# Annual Report
2013

SAIBBANK
since 1976

# Annual Report 2013

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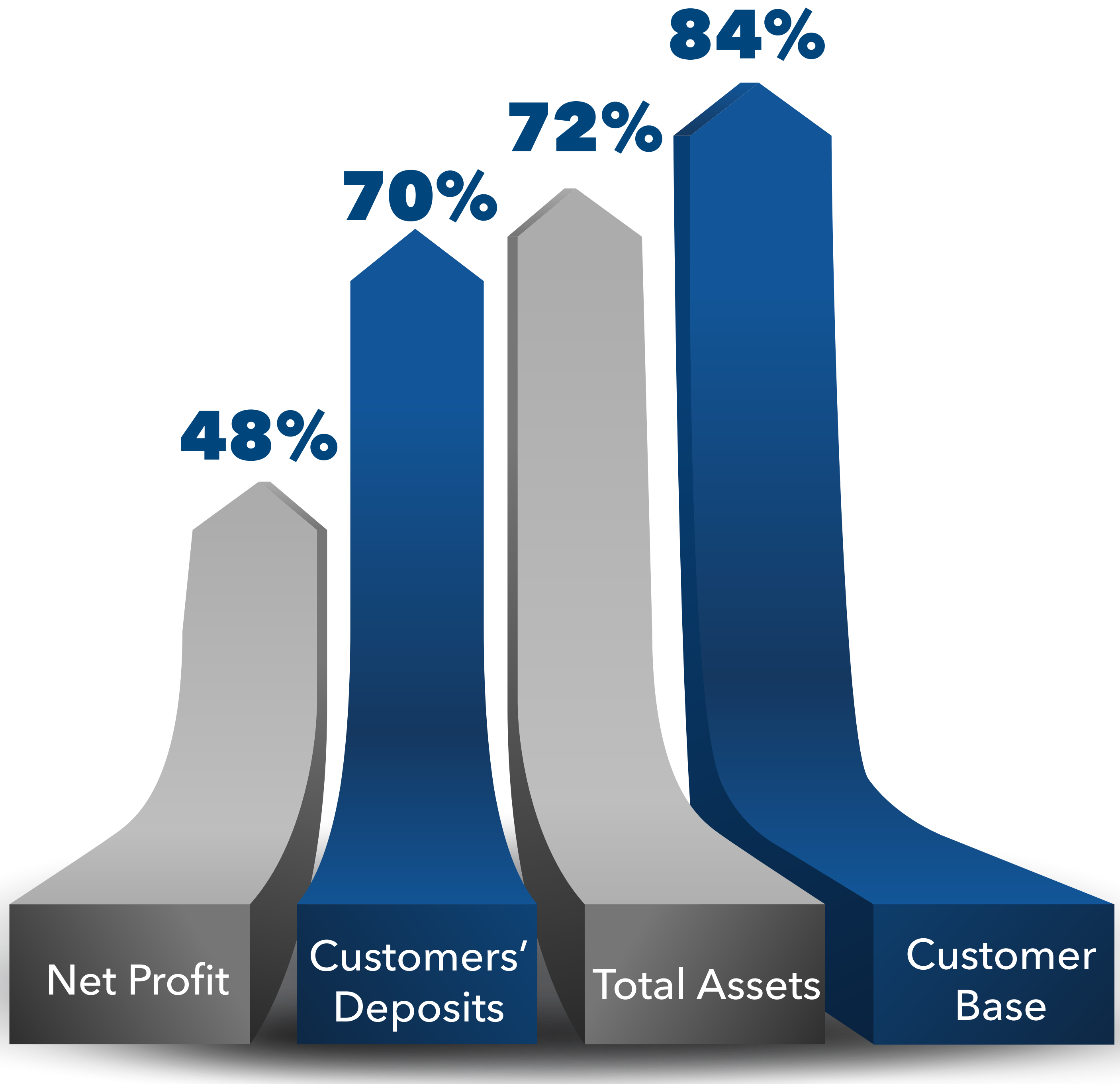
# Performance
## in Perspective



84%
72%
70%
48%
Net Profit
Customers' Deposits
Total Assets
Customer Base


## Since 2011

# SAIB Bank

# • Management Letter

# Management Letter

**Vice Chairman**
Mr. Hassan Abd El Meguid

**Chairman**
Mr. Mohamed Naguib

# Growing, Profitable, and Sound.

**Just completed another economically challenging year SAIB has stayed the course and continues to climb up the ranks in Egyptian banks, as it keeps attracting more new customers and responds to clients' needs.**

2013 was another milestone in our journey to our ambitious 2015 vision. SAIB performed very well on all three performance pillars: Growth, Profitability and Risk Management.

# Management Letter

## Growth

In terms of growth, total assets grew by 35%, reaching a total of USD 3.471 Billion; placing SAIB in 12th rank among Egyptian banks. This growth has been driven mainly by strong deposits growth of 47%, achieving USD 2.725 Billion. This was the fastest growth in the market- which pushed SAIB 's market share to 1.45 %.
The main driver behind this growth continues to be our sharp focus on customers. We continue to reach out to new customers through expanding our branch network, focusing on new communities like Sheikh Zayed and New Cairo. We also started extending to totally new areas –reaching up to Upper Egypt, with our Assiut branch opening its doors in late 2013.
Additionally our existing branches continued to reach out to more new customers and in total our customer base witnessed an increase of almost 50 %- making it one of the fastest growth rates in the Egyptian banking sector.

## Profitability

On the profitability front, our pretax profits reached USD 59.45 Million. A considerable 35% growth from 2012 .Net profit achieved was USD 31 Million, representing 20.5% ROC in USD terms (this is 160% premium on Egypt USD Risk free rate).
The key driver for our profitability remains to be very prudent Asset/Liability management, as well as continued cost efficiency improvement. Our people are at the heart of that, where our profit per employee rose to USD 34,000 per employee.

## Risk Management

In the dynamic times that Egypt continues to witness, it is essential to apply careful risk management in order to preserve shareholder value. Our portfolio remains one of the best with non-performing loans close to 2%.
With the continued focus on a diversified customer base, we are able to defuse concentration risk.
We have also strengthened our capital adequacy in line with Basel II requirements, currently standing at 15.5%

## 2014 Forward

Achieving such solid performance, gives us more confidence that SAIB's team is well on track with our long term goals. We are very optimistic that 2014 will bring more stability to the market in Egypt, providing more positive conditions for business expansion. We look forward to continuing to grow, making SAIB among the top 10 banks in Egypt in size, profitability and soundness.

Our main partners in that journey are our current and prospect customers, whom we are preparing to offer new products and services as well as expanding our geographical presence to better serve them.

## Conclusion

Finally we thank you our shareholders.. your trust and support has been essential to make SAIB's success possible.

With that support and with the capabilities and dedication of our team, we are sure to make SAIB's vision come true.

We look forward to sharing more future successes with you, with our customers and among our employees.

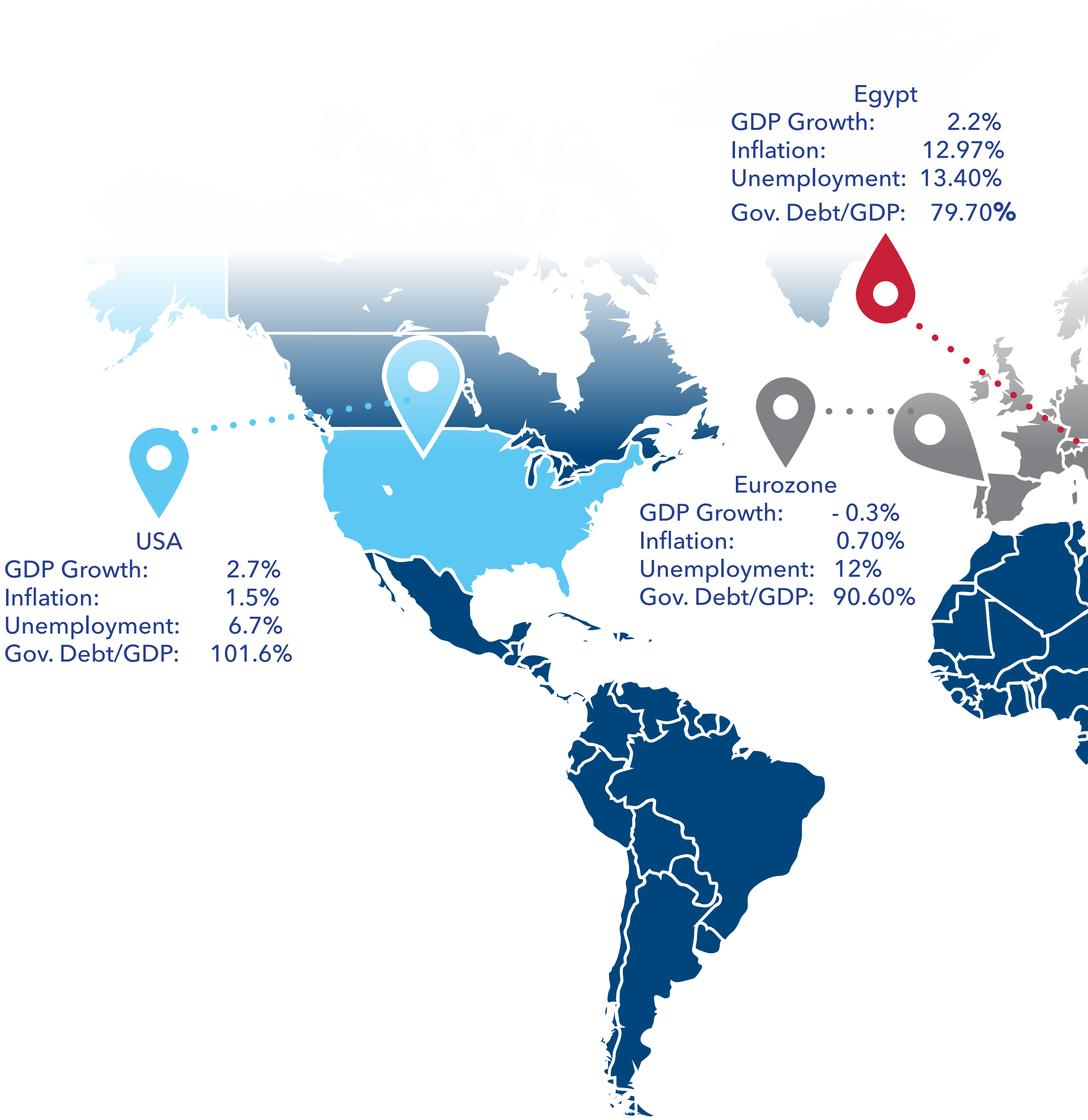
**Vice Chairman**
Mr. Hassan Abd El Meguid

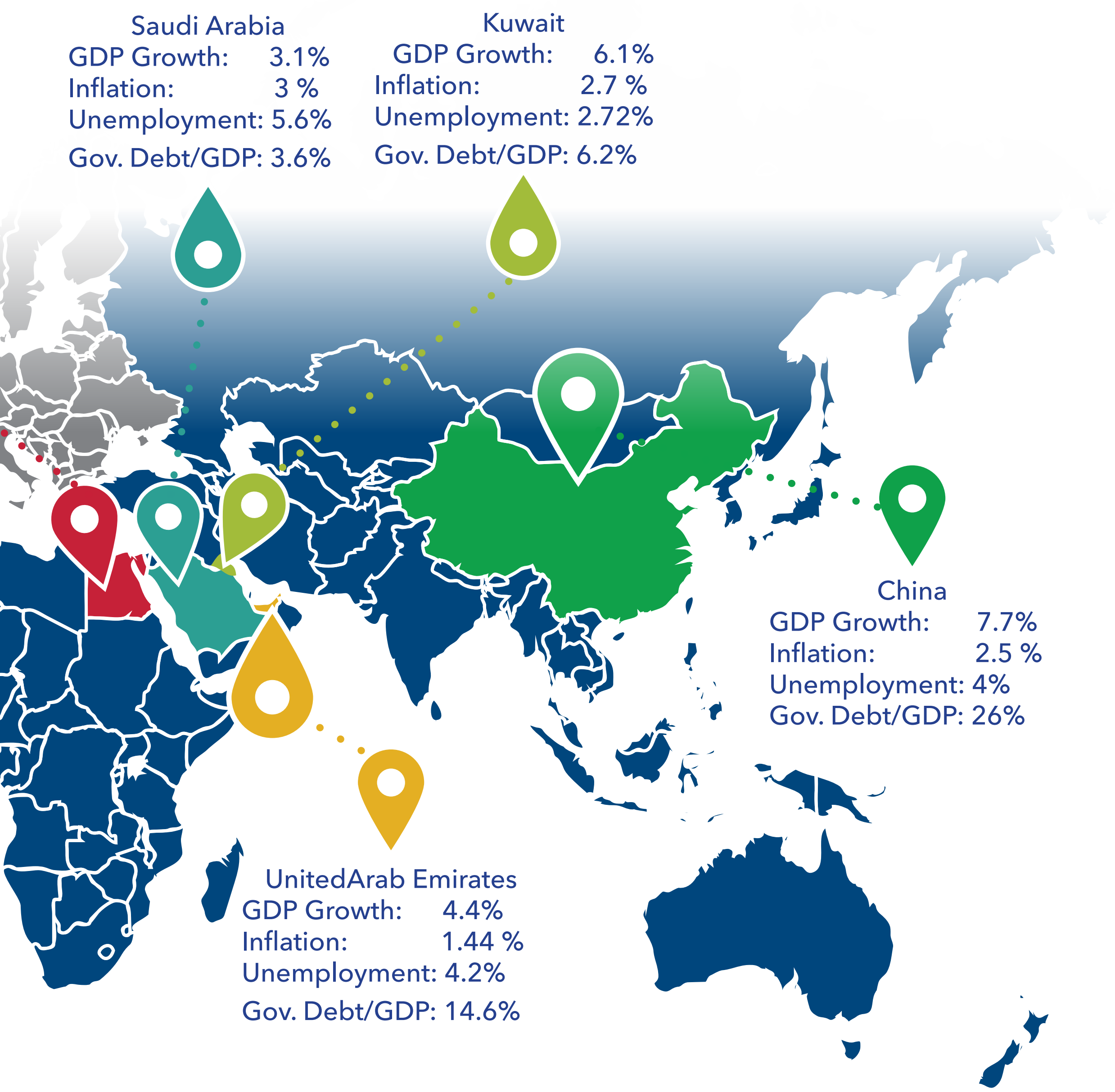
**Chairman**
Mr. Mohamed Naguib

# 2013 Economic Review

- World.. At a Glance
- Spot Light on Egypt

# World .. At a Glance





Saudi Arabia
GDP Growth: 3.1%
Inflation: 3 %
Unemployment: 5.6%
Gov. Debt/GDP: 3.6%
Kuwait
GDP Growth: 6.1%
Inflation: 2.7 %
Unemployment: 2.72%
Gov. Debt/GDP: 6.2%
China
GDP Growth: 7.7%
Inflation: 2.5 %
Unemployment: 4%
Gov. Debt/GDP: 26%
UnitedArab Emirates
GDP Growth: 4.4%
Inflation: 1.44 %
Unemployment: 4.2%
Gov. Debt/GDP: 14.6%

