems

First: Risk Management

The Board of Directors of the Bank applies comprehensive governance controls to implement its policies toward the management of risks that the Bank may be exposed there to through the practice of its various activities and lays down an effective vision to manage the banking risks within a framework of an atmosphere attributed by high standards of integrity.

The policies and risk management systems were laid out in order to assure that the nature of risks the Bank is exposed thereto, does not conflict with its strategic vision, while taking into consideration that the evaluation of the bank's activities is based on balancing between the income and the risks related to achieving it, hence the priority of utilizing the resources and investments of the Bank is determined according to the impact of the risks relevant thereto.

The general framework of risk management is based on awareness of all the employees of the importance of implementing all their responsibilities efficiently and reporting any breaches or barriers that hinder the implementation of the bank's policies.

The said framework is based on an organized approach that is comprised of four phases as follows:

1. Risk Identification.
2. Risk Measurement.
3. Risk Monitoring Limitation.
4. Risk Reporting and Control

The financial risks that the Bank may be exposed to are as follows:

- Credit Risks
- Operational Risks
- Market Risks

The aforementioned risks are managed as follows:

Credit Risk Management:

The credit risks are the most prominent risks that the Bank may be exposed to, as such risks are represented in the lack of ability of one of the parties to fulfill its commitments and liabilities that fall due to the bank, whether to pay a part thereof or the entire due amounts on the date of maturity.

The loans granted to customers, banks, and current account balances, deposits placed at other banks, financial investments and commitments on the part of third parties represent the most significant financial assets that expose to the risks of credit.

In order to secure the funds of the depositors and maintain the strong financial performance of the Bank along with realizing good profitability rates, the Bank management is concerned with providing effective control to be exercised over the credit risks through the sector of risk management that is completely independent from the business activity units and adopting a prudent, vigilant and conservative policy in addition to implementing a series of procedures that leads to mitigating the risks of credit as much as possible.

Operational Risk Management:

The operating risks are those resulting from the incommodity or failure of any of the operations, internal procedures, systems, employees or a failure due to external risks including the legal risks.

The operating risk management policy has been activated throughout the bank to measure and assess operating risks in a manner that mitigates the operating risks intensity and their impact on the operating income of the bank.

The Risk Management Department is working side by side with the other control departments such as, Internal Control Department and Internal Audit Department to accomplish the ideal implementation of all the activities of the bank.

The operating risk department is committed to the standards laid down by "Basel II" Accords and the classification of operating risks that was stated therein and prepares regular reports to be presented to the top management of the Bank in order to determine the extent of exposure to risk and how to encounter it.

Market Risk Management:

It is the risk of loss resulting from the reverse changes in the market prices and the market risk includes the following:

1. Interest Rate Risk
2. Equity Risk
3. Foreign Exchange Risk
4. Commodity Risk

Financial Assets in Foreign Currencies:

The interest rate is determined based on the floating rate and subsequently the risk of foreign currency interest rate fluctuation and shall mitigate as it goes up and down while taking into consideration hedging the risk of the fixed rates fluctuation through referring to the financial derivatives (IRS Interest Rate Swap). The Bank may also be exposed to the impacts of the fluctuations on the prevailing interest rate level in the market that are represented in the risk of the cash flow of the interest rate, however, the margin of interest may increase as a result of such fluctuations but the profits may decrease in case of having unexpected movements.

The Board of Directors of the Bank determines the limits of variation level with respect to re-pricing the interest rate that can be maintained by the Bank and the said procedure is monitored on daily basis by the market risk department of the Bank.

Liquidity Risk:

It is the possibility that the Bank may be exposed to difficulties in satisfying its commitments that are related to accrued liabilities and the said risk may result in a failure in fulfilling the liabilities related to the payments due to the depositors and the fulfillment of lending commitments. The Treasury Department is responsible for the liquidity management on the short term and providing regular reports on the movement of assets and liabilities in order to determine the requirements of the Bank in regard to liquidity. In addition, the market risk department is competent to monitor the levels of liquidity and implement the approved policy of the liquidity management.

Foreign Exchange Risk:

It is the possibility that the Bank may be exposed to the risk of foreign exchange rate fluctuations that affects the balance sheet and the cash flow. The Board of Directors has laid out limits for the foreign currencies according to the total value of each position of which. Meanwhile, the said limits are immediately monitored by the market risk department of the Bank.

Capital Adequacy Ratio:

The Bank has adopted a conservative policy approach with respect to capital adequacy ratio based on the rule stipulated in Basel (II) Accords since 2008 while committing to the instructions and interpretations of the Central bank of Egypt, which is considered more conservative with credit risk concentration of the largest 50 customers.

The capital adequacy ratio policy of the Bank aims at achieving the following:

- Making sure of the capability of the bank to compete on the international level through its compliance with the international standards and rules which regulate the banking activities.
- Maintaining the strong financial position of the bank and the safety of the funds of its customers through maintaining secured levels of capital that are in proportion with the risks which its assets are exposed to.

The capital adequacy ratio is calculated according to the following determinants:

First: The Ownership Rule

- (Tier 1)
  The common Equity: Paid in Capital, reserves, and retained earnings.
  The additional going concern: preferred stocks, approved quarterly profits (loss).
- (Tier 2)
  Supplementary capital: General loan loss provision, reserve of change in available for sale investments fair value and long term subordinated loans (deposits).

Second: Capital Allocated for Assets Risk

- Capital allocated for credit risk and market risk is calculated based on the standardized approach.
- Capital allocated for operating risk is calculated based on the basic indicator approach.

The bank maintained a strong ratio of capital adequacy that amounted to 12.31% at the end of December 2017, compared to 12.03% at the end of December 2016, while the minimum limit of the capital adequacy ratio according to the requirements of the Central Bank of Egypt amounted to 11.25%, including the conservation buffer.

Second: Compliance

The Bank is considered among the pioneering banks working in Egypt with respect to establishing an independent sector for compliance since 2002 in order to protect the bank from any noncompliance risks. The activity of the Compliance Sector depends on three essential pivots:

- Making sure that the systems, regulations and business mechanisms of the bank are in conformity with the banking standards and policies and with the laws and instructions issued by the supervisory authorities.
- Anti-money laundering.
- Implementing the principles of governance on sound banking grounds.

A developed policy for compliance was endorsed to agree with the accords of Basel Committee on Banking Supervision in addition to the recommendations of the International Financial Action Task Force-FATF, by virtue of which the Head of Compliance was determined along with the appointment of Branch Compliance Officers in all branches of the bank.

The said policy reflects the bank compliance in regard to carrying out an efficient role in anti-money laundering of illicit gains and working on drying up the resources of finance for terrorism in addition to achieving the objectives of the bank according to the following:

- Participating in crime-fighting in general.
- Maintaining the soundness of the bank's operations and transactions in addition to its professional reputation.
- Performing the legal compliance aspect toward the headquarters hosting country as well as implementing the rules, the principles in practice and the binding international controls.

The aforementioned policy is implemented through work procedure manual mainly based on the following:

1. Establishing a data base to count the customers who are restricted to deal with and those whose names are listed in the UN, OFAC and the Central Bank of Egypt in addition to reviewing the outgoing and incoming transfers in this regard.
2. Applying the principle of "identify your customer" to know the identity of all your customers and their banking transactions according to the guidelines of the controls of opening and operating the accounts issued by the Central Bank of Egypt in addition to the international controls and principles in practice.
3. Updating the data of the customers on a regular and ongoing basis.
4. Carrying out a continuous control over all the customers' transactions with the bank.
5. Applying the rules of Enhanced Due Diligence to all the accounts and transactions that are attributed by high risks.
6. Organizing regular training courses with respect to anti-money laundering.

Third: Internal Audit

The Internal Audit Department is keen to provide "Value Added" to the works of the bank through assuring the efficiency and adequacy of the Internal Control Systems and Governance throughout the bank as well as the Risk and Compliance Departments in order to provide a comprehensive vision to the Audit Committee, Top Management and The Board of Directors thereon. The efficiency and adequacy of the procedures adopted by the Bank's departments in addition to the measures taken when carrying out the Bank's activities are assessed within a framework attributed by Independence and Objectivity when auditing process on the activities of the bank is in place. The internal audit is carried out based on the organizational structure of the Bank and the competencies given to the Internal Control Department.

04
Financial Statements


EMPLOYERS
23,183
1999
businesses
303,902
285,504
308,114
232,863
71,039
70,203
1998
TOTAL

Wahid Abdel Ghaffar & Co.-BAKER TILLY
Public Accountant & Consultants

Allied for Accountings & Auditing – EY
Public Accountant & Consultants

AUDITORS' REPORT

To THE SHAREHOLDERS OF ARAB INTERNATIONAL BANK

Report on the Financial Statements

We have audited the accompanying financial statements of ARAB INTERNATIONAL BANK represented in the balance sheet as of 31 December 2017, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the Bank's management, as management is responsible for the preparation and fair presentation of the financial statements in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008 and in light of the prevailing Egyptian laws. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies; making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate 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 made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of ARAB INTERNATIONAL BANK, as of 31 December 2017, 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 presentation of financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

Report on Other Legal and Regulatory Requirements

We have not noted during the financial year ended 31 December 2017 any non-compliance by the Bank in respect of the articles of the Central Bank of Egypt law and Banking and Monetary institution law No.88 of 2003

The Bank maintains proper accounting records that comply with the laws and the Bank's articles of association and the financial statements agree with the Bank's records.

Mona Abdel-Salam	Alaa Dawoud
Allied for Accounting & Auditing EY	Wahid Abdel Ghaffar & Co.-BAKER TILLY

Cairo: 15 April 2018

Balance Sheet

As of December 31, 2017

(US $ Thousands)

	Note No.	31/12/2017	31/12/ 2016
Assets			
Cash and Due from Central Bank	(13)	192 028	128 020
Due from Banks	(14)	1 039 004	792 800
Treasury bills	(15)	1 554 341	1 623 658
Loans and facilities to Banks	(16)	150 000	150 000
Loans and facilities to customers	(17)	1 078 470	1 190 876
Financial investments			
- Available for sale investments	(18)	25 208	34 710
- Held to maturity investments	(18)	308 390	234 154
Investments in associates	(19)	473 907	453 374
Intangible assets	(20)	991	1 198
Other assets	(21)	52 829	38 144
Fixed assets	(22)	49 197	48 213
Total Assets		4 924 365	4 695 147
Liabilities and Equity			
Liabilities			
Due to Banks	(23)	784 437	913 441
Customers' deposits	(24)	3 112 873	2 803 912
Other liabilities	(25)	41 008	37 232
Other provisions	(26)	4 424	6 956
Total Liabilities		3 942 742	3 761 541
Equity			
Paid-up capital	(27/a)	600 000	600 000
Reserves	(27/b)	249 218	240 980
Retained Earnings	(27/c)	132 405	92 626
Total Equity		981 623	933 606
Total Liabilities and Equity		4 924 365	4 695 147

- Auditors' report attached

* The accompanying notes from (1) to (33) are integral part of these financial statements and to be read there with.