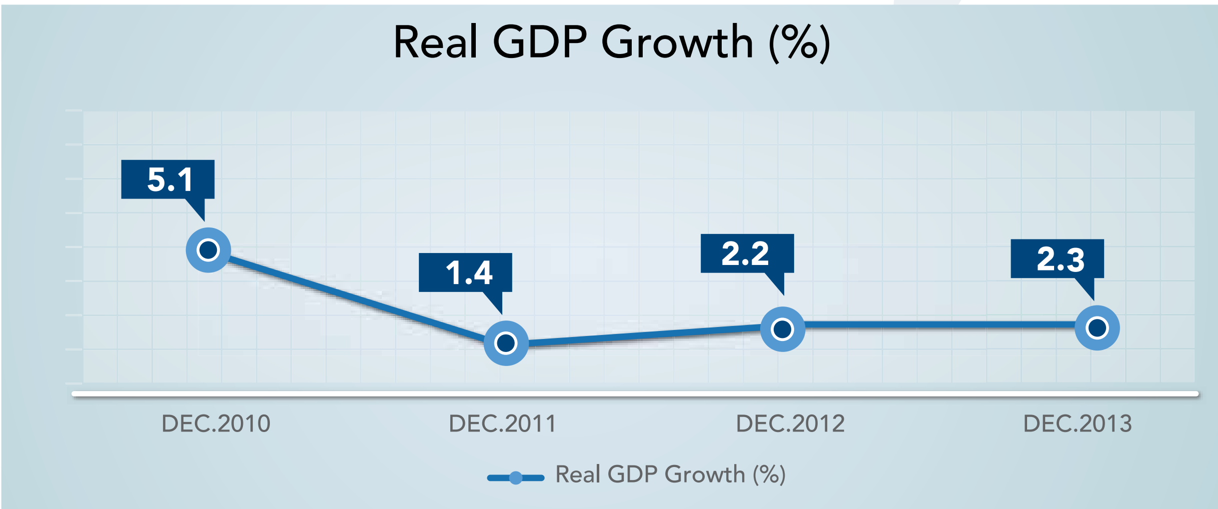
# Spot Light on Egypt

The Egyptian Economy depends basically on foreign resources such as Suez Canal revenues, Tourism, Petroleum exports, Taxation, cultural and media production and remittances of more than three million Egyptians abroad, mostly in the Gulf area, the United States, Europe & Australia.

In the wake of the 25th Jan., 30th Jun. revolutions, the country exerted strenuous efforts to restore the economy through rallying the efforts internally & openness to the world to act dynamically in the world economy and finance.

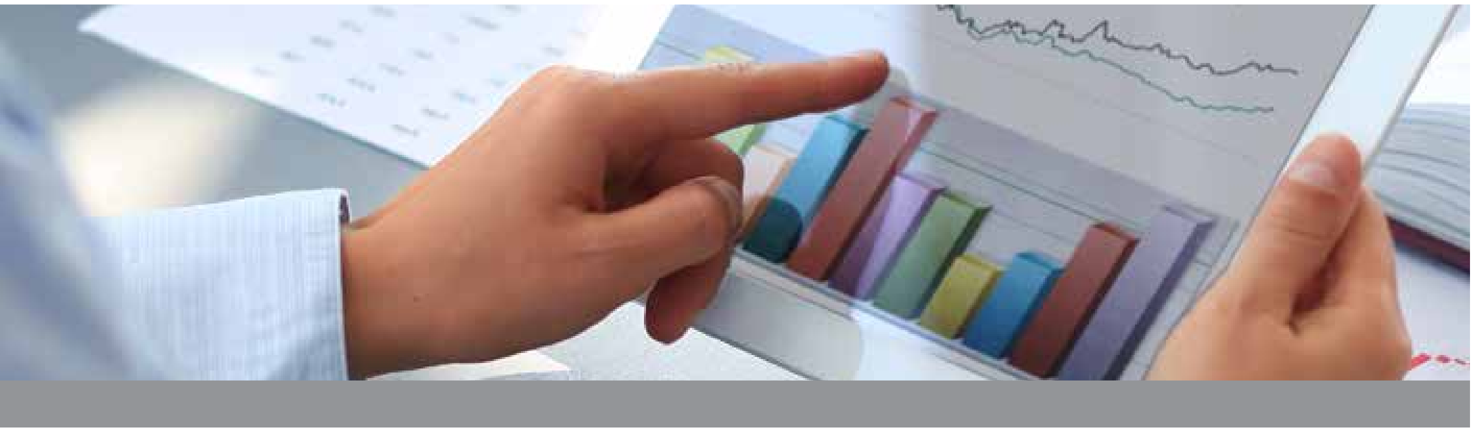
Throughout 2013, the Egyptian economy witnessed a slow recovery from a relatively low base in 2012. The economy remained pressured by a multitude of political and economic challenges. Egypt's medium term growth trajectory remains highly uncertain owing to the ongoing political transition after 30th of June. The increasingly uncertain outlook on the domestic political environment will likely ensure that trend growth settles below potential over the coming years.

As the local macro economy was slightly better than 2012, Real GDP has recorded a growth rate of 2.3% during the fiscal year 2012/2013- where public consumption and exports remain the major contributors.




**Source: CBE, Economist Intelligence Unit**

In parallel Egypt financial instability rose owing to an increase in the fiscal deficit. Weaker revenue collection and higher public expenditure driven by higher subsidies widened the budget deficit which reached 4.6% of GDP in July-December 2013 compared to 4.4% of GDP in July-September 2013.



Egypt's Balance of Payments (BOP) showed a significant improvement, during the FY 2012/2013, recording an overall surplus of US$ 237 Million, compared to an overall deficit of US$ 11.3 Billion in the previous year owing to Private transfers which witnessed a 4% increase in 2012/2013 to record US$ 18.4 Billion, mainly due to Egyptian workers' remittances transferred from abroad. Also Net foreign direct investments in Egypt recorded a net inflow of US$ 3 Billion during FY2012/2013 (down from US$ 4 Billion). This comes due to the decline in the proceeds from selling local entities to non-residents to US$ 281.7 Million (compared to US$ 1678.2 Million last year), despite the rise in net inflows of greenfield investments to reach US$ 2.4 Billion (compared to US$ 2.1 Billion last year) and the increase of net oil sector investments to US$ 255.5 Million (compared to US$ 130 Million last year).

Household consumption decreased owing to low growth in the tourism sector, which accounts for 10% of GDP and employs a similar share of the working population, as total number of tourists arrivals decelerated during the month of December 2013 by 39.3% - reaching 678 Thousand tourists (on the backdrop of political demonstration at end of June 2013), compared to 1.117 Million tourists in March 2013. In line with the decrease in tourism sector, also Inflation will keep household consumption below potential as it reached 11.66% by the end of 2013.


**Source: CBE**

# Spot Light on Egypt

External finance has become a key priority for the government to resort short term measures especially after lowering the country's sovereign rating by the three largest credit rating agencies. By this time credit rating agency Standard & Poor's had moved Egypt to CCC+ ratings, , which places the country's long-term debt in the "substantial risk" category. After the 30th of June 2013 revolution, the Standard & Poor's agency raised Egypt's credit rating from CCC+ to B/B- due to the Gulf area's aid worth around US$12 Billion which assisted the Egyptian Government to provide enough Foreign currency to meet the finance needs of the budget and external payments in the short term. External debt recorded US$ 47 Billion at end of September 2013, compared to US$ 34.7 Billion at end of September 2012. As the ratio of external debt to GDP recorded 15.8% at the end of September 2013, which remains low if compared to average of Peer Countries (Middle East and North Africa countries recorded an average of 25.5% of GDP during the year 2013).

Despite the difficult economic circumstances of 2013, Egyptian banks have to date displayed a high degree of stability .

A traditionally conservative loan-to-deposit ratio has aided them in this regard - in December 2013 stood at 41.51% as the fact that most of Egypt's banks do not rely on external funding or interbank lending from international banks.

The Central Bank of Egypt (CBE's) efforts to maintain consumer confidence in the system and safeguard against transfers of capital out of the country have also been central to the robust performance of Egypt's banks over the past year.

According to CBE Data, Growth in total liquidity continued to escalate to register 1388 Billion EGP in December 2013, compared to 1167 Billion EGP a year earlier.

This trend has been at play since the early 2012, as the treasury continued to rely heavily on domestic credit to finance the expanding budget deficit.

As the banking sector deposits reached 1.316 Trillion EGP in December 2013. Net International Reserves: record US$ 17.1 billion in December 2013 compared to US$ 15 Billion in December 2012 which nearly covers 4 months of imports.

| | 2013 | 2014F | 2015F | 2016F | 2017F | 2018F |
|---|---|---|---|---|---|---|
| Real GDP growth (%) | 2.3 | 2.0 | 3.3 | 4.8 | 5.2 | 5.5 |
| Consumer Price Inflation (av) (%) | 9.5 | 9.9 | 10.6 | 8.0 | 8.3 | 8.5 |
| Lending Rate (av) | 11.0 | 11.8 | 11.8 | 11.7 | 11.3 | 12.0 |
| Government Balance (% of GDP) | -13.8 | -12.7 | -11.2 | -9.8 | -8.7 | -8.1 |
| Current Account Balance (US$ bn) | -7.0 | -7.3 | -7.1 | -7.7 | -9.5 | -12.5 |
| Current Account Balance (%of GDP) | -2.6 | -2.4 | -2.1 | -2.0 | -2.1 | -2.5 |
| External Debt (end-period ,US$bn) | 50.5 | 54.9 | 57.1 | 60.1 | 60.6 | 61.2 |
| Exchange rate EL:US$ $av) | 6.87 | 7.21 | 7.26 | 7.30 | 7.35 | 7.38 |

| | 2011 | 2012 | 2013 | 2014F | 2015F |
|---|---|---|---|---|---|
| Nominal GDP ($bn) | 239.5 | 256.9 | 252.3 | 277.3 | 316.4 |
| GDP per Capita (US $) | 3,068 | 3,235 | 3,125 | 3,379 | 3,795 |
| Population (mn) | 79.4 | 80.7 | 82.1 | 83.4 | 84.7 |
| Unemployment (% of Labor Force) | 12.0 | 12.9 | 14.0 | 13.0 | 12.0 |
| Total Investment (% GDP) | 17.10 | 16.74 | 15.53 | 16.17 | 16.75 |
| Volume of imported goods & services (% change) | -2.71 | 3.08 | 2.22 | 3.33 | 6.91 |
| Volume of exported goods & services (% change) | -5.45 | -6.79 | 3.33 | 4.95 | 7.00 |
| Value of oil exports ($ bn) | 10.23 | 11.17 | 11.29 | 10.71 | 10.29 |
| General Government Revenue (EGP bn) | 302.01 | 348.86 | 443.66 | 546.47 | 631.03 |
| Total Government Expenditure (EGP bn) | 436.15 | 514.55 | 637.49 | 722.05 | 797.04 |
| Government net lending/Borrowing (EGP bn) | -134.14 | -165.69 | -193.83 | -175.57 | -166.01 |
| Gross Government Debt (EGP bn) | 1050.72 | 1236.23 | 1465.82 | 1664.66 | 1849.83 |

**Source: Business Monitor Online, IMF**

# Spot Light on Egypt


While the CBE's regulatory focus since early 2011 has been to safeguard the banking system from the effects of Egypt's process of political transition, it also carries a longer timetable for sector reform. Since 2004 the CBE's Banking Reform unit has overseen a series of structural changes aimed at creating a stable and sustainable banking sector that is better capable of serving the needs of the wider economy.


19 Dec
22 Dec
-0.02%
23 Dec
+1.77%
29 Dec
+2.33%
30 Dec

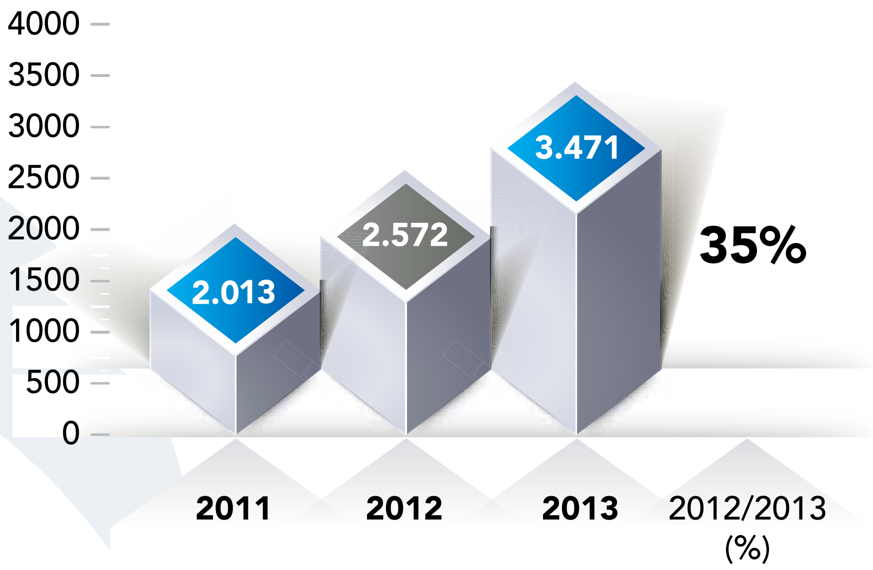
# Bank Performance

• Key Performance Indicators

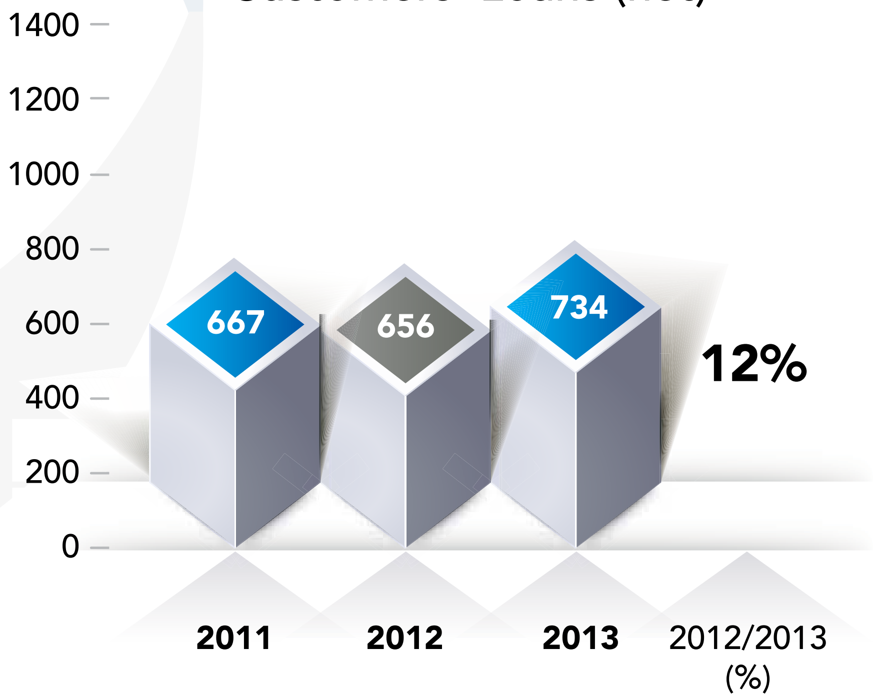
# Key Performance Indicators

| | 2011 | 2012 | 2013 | 2012/2013% |
|---|---|---|---|---|
| Balance Sheet and Income Statement ('000 $) | | | | |
| Total Assets | 2,013,284 | 2,572,044 | 3,470,553 | 35% |
| Customer Loans (net) | 667,504 | 656,139 | 734,141 | 12% |
| Customer Deposits | 1,608,038 | 2,028,901 | 2,725,151 | 34% |
| Net interest income | 52,733 | 65,929 | 77,181 | 17% |
| Gross income | 67,256 | 81,871 | 95,132 | 16% |
| Pre-provision profit | 30,693 | 51,022 | 60,750 | 19% |
| Profit from continuing operations | 28,531 | 43,963 | 59,448 | 35% |
| Net profit | 20,866 | 28,152 | 30,839 | 10% |
| Ratios (%) | | | | |
| ROE | 9.10% | 12.47% | 12.49% | 0.2% |
| ROA | 1.06% | 1.23% | 1.02% | - 17% |
| ROC | 13.91% | 18.77% | 20.56% | 10% |
| Tier I ('000 EGP) | N/A | 924,542 | 1,518,000 | 64% |
| BIS II ratio | 10.62% | 10.25% | 15.39% | 50% |
| Net Loan-to-Deposit ratio | 41.51% | 32.34% | 26.94% | - 17% |
| Non-performing Loan (NPL) ratio | 6.85% | 7.28% | 3.92% | - 46% |
| NPL coverage | 86.5% | 83.4% | 73.7% | - 12% |
| Other Figures | | | | |
| Number of employees | 919 | 956 | 988 | 3% |
| Number of branches | 22 | 21 | 22 | 5% |