Gamal Zaghloul	Mohamed Barakat	Hisham Ramez
CFO	Deputy Chairman & Managing Director	Chairman & Managing Director

Statement of Income

For The Financial Year Ended December 31, 2017

(US $ Thousands)

	Note No.	31/12/2017	31/12/ 2016
Interest income from loans and similar revenues	(6)	325 862	279 660
Cost of deposits and similar costs	(6)	(213 899)	(180 782)
Net Interest Income		111 963	98 878
Fees and commissions revenues	(7)	9 893	15 207
Fees and commissions expenses	(7)	(93)	(98)
Net Income from Fees and Commissions		9 800	15 109
Dividends income	(8)	203	299
Net trading income	(9)	3 430	3 032
Gains (losses) from financial investments	(18)	1 480	(692)
Impairment of investments in associates	(19)	(697)	(5 000)
Impairment charge for credit losses	(17)	(35 310)	(11 252)
Administrative expenses	(10)	(54 668)	(44 360)
Other operating revenues (expenses)	(11)	2 974	(2 969)
Share of profit in associates operating income	(19)	16 288	17 528
		55 463	70 573
Losses of extraordinary impairment of cash balances		-	(31 715)
Net Profits for The Year		55 463	38 858
Earning per share (US$/share)	(12)	1523.4	902.0

* The accompanying notes from (1) to (33) are integral part of these financial statements and to be read there with.

Gamal Zaghloul
CFO

Mohamed Barakat
Deputy Chairman & Managing Director

Hisham Ramez
Chairman & Managing Director

Statement of Cash Flows

For The Financial Year Ended December 31, 2017

(US $ Thousands)

	Note No.	31/12/2017	31/12/ 2016
Cash flows from operating activities			
Net Profit for the year		55 463	38 858
Adjustments to reconcile net profit to net cash provided from operating activities			
Fixed assets depreciation		1 666	1 447
Software amortization		565	185
Impairment charges for credit losses		35 310	11 252
Impairment charges for available for sale investments		-	825
Other provision charges		153	371
Provisions no longer required		(2 787)	(716)
Impairment of associates		697	5 000
Profit /losses from investment in associates		(16 288)	(17 528)
Gains on sale of fixed assets		-	57
Gains on sale of investment available for sale		-	(133)
Other provisions currenty change		24	(2 244)
Amortized Cost		586	1 333
Dividends income		(203)	(299)
Operation profits before changes in assets & liabilities from operating activities		75 186	38 408
Net decrease (increase) in assets & liabilities			
Due from Banks		(65 689)	(217 937)
Treasury bills with maturities more than three months		(62 898)	(266 029)
Loans and facilities to customers and Banks		(78 878)	75 936
Other assets		(11 770)	(11 280)
Due to Banks		(129 004)	205 391
Customers' deposits		308 961	860 016
Other liabilities		5 931	7 163
Net cash provided from operating activities (1)		41 839	691 668
Cash flows from Investing Activities			
Payments to acquire fixed assets and fixtures of branches		(6 028)	(2 887)
Payments to purchase held to maturity investments		(68 852)	(163 047)
Proceeds from available for sale investments		10 190	-
Dividends received		203	(17 229)
Net cash (used in) investing activities (2)		(64 487)	(183 163)
Cash flow from Financing Activities			
Capital increase		-	150 000
Dividends paid		(11 798)	(34 098)
Net cash flows (used in) provided from financing activities (3)		(11 798)	115 902
Net Increase (decrease) in cash & cash equivalents during the year (1+2+3)		(34 446)	624 407
Cash & cash equivalents at the beginning of the year		1 091 268	466 861
Cash & cash equivalents at the end of the year		1 056 822	1 091 268
Cash & cash equivalents represented as :			
Cash and due from Central Bank		192 028	128 020
Due from Banks		1 039 004	792 800
Treasury bills		1 554 341	1 623 658
Due from central Banks (other than the mandatory reserve percentage)		(42 232)	(29 306)
Due from Banks with maturities more than three months		(131 978)	(11 108)
Treasury bills with maturities more than three months		(1 554 341)	(1 412 796)
Cash & cash equivalents	(28)	1 056 822	1 091 268

* The accompanying from (1) to (33) are integral part of these financial statements and to be read there with.

Statement of changes in Shareholders' Equity

For The Financial Year Ended December 31, 2017

(US $ Thousands)

	Paid up Capital	Legal reserve	General reserve	Available for sale fair value reserve	Change in equity for investment in associate	Retained earnings	Total
Balance as of December 31, 2015	450 000	107 306	73 582	1 034	72 631	143 128	847 681
Capital increase paid amount	150 000	-	-	-	-	-	150 000
Transferred to legal reserve	-	5 942	-	-	-	(5 942)	-
Dividends distributions for 2015	-	-	-	-	-	(34 098)	(34 098)
Available for sale impairment transferred to income statement	-	-	-	825	-	-	825
Net (losses) of change in the fair value of the available for sale investments	-	-	-	(582)	-	-	(582)
Change in equity for investment in associate	-	-	-	-	(19 758)	-	(19 758)
Impairment of assets (Note No. 26 - C)	-	-	-	-	-	(49 320)	(49 320)
Net profit for the year	-	-	-	-	-	38 858	38 858
Balance as of December 31, 2016	600 000	113 248	73 582	1 277	52 873	92 626	933 606
Balance as of December 31, 2016	600 000	113 248	73 582	1 277	52 873	92 626	933 606
Transferred to legal reserve	-	3 886	-	-	-	(3 886)	-
Dividends distributions for 2016	-	-	-	-	-	(11 798)	(11 798)
Net (losses) of change in the fair value of the available for sale investments	-	-	-	(589)	-	-	(589)
Change in equity for investment in associate	-	-	-	-	4 941	-	4 941
Net profit for the year	-	-	-	-	-	55 463	55 463
Balance as of December 31,2017	600 000	117 134	73 582	688	57 814	132 405	981 623

* The accompanying notes from (1) to (33) are integral part of these financial statements and to be read there with.

Statement of Proposed Dividends

For The Year Ended December 31, 2017

(US $ Thousands)

	Note No.	31/12/2017	31/12/ 2016
Net profit for the year (as per income statement)		55 463	38 858
Less: Risk reserve (IFRS9) *		(26 429)	-
Add :Retained earnings	(27-C)	76 942	53 768
Total		105 976	92 626
To be distributed as follows:-			
Legal Reserve (10%)		5 546	3 886
Shareholders' dividends (5% from Paid-up capital)		-	-
Employees' profit share		9 385	8 700
Board of Directors remuneration		377	3 098
Retained earnings at the end of the year		90 668	76 942
Total		105 976	92 626

* The (IFRS9) risk reserve is created at a rate of 1% of the total credit risks weighted by the risk classes and taken from the net profit for the financial year ended as at December 31, 2017 Note No. (32) .

Notes to the Financial Statements For The Year Ended December 31, 2017

All amounts in notes are presented in thousand US$ unless otherwise is stated.

1. Background

Arab International Bank was established in 1974 by an International Treaty.

The registered office of the Bank is located at 35 Abdel Khalek Tharwat Street, Downtown, Cairo, Egypt and the Bank carries out its business activities through its network of branches in the Arab Republic of Egypt (11 Branches).

By virtue of the Treaty, the Bank enjoys certain privileges and immunities in the territories of the Member States (shareholders). The following are examples of which:

- Exemption from laws regulating Banks, credit activities, exchange control, statutory auditing requirements of public institutions, public interest entities, public sector companies or joint stock companies.
- Immunity from all forms of nationalization, seizure or sequestration of shares in and deposits with the Bank.
- The Bank's documents, records and files are inviolable and immune from judicial, administrative and accounting control and inspection rules and laws.
- Confidentiality of customers' accounts with the Bank which are not subject to judicial or administrative attachment orders prior to final judgment issuance.
- Exemption from charges, stamps or taxes of any kind on its funds, profits, dividends and all its activities and different transactions.
- Exemption from taxation and any obligations for the payment, withholding or collection of any tax, stamp or duty, which may be imposed on its customers.
- The Extraordinary General Assembly meeting of the Arab International Bank held on March 22, 2012 resolved to amend some articles of the Bank Establishment Treaty , and the following are the most significant amendments of which:
    - The laws regulating the exercise of control over the public institutions, public interest entities public sector companies and the joint stock companies of the Members States in which the Arab International Bank or its branches carry out business activities are not applicable to the Bank or its branches – in this respect the Bank practices its activities in a manner that is not in conflict with the aforementioned and the rest of the articles included in Establishment Agreement Treaty and in this context, the Bank is subjected to the oversight of the Central Bank of Egypt according to the provisions of the applicable law of the Central Bank of Egypt and the law of Banking and Monetary System of the hosting state, in addition, the Bank branches in the other Member States are subjected to the oversight of their own Central Banks in accordance with the provisions of laws governing their Banks and credit facilities .
    - All the transactions of the Bank are carried out in all currencies determined by the Board of Directors.

The necessary actions have been taken to activate these amendments starting from April 1, 2015.

- The number of persons employed by the Bank as of December 31, 2017 was 1005 employees and workers compared with 968 as of December 31, 2016.
- These financial statements were approved for issuance by the Board of Directors in April, 15, 2018.

2. Summary of Significant Accounting Policies Applied

The following are the significant accounting policies which were adopted in the preparation of these financial statements.

A. Basis of financial statements preparation

The financial statements are prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with Central Bank of Egypt rules approved by its Board of Directors on 16 December 2008, and on the historical cost convention basis, modified by the revaluation of financial assets and liabilities for trading classified on initial recognition as fair value through profit or loss and available for sale and all derivative contracts.

B. Associates

Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights.

Accounting for acquisition of companies by the Bank is carried out according to the purchase method. The recognition of acquisition of companies by the Bank is measured at fair value or the value of assets given by the Bank in return for the purchase of companies and / or issued equity instruments and / or any other costs directly attributed to the acquisition process. The net assets including the acquired determinable contingent liabilities are measured at fair value on the date of acquisition.

Accounting for the value of investments in associates is recorded in the financial statements according to the equity method, according to which, any investment in associates is initially recognized at cost, and subsequently increased or decreased based on the Bank's share in profits or losses in the investees companies which occur after the acquisition. Upon the preparation of the financial statements, the Bank's share in profits or losses in the investees companies is recorded under the item of profits or losses in investments in associates in the income statement. The investment balance is decreased by the dividends received from the investees and obtained from the associate company.

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 a segment by which, provide products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

D. Functional currency, presentation, transactions and balances in foreign currencies

The financial statements of the Banker presented in US Dollar while transactions are recorded in the books during the year according to the currency in which the transactions were carried out. For the purposes of presenting the financial statements of the Bank in US Dollar, all assets and liabilities and equity recorded at the end of the financial year in various currencies (other than the Egyptian Pound) are translated into US Dollar based on the prevailing exchange rates on that date- as for the balances in the Egyptian Pound, they are translated into US Dollar based on the official exchange rates declared by the Central Bank of Egypt.

E. Financial asset

The Bank classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and 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, financial assets designated at fair value through profit or loss at initial recognition and financial derivatives.

- Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or if is part financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments.
- Financials assets designated at fair value through profit or loss are recognized when:
  - Doing so significantly reduces measurement inconstancies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were valued at amortized cost for loans and facilities to customers or Banks and issued debt securities.
  - Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
  - Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.
- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments classified at fair value though profit and loss"
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding period. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is designated at fair value through profit or loss at initial recognition.