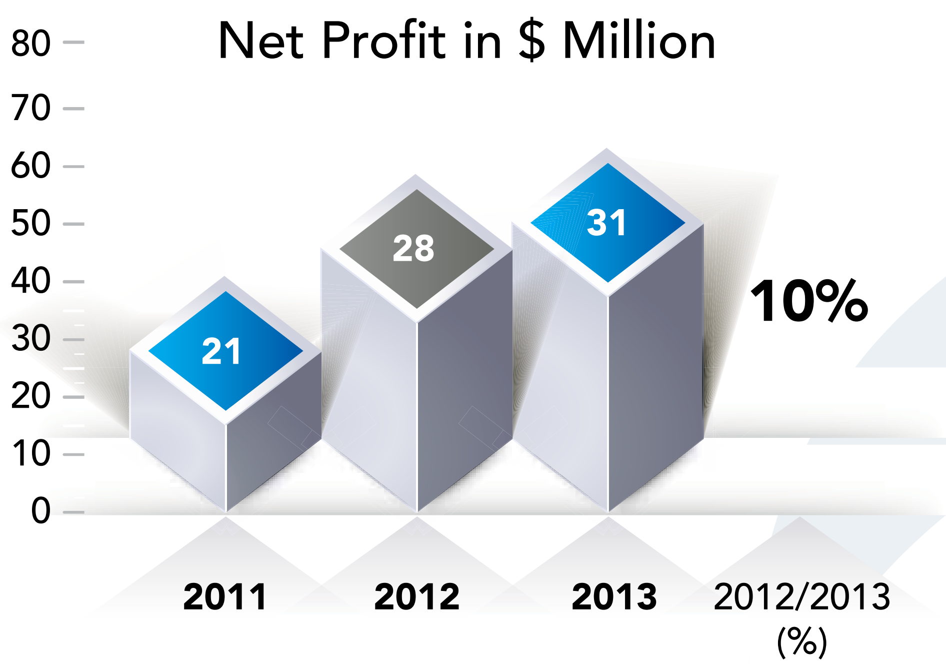
## Total Assets in $ Million

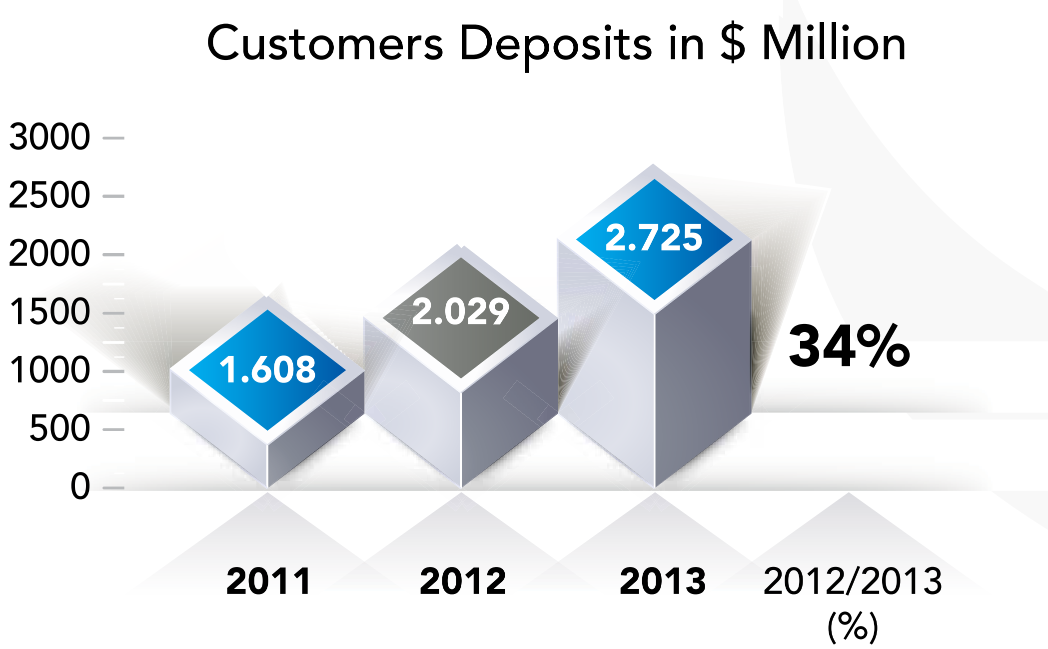


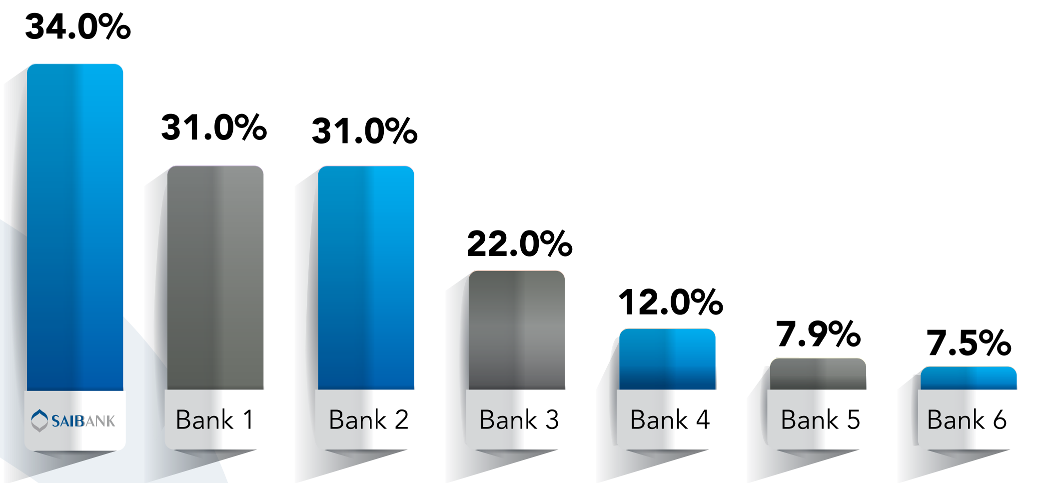

## Customers' Loans (net)



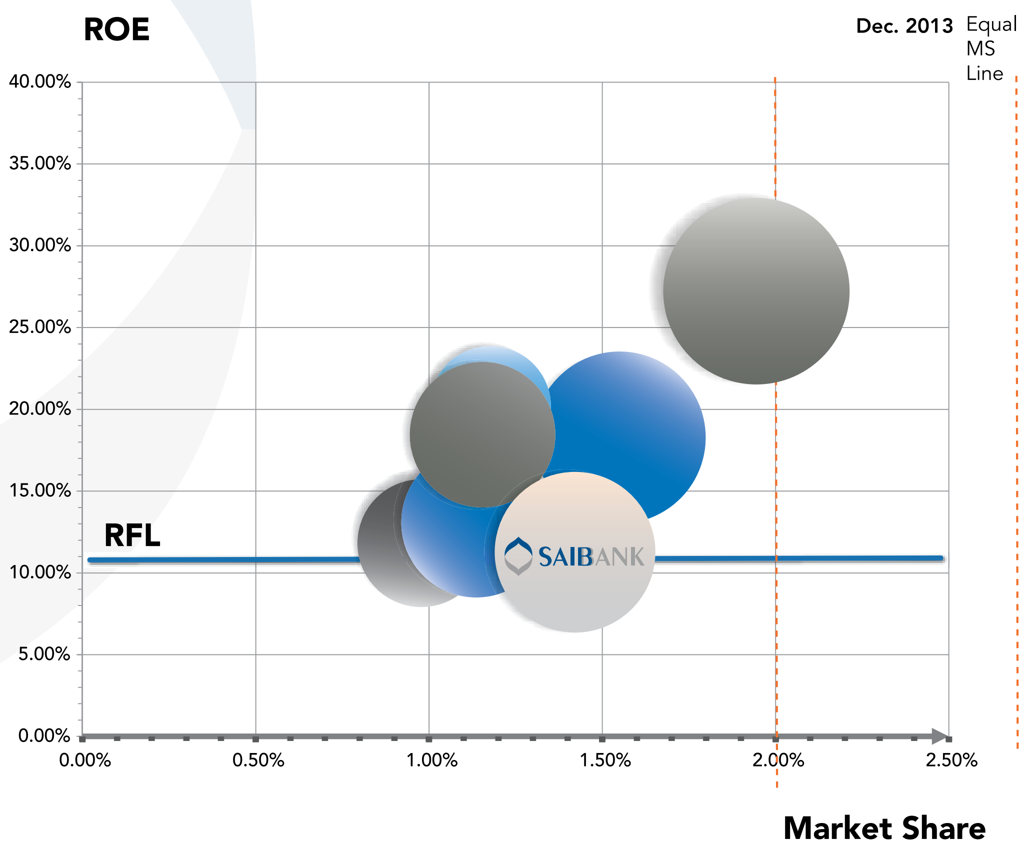
# Bank Performance






Customers' Deposits Growth Rate (2013/2012) compared to peer group



# Going Forward
# 2014 Outlook


● 2014 Forward

# 2014 Forward

## New Year... Renewed Hope

We look forward to 2014 to be the year that brings stability and focus back in Egypt. After three years of continued struggle, the markets are very eager to get back on track with renewed momentum to make up for the missed opportunities. Banking is in the center of that, and SAIB is more than ready!

At SAIB, we see 2014 as an important mile stone year in our 2012-2015 strategy. While we continue to adapt to different economic scenarios as they unfold, we remain focused on 3 fundamentals:

- Customer Reach
- Efficiency and Financial Soundness
- Building Brand Equity

Our 2013 annual report details what was achieved in those three aspects, and in 2014 we build on those achievements even more.

SAIB is deeply rooted in the Egyptian market, and for more than 35 years now we have had the Egyptian customers at the core of our focus. This gives us the strong advantage of listening better to the market and to our customers. Hence; In terms of Customer Reach, we accelerate our efforts at different levels: geographically, by opening more branches, in terms of services- where we aim to launch our E-Banking services, and at products level where several products are underway to cater for the different and ever growing customer needs

We continue to aspire and make steady progress to our aim of joining the largest 10 banks in Egypt. With this scale, there are lots of benefits; which we hope will bring to our shareholders, customers, and employees. At the same time we are fully aware that growth brings us into a different playing field, where our internal capabilities are crucial.

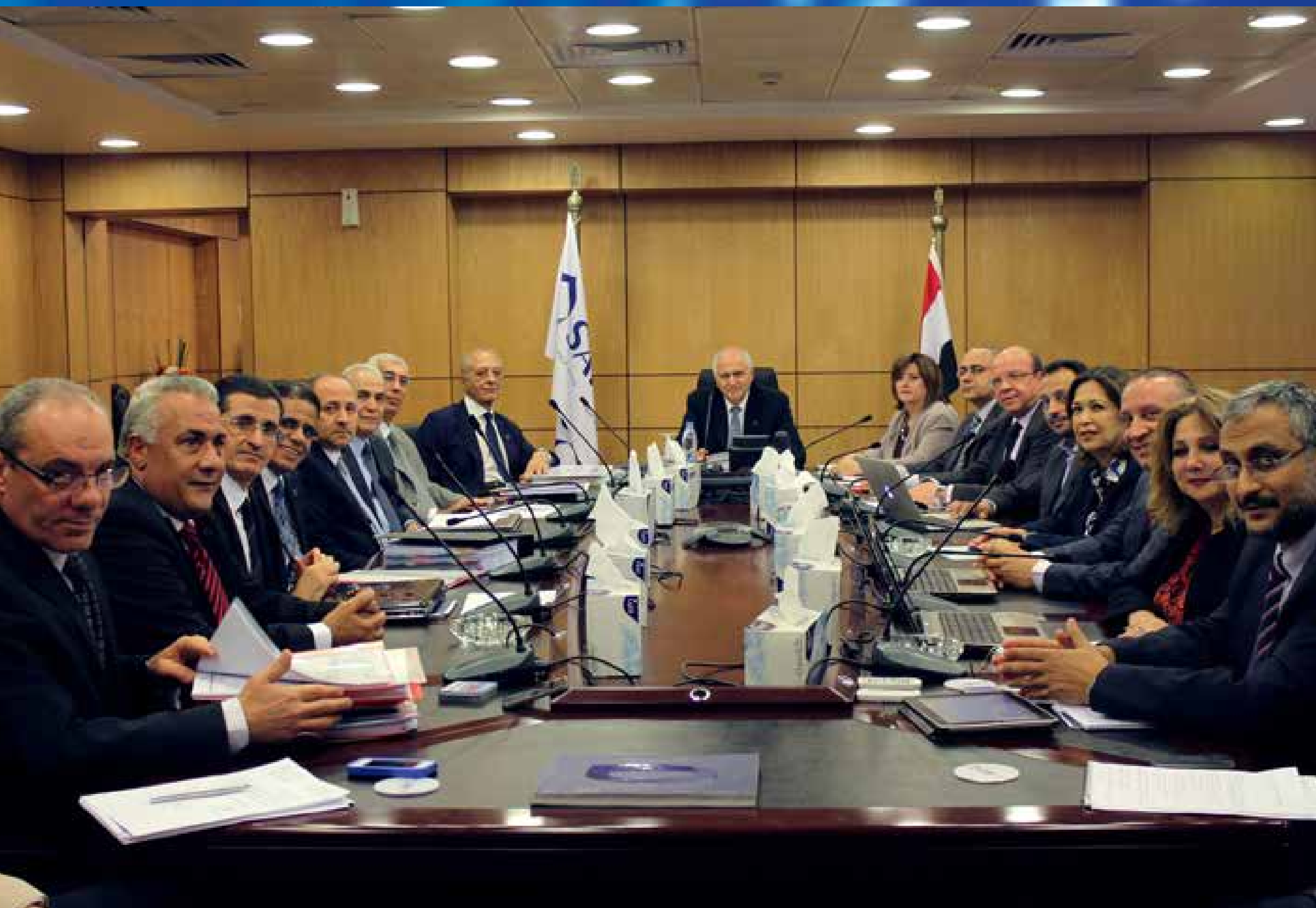
That is why we put more and more efforts in “Institutionalizing” the bank’s management methods . This spans a whole spectrum of improved Corporate Governance, to enhanced business processes, as well as including more proper controls and documentation.