(E /2) Loans and receivables:

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

- Those that the Bank intends to sell immediately or in the short term, and classified as held for trading, or those that the Bank upon initial recognition designated as at fair value through profit or loss.
- Those that the Bank upon initial recognition classified as available for sale.
- Those for which the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

(E /3) Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and where the Bank has the intention and the ability to hold to maturity. Any sale of a significant amount, not close to the date of its maturity, would result in the reclassification of all held to maturity assets as available for sale except in cases of necessity.

(E /4) Available for sale financial assets:

Available-for-sale assets are non-derivative financial assets that the Bank's management has intention to hold 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:

- Regular-way purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement in net income from trading.
- Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the Bank has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.
- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets and loans and receivables are measured at amortized cost using the effective interest method.
- Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the period it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.
- Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to monetary available for sale assets are recognized in the income statement. Dividends from available for sale equity instruments are recognized in the income statement when the Bank's right to receive the payment is established.
- Fair value of investments obtained from quoted market price in active market (bid price), where no active market exists, or quoted price are unobtainable, the fair value is estimated using a variety of valuation techniques – including recent sale prices, discounted cash flow analysis, option pricing models or any other valuation method commonly used by market participants. When the Bank is unable to estimate the fair value of equity available for sale instrument, it is measured at cost less any impairment losses.
- The Bank reclassifies the financial asset classified as an asset included in the category of the financial instruments available for sale which has the definition of loans and debts (debt securities or loans) and transfer it from the category of the financial instruments available for sale to the category of loans and debts or financial assets held to maturity – as the case may be - when the Bank has the intention and ability to hold these financial assets in the near future or to the date of maturity. The reclassification is carried out at fair value on the date of reclassification. Any profits or losses related to such assets that were previously recognized in equity are treated as follows:

1. In case of having reclassified financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.
2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold or disposed of, then removed from equity and recognized in the income statement. In case of impairment, the profits or losses that have been previously recognized in equity are directly recognized under the item of equity in the income statement.

- If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or a group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.
- In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate and not as an adjustment in the book value of the asset on the date of change in estimate.

F. Offsetting financial instruments:

Financial assets and liabilities can be offset when, there is a currently enforceable legal right to set-off the recognized amounts and there is an intention to settle on a net basis, or to receipt the asset and settle the liability simultaneously.

Treasury bills, repos and reverse repos agreements are netted, and presented on the balance sheet under the item of treasury bills and other governmental securities.

G. Interest income and expense

- Interest income and expense related to the financial instruments are recognized under the item of loans interest income and similar income or deposits interest expense and similar charges using the effective interest method for all the financial instruments charged with interest, except for the instruments classified as held for trading assets or financial assets originally classified at fair value through profits and losses.
- The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the related instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter period when appropriate to reach the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties of the contract which is considered part of the effective interest rate and the transaction costs shall include any other premiums or discounts.
- When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues according to cash basis as per the following:
    - When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
    - As for the loans granted to institutions the Cash Basis of Accounting is to be applied also where the interest income that is subsequently calculated according to the terms of the loan scheduling contract is recognized when 25% of the loan installments are paid with a regular performing period of at least one year and in case the customer keeps paying the installments on regular performing basis, the calculated interest income of the outstanding loans balance shall be recorded in revenues (interest income from regular scheduling balance) without the suspense interest before scheduling that is not recorded in revenues unless the entire loan balance is paid in full in the balance sheet prior to scheduling.

H. Fees and commissions income:

- Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet in statistical records and are recognized under income according to the cash basis, when interest income is recognized in accordance with note (G) above. As for fees and commissions, which represent a complementary part of the financial asset effective rate is recognized as adjustment to the effective interest rate.
- Commitment fees recognized as revenue when there is probability that these loans will be used by the customer, as commitment fees represent compensation for the continuing interference to own the financial instrument. Subsequently, they are recognized as adjustments to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment period.
- Fees and commissions related to debt instruments measured at fair value are recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan is recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate available for the other participants.
- Fees and commissions arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of entities are recognized as income when the transaction is completed, fees and commissions related to management advisory and other services are recognized as income based on the contract terms, usually on a time-appropriation basis over the financial period. The fees of financial planning and safe custody services provided over a long period of time are recognized over the year in which the service is provided.

I. Dividend income

Dividends are recognized in the income statement when the Bank's right to receive those dividends is established.

J. Impairment of financial assets

(J /1) Financial assets recorded at amortized cost:

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or portfolio of financial assets is impaired. A financial asset or a portfolio of financial assets is impaired and impairment losses are recognized when 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) had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

The indicators used by the Bank to determine whether there is objective evidence that a financial asset or a portfolio is impaired include the following:

- Significant financial difficulty facing the borrower or obligor.
- Breach of the loan agreement, e.g. default
- It became probable that the borrower will enter into Bankruptcy, action for liquidation or restructuring of finance.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the Bank to the borrower, due to economic or legal reasons related to pecuniary difficulties, which are not granted by the Bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

An objective evidence for impairment loss of a category of financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset. For instance, the number of cases of default payment with respect to one of the Banking products.

The Bank estimates the period of confirming the loss that is represented in the period between identifying the loss event and identifying the loss for each specific portfolio and for implementation purposes, the period of confirming the loss shall be the same.

The Bank first assesses whether objective evidence of impairment exists individually for each financial asset that is individually significant, while assessing whether objective evidence of impairment exists individually or collectively for financial assets that are not individually significant and in this regard, the Bank shall consider the following:

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment based on the rates of historical impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be excluded from the group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognize impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment.
- Impairment loss is measured based on the difference between the carrying amount and the present value of the expected future cash flows, excluding future expected credit that has loss not been charged yet and discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".
- If there is evidence that loaner financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument using the declared market rates.
- For guaranteed financial assets, the present value for expected future cash flows has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.
- For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they represent indicators of the debtors' ability to pay all amounts that fell due according to the contract terms for assets representing the subject matter of the study.
- If historical impairment losses rates method is used for a group of financial assets that are collectively evaluated for impairment, the future contractual cash flows of the group shall be assessed based on the contractual cash flows of the assets in the Bank and the historical loss for a group of assets with similar credit risk characteristics are considered. Historical impairment loss rates are adjusted to reflect the effects of current circumstances that did not affect the year on which the historical impairment loss rates is estimated to remove the effects of circumstances in the historical years that are not currently existed.
- The Bank ensures that the estimates of changes in future cash flows for a group of financial assets are in consistence with changes in relative reliable data from year to year. The Bank also reviews the methods and assumptions used to estimate the future cash flows on regular basis.

(J /2) Available for sale assets

On each balance sheet date, the Bank estimates if there is objective evidence that impairment loss for an asset or a group of assets classified as available-for-sale or held to maturity has occurred. For listed equity instruments classified as available for sale investments, impairment is recognized if it is significant or there is a prolonged decline in the fair value of the instrument below its acquisition cost is observed when an assessment of the assets impairment is recognized.

The decline in value is considered significant for the equity instruments if it reaches 10% of the book value of the financial instruments' cost, and it is considered prolonged if it extends for a period of more than 9 months.

When the aforementioned objective evidences in the fair value of an available for sale financial asset has been recognized, the accumulated loss in equity shall be directly charged to income statement. Impairment losses value recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

K. Computers software

The expenses related to the development or maintenance of computers are recognized as an expense charged to income statement when incurred and it is recognized as an intangible asset with respect to the expenses directly related to specific software under the control of the Bank when it is expected to generate economic benefits thereof that exceeds its cost for more than one year.

The direct expenses include the cost of employees working in the software development team in addition to a reasonable share of general expenses relevant thereto.

The expenses that lead to the increase or expansion in the performance of the computers software when compared with the original specifications thereof is recognized as development cost and it is added to the original software cost.

The computers software cost recognized as an asset is amortized over the years expected to benefit from them provided that they shall not exceed three years.

L. Fixed Assets

Fixed Assests represent land and buildings related to head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes all costs directly related to the acquisition of fixed assets items.

Subsequent costs are included in the asset's carrying amount or are recognized as an asset, 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 reliably measured. Maintenance and repair expenses are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to until it reaches the residual values over their estimated useful lives, as follows:

Buildings	50 years
Furniture	10 years
Computers	5 years
Fixtures and fittings	10 years
Tools & equipment	10 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Assets that are subject to depreciation 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 recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher.

Gains and losses on disposals are determined by comparing proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the income statement.

M. The impairment of non financial assets

The financial assets that have no specific useful life are not depreciated – except for the goodwill – and their impairment is examined on annual basis.

The impairment of assets that had been depreciated are to be considered whenever there are events or changes in the circumstances indicating that the book value may not be redeemable.

The impairment loss is to be recognized and the asset value shall be reduced with the amount by which the book value of the asset has been increased above the redeemable value.

The redeemable value is represented in the net selling value of the asset or the use value of the asset whichever higher. For the purpose of assessing the impairment, the asset is to be attached to the smallest possible cash-generating unit. The nonfinancial assets that have impairment are to be reviewed to examine whether there is reverse of impairment to the income statement or not on the date of preparing every financial statements.

N. Lease Contract

All lease contracts concluded with the Bank are operating lease contracts.

(N /1) Lessee

The payments settled under the account of operating lease less any discounts obtained from the lessor under the item of expenses are recognized in the income statement based on the straight-line method over the term of contract.

O.Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from date of acquisition, cash and balances due from the Central Banks other than the mandatory reserve, and current accounts with Banks and treasury bills and other governmental securities.

P. 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 is required to settle an obligation is determine taking into consideration the group of obligations as a whole.

A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required totally or partially are reversed in other operating income (expense).

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

Q. Employees' Benefits:

- Employees Share in Profits:
- The Bank pays a percentage of cash profits expected to be distributed as the employees share in profits and recognizes that share as part of the dividends appropriation in equity and as liabilities when approved by the general assembly of the Bank shareholders and no liabilities shall be recorded in the undistributed employees share in profits.
- Employees' Pension Fund & End of Service Compensations

The Bank adopted special benefits plan until 17/4/2008. The Bank's contributory defined pension plan covers the permanent employees' pensions and other end of service benefits. The Bank's contribution to this fund is computed at a certain percentage of the employees' annual salaries, in addition to amounts required to the fund as decided by the Actuary to continue providing its services and maintain the minimum return on its invested funds.

As for the employees appointed in the Bank after 17/4/2008, the Bank adopted special benefit plan with respect to the end of service compensation only without pensions and the Bank participates in such compensations by a percentage of the employees' wages who are working under the umbrella of this benefit plan on annual basis.

R. Dividends

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

S. Comparative figures

The comparative figures shall be re-classified, when necessary, to be in conformity with the changes in the presentation used in the current year.

3. Financial Risk Management:

The Bank, as a result of the activities it exercises, is exposed to various financial risks; acceptance of risks is a basis in the financial activities. Some risks or group of risks are analyzed, evaluated and managed together. The Bank objective is to balance between the risk and return and to reduce the possible negative effects on the Bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. The market risk comprises foreign currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been set to determine and analyze the risks, set limits to the risk and control them through reliable methods and updated information systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in markets, products and services and the best updated applications.