In the year 2013, most banks (and SAIB was not an exception) focused on one large customer: Public Debt (through T bills/ bonds) for most of the year. This has crowded out private financing to a large part. In 2014, we see this changing, or in fact going back to the original function of banks: financing projects, corporates, and individuals. SAIB started this position adjustment already in 2013, and we continue through 2014- and beyond; to build and expand a sound credit portfolio.

SAIB management continues its mission of re-launching the bank and repositioning ourselves in the market. Several projects have been already implemented in the area of reshaping SAIB’s corporate image. In 2014 though, we move forward with more in depth projects -reshaping our corporate culture. We aim to strengthen our deep values, and reflect them on the demands of the contemporary dynamics of our markets, customers, and competition.

In summary, 2014 is a “gear – shifting” year for SAIB, where we move faster and with more momentum to join the big 10 league.

# Corporate Governance



# Respected Shareholders

Pleased to present SAIB's annual report of activities and results for the fiscal year ending in December 31, 2013, which shows the positive indicators that contributed to maintain SAIB's status in the banking sector, by acquiring a market share of 1.5% in 2013 compared to 1.2% in 2012.

## A- Key Performance Indicators for the year 2013

Despite of the political instability that Egypt faced during 2013, and its negative impact on the Egyptian Economy & Banking Sector, the adapted strategies during 2013 had a positive impact on the bank results in many aspects.

Total assets showed a growth of 35% (US $899 Million) reaching US$ 3471 million in 2013 compared to US$ 2572 million in the previous year.

This is mainly due to the bank's resources growth, as customers' deposits portfolio grew by 34% (US $ 696 million) reaching US$ 2725 Million compared to US$ 2029 Million in the previous year. This growth have been used to increase the loans portfolio that grew by 12% (US$ 78 million )totaling US$ 734 million in December ,2013 compared to US$ 656 million in the previous year ( despite of the repayment of the installments of loans).Also the financial investments in government debt instrument (bills- bonds) reached US$2389 million in December 2013 Compared to US$ 1666 million in the previous year , with an increase of US$ 723 million, to absorb the excess liquidity and achieve an adequate return .

The effective management of the assets, and liabilities, close market monitoring and prudent liquidity management, as well as diversified services and investment tools available to match between resources and utilizations, impacted the positive trend.

The net profit increased by 10% to reach US$ 30.8 million in December 2013 compared to US$ 28.1 million in the previous year. Due to the optimum use of the bank's resources, the net interest income grew by 16 % (US$10.5 Million) to reach US$ 77.2 Million compared to US$ 66.7 Million in the previous year.

This growth was achieved despite of the unfavorable EGP/ Dollar rate, which reached 6.95 in December 2013, compared to 6.32 in the previous year, with an increase of 10% negatively impacting the bank's results upon converting the financial results from EGP to US$ .


## B- Activities and New Branches

Believing in the importance of meeting customers' expectations, the bank continued to provide new products and banking services with high standards achieving the customers' desires and needs. This is done through the development and updating of the bank's information technology system, and spreading the branch network in high populated areas .The bank continues to apply a policy of horizontal as well as vertical expansion .

**In 2013 three branches were opened:**
Mall of Arabia (6 of October), Assiut, and Al Horria (Alexandria).
The year 2014 shall witness the opening of additional branches in Sheikh Zayed, Maadi, and Luxor.

## C- Human Resources

Human resources remain the core of any progress in performance. With this belief, the bank endeavors to support the continuity of its staff development, thus increasing their skills through internal and external training programs. This is done according to a comprehensive plan covering all employee Levels in order to provide the best banking services to our customers.

Finally, appreciation should be extended to the bank's staff for the significant efforts, and dedication.

# Introduction

Corporate Governance is a process that aims to allocate corporate resources in a manner that maximizes value for all stakeholders – shareholders, investors, employees, customers, suppliers, environment and the community at large and holds those at the helms to account by evaluating their decisions on transparency, inclusivity, equity and responsibility.

The World Bank defines governance as the exercise of political authority and the use of institutional resources to manage society's problems and affairs.

Corporate Governance is the set of processes, customs, policies, laws, and institutions affecting the way a corporation (or company) is directed, administered, or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed.

In contemporary business corporations, the main external stakeholder groups are shareholders, debt holders, trade creditors, suppliers, customers, and communities affected by the corporation's activities. Internal stakeholders are the board of directors, executives, and other employees.

The purpose of corporate governance is to build and strengthen accountability, credibility, transparency, integrity and trust.

## Legal environment

SAIB Bank is established according to ministerial decree in 1976 under Law 45/1976, with commercial registration number 97328/1993 - Giza, and tax registration number 204-896-096.

## Auditing

**Internal:**

SAIB Internal Audit Unit has vital control function. It works independently of business lines to assess the efficiency of policies, procedures and control mechanisms and refers directly to chairman of the board of directors .it identifies potential process & proposes improvements and carries out ad-hoc appraisals reviews.

**External:**

M MAZARS

Mostafa Shawki & Co. is the oldest accounting and audit firm in Egypt and the second oldest in the Middle East region.
Over the past 60 years, the firm has expanded to become one of the leading professional accounting, audit and tax advisory firms in the area.

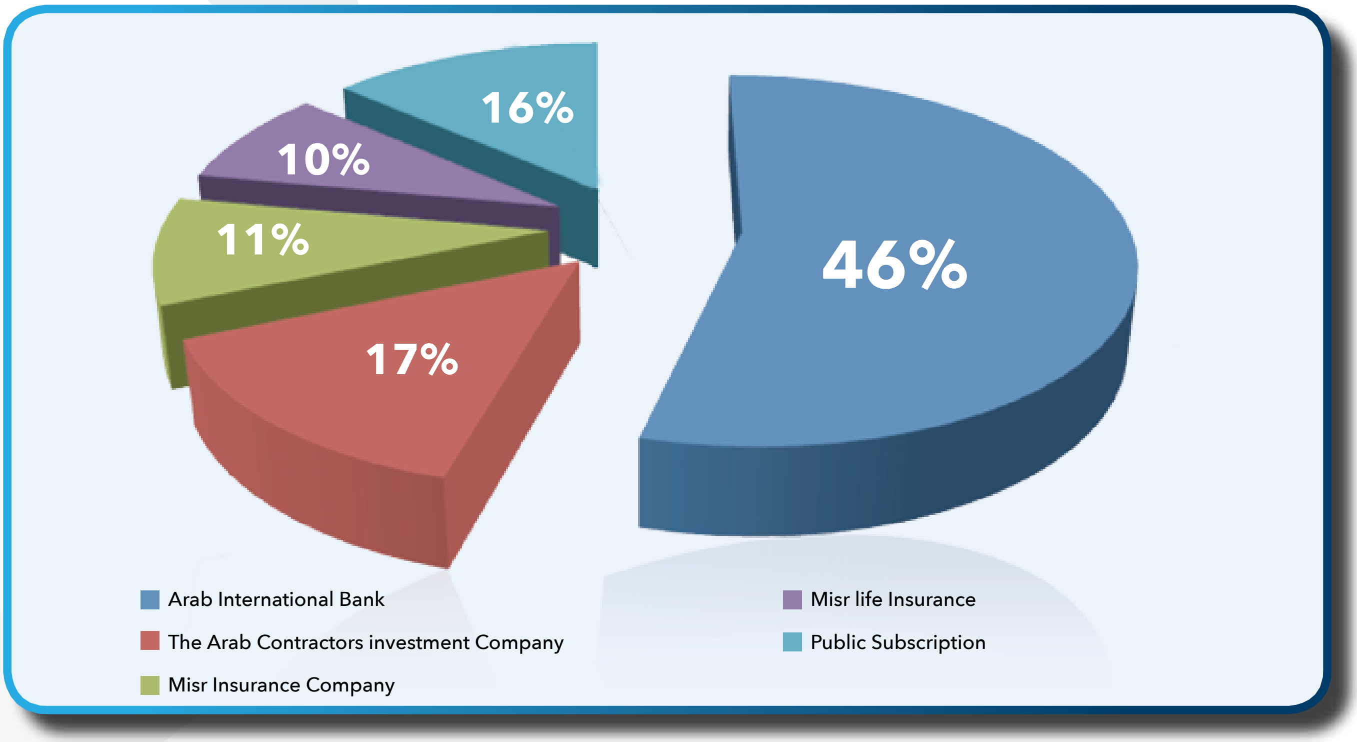
The firm has played a major in the standardization of Egypt's accounting and audit profession, providing a comprehensive range of services to multinational, international and national business entities working in Egypt.

BAKER TILLY

Baker Tilly is one of the world's leading networks of independently owned and managed accountancy and business advisory firms united by commitment to provide exceptional client services.
In Egypt, it is an accountancy firm offering services such as auditing, tax planning, financial consulting and more.

## Ownership structure and exercise of control rights

Ownership structure refers to the types and composition of shareholders in a corporation. Researchers often "measure" ownership structures by using some observable measures of ownership concentration or the extent of inside ownership.




## Board and management structure and process

The board has the responsibility of endorsing the organization's strategy, developing directional policy, appointing, supervising and remunerating senior executives, and ensuring accountability of the organization to its investors and authorities.

# Board of Directors

| | |
|---|---|
| **Mr. Mohamed Naguib Ibrahim** | **Mr. Ahmed Bahaa El-Din Youssef** |
| Chairman & Managing Director | Investment Sector Head<br>Arab International Bank |
| **Mr. Hassan Ibrahim Abdel Meguid** | **Mr. Adel Ahmed Moussa** |
| Vice Chairman & Managing Director | Chairman & CEO<br>Misr Insurance Company |
| **Mr. Mohamed Ibrahim Abdul Gawad** | **Mrs. Nagwa Ibrahim Mansour** |
| Deputy-Chairman of Board of Directors &<br>Managing Director (Arab International Bank) | Investment Sector Head<br>Misr Insurance Company |
| **Mr. Hamad Salem Kardous al Amary** | **Mr. Saeed Saad Gabr** |
| Deputy Chairman of Board of Directors<br>Arab International Bank | Chairman & CEO<br>Misr Life Insurance Company |
| **Mr. Amr Yekhlef Haggag** | **Mr. Mohammed Mohsen Salah El-Din** |
| Member of Board of Directors<br>Arab International Bank | President & CEO<br>The Arab Contractors for Investments Company |
| **Mr. Adel Salah El-Din Ezzat** | **Mr. Mohamed Mahmoud Ali El Khateeb** |
| Arab International Bank | Assistant CEO<br>The Arab Contractors for Investments Company |

# Board of Directors

## Corporate Governance

### BOD Structure

- 12 Members
- 2 Executives
- 9 Non Executives
- 1 Independent Directors

### BOD Committees

- Audit Committee
- Risk Committee
- Governance Committee
- Compensation & Nomination Committee
- Executive Committee

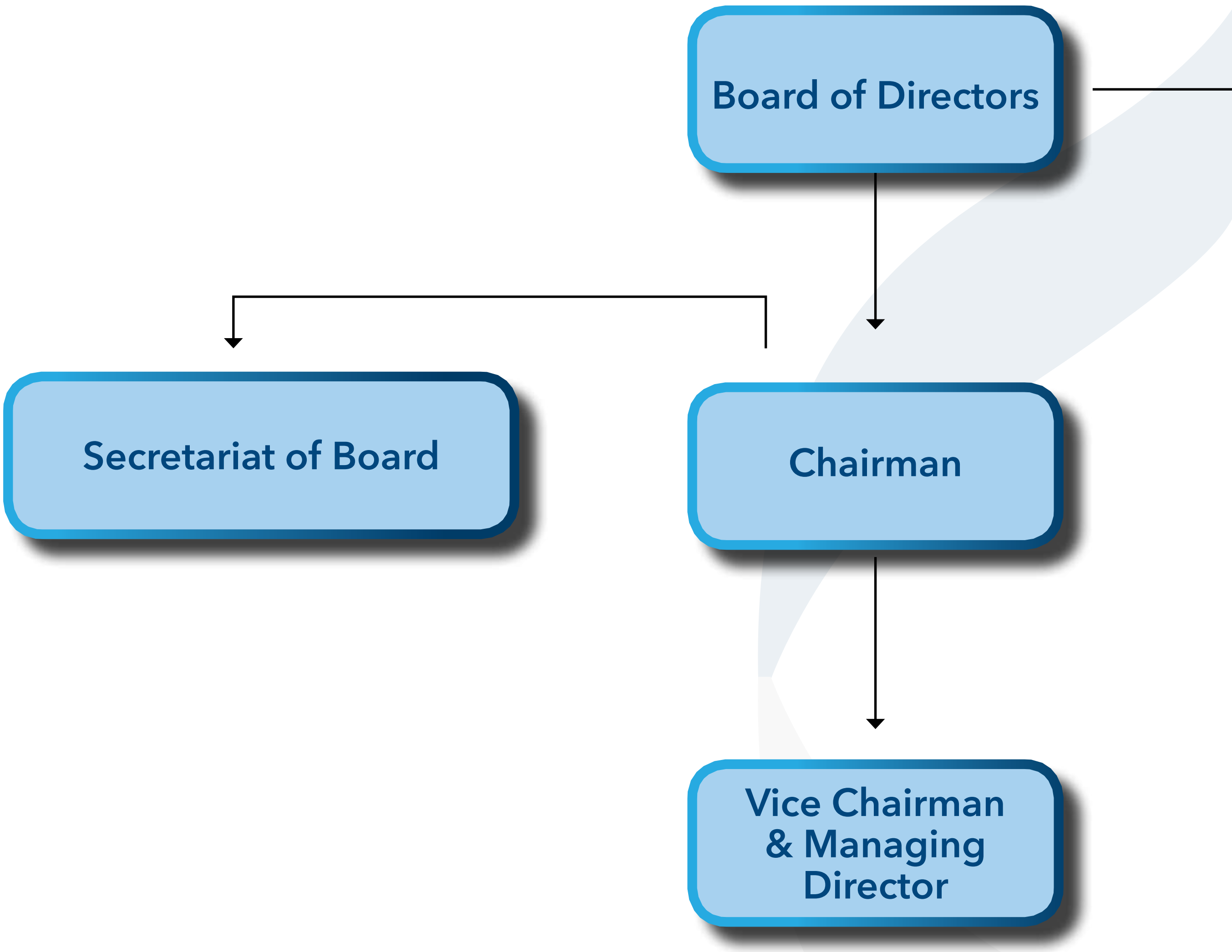
## Management Committees

- Assets & Liabilities Committee
- Credit & Investment Committee
- Branches & Service Pricing Committee
- Technology Committee
- Strategy Committee
- Products Committee
- SME’s Committee
- Marketing Committee
- Human Resources

## Set of Charters

- Corporate Governance Guidelines
- Chart of Authorities
- Committee Charters

# Board & Committees



Governance Committee

Executive Committee

Risk Committee

Audit Committee

Compensation & Remuneration Committee

# Executive Committee

Executive decision-making within the terms of reference and the authorities delegated to it by the Board of Directors, which is established in accordance with Law 88 of 2003 and its regulations, which defines its authorities.

## Terms of reference:

Express opinion on the organizational structure of the bank and its amendments, regulations and work systems.

Study and review all of the bank's policies in preparation for submission to the Board of Directors for approval.

Study and approve decisions on the credit operations funding within the framework of its authorities and in accordance with the general rules as well as investments policy approved by the bank.

Follow-up the bank's financial and non-financial performance indicators and the bank’s competitive position in the market.

**Mr. Mohamed Naguib Ibrahim**

Chairman & Managing Director

**Mr. Hassan Ibrahim Abdel Meguid**

Vice Chairman & Managing Director

**Mr. Hassan Mohammed Sherif**

Senior General Manager

Supervision & Control

**Mr. Magdy Mohammed el Dakroury**

Senior General Manager

Marketing & Investment

**Mr. Alaa Mohammed Amin**

Head of Credit Sector

**Mr. Mahmoud Ezzat**

Head of Retail Sector

**Mr. Khaled Gad**

Head of Information

and Technology Sector

**Mr. Ashraf Negm**

Head of Treasury Sector

**Mr. Khaled Abdel Moneim Setouhy**

Head of Legal Sector

**Mr. Hamdy Ghazy**

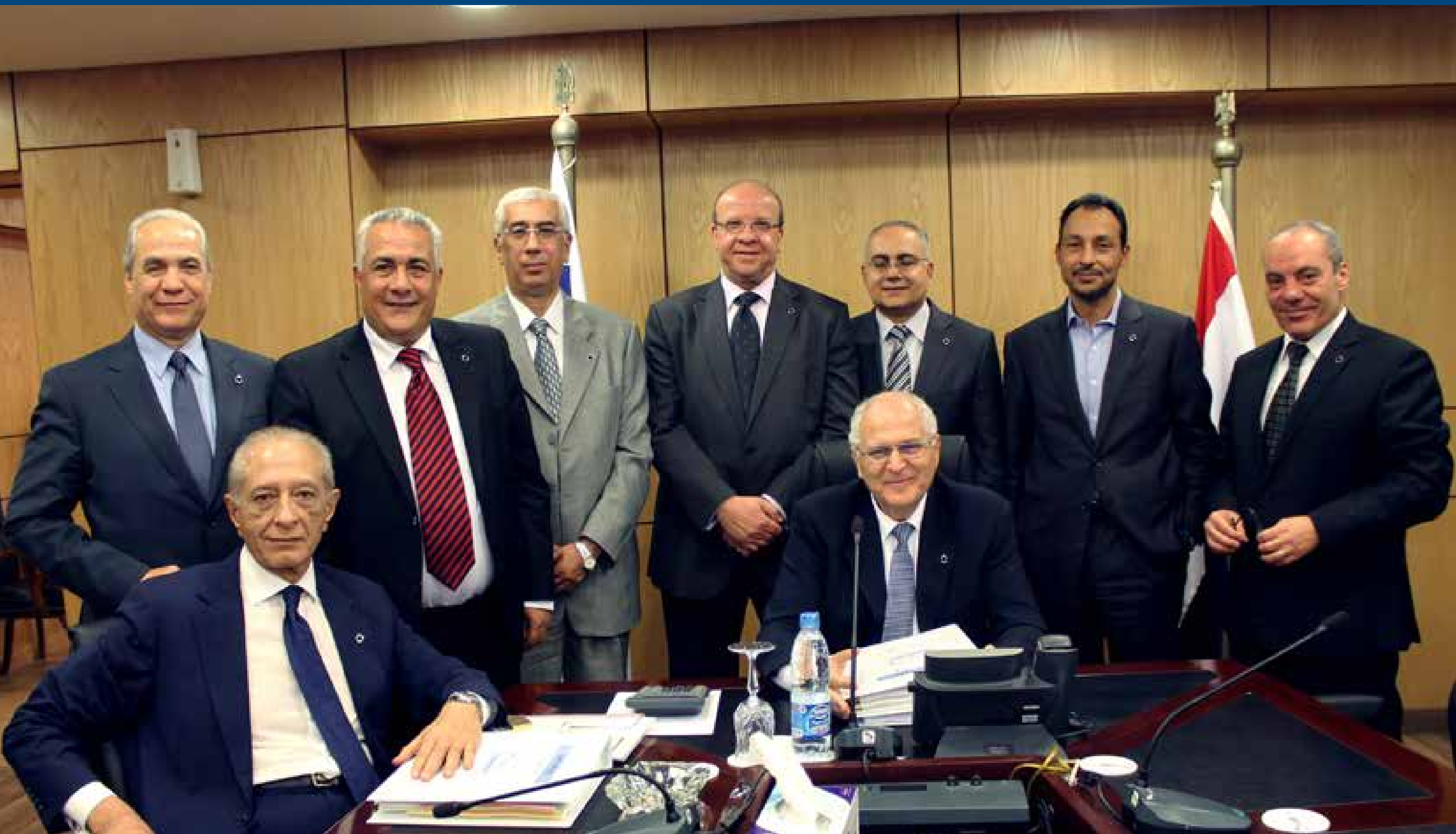
Head of Finance Sector

**Mr. Mohammed Hisham Nour**

Head of Small and Medium Enterprises

Sector

# Executive Committee



| Mr. Mohammed Naguib Ibrahim |
| --- |
| Chairman and Managing Director |
| Joined SAIB: 2011 |
| Studied Accounting: 1975 |

| Mr. Hassan Ibrahim Abd El Meguid |
| --- |
| Vice Chairman and Managing Director |
| Joined SAIB: 2004 |
| Studied Accounting: 1975 |

**Mr. Hassan Sherif**

Senior General Manager for Risk and Control

Joined SAIB: 1998

Studied Accounting: 1979

**Mr. Ashraf Negm**

Treasury and Capital Market Sector Head

Joined SAIB: 1997

Studied Accounting: 1979

**Mr. Magdy M. ElDakroury**

Senior General Manager for Business Sectors

Joined SAIB: 2006

Studied Accounting: 1984

**Mr. Khaled Setouhy**

Legal Sector Head

Joined SAIB: 2001

Studied Accounting: 1984

**Mr. Alaa M. Amin**

Corporate Banking Sector Head

Joined SAIB: 1993

Studied Accounting: 1983

**Mr. Hamdy I. Ghazi**

Financial Sector Head

Joined SAIB: 1983

Studied Accounting: 1976

**Mr. Mahmoud Ezzat**

Retail Banking Sector Head

Joined SAIB: 1996

Studied Accounting: 1976

**Mr. Mohammed Hisham M. Nour**

Small Businesses and Medium Enterprises (SMEs) Sector Head

Joined SAIB: 1998

Studied Accounting: 1982

**Mr. Khaled M. Gad**

Information Technology Sector Head

Joined SAIB: 2010

Studied Accounting: 1984

# Governance

## Governance Committee:

- Ensure the application of the Bank's Corporate Governance Rules.
- Nomination for the Board of Directors membership.

## Terms of reference:

- The full supervision on the process of preparing and approving Corporate Governance guide for the bank.
- Monitor the implementation of the practices, rules and principles of governance in the bank and full compliance with the decisions, regulations and instructions issued by the regulatory authorities.

## Risk Committee:

Control the bank's management functions.

## Terms of reference:

- Follow-up the Bank's Risk Management functions and its compliance with strategies and policies adopted to manage risk.
- Review and discuss reports prepared by the bank's risk management.
- Revise and display proposal strategies and policies for bank risk management with respect to capital and management of liquidity risk, credit risk, market risk, operational risk and compliance risk and reputation, and any other risks that may be exposed to the bank (not final ratification, approval must be given by the Board of Directors).

## Audit Committee:

To supervise the Bank's regulatory functions and internal audit (in accordance with Article 82 of Law 88 of 2003).

## Terms of reference:

- Follow-up on the bank's Internal Audit Department with regard to the safety of the internal control systems.
- To agree on the audit scope with external auditors.
- Receive the audit reports and make sure that Bank management takes necessary corrective actions toward external auditors' notes as well as the shortcomings and weaknesses in the internal control systems or non-compliance with policies and applicable laws.

### First: Non Executive members of BOD

**Mr. Mohammed Mahmoud Ali El Khateeb**

Committee chairman

**Mr. Adel Ahmed Moussa**

Member

**Mr. Amr Yekhlef Haggag**

Member

### Second: Invitees

**Mr. Salah Halbas**

Inspection Sector Head

**Mr. Hamdy Ghazi**

Financial Sector Head

**Mrs. Hala El Talawy**

General Manager Compliance Sector

**Mr. Mohammed Askar**

Assistant General Manager Inspection Sector

# Governance

## Compensation and Remuneration Committee:

**Purpose:**

Study of salaries and bonuses, review policies and regulations related to salaries, allowances, bonuses, profit, incentives, promotions and sanctions, and regulations governing the Board Members and employees' advantages insight of the anticipated objectives to be achieved, and to prepare and submit recommendations to the Board of Directors for approval.

## Corporate responsibility and compliance

SAIB recognize that it has legal and other obligations to all legitimate stakeholders.
Ethical and responsible decision making is not only important for public relations, but it is also a necessary element in risk management and avoiding lawsuits. SAIB developed a code of conduct for their directors and executives that promotes ethical and responsible decision making. We understand that reliance by a company on the integrity and ethics of individuals is bound to eventual failure. Because of this, we establish Compliance and Ethics Programs to minimize the risk.

**Employees:**

| 2013 | |
|---|---|
| Number of Employees | 988 |
| Training Hours | 15627 |
| No. of Trainees | 440 |

**Taxes:**

SAIB Bank is required in light of the laws and regulations and ministerial decrees to pay all taxes regularly and in a timely manner.
The bank is finalizing all existing tax disputes in accordance with the methods used by both internal committees or through settlement and appeal committees to pay the taxes according to the committees' results.

**Community Development**

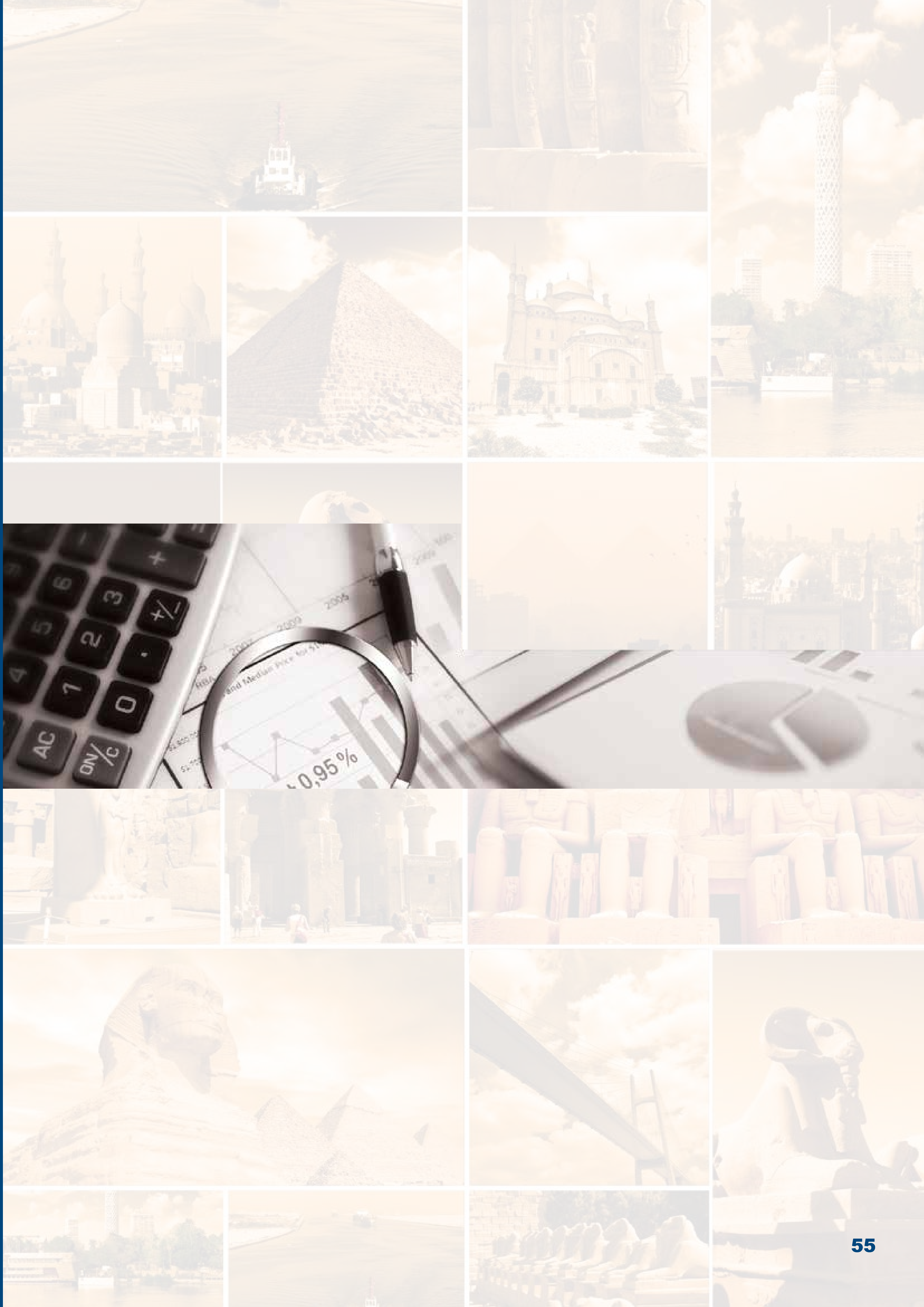
Our belief in the importance of this role towards our nation in this critical time, our bank decided to donate 2% of the profit available for distribution in 2013 to slum development account at Banque Misr under the umbrella of the Federal Egyptian Banks.

## Financial Transparency and Information Disclosure

All parties to corporate governance have an interest, whether direct or indirect, in the financial performance of the corporation. Directors, workers and management receive salaries, benefits and reputation, while investors expect to receive financial returns. For lenders, it is specified interest payments while returns to equity investors arise from dividend distributions or capital gains on their stock.  Customers are concerned with the certainty of the provision of goods and services, and possible continued trading relationships. Suppliers are concerned with compensation for their goods or services & possible continued trading relationship. These parties provide value to the corporation in the form of financial, physical, human and other forms of capital. Many parties may also be concerned with corporate social performance.