Risks are managed by the risk management department in the light of the policies approved by the Board of Directors. Risk Management Department identify, assess, and cover financial risks in close cooperation with other operating units in the Bank. Within framework of the principles of governance and the sound Banking practices related to Banking risks management, the board of directors provides an integrated supervisory structure of higher committees originated there from.

A. Credit risk

The Bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the Bank therefore the management is conservative in managing this risk exposure. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results that debt instruments shall be included in the Bank's assets. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk department reports presented to the Board of Directors, Top Management and Heads of operating units on regular basis.

(A /1) Credit risk measurement

- Loans and facilities to Banks and customers.

To measure credit risk on the loans and facilities to Banks and customers, the Bank considers the following three components:

- Probability of default by the client or third parties to fulfill its contractual obligations.
- The current position and its future development from which the Bank conclude the balance exposed to risk. (Exposure at default)
- loss given default

The daily management of the Bank's activities involves measures of credit risk based on the Expected Loss Model required by the Basel Committee on Banking Supervision. Those operational measures could be inconsistent with the impairment loss burden according to EAS 26, which adopts the realized losses model and not the expected losses (Note A / 3) on the date of the financial statements.

The Bank evaluates the default risk for each customer using internal evaluation methods to determine the rating for the different customers' categories. These methods were internally improved taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating. The customers are classified into four ratings.

Rating scale (shown in the following table) reflects the possibility of defaults for each rating category, in which the credit positions may transfer from one rating to another depending on the change in the degree of possible risk. The customer's rating and the rating process are reviewed and improved when necessary.

The Bank periodically evaluates the performance of the credit rating methods and their ability in expecting the customers' defaults.

Bank's internal ratings scale

Rating description	Rating
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

The Position exposed to default depends on the outstanding balances expected at the time when a default occurs, for example, for the loans , the position is the book value, for commitments, the Bank includes all actual withdrawals in addition to any expected withdrawals till the date of the late payment if any.

The expected losses or specific losses represent the Bank's expectation of loss as of the date when the settlement is due, which is loan loss percentage that differs according to the type of facility, the availability of guarantees and any other means of credit cover.

Debt instruments and treasury bills and other bills

For debt instruments and bills, the Bank is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used. Investments in securities and treasury bills are regarded as a way to get better credit quality at the same time provides a source available to meet finance requirements.

(A /2) Limiting and avoiding risks policies

The Bank manages, limits and controls credit risk concentrations on the levels of borrowers, groups, industries and countries.

The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to every single borrower, or groups of borrowers, and on the levels of economic activities and geographic segments. Such risks are monitored on regular basis and subjected to annual or more frequent reviews, when considered necessary.

The board of directors reviews on quarterly basis the levels of credit risk on the levels of the borrower, group of borrowers, geographical and industry segments and country credit concentration.

The lines of credit are divided for any borrower including Banks, into sub limits based on amounts in and off-balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts where the actual amounts are compared with the limit every day.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

The following are other controls used by the Bank to limit the credit risk.

Collaterals

The Bank use different methods to limit its credit risk. One of these methods is accepting collaterals against loans and facilities granted by the Bank. The Bank implements guidelines for collaterals to be accepted. The major types of collateral against loans and facilities are:

- Real estate mortgage
- Business assets mortgage such as machines and goods.
- Financial instruments mortgage such as debt and equity instruments.

The Bank keen to obtain the appropriate guarantees against corporate entities of long term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss the Bank will seek additional collaterals from all the concerned parties as soon as impairment indicators are noticed for a loan or facility.

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

Credit-related commitments

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans.

Documentary and commercial letters of credit – which are issued by the Bank on behalf of the customer by which authorizing a third party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment are of lower risk than a direct loan.

Credit related commitments represent the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments, as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are usually of high credit risk than short-term commitments.

(A /3) Impairment and provisioning policies

The internal rating systems described in Note (A/1) focus on the planning of credit-quality to a large extent at the inception of recognizing the lending and investment activities. Otherwise, impairment losses incurred are only recognized on the balance sheet date for financial reporting purposes where losses based on objective evidences of impairment as will be mentioned in this note.

Due to the different methods applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the estimated amount determined from the expected loss models used in the preparation of the financial statements and in compliance with the rules of the Central Bank of Egypt.

The impairment loss provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last rating. The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating:

Bank's rating	December 31,2017		December 31,2016	
	Loans & Facilities	Impairment provision	Loans & Facilities	Impairment provision
	%	%	%	%
Performing loans	28.50	2.72	32.15	5.69
Regular watching	47.14	20.85	45.72	14.07
Watch list	7.76	1.04	7.28	2.59
Non-performing loans	16.60	75.39	14.85	77.65
Total	100	100	100	100

The internal evaluation instruments help the management to determine whether there are objective evidences of impairment according to the Egyptian Accounting Standard no. 26 and based on the following indicators specified by the Bank:

- Severe financial insolvency encountered by the borrower or the debtor.
- Violation of loan agreement such as default of payment.
- Expecting the Bankruptcy of the borrower, entering into liquidation case or restructuring the finance granted to him.
- Deterioration in the competitive status of the borrower.
- Granting concessions or privileges to the borrower due to economic, legal or financial insolvency encountered by the borrower which may not be given by the Bank in normal circumstances.
- Impairment of guarantee value.
- Deterioration of the creditworthiness.

The policies adopted by the Bank require reviewing all the financial assets exceeding specific relative significance at least once a year or more when the circumstances necessitate to do so. The impairment charge shall be determined on the accounts that are evaluated on case by case basis through the evaluation of the loss realized on the date of the balance sheet. Such policies are expected to be implemented on all accounts attributed by relative significance on case by case basis. The evaluation usually includes the outstanding guarantee that embraces the reassurance of the implementation on the guarantee and expected collections from the said accounts.

The impairment losses provision is formed based on a group of assets of similar kind using the historical empirical experience available, personal judgment and statistical methods.

(A /4) Banking general risk measurement module

In addition to the four categories of the Bank's internal credit rating indicated in note (A/1), management classifies loans and advances based on more detailed sub groups in accordance with the CBE requirements.

Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending heavily on information related to the customer, his activities, financial position and commitment to the payment schedules.

The Bank calculates required provisions for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE.

In case of having the required impairment losses provision according to the rules of the Central Bank of Egypt that exceeds the amount required for the purposes of preparing the financial statements in accordance with the Egyptian Accounting Standards, the general Banking risk reserve shall be set aside in the equity and deducted from the retained earnings with an amount equivalent to such increment.

The said reserve shall be amended on regular basis as an increase or decrease in a manner that is always equivalent to the amount of increase when comparing the two provisions. The said reserve is not distributable.

The following are the categories of credit ratings for the institutions in accordance with the four internal rating grades compared to the bases of the CBE assessment and provisions percentage required for the impairment of assets exposed to credit risk:

CBE Ratings	Rating indications	Provision percentage required %	Internal Ratings	Internal Ratings Granting
1	Low risk	0	1	Performing loans
2	Moderate risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Appropriate 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 collaterals:

Balance sheet items exposed to credit risks	31/12/2017	31/12/2016
Treasury bills and other governmental notes	1 862 731	1 857 813
Loans to Banks	150 000	150 000
Loans and facilities to customers:		
Retail loans:		
Debit current accounts	309	630
Credit cards	548	378
Personal loans	37 000	40 905
Corporate loans:		
Debit current accounts	8 403	5 949
Syndicated loans	317 610	323 318
Direct loans	961 114	1 017 248
Financial investments:		
Debt instruments	-	9 908
Other assets	29 679	22 751
Total	3 367 394	3 428 900
Off-balance sheet items exposed to credit risk less cash margins		
Letters of credit	13 537	15 021
Letters of guarantee	79 225	101 845
Companies loans commitment	1 514	17 610
Total	94 276	134 476

The above table represents the Bank maximum exposure to credit risk on December 31, 2017 – December 31, 2016 before taking into account any held collateral. For assets recognized on balance sheet, the exposures set out above are based on total amounts as reported in the balance sheet.

As shown above 43.53% on December 31, 2017 of the total maximum exposure is derived from loans and advances to Banks and customers compared to 44.74% on December 31, 2016.

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

- 75.64% on December 31, 2017 of the loans and advances are concentrated in the top two grades of the internal credit risk rating system compared to 77.87% on December 31, 2016.
- 83.40% on December 31, 2017 of loans and advances portfolio are considered to be neither past due nor impaired compared to 85.15% December 31, 2016.
- Loans and advances assessed individually are valued US$244 778 thousand on December 31, 2017 compared to US$228 523 thousand on December 31, 2016.
- The Bank has implemented more prudent processes when granting loans and advances during the financial year ended on December 31, 2017.
- 100% on December 31, 2017 of the investments in debt instruments and treasury bills are Egyptian Government instruments compared to 99% on December 31, 2016.

(A /6 Loans and facilities

Loans and advances by ORR are summarized as follows:

	31/12/2017				31/12/2016			
	Loans & facilities to customers	Loans & facilities corporate	Loans & facilities to Banks	Net Total	Loans & facilities to customers	Loans & facilities corporate	Loans & facilities to Banks	Total
Neither past due nor impaired *	37 227	1 042 979	150 000	1 230 206	40 319	1 119 586	150 000	1 309 905
Past due but impaired	630	244 148	-	244 778	1 594	226 929	-	228 523
Gross	37 857	1 287 127	150 000	1 474 984	41 913	1 346 515	150 000	1 538 428
Less: Impairment loss provision **	(794)	(160 873)	-	(161 667)	(1 084)	(124 304)	-	(125 388)
Less: Interest in suspense	(95)	(84 752)	-	(84 847)	(216)	(71 948)	-	(72 164)
Net	36 968	1 041 502	150 000	1 228 470	40 613	1 150 263	150 000	1 340 876

* Loans and facilities neither past due nor impaired
The credit quality for the loans and facilities portfolio (neither past due nor impaired) valued upon the internal valuation used by the Bank.

** Impairment loss burden for loans and advances reached US$ 161 667 thousand on December 31, 2017 compared to US$ 125 388 thousand on December 31, 2016. Impairment individually loans valued US$ 121 888 thousand on December 31, 2017 compared to US$ 97 365 thousand on December 31, 2016. The rest of the loans portfolio which is US$ 39 779 thousand on December 31, 2017 compared to US$28 023 thousand on December 31, 2016 represent the impairment burden based on the groups of credit portfolio.

Loans and facilities status based on internal credit rating are summarized as at December 31, 2017:

Neither past due nor impaired

Retail Banking				
31/12/2017	Debit current accounts	Credit cards	Personal loans	Total loans &facilities
1- Performing	-	-	9 740	9 740
2- Regular watching	224	528	26 735	27 487
3- Watch list	-	-	-	-
Total	224	528	36 475	37 227

Corporate and Banks					
31/12/2017	Overdrafts	Direct loans	Syndicated loans	Banks loans	Total loans & facilities
1- Performing	136	208 513	52 040	150 000	410 689
2- Regular watching	366	442 636	224 790	-	667 792
3- Watch list	444	99 865	14 188	-	114 497
Total	946	751 014	291 018	150 000	1 192 978

Retail Banking				
31/12/2016	Debit current accounts	Credit cards	Personal loans	Total loans &facilities
1- Performing	-	305	28 329	28 634
2- Regular watching	592	24	11 068	11 684
3- Watch list	-	-	-	-
Total	592	329	39 397	40 318

Corporate and Banks					
31/12/2016	Overdrafts	Direct loans	Syndicated loans	Banks loans	Total loans &facilities
1- Performing	1 016	251 925	63 025	150 000	465 966
2- Regular watching	370	455 622	235 656	-	691 648
3- Watch list	59	111 914	-	-	111 973
Total	1 445	819 461	298 681	150 000	1 269 587

The guaranteed loans are not considered to be impaired regardless of the effectiveness of collaterals.

- Past due loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary. There are no loans and facilities having past due and not subject to impairment on December 31, 2017.

In the initial recognition for the loans & facilities, the collaterals fair value is valued as per the valuation benchmark usually used in valuation of similar assets. In the subsequent periods, the fair value will be adjusted as per the market value or the prices of the similar assets.

- Loans and facilities individually subject to impairment

Loans and facilities to customers

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to US$244 778 thousand on December 31, 2017compared to US$ 228 523 thousand as of December 31, 2016.

The breakdown of the total loans and facilities individually subject to impairment including the fair value of collaterals obtained by the Bank are as follows:

31/12/2017	Retail Banking	Corporate	Total
Individual loans subject to impairment	630	244 148	244 778
Fair value of guarantees	11	5 780	5 791

31/12/2016	Retail Banking	Corporate	Total
Individual loans subject to impairment	1 594	226 929	228 523
Fair value of guarantees	744	4 015	4 759

(A /7) Debt instruments and treasury bills and other governmental notes

The table below shows an analysis of debt instruments and treasury bills and other governmental notes according to the rating agencies at the end of the financial year.

	Treasury bills	Governmental notes	Total
Treasury bills &governmental notes (B-)	1 554 341	308 390	1 862 731
Total	1 554 341	308 390	1 862 731

(A /8) Acquisition of Collaterals

- The Bank has not acquired assets based on the acquisition of collaterals during the current financial year.
- The assets acquired by the Bank are classified under the item of other assets in the balance sheet and these assets are to be sold whenever applicable.

(A /9) Concentration of financial assets risks exposed to credit risk

- Geographical sectors

The following table represents an analysis of the most significant credit risk limits of the Bank at book value and their distribution according to the geographical sectors at the end of the current financial year. When we prepared this table, we distributed the risks over the geographical sectors based on the areas related to the customers of the Bank.

	Greater Cairo	Alexandria	Port Said	Total
Treasury bills & other government notes	1 862 731	-	-	1 862 731
Loans – local Banks	150 000	-	-	150 000
Loans and facilities to customers:				
Loans to individuals:				
- Debit current accounts	255	54	-	309
- Credit cards	517	27	4	548
- Personal loans	32 430	3 714	856	37 000
Loans to Corporate:				
- Debit current accounts	8 403	-	-	8 403
- Direct loans	954 644	6 470		961 114
- Syndicated loans	317 610	-	-	317 610
Financial investments:				
- Debt instruments	-	-	-	-
Total as at December 31, 2017	3 326 590	10 265	860	3 337 715
Total as at December 31, 2016	3 393 324	12 103	722	3 406 149

- Business Sectors

The following table represents an analysis of the most significant credit risk limits of the Bank at book value distributed according to the business activity practiced by the customers of the Bank

	Financial Institutions	Industrial Institutions	Commercial	Mining & Petroleum Services	Real Estate Activities	Government Sector	Other Activities	Total
Treasury bills & other government notes	-	-	-	-	-	1 862 731	-	1 862 731
Loans – local Banks	150 000	-	-	-	-	-	-	150 000
Loans and facilities to customers:								
Loans to individuals:								
- Debit current accounts	-	-	-	-	-	-	309	309
- Credit cards	-	-	-	-	-	-	548	548
- Personal loans	-	-	-	-	-	-	37 000	37 000
Loans to Corporate:								
- Debit current accounts	-	1 676	1 331	104	87	-	5 205	8 403
- Direct loans	52 722	203 124	72 158	428 518	9 413	113 813	81 366	961 114
- Syndicated loans	-	-	-	212 466	-	-	105 144	317 610
Financial investments:								
- Debt instruments	-	-	-	-	-	-	-	-
Total as of December 31, 2017	202 722	204 800	73 489	641 088	9 500	1 976 544	229 572	3 337 715
Total as of December 31, 2016	208 882	192 199	101 188	651 191	7 153	2 024 959	220 577	3 406 149

B. Market risk

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

The market risk management resulting from trading and non-trading portfolios is concentrated in the risk department of the Bank and they are followed up by two separate teams. Interim reports on market risk are presented to the Board of Directors and the heads of business activity units on regular basis.

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

(B /1) Market risk measurement techniques

As part of market risk management the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below:

- Value at Risk

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

- Stress Testing

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

(B /2) Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors set aggregate limits for foreign exchange for each position at the end of the day, and during the day which is controlled on timely basis. The following table summarizes the Bank exposure to foreign exchange volatility risk at the end of the financial year.

The table includes the carrying amounts of the financial instruments in their currencies as follows:

December 31,2017	USD	Euro	GBP	EGP	Other	Total
Financial assets						
Cash and balances with Central Banks	17 398	2 949	1 475	169 858	348	192 028
Due from Banks	792 148	160 789	82 973	133	2 961	1 039 004
Treasury bills	524 584	136 282	-	893 475	-	1 554 341
Loans and facilities to customers	949 520	54 046	18	74 886	-	1 078 470
Loans and facilities to banks	150 000	-	-	-	-	150 000
Financial investments:						
- Available for sale	25 208	-	-	-	-	25 208
- Held to maturity	54 569	-	-	253 821	-	308 390
Investments in associates	329 984	-	-	143 923	-	473 907
Other assets	40 975	203	7	11 644	-	52 829
Total financial assets	2 884 386	354 269	84 473	1 547 740	3 309	4 874 177
Financial liabilities						
Due to Banks	574 295	195 081	4 170	9 872	1 019	784 437
Customers deposits & certificates of deposits	1 499 776	162 022	79 435	1 369 495	2 145	3 112 873
Other liabilities	39 389	5	2	1 606	6	41 008
Total financial liabilities	2 113 460	357 108	83 607	1 380 973	3 170	3 938 318
Net financial position	770 926	(2 839)	866	166 767	139	935 859

December 31,2016	USD	Euro	GBP	EGP	Other	Total
Financial assets						
Cash and balances with Central Banks	22 242	2 690	1 416	101 506	166	128 020
Due from Banks	420 410	287 749	79 367	213	5 061	792 800
Treasury bills	524 482	118 172	-	981 004	-	1 623 658
Loans and facilities to customers	1 085 759	56 000	10	49 107	-	1 190 876
Loans and facilities to banks	150 000	-	-	-	-	150 000
Financial investments:						
- Available for sale	34 710	-	-	-	-	34 710
- Held to maturity	50 666	-	-	183 488	-	234 154
Investments in associates	309 369	-	-	144 005	-	453 374
Other assets	29 486	216	35	8 407	-	38 144
Total financial assets	2 627 124	464 827	80 828	1 467 730	5 227	4 645 736
Financial liabilities						
Due to Banks	507 633	295 633	2 822	105 110	2 243	913 441
Customers deposits & certificates of deposits	1 386 857	166 137	77 708	1 170 427	2 783	2 803 912
Other liabilities	26 912	822	107	9 388	3	37 232
Total financial liabilities	1 921 402	462 592	80 637	1 284 925	5 029	3 754 585
Net financial position	705 722	2 235	191	182 805	198	891 151

(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 of the instrument. 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 is exposed to the effect 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 re-pricing that may be undertaken by the Bank, the matter that is monitored on daily basis by the Bank`s Risk Management Department.

The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorized by the earlier of re-pricing or maturity dates.

December 31,2017	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Financial Asset						
Cash and balances with Central Banks	192 028	-	-	-	-	192 028
Due from Banks	678 651	228 375	131 978	-	-	1 039 004
Treasury bills & governmental notes	154 783	534 947	864 611	-	-	1 554 341
Loans and facilities to customers	185 390	400 806	82 264	314 485	95 525	1 078 470
Loans and facilities to banks	-	50 000	-	100 000	-	150 000
Financial investments:						
- Available for sale	-	-	-	2 359	22 849	25 208
- Held to maturity	-	-	104 892	191 597	11 901	308 390
Investments in associates	-	-	-	-	473 907	473 907
Other assets	-	-	52 829	-	-	52 829
Total financial assets	1 210 852	1 214 128	1 236 574	608 441	604 182	4 874 177
Financial liabilities						
Due to Banks	313 300	229 159	241 978	-	-	784 437
Customers' deposits & certificates of deposits	1 830 589	236 379	171 862	874 043	-	3 112 873
Other liabilities	-	-	41 008	-	-	41 008
Total financial liabilities	2 143 889	465 538	454 848	874 043	-	3 938 318
Interest re-pricing gap	(933 037)	748 590	781 726	(265 602)	604 182	935 859

December 31,2016	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Total
Total financial assets	1 259 784	1 276 122	1 024 658	483 793	601 379	4 645 736
Total financial liabilities	2 077 755	498 047	469 727	709 056	-	3 754 585
Interest re-pricing gap	(817 971)	778 075	554 931	(225 263)	601 379	891 151

C- Liquidity risk

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

Liquidity risk management

The Bank's liquidity management process carried out by the Bank Liquidity Management Department includes:

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

The main period for liquidity management is the next day, week and month. The Bank calculates the expected cash flow for those periods for monitoring and reporting purposes.

The starting point to calculate these expectations is analyzing the financial liabilities dues and expected financial assets collections.

Assets and liabilities management monitor the mismatch between medium term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Funding approach

Sources of liquidity are regularly reviewed by a separate team from Bank treasury to maintain a wide diversification by currency, geography, sources, products and terms.

D. Operating risk:

The definition of operating risk is "the risk of a change in value caused by the fact that actual direct losses and / or indirect losses, incurred for inadequate or failed internal processes, people and systems, from external events (including legal risk) differ from the expected losses" or any operating events that impact negatively on the reputation of the Bank, the continuity of the business as a going concern and / or the market value of the Bank.

The Framework of the Operating Risk Department

The operating risk department is considered as a significant part that supports the various activities of the Bank with respect to its role in identifying and assessing the relevant risks and the required controls to prevent and mitigate the operating losses in addition to participating in enhancing the competency and efficiency of utilizing the various resources of the Bank.

The policy of the operating risk department aims at laying out a general framework to consolidate its efficiency and providing support to the governance system through enlightenment and spreading the risk culture among all employees, complete awareness of the targets of the operating risk department, how to classify risks, the difference between the operating risk and the other kinds of risks, the duties and responsibilities of management and supervision, the methods and approaches used inside the Bank for determination, measurement, reporting and follow up to limit and mitigate the operating risks.