SAIB clarify and make publicly known the roles and responsibilities of board and management to provide shareholders with level of accountability. They should also implement procedures to independently verify and safeguard the integrity of the company's financial reporting. Disclosure of material matters concerning the organization should be timely and balanced to ensure that all investors have access to clear, factual information.


SAIB Customers Focus
KIRIAZI
Corporate
Success
Stories
Retail
Automotive
Finance
SMEs
Success
Stories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2005
0,95 %

# SAIB Success Formula


With a Banking market experience for around 40 years in the Egyptian Market; SAIB had successfully managed to transform this unique experience into real measured set of values to its customers – who are obviously seen as real 'Partners of Success'.

A Diversified portfolio of Comprehensive Banking Services positions SAIB no longer as just a bank; but rather a supporting partner- addressing different customers' needs:

- SMEs.
- Retail.
- Corporate.
- Syndication.

All the above (and more...) had materialized in tangible success milestones – reflected in:

- Increase in customers transactions.
- Increase of Customers Loyalty.
- Increase in market share with 50% (only in the last 2 years).
- Reaching highest Growth Rate in the Egyptian Banking market.

SAIB branches remain the main customer interface – highlighting daily SuccessStories with customers – whether Corporate, SMEs or Retail...

With a good network of 22 branches in around 11 cities; SAIB customers tend to share their satisfaction and loyalty to the bank over generations...

"I still remember as a child my visits to SAIB branch with my father – witnessing my very first bank account opened, and enjoying the little savings added each time...

Now as a mom, I didn't just continue enjoying the bank services over the past years, but I have also ensure both my children have started their saving path with SAIB...Feels like yesterday "

*Mrs.Amani*
*Retail Customer (Saving accounts and Deposits)*
*Mohandessin Branch*

"Having several bank accounts and multiple credit cards is nowadays quite common... but the complexity in dealing with several banks- each with its routine and conditions is not that easy!

Therefore, I chose to consolidate all my bank accounts and financial services all in SAIB bank – after witnessing transparency of procedures, friendliness, and above all Professionalism of staff..."

*Mr.Adel*
*Retail customer (Credit cards, and personal loans)*
*6th of October branch*

"Even the Call Center staff are so helpful and when I call it is almost like they recognize my voice!

I am treated with such courtesy, and with a little personal touch that really makes me cherish SAIB as my favorite bank..."

*Ms. Nadine*
*Retail customer (Credit cards)*
*Alexandria branch*

SAIB was the lead issuer in a syndicated loan with a total value of 2 billion pounds to the Egyptian General Authority for Petroleum, twelve other banks participated with SAIB in this syndication.


**Total Syndicated Loans**
**1,465,396,605 L.E**

Syndications represent 26% of the total credit portfolio, which has had a positive impact on the bank's position in the market.

**Total Assets**
**24.2 billion L.E**

## Financing large corporates remain at the heart of what SAIB offers...

# KIRIAZI :

A partnership for success for more than eighteen years, is what defines the relationship between SAIB and Kiriazi Group. Whether through supporting the expansion of the group into more diversified investments, or through providing working capital, SAIB has been with Kiriazi Group every step of the way.

Kiriazi Group is a family owned business, spanning three generations, and is one of the most important investors in the Egyptian market.

The business has three arms, represented by Kiriazi for Home Appliances, Kiriazi Tourism Investment, comprised of a tourist village in Hurghada and Kiriazi Agricultural Investments, Rita Farms.

KIRIAZI Group began their activity in the field of home appliances in 1985 by the establishment of the first refrigerator factory in 10th of Ramadan City for the production of domestic and vertical freezers.

The group of companies consists of four plants, two for producing refrigerators and freezers, one plant for producing washing machines & one plant for producing gas cookers, domestic electric & gas water heaters.

SAIB has been an active partner in growing Kiriazi businesses through the opening of new production lines for more a diversified product range, serving all of Egypt and the Arab world as well.

The term SMEs standing for Small and Medium Enterprises – is no longer a term used to categorize one of the market business segments; but rather being "termed SMEs" driver of any emerging and fast growing market.

SAIB's vision for SMEs was provided not just by custom-tailored financing programs; but also by supporting and ensuring those promising projects with long-term growth plans.


**AYA for trade and Industry :**

Aya Trade was established in 2010 as a family owned firm managed by three brothers, with a paid in capital of 300,000EGP.

Their Experience is in the trade and distribution of plastic pipelines; a business they expanded into manufacturing as well through a sister company (Al AMAL).

The two brand names conducted the products range manufacturing and distribution in the market.

Due to their growth and expansion in new markets, AYA Trade partnered with SAIB via credit facilities, as well as Medium Term Loan to finance purchase of equipments; increasing the total production capacity.

**Steel Plastic Electronic Co.:**

Established in 2011 with a paid capital of 250,000 EGP – specialized in Manufacturing and cutting of tin sheets; in order to meet specifications of Cable
Industries. In addition to production of Cables and Electrical wires.

They started their business partnership with SAIB in 2013; with plans to grow their business via flexible and reliable finance programs.

Aiming to grow their market share, they insured to perfectly benefit SAIB's support, which led to a sales revenue reached 39 million EGP in 2013, in addition to incorporating a new line of business into their model, namely telephone wires.

With all our stakeholders in line with the bank's vision of contributing actively to the Egyptian economy, and spreading benefits to the society at large; several key Programs were launched by the Retail banking sector:


**Education :**

SAIB's belief in value and weight of Education as the cornerstone of development for Egypt; Education loan program was launched to help families off-set the burdensome cost of tuition finance.

In fact, it is more of a three party agreement: The bank, the student (parent) and the Educational institution as CIC, Nile University, Rajac schools.

Automotive Finance :

SAIB also launched convenient “Auto Finance” program for used cars – with Bavarian Auto Group (BAG); in order to facilitate Trade-in and purchase of Certified Pre-owned (CPO) of the BMW premium Selection (BPS) cars.

Social Sports Club :

This type of clubs in Egypt is a smart mixture between practicing sports for individuals and families; and also ensuring a secured and friendly environment for families to get together.
Offering to finance families’ memberships in such clubs – had been marked as a smart move from SAIB; along with other banking services to club members in forms of personal finance loans, credit cards...

# Financial Statements and Auditor's Report for the Year ended December 31, 2013


0,95 %

# Auditor's Report

### To the Shareholders of Societe Arabe Internationale de Banque (SAIB) - S.A.E.

## Report on the Financial Statements

We have audited the accompanying financial statements of Societe Arabe Internationale de Banque (SAIB) S.A.E. which compromises the balance sheet as of December 31, 2013, and the statements of income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

## Management's Responsibility for the Financial Statements

These financial statements are the responsibility of the bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Central Bank of Egypt's rules with accordance to rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its board of directors on December 16, 2008 and in light of prevailing Egyptian laws, management's responsibility includes designing , implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, management responsibility also includes selecting and applying the appropriate accounting policies , and making the 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 in the light of prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An auditing process involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate with circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, the audit process 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Societe Arabe Internationale de Banque (SAIB) - S.A.E. as of December 31, 2013, and of its financial performance, and its cash flows for the year then ended in accordance with Central Bank of Egypt's rules , according to the rules of the preparation and presentation of the financial statements and measurement and recognition bases approved by its boards of directors on December 16, 2008 and the Egyptian laws and regulations relating to the preparation of these financial statements .

## Report on Legal and other Regulatory Requirements

The bank maintains proper books of account, which includes all that is required by law and by the statutes of the bank; the financial statements are in agreement thereto.

According to the information and explanations given to us during the financial year ended December 31, 2013 no contravention of the central bank, banking and monetary institution law No.88 of 2003.

The financial information included in the Board of Directors' report, prepared in accordance with Law No. 159 of 1981 and its executive regulations, is in agreement with the Bank`s books of account.

**Cairo: February 3, 2014**

## AUDITORS

| **MOHAMMED EL MOETAZ MAHMOUD** | **MOHAMED MAHMOUD EL SAYED** |
|---|---|
| MAZARS Mostafa Shawki | BAKER TILLY Wahid Abdel Ghaffar & Co. |
| Accountants & Auditors | Public Accountants & Consultants |

# Balance Sheet as of December 31, 2013
## (All Amounts are Expressed in US Dollars)

| | Note No. | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from Central Bank of Egypt | (15) | 136,142,008 | 97,239,655 |
| Due from banks | (16) | 139,919,473 | 91,556,696 |
| Treasury bills | (17) | 928,293,679 | 609,710,661 |
| Loans and credit facilities to customers | (18) | 734,141,485 | 656,138,866 |
| **Financial Investments:** | | | |
| -Available for sale | (19) | 1,388,875,577 | 974,526,754 |
| -Held to maturity | (19) | 71,842,162 | 81,621,075 |
| Investments in associates companies | (20) | 732,724 | 161,576 |
| Intangible assets | (21) | 88,004 | 286,446 |
| Other assets | (22) | 53,434,011 | 45,753,137 |
| Deferred tax assets | (29) | 162,890 | -- |
| Fixed assets | (23) | 16,921,262 | 15,049,158 |
| **Total Assets** | | **3,470,553,275** | **2,572,044,024** |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | | |
| **LIABILITIES** | | | |
| Due to banks | (24) | 236,819,677 | 153,140,125 |
| Customers' deposits | (25) | 2,725,151,499 | 2,028,900,715 |
| Other loans | (26) | 59,221,840 | 9,193,966 |
| Other liabilities | (27) | 180,799,829 | 140,399,466 |
| Other provisions | (28) | 6,478,254 | 8,683,986 |
| Deferred tax liability | (29) | -- | 185,843 |
| **Total Liabilities** | | **3,208,471,099** | **2,340,504,101** |
| **SHAREHOLDERS EQUITY** | | | |
| Paid-up capital | (30) | 150,000,000 | 150,000,000 |
| Reserves | (31) | 76,757,972 | 50,873,229 |
| Retained earnings | (31) | 35,324,204 | 30,666,694 |
| **Total Shareholders' Equity** | | 262,082,176 | 231,539,923 |
| **Total Liabilities and Shareholders' Equity** | | 3,470,553,275 | 2,572,044,024 |

- Auditors' Report attached.
- The accompanying notes from (1) to (37) are an integral part of these financial statements.

| AUDITORS | | Vice Chairman And Managing Director | Chairman And Managing Director |
|---|---|---|---|
| **MOHAMMED EL MOETAZ MAHMOUD** | **MOHAMED MAHMOUD EL SAYED** | **HASSAN ABDEL MEGUID** | **MOHAMMED NAGUIB IBRAHIM** |
| MAZARS Mostafa Shawki | BAKER TILLY Wahid Abdel Ghaffar & Co. | | |

# Income Statement for the Year ended December 31, 2013
## (All Amounts are Expressed in US Dollars)

| | Note No. | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| Loans interest and similar income | (6) | 261,979,286 | 203,449,395 |
| Cost of deposits and similar expenses | (6) | (184,798,302) | (136,795,582) |
| **Net interest income** | | **77,180,984** | **66,653,813** |
| Fees and commissions income | (7) | 18,558,510 | 15,584,751 |
| Fees and commissions expenses | (7) | (607,397) | (404,467) |
| **Net Fees and Commissions Income** | | **17,951,113** | **15,180,284** |
| Dividends income | (8) | 1,251,351 | 1,185,548 |
| Net trading income | (9) | 2,141,398 | 4,383,313 |
| Gain from Financial Investments | (19) | 6,975,783 | 4,108,387 |
| Impairment (expenses) from credit losses | (12) | (1,130,089) | (3,083,820) |
| Administrative expenses | (10) | (44,358,127) | (43,897,276) |
| Other operating revenue (expenses) | (11) | (574,062) | (557,238) |
| Income (expenses) from Investments in associate companies | (20) | 9,362 | (9,730) |
| **Profit before income taxes** | | **59,447,713** | **43,963,281** |
| Income taxes (expenses) | (13) | (28,608,890) | (15,811,400) |
| **Net profit for the year** | | **30,838,823** | **28,151,881** |
| **Earnings per basic share (US Dollar/Share)** | (14) | **1.41** | **1.32** |

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

Vice Chairman
And Managing Director

**HASSAN ABDEL MEGUID**

Chairman
And Managing Director

**MOHAMMED NAGUIB IBRAHIM**

# Statement of Cash Flows for the Year ended December 31, 2013
## (All Amounts are Expressed in US Dollars)

| | Note No. | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Profit before income tax | | 59,447,713 | 43,963,281 |
| **Adjustments to Reconcile Net Profit to Net Cash Flows from Operating Activities** | | | |
| Depreciation and amortization | (10) | 2,439,455 | 2,419,267 |
| Impairment expenses of assets | (12,19) | 1,130,089 | 3,114,209 |
| Impairment expenses of other provisions | (11) | 172,582 | 3,974,536 |
| (Used) from provisions other than loan provision | (28) | (1,642,385) | (2,551,507) |
| Dividends income | (8) | (1,251,351) | (1,185,548) |
| Premium of held to maturity bonds | (19) | 3,802,081 | 2,687,147 |
| Discount of held to maturity bonds | (19) | (459,720) | (347,561) |
| (Profits) from sale of financial investments | (19) | (6,975,783) | (4,138,776) |
| Income From investments in associates companies | (20) | (9,362) | 9,730 |
| (Gains) from sale of fixed assets | (11) | (266,999) | -- |
| **Operating profit before changes in assets and liabilities provided from operating activities** | | **56,386,320** | **47,944,778** |
| **Net Decrease (Increase) in Assets:** | | | |
| Due from banks | | (81,958,299) | 21,721,053 |
| Treasury bills | | (318,583,018) | (440,063,611) |
| Trading financial assets | | -- | 391,892 |
| Loans and credit facilities for customers | | (76,247,087) | 691,449 |
| Other assets | | (7,078,662) | (14,735,068) |
| Due to banks | | 83,679,552 | 116,788,723 |
| Customers' deposits | | 696,250,784 | 420,862,424 |
| Other liabilities | | 33,692,237 | 9,807,694 |
| Paid income tax | | (22,249,498) | (10,801,880) |
| Translation differences | | 71,215,793 | 41,240,162 |
| **Net cash flows Provided From operating activities** | | **435,108,122** | **193,847,616** |
| **Cash Flows from Investing Activities:** | | | |
| (Payments) for purchase of fixed assets and branches preparation | | (5,956,786) | (8,984,473) |
| Proceeds from sale of fixed assets | | 267,005 | -- |
| Proceeds from sale of financial investments other than financial assets held for trading investments | | 147,560,988 | 199,097,852 |

| | Note No. | 31/12/2013 | 31/12/2012 |
|---|---|---|---|
| Purchase of financial investments other than financial assets held for trading investments | | (602,297,730) | (405,183,257) |
| Payments for investments in associates | | (569,468) | -- |
| Dividends income received | | 1,251,351 | 1,185,548 |
| **Net Cash Flows (used in) investing activities** | | (459,744,640) | (213,884,330) |
| **Cash Flows from Financing Activities:** | | | |
| Collected from other loans | | 52,914,136 | -- |
| Payments for from other loans | | (2,185,787) | (311,640) |
| Dividends paid | | (20,785,000) | (16,204,120) |
| **Net cash flows provided from (used in) financing activities** | | **29,943,349** | **(16,515,760)** |
| Net increase (decrease) in cash and cash equivalents during the year | | 5,306,831 | (36,552,474) |
| **Cash and cash equivalents at the beginning of the year** | | **116,681,284** | **153,233,758** |
| **Cash and cash equivalents at the end of the year** | | **121,988,115** | **116,681,284** |
| **Cash and Cash Equivalents at Year-End are Represented as follows :** | | | |
| Cash and due from Central Bank of Egypt | (15) | 136,142,008 | 97,239,655 |
| Due from banks | (16) | 139,919,473 | 91,556,696 |
| Treasury bills | (17) | 928,293,679 | 609,710,661 |
| Balances with Central Bank of Egypt (mandatory reserve) | (15) | (102,750,166) | (72,115,067) |
| Balances due from banks maturing more than three months | | (51,323,200) | -- |
| Treasury bills maturing more than three months | (17) | (928,293,679) | (609,710,661) |
| **Cash and cash equivalents at year-end** | (33) | **121,988,115** | **116,681,284** |