The operating risk department is concentrating its attention on the spreading of risk culture and the awareness of the importance of identifying, reviewing, examining policies, procedures and work systems, making researches to enhance systems and their security methods, the oversight controls to prevent and mitigate the operating risks.

Meanwhile, the operating risk department is taking the lead in cooperation with all the departments of the Bank to identify indications that give early warning in regard to the events that may expose the Bank to any sort of possible risks.

The operating risk department started working on establishing operating events database along with their classification that is in conformity with the standards laid out by "Basel II" Accords and the classification of operating risks stated therein.

The data collection process relies on the internal operating events reports in addition to all relevant external events. The said data is used in analyzing and monitoring the root causes of the operating risks, the frequency of events, evaluating the corrective measures and the controls adopted by the Bank to prevent and mitigate the operating risks.

E. Fair value of financial assets and liabilities

Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value:-

December 31, 2017	Carrying value	Fair value
Financial assets		
Loans and facilities to Banks	150 000	-
Loans and facilities to customers :*		
- Individuals	37 857	-
- Corporate	1 287 127	-
Financial investments:		
- Equity instruments available for sale (unquoted)	22 850	-
- Held to maturity	308 390	308 488
- Investments in associates	473 907	-
Financial liabilities		
Customers deposits :		
- Individuals	1 511 400	1 511 400
- Corporate	1 601 473	1 601 473

*The fair value of balances of loans and facilities granted to Customers & Banks was not calculated.

F. Capital management

The Bank's objectives behind managing capital include elements other than equity shown in the

balance sheet are represented in the following:

- Compliance with capital legal requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed on a monthly basis according to the regulatory authority's requirements (CBE) by the Bank's management through models-based Basel committee for Banking control instructions, these data are submitted to CBE on quarterly basis.

CBE requires the following from the Bank:

- Maintaining L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a minimum level of adequacy ratio o 11.25% calculated as the ratio between total value of the capital elements, and the risk-weighted assets and contingent liabilities of the Bank including 1.25% for conservation buffer to reach 2.5% on January 2019.

The numerator in capital adequacy comprises the following two tiers:

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

Tier 2:It is the supplementary capital that is comprised of the equivalent of the general risk provision in a manner that does not exceed 1.25% of the total assets and contingent liabilities risk weighted, subordinated loans/deposits of more than five-year-maturity period (while amortizing 20% of their value in each year of the last five years of their maturity period) in addition to 45% of the increase resulting from the difference between the fair value and the carrying value of both financial investments available for sale and held to maturity date and investments in associates.

When calculating the total numerator of the capital adequacy ratio it should be taken into consideration that the supplementary capital does not exceed in any way the basic capital and that subordinated loans (deposits) do not exceed half of the basic capital.

Assets are risk weighted ranging from zero to 100% classified according to the nature of each asset of the debtor to reflect the credit risk associated with it and taking in consideration the cash collateral.

And the same treatment is used for off-balance amounts after adjustments to reflect the contingent nature and the potential loss of those amounts.

The following table summarizes the components of the initial and supplementary capital in addition to the capital adequacy percentages as at December 31, 2017.

	31/12/2017	31/12/2016
Tier 1 Capital		
Paid up capital	600 000	600 000
Legal reserve	117 134	113 248
General reserve	73 582	73 582
Retained earnings	76 941	53 768
Quarterly profits up to 30/9/2017	50 600	48 558
Shareholders' dividends	-	-
Total Basic Capital	918 257	889 156
Less:		
Investments in financial institutions:		
Amount exceeding 10% of the issued capital of the company for each separate investment	(211 102)	(157 441)
Subordinated loans	(120 000)	(90 000)
Intangible assets	(793)	(719)
Investments in non-financial institutions:		
50% of the increase amount for each separate company for the 15% of the initial capital of the Bank before the supervisory amendments.	(1 175)	(5 988)
	(333 070)	(254 148)
Total Tier 1 Capital After Disposals	585 187	635 008
Tier 2 Capital		
Impairment losses provision for performing loans & facilities	31 740	28 021
Impairment losses provision for performing contingent liabilities	1 296	2 734
45% of the increase resulting from the difference between the fair value and the carrying value of financial investments in associates	-	23 793
45% of the balance of positive fair value financial investments reserve	310	575
	33 346	55 123
Less:		
50% of the increase amount for each separate company for the 15% of the basic capital of the Bank before the supervisory amendments.	(1 175)	(5 988)
	(1 175)	(5 988)
Total Tier 2 Capital	32 171	49 135
Total capital base (1)	617 358	684 143
Risk weighted assets & contingent liabilities		
Credit risk of included in and off-balance sheet items	2 642 902	3 407 623
Risk weighted overdraw amount of the largest 50 customers	1 716 368	2 117 242
Exchange risk	483 613	16 253
Operating risk	171 670	147 441
Total risk weighted assets & contingent liabilities(2)	5 014 553	5 688 559
Capital adequacy ratio(1) / (2) while taking into consideration the concentration of the largest 50 customers	% 12.31	% 12.03

The following table summarizes the financial leverage ratio (as a guiding ratio till the year 2017)

	31/12/2017	31/12/2016
Tier 1 Capital after disposals (1)	585 188	582 809
Cash and Due from Central Bank	231 077	157 326
Balances due from Banks	1 149 955	913 494
Treasury bills & other government notes	1 554 341	1 562 489
Available for sale Investments	48 282	57 840
Held to maturity Investments	308 390	234 154
Investments in associates	473 907	453 375
Loans & credit facilities granted to customers	1 203 096	1 218 897
Fixed assets (after deducting impairment losses provision and accumulated depreciation)	49 197	48 213
Other assets	52 829	38 144
The amount of exposure deducted (after disposing the first tier of the capital base)	(333 070)	(257 071)
Total exposure of items in the balance sheet (after deducting the disposals of the first tier)	4 738 004	4 426 861
Letters of credit - imports	1 573	876
Letters of credit - exports	396	1 515
Letters of guarantee	26 186	55 267
Letters of guarantee upon other Banks' request or by their warranty	13 426	-
Accepted bills	3 695	6 822
Total contingent liabilities	45 276	64 480
Commitments for loans & facilities to banks / customers (unused portion) of principal maturity of irrevocable		
More than one year	757	3 685
Total commitments	757	3 685
Total off- balance sheet exposure (2)	46 033	68 165
Total balance sheet & off- balance sheet exposure	4 784 037	4 495 026
Financial leverage ratio (1/2)	% 12.23	% 12.97

Tier 1 capital after deposals for 2016 after the adoption of the financial statements of the General Assembly of the Band.

4. Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities, which are disclosed during the next financial year. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable in the light of available circumstances & information.

(4 /A) Impairment losses for loans and facilities

The Bank reviews the portfolio of loans and facilities at least quarterly. The Bank uses professional judgment in determining whether it is necessary to recognize impairment loss in the income statement, to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on individual basis. This evidence include data indicating negative changes in borrowers' portfolio ability to repay to the Bank, or local or economic circumstances related to default. On rescheduling future cash flows the management uses the past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question.

The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

(4 /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 situation of the investee or its operational or financing cash flows, industry and sector performance or changes in technology.

(4 /C) Held-to-maturity investments

The Bank classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as 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.

In case the use of investments classification is suspended on the basis that they are held to maturity, the carrying value will be increased with the amount of US$ 98 thousand to reach the fair value through recording a contra entry in the fair value reserve included in equity.

5. Sector Analysis

A- Geographical Sectors Analysis

December 31, 2017	Greater Cairo	Alexandria	Port Said	Total
Revenues &expenses according to the geographical sectors				
- Geographical sectors revenues	359 415	1 676	220	361 311
- Geographical sectors expenses	(298 437)	(5 855)	(1 556)	(305 848)
Sector operating income	60 978	(4 179)	(1 336)	55 463
Profit (loss) for the year	60 978	(4 179)	(1 336)	55 463
Assets & liabilities according to the geographical sectors				
- Geographical sectors assets	4 905 695	15 580	3 090	4 924 365
Total assets	4 905 695	15 580	3 090	4 924 365
Geographical sectors liabilities	4 753 126	134 731	36 508	4 924 365
Total liabilities	4 753 126	134 731	36 508	4 924 365

December 31, 2016	Greater Cairo	Alexandria	Port Said	Total
Revenues &expenses according to the geographical sectors				
- Geographical sectors revenues	274 228	1 845	259	276 332
- Geographical sectors expenses	(231 039)	(4 707)	(1 728)	(237 474)
Sector operating income	43 189	(2 862)	(1 469)	38 858
Profit (loss) for the year	43 189	(2 862)	(1 469)	38 858
Assets & liabilities according to the geographical sectors				
- Geographical sectors assets	4 674 416	17 516	3 215	4 695 147
Total assets	4 674 416	17 516	3 215	4 695 147
Geographical sectors liabilities	4 519 655	131 123	44 369	4 695 147
Total liabilities	4 519 655	131 123	44 369	4 695 147

6. Net interest income

	31/12/2017	31/12/2016
Interest from loans and similar revenues:		
Loans and facilities :		
- Banks	5 546	2 732
- Customers	77 410	75 371
	82 956	78 103
Financial investments	230 653	183 691
Deposits with Banks	12 253	17 866
Total	325 862	279 660
Costs of Deposits and similar costs:		
Deposits and current accounts:		
- Banks	(20 714)	(27 026)
- Customers	(193 185)	(153 756)
Total	(213 899)	(180 782)
Net	111 963	98 878

7. Net fees and commission income

	31/12/2017	31/12/2016
Fees and commission income:		
Fees and commissions related to credit	4 421	7 111
Institution's finance services fees	2 698	4 617
Other fees	2 774	3 479
Total	9 893	15 207
Fees and commission expenses:		
Other fees paid	(93)	(98)
Net	9 800	15 109

8. Dividends income

	31/12/2017	31/12/2016
Available for sale investments	203	299
Total	203	299

9. Net trading income

	31/12/2017	31/12/2016
Forex gain	3 430	3 032
Total	3 430	3 032

10. Administrative expenses

	31/12/2017	31/12/2016
Staff costs		
Wages & salaries and their equivalents	37 301	25 769
The Bank contribution in employees fund	3 723	3 462
Amortization of staff pension subordinated loan	4 991	6 409
	46 015	35 640
Depreciation& amortization	2 231	1 632
Other administrative expenses	6 422	7 088
Total	54 668	44 360

The monthly average of the amounts paid to the employees of highest remunerations and salaries in the Bank amounted to US$ 628 104 for the financial year ended as at December 31,2017 corresponding to the amount of US$ 508 207 for the financial year ended as at December 31,2016.

11. Other operating income (expenses)

	31/12/2017	31/12/2016
Gain (loss) revaluation of monetary assets & liabilities balances other than trading or the originally classified by fair value through profit & loss *	34	(5 539)
Other income	2 050	2 834
Other provisions reverse	1 730	156
Other expenses	(840)	(420)
Total	2 974	(2 969)

12. Earnings per share

	31/12/2017	31/12/2016
Net profit for the year	55 463	38 858
Board of Directors remunerations	(377)	(3 098)
Employees' profit share	(9 385)	(8 700)
Shareholders' profit share	45 701	27 060
Issued common shares	30 000	30 000
Earnings per (US$ /share)	1523.4	902.0

13. Cash and Due from Central Bank

	31/12/2017	31/12/2016
Cash	25 712	28 318
Purchased checks	46	410
Due from central Bank (within the required reserve percentage in L.E)	166 270	99 292
Balance	192 028	128 020
Non-interest bearing balances	192 028	128 020
Total	192 028	128 020

14. Due from Banks

	31/12/2017	31/12/2016
Current accounts	71 735	57 779
Deposits	967 269	735 021
Balance	1 039 004	792 800
Due from central Bank (other than the required reserve percentage in L.E)	42 233	29 306
Local Banks	530 919	586 143
Foreign Banks	465 852	177 351
Balance	1 039 004	792 800
Non- interest bearing balances	44 067	42 976
Interest bearing balances	994 937	749 824
Balance	1 039 004	792 800
Current balances	1 039 004	792 800
Non-current balances	-	-
Balance	1 039 004	792 800

15. Treasury bills

	31/12/2017	31/12/2016
90 days maturity	-	209 119
180 days maturity	14 102	160 384
270 days maturity	286 839	472 856
364 days maturity	1 333 040	833 664
Total	1 633 981	1 676 023
Less: unearned interest	(79 640)	(52 365)
Balance	1 554 341	1 623 658

16. Loans and facilities to banks

	31/12/2017	31/12/2016
Subordinated loans	150 000	150 000
Total	150 000	150 000
Current balances	50 000	-
Non-current balances	100 000	150 000
Total	150 000	150 000

17. Loans and facilities to customers

	31/12/2017	31/12/2016
Individuals		
Personal loans	37 000	40 905
Overdraft	309	630
Credit cards	548	378
Total (1)	37 857	41 913
Corporate loans including small loans:		
Direct loans	961 114	1 017 248
Syndicated loans	317 610	323 318
Debit current accounts	8 403	5 949
Total (2)	1 287 127	1 346 515
Total loans and facilities to customers (1+2)	1 324 984	1 388 428
Less : Loans impairment loss provisions	(161 667)	(125 388)
Interest in suspense	(84 847)	(72 164)
Net distributed as follows:	1 078 470	1 190 876
Current balances	1 040 427	1 131 882
Non-current balance	38 043	58 994
Total	1 078 470	1 190 876

Provision for impairment losses

The Provision for impairment losses movement analysis for loans and facilities to customers is as follows:

	31/12/2017	31/12/2016
Balance at the beginning of the year	125 388	115 106
Impairment charge during the year	35 310	11 252
Foreign exchange differences	81	(2 584)
Debts written off	(27)	-
Transfers	826	1 439
Proceeds from loans previously written off	89	175
Balance at the end of the year	161 667	125 388

18. Financial investments

	31/12/2017	31/12/2016
Available for sale investments		
Debt instruments at fair value	-	9 908
Financial instruments measured at fair value:		
Quoted	223	280
Unquoted	22 850	22 850
Mutual funds	1 783	1 039
Investment portfolios managed by third parties	352	633
Total Available for sale investment (1)	25 208	34 710
Held to maturity investments		
Quoted	308 390	234 154
Total financial investments held to maturity (2)	308 390	234 154
Total Financial investments (1+2)	333 598	268 864
- Current balances	-	-
- Non-current balances	333 598	268 864
Balance	333 598	268 864
Fixed interest debt instruments	308 390	234 154
Variable interest debt instruments	-	9 908
Balance	308 390	244 062

	Available for sale investments	Held to maturity investments	Total
Balance at 1/1/2017	34 710	234 154	268 864
Additions	-	68 852	68 852
Disposals	(10 190)	-	(10 190)
Amortized issue premium for the year/ issuance discount	-	(586)	(586)
Foreign exchange revaluation differences	-	5 970	5 970
Change in fair value (Note 27)	688	-	688
Balance as at 31/12/2017	25 208	308 390	333 598
Balance as at 1/1/2016	35 401	72 440	107 841
Additions	-	364 259	364 259
Disposals (Sale / Redemption)	(108)	-	(108)
Amortized issue premium for the year/ issuance discount	-	(1 333)	(1 333)
Exchange valuation differences		(201 212)	(201 212)
Change in fair value (Note 27)	(583)	-	(583)
Balance at 31/12/2016	34 710	234 154	268 864

Gains from financial investments

	31/12/2017	31/12/2016
Profits on the sale of available for sale investments	154	133
Profits (losses) of available for sale investments	1 326	(825)
Balance at the end of the year	1 480	(692)

19. Investments in associates

Equity participations where the Bank holds 20% or more than its capital shares are as follows:

Name of Company	Total Assets	Total Liabilities (without equity)	Total Revenue	Net Profits (losses)	Region	Balance at 1/1/2017	Profits / (losses)of Investments in Associates (equity method)	Balance at 31/12/2017	Share %
Société Arab International de Banque (SAIB)	4 686 640	4 359 491	530 190	36 416	A.R.E	129 014	13 324	147 279	46.07
Suez Canal Co. For Technology *	98 979	29 763	6 141	2 604	A.R.E	27 866	615	27 785	24.08
International Company for Tourist Investments (ICTI)	120 234	7 149	20 231	8 200	A.R.E	40 002	1 700	41 702	20.00
World Trade Centre (WTC)	144 555	11 923	2 820	1 832	A.R.E	131 850	649	132 499	50.00
Compagnie Arab De Financement International (CAFI)	9 684	132	27	(33)	Luxemburg	8 505	-	8 505	89.04
Suez Canal Bank (SCB)	2 253 894	2 117 027	206 928	20 069	A.R.E	116 137	-	116 137	41.50
Total						453 374	16 288	473 907	

- The assets, liabilities, revenues and profits of Society Arab International de Banque (SAIB) were recorded based on the financial statements approved as at 31-12-2017.
- The assets, liabilities, revenues and profits of Suez Canal Co. For Technology were recorded based on the financial statements approved as at 31-8-2017.
- The assets, liabilities, revenues and profits of International Company for Tourist Investments (ICTI) were recorded based on the financial statements as at 31-12-2017 prior to the company's general assembly approval.
- The assets, liabilities, revenues and profits of World Trade Centre (WTC) were recorded based on the unapproved financial statements as at 31-12-2017.
- The assets, liabilities, revenues of the Compagnie Arab De Financement International «CAFI» were recorded based on the approved financial statements as at 31-12-2016.
- The assets, liabilities, revenues and profits of Suez Canal Bank (SCB) were recorded based on the financial statements as at 31-12-2017 prior to the Bank's general assembly approval.

* The bank's investment in Suez Canal Co. For technology was reduced with an impairment of US$ 697 thousand for the year 2017.

Name of Company	Total Assets	Total Liabilities (without equity)	Total Revenue	Net Profits (losses)	Region	Balance at 1/1/2016	Profits / (losses)of Investments in Associates (equity method)	Balance at 31/12/2016	Share %
Société Arab International de Banque (SAIB)	4 203 582	3 911 386	668 731	48 523	A.R.E	132 030	16 742	129 014	46.07
Suez Canal Co. For Technology *	90 116	25 470	5 696	3 593	A.R.E	68 378	-	27 866	24.08
International Company for Tourist Investments (ICTI)	111 623	6 738	16 229	5 356	A.R.E	39 475	527	40 002	20.00
World Trade Centre (WTC)	143 544	12 211	2 526	892	A.R.E	131 418	432	131 850	50.00
Compagnie Arab De Financement International (CAFI)	9 684	132	27	(33)	Luxemburg	8 678	(173)	8 505	89.04
Suez Canal Bank (SCB)	1 720 702	1 610 576	118 892	11 478	A.R.E	116 137	-	116 137	41.50
Total						496 116	17 528	453 374	

The Bank owns 89.043% of the share capital of Compagnie Arab De Financement International «CAFI » and the Bank's direct participation in Société Araba International de Banque (SAIB) is 46.075%,and the indirect participation of 4.36% of the share capital of (SAIB). Accordingly, the Bank's direct and indirect interest in (SAIB) is 50.435%. However, since the Bank currently does not have sufficient control in the Board of Directors that represent its ownership share in SAIB, no consolidated financial statements have been prepared.

20. Intangible Asset

	31/12/2017	31/12/2016
Net book value at the beginning of the year	1 198	-
Additions	358	1 383
Disposals	-	-
Amortization cost	(565)	(185)
Net book value at the end of the year	991	1 198
Balance at the end of the year		
Amortization cost for the year	1 741	1 383
Accumulated Amortization	(750)	(185)
Net book value	991	1 198

21. Other Assets

	31/12/2017	31/12/2016
Accrued revenue	22 171	20 529
Prepaid expenses	2 000	490
Prepaid amounts to employees under the account of profits appropriations	7 369	6 730
Advance payments to purchase fixed assets	10 970	4 609
Assets reverted to the Bank in return for customers debts (after deducting the impairment)	4 581	3 733
Other debit balances (after deducting the the impairment)	5 738	2 053
Total	52 829	38 144

22. Fixed assets

Description	Land	Buildings & Improvements	Furniture Fittings & Office Equipment	Vehicles	Computers	Total
Balance at 1/1/2017	29 535	15 545	1 547	382	1 204	48 213
Addition	-	1 513	379	2	861	2 755
Disposals	-	(12)	(45)	-	(48)	(105)
Depreciation cost at 31/12/2017	-	(865)	(242)	(94)	(465)	(1 666)
Net Book Value at 31/12/2017	29 535	16 181	1 639	290	1 552	49 197
Net Book Value at 31/12/2016	29 535	15 545	1 547	382	1 204	48 213

23. Due to Banks

	31/12/2017	31/12/2016
Current Accounts	180 970	110 238
Deposits	603 467	803 203
Balance	784 437	913 441
Local Banks	332 928	357 428
Foreign Banks	451 509	556 013
Balance	784 437	913 441
Non – Interest Bearing Balances	51 997	26 143
Interest Bearing Balances	732 440	887 298
Balance	784 437	913 441
Current balance	652 459	808 851
Non – current balance	131 978	104 590
Balance	784 437	913 441

24. Customers deposits

	31/12/2017	31/12/2016
Demand deposits (current accounts)	182 936	180 531
Time and call deposits	2 281 863	2 135 709
Certificates of deposits	323 299	207 608
Saving deposits	309 963	234 449
Other deposits	14 812	45 615
Balance	3 112 873	2 803 912
Financial Institutions deposits	1 601 473	1 398 268
Individual deposits	1 511 400	1 405 644
Balance	3 112 873	2 803 912
Non-interest bearing balances	100 012	99 523
Fixed interest bearing balances	2 970 755	2 638 173
Variable interest bearing balances	42 106	66 216
Balance	3 112 873	2 803 912
Current balances	2 166 091	2 012 376
Non-current balances	946 782	791 536
Balance	3 112 873	2 803 912

25. Other liabilities

	31/12/2017	31/12/2016
Accrued interest	21 660	20 377
Unearned revenues	1 811	4 202
Pension Fund	4 144	4 719
Employees' alternative benefit plan	7 948	5 149
Sundry credit balances	5 445	2 785
Balance	41 008	37 232

26. Other Provisions

	31/12/2017						31/12/2016				
	Opening Balance	Exchange differences	Transferred	Provision No longer required	Formed (Used) during the year	Year ending Balance	Opening Balance	Transferred	Provision No longer required	Formed (Used)	Year ending Balance
Provision for Claims	1 959	-	(287)	(1 003)	-	669	6 591	-	-	(4 632)	1 959
Provision for Contingencies	4 797	24	(539)	(680)	153	3 755	4 953	560	(716)	-	4 797
Provision for Banking Operation	200	-	-	(200)	-	-	2 200	-	-	(2 000)	200
Total	6 956	24	(826)	(1 883)	153	4 424	13 744	560	(716)	(6 632)	6 956

27. Owners Equity

(A) Capital

The Issued Capital amounted to US$ 600 Million distributed over 30 000 common shares of US$ 20 000 each and the paid-up capital amounted to US$ 450 Million.