- The accompanying notes from (1) to (37) are an integral part of these financial statements.

| Vice Chairman<br>And Managing Director | Chairman<br>And Managing Director |
|---|---|
| **HASSAN ABDEL MEGUID** | **MOHAMMED NAGUIB IBRAHIM** |

# Statement of changes in Shareholder's Equtiy for the Year ended December 31, 2013

## (All Amounts are Expressed in US Dollars)

| | Paid up Capital | Legal Reserve | General Banking Risk Reserve | Special Reserve | General Reserve | Capital Reserve | Fair Value Reserve -available for sale financial investments | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| **31/12/2012** | | | | | | | | | |
| **Balance as of 1/01/2012** | **150,000,000** | **47,466,068** | **3,053,542** | **3,337,162** | **6,291,493** | **692,295** | **(14,859,753)** | **23,983,805** | **219,964,612** |
| Transferred to general banking risk reserve (Note 31/a) | -- | -- | 658,789 | -- | -- | -- | -- | (658,789) | -- |
| Transferred to legal reserves (Note 31/b) | -- | 2,084,458 | -- | -- | -- | -- | -- | (2,084,458) | -- |
| Transferred to general reserve (Note 31/e) | -- | -- | -- | -- | 2,500,000 | -- | -- | (2,500,000) | -- |
| Transferred to capital reserve (Note 31/e) | -- | -- | -- | -- | -- | 21,625 | -- | (21,625) | -- |
| Dividends paid for year 2011 | -- | -- | -- | -- | -- | -- | -- | (16,204,120) | (16,204,120) |
| Net change in financial investments available for sale (Note 31/c) | -- | -- | -- | -- | -- | -- | (1,261,304) | -- | (1,261,304) |
| Translation differences (Note 31/c) | | -- | -- | -- | -- | -- | 888,854 | | 888,854 |
| Net profit for the year 2012 | -- | -- | -- | -- | -- | -- | -- | 28,151,881 | 28,151,881 |
| **Balance as of 31/12/2012** | **150,000,000** | **49,550,526** | **3,712,331** | **3,337,162** | **8,791,493** | **713,920** | **(15,232,203)** | **30,666,694** | **231,539,923** |

| | Paid up Capital | Legal Reserve | General Banking Risk Reserve | Special Reserve | General Reserve | Capital Reserve | Fair Value Reserve -available for sale financial investments | Retained Earnings | Total |
|---|---|---|---|---|---|---|---|---|---|
| **31/12/2013** | | | | | | | | | |
| **Balance as of 1/1/2013** | **150,000,000** | **49,550,526** | **3,712,331** | **3,337,162** | **8,791,493** | **713,920** | **(15,232,203)** | **30,666,694** | **231,539,923** |
| Transferred to banking risk reserve (Note 31/a) | -- | -- | 81,125 | -- | -- | -- | -- | (81,125) | -- |
| Transferred to general legal reserves (Note 31/b) | -- | 2,815,188 | -- | -- | -- | -- | -- | (2,815,188) | -- |
| Transferred to general reserve (Note 31/e) | -- | -- | -- | -- | 2,500,000 | -- | -- | (2,500,000) | -- |
| Dividends paid for year 2012 | -- | -- | -- | -- | -- | -- | -- | (20,785,000) | (20,785,000) |
| Net change in financial investments available for sale (Note 31/c) | -- | -- | -- | -- | -- | -- | 19,744,001 | -- | 19,744,001 |
| Translation differences (Note 31/c) | -- | -- | -- | -- | -- | -- | 744,429 | -- | 744,429 |
| Net profit for the year 2013 | -- | -- | -- | -- | -- | -- | -- | 30,838,823 | 30,838,823 |
| **Balance as of 31/12/2013** | **150,000,000** | **52,365,714** | **3,793,456** | **3,337,162** | **11,291,493** | **713,920** | **5,256,227** | **35,324,204** | **262,082,176** |

* The accompanying notes from (1) to (37) are an integral part of these financial statements.

**Vice Chairman**
**And Managing Director**

**HASSAN ABDEL MEGUID**

**Chairman**
**And Managing Director**

**MOHAMMED NAGUIB IBRAHIM**

# Proposed Statement of Profit Appropriation for the Year ended December 31, 2013
## (All Amounts are Expressed in US Dollars)

| | 31/12/2013 | 31/12/2012 |
|---|---|---|
| Net profit for the year | 30,838,823 | 28,151,881 |
| **Less:** | | |
| Gain from sale of fixed assets transferred to capital reserve according to the law | (266,999) | -- |
| General Banking Risk Reserve | (1,662,149) | (81,125) |
| **Net profit for the year available for appropriation** | **28,909,675** | **28,070,756** |
| **Add:** | | |
| Retained earnings at beginning of the year | 4,485,381 | 2,514,813 |
| **Total** | **33,395,056** | **30,585,569** |
| **Appropriated as follows:** | | |
| Legal reserve | 3,057,182 | 2,815,188 |
| General reserve | 1,500,000 | 2,500,000 |
| Shareholders' dividends | 14,000,000 | 12,375,000 |
| Employees' profit share | 8,250,000 | 7,210,000 |
| Board of Directors' remuneration | 1,440,000 | 1,200,000 |
| Retained earnings at end of the year | 5,147,874 | 4,485,381 |
| **Total** | **33,395,056** | **30,585,569** |

**Vice Chairman**
**And Managing Director**

**HASSAN ABDEL MEGUID**

**Chairman**
**And Managing Director**

**MOHAMMED NAGUIB IBRAHIM**

# Notes - Financial Statements for the Year ended December 31, 2013

## 1. General Information

**Societe Arabe Internationale de Banque (SAIB)** provides retail, corporate banking and investment banking services in Egypt through 22 branches and employs 988 people in the balance sheet date.

The bank was established in accordance with Law No. 43 for 1974 and the Head office is located in 56 Gamaet El Dewal El Arabeya St, Giza. The Bank is listing on the Cairo & Alex stock exchange.
The Board has approved the financial statements at January 30, 2014. (The General Assembly of the Shareholders has the right to modify these statements after issuing it).

## 2. Summary of Significant Accounting Policies Applied

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

**a. Basis for Preparation of Financial Statements**

The financial statements were prepared in accordance with the Egyptian Financial Reporting issued in 2006 and its amendments in accordance with the instructions of the Central Bank of Egypt approved by the Board of Directors as of December 16, 2008 consistent with the standards referred to, and on the basis of historical cost as modified by the revaluation of financial assets and liabilities held for trading and the financial assets and liabilities at fair value through profit or loss and the financial investments available for sale.

**b. Associates companies**

Associates are all entities over which the Bank has direct or indirect significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.
The purchase method is used for the accounting of the acquisitions of the companies by the Bank. The acquisition cost is measured at fair value, or the assets offered by the bank as return for purchase and/or the tools of property rights issued and/or obligations incurred by the Bank and/or the obligations accepted on behalf of the company acquired at the date of exchange, plus any costs directly attributable to the acquisition process. The net assets are measured, including contingent liabilities identifiable acquired by fair value at the date of acquisition.

The investments are evaluated in the associates company, by the financial statements of the bank according to the equity method under which the investment in any company is proven initially in

any associates company by the cost then the balance of the investment increases or decreases to prove the Bank's share of profits or losses of the company invested in after the acquisition company. That share is proven under the note "Profit or loss of investments in associates companies" in the income statement during the preparation of the financial statements. The balance of the investment is decreased by the value of dividends gained from the company invested in.

**c. Segment reporting**

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

**d. Foreign currency translation**

d-1 Functional and presentation currency

Transactions are recorded during the year in their original currency. For reporting the financial statements of the bank in US Dollars, at the end of each fiscal period, all assets, liabilities, shareholders' equity and expenses and revenues recorded in a currency other than the US Dollar (except those recorded in Egyptian pounds), are translated to US Dollars using stated exchange rates at that date.Balances shown in Egyptian pounds are translated to US Dollars using the official exchange rates. This translation has no effect on the income statement.

**e. Financial assets**

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

e-1 Financial assets at fair value through profit or loss

- This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception.

- A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

- Financial assets are classified at fair value through profit or loss when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortized cost for loans and advances to customers or banks and debt securities in issue.

- Certain investments, such as equity investments, are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis are designated at fair value through profit and loss.

- Financial instruments, such as debt securities held, containing one or more embedded derivatives significantly modify the cash flows, and they are designated at fair value through profit and loss.

- Profits and losses arising from changes in fair value of financial derivatives, which are managed in conjunction with the assets or financial liabilities classified at fair value through profit and loss and that in the income statement "item Net income from financial instruments classified at fair value when recognition through profit and loss ".

- Any financial derivative of a valued financial instruments at fair value is not reclassified Through profit a range of financial instruments at fair value Through profit and loss if this tool has been customized by the bank at initial recognition As assessed at fair value through profit and loss.

- According to the financial assets which are reclassified in the periods that begin form first of January 2009 it is reclassified according to the fair value in the date of reclassification.

- Bank in all conditions does not reclassify any financial instrument moving to groups of financial instruments reclassified with fair value from profit and loss or to financial assets groups for trading.

### e-2 Loans and advances

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

- Those that the bank intends to sell immediately or in the short term, which is classified as held for trading, or those that the bank upon initial recognition designates at fair value through profit or loss.

- Those that the bank upon initial recognition designates as available for sale.

- Those for which the holder 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 investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank's management has the positive intention and ability to hold to maturity. If the Bank were to sell other than an insignificant amount of held to-maturity assets, the entire category would be reclassified as available for sale.

### e-4 Available for sale financial assets

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

The following are applied in respect of all 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.

- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or where the Bank has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when they are extinguished – that is, when the obligation is discharged, cancelled or expires.

- Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and advances and held-to-maturity investments are carried at amortized cost.

- Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. 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 is recognized in profit or loss.

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

- The fair values of quoted investments in active markets are based on current bid prices. If there is no active market for a financial asset or bid prices is unavailable, the Bank establishes fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. If the bank could not assess the value of the equity classified as available for sale, these instruments should be valued at cost and will be subjected to impairment test.

- The Bank reclassify the financial asset tabbed within the range of financial instruments available for sale, which left the definition of loans and debts (bonds or loans), quoting a set of tools available for sale to the group of loans and advances or financial assets held to maturity – all as the case - when available Bank has the intent and ability to hold these financial assets in the foreseeable future or until maturity and are re-tab at fair value in the history of re-tab, and not process any profits or losses on those assets that have been recognized previously in equity and in the following manner:

  1- In case of financial asset reclassified, which has a fixed maturity are amortized gains or losses over the remaining life of the investment retained until the maturity date in a manner effective yield is consumed any difference between the value on the basis of amortized cost and value on an accrual basis over the remaining life of the financial asset using the effective yield method, and in the case of the decay of the value of the financial asset is a later recognition of any gain or loss previously recognized directly in equity in the profits and losses.

  2- in the case of financial asset which has no fixed maturity continue to profit or loss in equity until the sale of the asset or to dispose of it, then be recognized in the profit and loss In the case of erosion of the value of the financial asset is a later recognition of any gain or loss previously recognized directly within equity in the profits and losses.

- If the Bank to adjust its estimates of actual payments or receipts and amended estimates of the financial asset (or group of financial assets) to reflect the actual cash inflows and the adjusted estimates to be recalculated book value and then calculates the present value of estimated future cash flows at the effective yield of the financial instrument then it is recognized as income or expense in the profit and loss.

- In all cases, if the bank re-Tab financial asset in accordance with what is referred to The Bank at a later date to increase its estimate of the proceeds of future cash result of the increase will be recovered from the cash receipts, is the recognition of the impact of this increase in settlement of the interest rate effective from the date of change in the estimate and not in settlement of the balance of the original notebook in the history of change in the estimate.

**f. Offsetting financial instruments**

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

- The agreements to buy treasury bills with a commitment to re-sale and agreements to sale treasury bills with a commitment to re-purchase on a net basis within the balance sheet included in treasury bills and other eligible bills.

**g. Interest income and expense**

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

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

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 under revenues according to cash basis as per the following:

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

2- For loans given to institutions it is related to the monetary base also, it raises the return after that, according to rescheduling conditions on the loan till paying 25% from rescheduling payments with a minimum one year without being late, if the customer is always paying at his due dates the interest calculated is added to the loan balance which makes revenues (interest on rescheduling without deficits ) without interests aside before rescheduling which is avoiding revenues except after paying all the loan balance in the balance sheet before rescheduling.

**h. Fee and commission income**

Fees and commissions are generally recognized on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) Where it is recorded in the records of marginal outside the financial statements, And are recognized as income in accordance with cash basis Income is recognized when revenue for fees note no (2-g) that represent an integral part of the effective yield of the financial asset are generally treated as an amendment to the actual rate of return.

And postponement of fees is the link on the loans if there is a possibility that he will likely be the withdrawal of such loans and the fees on the grounds that the link obtained by the Bank are considered compensation for the constant intervention for the acquisition of a financial instrument, Then be recognized by the amend the effective interest rate on the loan In the case of the end of the link without issuing bank for the loan fees are recognized as income at the end of the period of validity of the link.

Fees are recognized on the debt instruments that are measured at fair value within the income on initial recognition& Loan syndication fees are recognized as revenue when the syndication has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants. Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction.

Portfolio and other management advisory and service fees are recognized based on the applicable service contracts, usually on a time- apportionate basis. Asset management fees related to investment funds are recognized ratably over the period in which the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognized when the performance criteria are fulfilled.

**i. Dividend income**

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

**j. Purchase and resale agreements and sale and repurchase agreements (repos and reverse repos)**

Financial instruments are sold under agreements to repurchase it within the assets added to the balances of the Treasury bills and other governmental papers in the balance sheet. The liability is displayed (purchase agreements and resale) deducted from the balances of the Treasury bills and other governmental papers in the balance sheet. The difference between the sale price and the repurchase price is recognized as income to be accrued throughout the duration of the agreements by using the actual rate of return method.

**k. Impairment of financial assets**

k-1 Financial assets carried at amortized cost

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

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

- Great financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee
- Deterioration of creditworthiness.

- A substantive evidence for impairment loss of the 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.

- The bank estimates the period between the loss event and identifying thereof for each specific portfolio. In general, the period used vary between three months and 12 months.