On March 6, 2016 the board of directors of the Bank decided to call up the second and last portion of the issued capital increase that amounted to US$ 150 million paid as at June 30, 2016.

Thus the issued and paid in capital of the Bank became US$ 600 million as at December 31, 2017 that is distributed over 30,000 common shares whose value is US$ 20 000 each.

The subscribed share capital is as follows:

	No. of shares	Normal value	%	Paid
Arab Republic of Egypt	11 628	232 560	38.76	232 560
State of Libya	11 628	232 560	38.76	232 560
Abu Dhabi Investment Authority	3 751	75 020	12.503	75 020
State Of Qatar	1 495	29 900	4.984	29 900
State General Reserve Fund of Sultanate of Oman	747	14 940	2.49	14 940
International Capital Trading Co.	751	15 020	2.503	15 020
Total	30 000	600 000	100	600 000

(B) Reserves

	31/12/2017	31/12/2016
Legal Reserve (Note No.B-1)	117 134	113 248
General Reserve	73 582	73 582
Change in equity for investment in associate reserve (Analytical Note No.B-2)	57 814	52 873
Available for sale fair value reserve (Analytical Note No. B-3)	688	1 277
Total of reserve at the end of the year	249 218	240 980

(B/1) Legal Reserve

	31/12/2017	31/12/2016
Balance at the beginning of the year	113 248	107 306
Transfer from net profit of the year	3 886	5 942
Balance at the end of the year	117 134	113 248

(B/2) Change in equity for investment in associates reserve

	31/12/2017	31/12/2016
Balance at the beginning of the year	52 873	72 631
Change in fair value in associate (net)	4 941	(19 758)
Balance at the end of the year	57 814	52 873

(B/3) Available for sale fair value reserve

	31/12/2017	31/12/2016
Balance at the beginning of the year	1 277	1 034
Transfer to income statement from selling of available for sale investments	(1 325)	825
Net losses of change in available for sale fair value reserve (Note No. 17)	736	(582)
Balance at the end of the year	688	1 277

(C) Retained Earnings

The following represents the movement on retained earnings for the year:

	31/12/2017	31/12/2016
Balance at the beginning of the year	92 626	143 128
Net profit of the year	55 463	38 858
Dividends paid	-	(22 500)
Employees' profit share	(8 700)	(8 500)
Board of Directors remunerations	(3 098)	(3 098)
Transferred to legal reserve	(3 886)	(5 942)
Impairment resulting from the liberalization of the EGP exchange rate	-	(49 320)
Balance at the end of the year	132 405	92 626

28. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, the cash and cash equivalent includes the following balances of maturity dates within less than three months from the date of acquisition:

	31/12/2017	31/12/2016
- Cash in the Central Bank of Egypt	192 028	128 020
- Balances with Banks	864 794	752 386
- Treasury bills	-	210 862
End of year balance	1 056 822	1 091 268

29. Commitments and contingent liabilities

(A) Legal claims

There are lawsuits filed against the Bank as at 31 December 2017, provisions were made for these lawsuits amounting to US$ 669 thousand.

(B) Commitments for loans and facilities after deducting cash margins

	31/12/2017	31/12/2016
Letters of guarantee	79 225	101 845
Letters of Credit (export & import)	13 537	15 021
Commitments for corporate loans	1 514	17 610
Total	94 276	134 476

30. Related parties transactions

Transactions with related parties have been conducted at arm's length in accordance with the norms and the normal course of banking rules in practice.

Related parties transactions and balances at the end of the financial year are as follows:

(A) Loans & facilities to related parties

	Associates	
	31/12/2017	31/12/2016
Loans and facilities to customers &banks		
Outstanding loans at the beginning of the year	154 991	111 400
Loans issued during the financial year	-	50 000
Loans paid during the financial year	(4 991)	(6 409)
Outstanding loans at the end of the year	150 000	154 991

(B) Deposits from related parties

	Associates	
	31/12/2017	31/12/2016
Deposits at the beginning of the year	102 336	101 752
Deposits issued during the financial year	18 605	584
Deposits refunded during the financial year	(22)	-
Deposits at the end of the year	120 919	102 336

(C) Other

	31/12/2017	31/12/2016
Balances due from Banks	9 611	44 567
Balances due to Banks	582 188	708 703

31. Pension fund

The Bank has a funded defined benefit contributory pension plan covering all full-time employees till April 17, 2008. The benefits provided by the plan are determined by the Board of Directors. The value of the vested benefit liability according to the plan and the sufficiency of the reserve are determined annually by an Actuary.

On December 8, 2013, the Board of Directors of the Bank, approved the Voluntarily Early Retirement Plan based on the new conditions and benefits instead of the adopted regulations of the end of service compensation, social insurance and pension plan program through the complete withdrawal from the Bank and the Employees' Pension Fund (without pension) provided that the proposed benefits shall be granted pursuant to the insurance wage as at December 31, 2013. In addition, the Bank shall finance the Employees' Pension Fund by a subordinated loan within the limit of US$ 55 million that represents the difference between the total employees' benefits amounts after being granted the additional benefits of the Voluntarily Early Retirement according to the regulations and the actuarial pension reserve allocated for such age categories.

The settlement of the subordinated loan occupies the second priority after the fulfillment of the Fund's obligations that are established upon the actuarial calculations while taking into consideration that the balance of the subordinated loan is included in the assets of the Fund that are allocated for the fulfillment of its obligations, the subordinated loan is reduced monthly by the amount of savings generated by the Early Retirement Plan.

The share of the year of the surplus resulting from the implementation of the Voluntarily Early Retirement Plan as at December 31, 2017 was calculated and amounted to US$ 4 991 thousand, hence, the subordinated loan granted to the Employees' Pension Fund was reduced by the same amount of the surplus share for the year.

The balance of the subordinated loan after amortization amounted to US$ 4 991 thousand as at December 31, 2017.

The pension reserve fund on December 31, 2017 amounted to US$ 92 158 thousand corresponding to US$ 100 417 thousand as at December 31, 2016. The actuary's report stated that there is no deficit in the pension reserve fund on December 31, 2017, after the completion of the realized actual investment return difference that amounted to US$ 1 747 thousand in order to reach the minimum limit that should be achieved at a rate of 6% of the total reserve fund and the Bank shall bear the cost of adding the annual increment of the year 2017 to the insurance wage in addition to adding such increment cost to the pension reserve fund that amounted to US$ 1 761 thousand as of December 31, 2017. As well as postponement the settlement of the last portion paid of the subordinated loan for the year 2017 that amounted to US$ 4 991 thousand and added to the pension reserve fund as of December 31, 2017.

It is worth mentioning that Employees' Pension Fund has been supported by US$ 1 747 thousand that represents the investment return difference referred to in the Actuary's Report and deducted from the income statement this year. In addition, The Bank incurred the impact of adding the annual increment of the year 2017 to the insurance wage and charging the income statement of the Bank with an amount of US$ 1 761 thousand being the amount added to the pension reserve fund as of December 31, 2017. Moreover, the settlement of the last portion paid of the subordinated loan for the year 2017 was postponed (reversed amounts previously paid during 2017) and will be settled during the following years when the pension reserve fund is quite sufficient to cover such settlement according to the directives of the Actuary Expert referred to above.

32. Significant events

On January 28, 2018, the Central Bank of Egypt issued its instructions to get the banks prepared for applying IFRS 9 (International Financial Reporting Standards No 9). For the purpose of supporting the financial positions of the banks to encounter the expected increase in the volume of provisions as a result of adopting the approach of the Expected Credit Losses (ECLs) that takes into consideration the future outlook of the economic conditions, hence the Central Bank of Egypt obligated the banks to form a risk reserve based on IFRS 9 at a rate of 1% of the total credit risk weighted that is to be taken from the net profit for the year 2017 provided that it shall be included in the core capital item of the capital base and shall not be utilized unless an approval is given by the Central Bank of Egypt.

Accordingly, the Bank formed a risk reserve (based on IFRS9) with an amount of US$ 26 429 thousand at a rate of 1% of the total credit risk weighted and included in the proposed profits appropriations for the financial year ended as at December 31, 2017

33. Comparative figures

Certain comparative figures have been restated to conform on the current year presentation.

Balance Sheet After Appropriations

As of December 31, 2017

(US $ Thousands)

	2017/12/31	2016/12/31
Assets		
Cash and Due from Central Bank	192 028	128 020
Due from Banks	1 039 004	792 800
Treasury bills	1 554 341	1 623 658
Loans and facilities to Banks	150 000	150 000
Loans and facilities to customers	1 078 470	1 190 876
Financial investments		
- Available for sale investments	25 208	34 710
- Held to maturity investments	308 390	234 154
Investments in associates	473 907	453 374
Intangible assets	991	1 198
Other assets	45 460	31 414
Fixed assets	49 197	48 213
Total Assets	4 916 996	4 688 417
Liabilities and Equity		
Liabilities		
Due to Banks	784 437	913 441
Customers' deposits	3 112 873	2 803 912
Other liabilities	43 401	42 300
Other provisions	4 424	6 956
Total Liabilities	3 945 135	3 766 609
Equity		
Paid-up capital	600 000	600 000
Reserves	281 193	244 866
Retained Earnings	90 668	76 942
Total Equity	945 432	921 808
Total Liabilities and Equity	4 916 996	4 688 417

05 Interconnection with the Bank

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Mr. Amr Mahmod abd Elfattah Atallah Assistant Managing Director	Fax: 23955349

General Managers

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Mahmuod Mohamed Mahmuod Mohamed Labibi Head of Treasury & Capital Markets	Swift: ARIBEGCXMOK

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Mohamed Hussein Safwat Mohamed Hassan Manager - Nasr City Branch	Fax: 24034904
Wael Shamel Ismail Mahmoud Attia Manager - 6 of October Branch	Fax: 38362148
Maged Mohamed Mohamed Yehia Rashdan Manager - El Sheikh Zaid Branch	Fax: 38517124
Ezzeldin Ahmed Mohamed Hassanin Manager - Port Said Branch	Fax: 066 - 3227623
Shady Osama Mohamed Mohamed Abd El Aal Manager - Sharm El Sheikh Branch	Fax: 069-3710828 / 069-3710827
Ayman Ahmed Hossam El Din Younes Manager - Maadi Branch	Fax: 25178353

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AIBC: Page on the Monitor
AICE: Reuter Dealing Code

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