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

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

- Assets that are individually assessed for impairment and for which an impairment loss is continues to be recognized are not included in a collective assessment of impairment.

- If the previous assessment resulted in the absence of impairment loss then the assets is included into the group.

- The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement.

- If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Bank may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e., on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

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

Estimates of changes in future cash flows for groups of assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

### k-2 Available for sale financial assets

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired.

During the period starting from January 1, 2009 for listed equity instruments the need to book impairment is analyzed as soon as a significant and prolonged decline of their price below their acquisition cost is observed. The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extended for a period of more than 9 months. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the income statement.

## l. Intangible assets

### l-1 Goodwill

Goodwill represents the difference between the cost of the combination and the acquirer's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree at the acquisition date. The extent of goodwill impairment is to be annually checked, while goodwill amortization of 20% or impairment amount, whichever is bigger, is to be charged to income.

### l-2 Software (computer programs)

The expenses, related to upgrading or maintenance of computer programs, are to be recognized as expenses in income statement, upon being incurred. The expenses related directly with specific software and which are subjected to the bank's control and expected to produce economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset. The direct expenses include cost of staff in software upgrading teamwork, in addition to a suitable portion of respective overhead expenses.

The expenses which lead to increase or expansion of computer software beyond their original specification are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized, as an asset shall be amortized over the period expected useful life not more than 3 years.

### l-3 Other intangible assets

The intangible assets other than goodwill and computer programs (for example, trademarks, licenses, benefits of rental contracts). Other intangible assets are stated at the cost of acquisition and depreciated on a straight-line method or on the basis of the economic benefits expected from it, and that over the estimated useful lives, and for assets that do not have a specific useful life, it is not depreciated, it is tested every year for any impairment (if any) it will be recognized on the income statement.

### m. Fixed Assets

Land and buildings comprise mainly branches, offices and head offices. All property, plant and equipment is stated at historical cost less depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognized as a separate 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 measured reliably. All other repairs and maintenance 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 their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 20 years |
| Computers and Core Systems | 5 years |
| Vehicles | 5 years |
| Fixtures and fittings | 5 years |
| Equipments | 5 years |
| Furniture | 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 amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in other operating expenses in the income statement.

**n. Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortization (except for goodwill) and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

**o. Leases**

The accounting treatment for the finance lease in accordance with law 95 of 1995, if the contract entitles the lessee to purchase the asset at a specified date and the value selected, or the current value of the total lease payments representing at least 90% of the value of the asset. The other leases contracts are considered operating leases contracts.

o-1 Being lessee

Finance lease contract recognizes the lease cost, including the cost of maintenance of the leased assets, within the expenses in the income statement for the period in which they occurred. If the bank decided to exercise the rights to purchase the leased assets, the cost of the right to purchase it as an asset are capitalized and amortized over the useful life of the expected remaining life of the asset in the same manner as similar assets.

And recognition of payments under the operating lease expense minus any discounts obtained from the lesser under expenses in the income statement on a straight-line basis over the term of the contract

**p. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks, treasury bills and other eligible bills.

**q. Other provisions**

Provisions for restructuring costs and legal claims are recognized when: the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

**r. Financial guarantees**

The financial collateral contracts are contracts issued by the bank as security for loans or debit current accounts due from its clients to other entities which require the bank to make certain payments for compensating the beneficiary for a loss incurred due to default :on the part of the debtor on maturity date, in accordance with conditions of the debt instruments. These financial guarantees are presented to the banks, corporation and other entities on behalf of the bank's clients.

The fair value shall be recognized initially in the financial statements , on date of granting the security. This fair value shall reflect the fee for this security. Consequently the bank's obligation shall be measured by virtue of the guarantee contract on the basis of the first measurement amount less amortization calculated for recognition of security fees in the income statement, according to the straight line method over the guarantee life term, or based on the best estimate for payments required for settlement of any financial obligation resulting from the financial guarantee on date of balance sheet. Whichever is higher. Such estimates are made based on experience in similar transactions and the historical losses as confirmed by management judgment.

Any increase in the obligations resulting from the financial guarantee, shall be recognized within other operating income (expenses) item.

**s. Income tax**

Income tax on the profit or loss for the year includes each of year tax and deferred tax and is recognized in the income statement except for income tax relating to items of equity that are recognized directly in equity.

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

Deferred taxes arising from temporary time differences between the book value of assets and liabilities are recognized in accordance with the principles of accounting and value according to the foundations of the tax, this is determining the value of deferred tax on the expected manner to realize or settle the values of assets and liabilities, using tax rates applicable at the date of the budget.

Deferred tax assets of the Bank recognized when there is likely to be possible to achieve profits subject to tax in the future to be possible through to use that asset, and is reducing the value of deferred tax assets with part of that will come from tax benefit expected during the following years, that in the case of expected high benefit tax, deferred tax assets will increase within the limits of the above reduced.

**t. Borrowing**

Loans, received by the bank, are recognized first by fair value less the cost of obtaining the loan. The loan is later measured by the amortized cost , and the income statement is charged with the difference between the net proceeds and the value that will be met over the period of borrowing using the actual return.

**u. Capital**

u-1 Capital issuance cost

Expenses directly attributed to the issuance of the new shares. Issuance of shares to effect acquisition, or issuance of shares options are charged to equity net of tax.

u-2 Dividends

Dividends deducted from equity in the period, which the General Assembly of the shareholders acknowledges these distributions. These distributions include the share of workers in the profits and remuneration of the Board of Directors as prescribed by articles of association and law.

u-3 Treasury shares

In case the bank purchase capital's shares, the amount is deducted from the total equity as it represents the cost of treasury shares until it canceled, and in case of sale those shares or re-released in a subsequent period all collections is added to the equity.

**v. Fiduciary activities**

The bank practices the fiduciary activities that result in ownerships or management of assets on behalf of individuals, trust, and retirement benefit plans and other institution. These assets and income arising thereon are excluded from the bank's financial statements, as they are not assets of the bank.

**w. Comparative figures**

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

## 3. Financial risk management

The Bank's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

Risk management is carried out by a central treasury department (Bank Treasury) under policies approved by the Board of Directors. Bank Treasury identifies, evaluates and hedges financial risks in close co-operation with the Bank's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. In addition, credit risk management is responsible for the independent review of risk management and the control environment.

**a. Credit risk**

The Bank takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Management therefore carefully manages its exposure to credit risk. Credit exposures arise principally in loans and advances, debt securities and other bills. There is also credit risk in off-balance sheet financial arrangements such as loan commitments. The credit risk management and control are centralized in a credit risk management team in Bank Treasury and reported to the Board of Directors and head of each business unit regularly.

a-1 Credit risk measurement

- Loans and advances to banks and customers

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components

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

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

| **Bank's internal ratings categories** | |
|---|---|
| Bank's rating | Description of the grade |
| 1 | Performing loans |
| 2 | Regular watching |
| 3 | Watch list |
| 4 | Non-performing loans |

The credit center exposed to failure depend on the amounts which the bank expect to be stand upon the delay, for example, the loans this center is nominal value, for other links, the bank include all the withdrawn amounts in addition to the other amounts that are expected to be drawn till the date of delay. If happened.

Loss given default or loss severity represents the Bank expectation of the extent of loss on a claim should default occur. It is expressed as percentage loss per unit of exposure and typically varies by type of counterparty, type and seniority of claim and availability of collateral or other credit mitigation.

- Debt instruments, Treasury bills and other bills

For debt securities and other bills, external rating such as Standard & Poor's rating or their equivalents are used by bank Treasury for managing of the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

### a-2 Risk limit control and mitigation policies

The bank manages, limits and controls concentrations of credit risk wherever they are identified − in particular, to individual counterparties and banks, and to industries and countries.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by individual , group, product, industry sector and by country are approved quarterly by the Board of Directors.

The exposure to any borrower including banks is further restricted by sub-limits covering on- and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored and compared daily.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

Some other specific control and mitigation measures are outlined below.

■ Collateral

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

• Mortgages over residential properties.
• Mortgage business assets such as inventory and equipments.
• Mortgage financial instruments such as debt securities and equities.

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

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

■ Credit-related commitments

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

Commitments to extend credit represent unused portions of authorizations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than short-term commitments.

### a-3 Impairment and provisioning policies

The internal systems described in Note 3.1.1 focus more on credit-quality mapping from the inception of the lending and investment activities. In contrast impairment provisions are recognized for financial reporting purposes only for losses that have been incurred at the balance sheet date based on objective evidence of impairment.

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

| | 31/12/2013 | | 31/12/2012 | |
|---|---|---|---|---|
| **Bank's rating** | **Loans and advances (%)** | **Impairment provision (%)** | **Loans and advances (%)** | **Impairment provision (%)** |
| 1-Performing loans | 67.07 | 18.54 | 68.86 | 10.33 |
| 2-Reular watching | 26.62 | 7.95 | 23.80 | 4.29 |
| 3-Watch list | 2.39 | 0.70 | 0.06 | 0.01 |
| 4-Non performing loans | 3.92 | 72.81 | 7.28 | 85.37 |
| | **100** | **100** | **100** | **100** |

The internal rating tool assists management to determine whether objective evidence of impairment exists under EAS 26, based on the following criteria set out by the Bank:

- Great financial troubles facing the borrower or debtor.
- Breach of contract such as a default or delinquency in interest or principal payments.
- Expected bankruptcy of borrower or upon being subject to liquidation lawsuit or to re-structuring the finance granted to it.
- Deterioration of competitive position of borrower.
- Granting privilege or assignments by the bank to the borrower, due to economic or legal reasons related to the financial troubles, which are not granted by the bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

The Bank's policy requires the review of individual financial assets that are above materiality thresholds at least annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance-sheet date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

Collectively assessed impairment allowances are provided for portfolios of homogenous assets by using the available historical experience, experienced judgment and statistical techniques.

### a-4 Pattern of measuring the general banking risk

In addition to the four categories of the Bank's credit ratings indicated in note (a/1), the management makes small groups more detailed according to the CBE rules, assets facing credit risk are classified to detailed conditions relying greatly on customer's information, activities, financial position and his regular payments to his debts.

The bank calculates the provisions needed for assets facing credit risk impairment in addition to credit regulations according to special percentages .From CBE , in the case of increase of impairment loss provision needed according to CBE than that for purposes of making the financial statements according to the Egyptian accounting standards ,the risk of general banking reserve is included in owners equity deducted from the retained earning with this increase , this reserve is modified with periodic basis with the increase and decrease , which equals the increase in provisions and this reserve is not distributed , discloser no.(31/a) present the movement on the reserve account during the fiscal year.

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

| CBE Rating | Categorization | Provision % | Internal Rating | Internal Categorization |
|---|---|---|---|---|
| 1 | Low Risk | 0 | 1 | Performing loans |
| 2 | Moderate Risk | 1% | 1 | Performing loans |
| 3 | Satisfactory Risk | 1% | 1 | Performing loans |
| 4 | Reasonable Risk | 2% | 1 | Performing loans |
| 5 | Acceptable Risk | 2% | 1 | Performing loans |
| 6 | Marginally Acceptable Risk | 3% | 2 | Regular watching |
| 7 | Watch list | 5% | 3 | Watch list |
| 8 | Substandard debt | 20% | 4 | Non Performing loans |
| 9 | Doubtful debt | 50% | 4 | Non Performing loans |
| 10 | Bad Debt | 100% | 4 | Non Performing loans |

## a-5 Maximum exposure to credit risk before collateral

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Balance sheet items exposed to credit risks:** | | |
| **Treasury bills** | 928,293,679 | 609,710,661 |
| **Loans and credit facilities to customers:** | | |
| **Individuals:** | | |
| -Debit current accounts | 54,521,724 | 48,249,882 |
| -Credit cards | 4,445,580 | 3,681,177 |
| -Personal loans | 27,199,634 | 32,568,792 |
| -Real estate loans | 923,830 | 1,130,610 |
| **Corporate:** | | |
| -Debit current accounts | 265,865,776 | 245,180,462 |
| -Direct loans | 89,956,182 | 73,360,219 |
| -Syndicated loans | 288,653,217 | 248,795,566 |
| -Other loans | 2,575,542 | 3,172,158 |
| **Financial investments** | | |
| -Debt instrument | 1,442,554,011 | 1,037,110,868 |
| **Other assets** | 53,434,011 | 45,753,137 |
| **Total** | **3,158,423,186** | **2,348,713,532** |
| **Off Balance sheet items exposed to credit risk:** | | |
| Letter of Credit | 65,684,469 | 43,637,848 |
| Letter of guarantee | 91,174,417 | 77,415,552 |
| **Total** | **156,858,886** | **121,053,400** |

The above table represents the worst-case scenario of credit risk exposure to the Bank at 31 December 2013 and at 31 December 2012, without taking in consideration any guarantee for balance sheet items, amounts stated depend on the net carrying amounts shown in the balance sheet.

- As shown above, 23.24 % of the maximum limit exposed to credit risk results from loans and credit facilities to customers at 31 December 2013 against 27.94 % at 31 December 2012 while investments in debt instruments represent 45.67% at 31 December 2013 against 44.16% at 31 December 2012.
- Management is confident in its ability to continue to control and sustain minimal exposure of credit risk to the bank resulting from both its loan and advances portfolio and debt securities based on the following:
  - 93.69% of the loans and advances portfolio is categorized in the top two grades of the internal rating system against 92.66% at 31 December 2012.
  - 95.61% of the loans and advances portfolio are considered neither past due nor impaired against 91.90% at 31 December 2012.
  - The bank has introduced a more stringent selection process upon granting loans and advances during the financial year ended at 31 December 2013.
  - More than 93.40% at 31 December 2013 against 91.69% at 31 December 2012 from investments in debt instruments and treasury bills represent debt instruments on the Egyptian Government.

### a-6 Loans and credit facilities to customers

The status of balances of loans and credit facilities to customers in terms of credit ratings as follow:

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Loans and credit facilities** | | |
| Neither past due nor impaired | 735,330,994 | 654,112,432 |
| Past due but not impaired | 3,605,517 | 5,786,066 |
| Individually impaired | 30,161,645 | 51,831,850 |
| **Gross** | **769,098,156** | **711,730,348** |
| **Less:** | | |
| Provision for Impairment losses | 32,339,482)) | (48,844,322) |
| Reserved interest | 4,161,220)) | (6,737,036) |
| Advanced interest | 5,377,087)) | (5,630,811) |
| **Net** | **727,220,367** | **650,518,179** |

- Total impairment expenses for loans and credit facilities to customers amounted to US Dollar 25,418,364 at 31 December 2013 against US Dollar 43,223,635 at 31 December 2012. Note (18) include additional information on the provision for impairment losses for loans and credit facilities to customers.
- During the year, an increase in the bank's portfolio of loans and overdrafts increased by 8.06% as a result of the expansion in lending activities, particularly in the Arab Republic of Egypt, the Bank is focusing on dealing with large institutions or individuals with the solvency of credit.

## Loans and credit facilities neither past due nor impaired

The credit quality of the portfolio of loans and credit facilities that were neither past due nor impaired can be assessed by reference to the internal rating system adopted by the bank.

**Loans and credit facilities to customers (31/12/2013)**
**(US Dollar)**

| | Individual | | | | Corporate | | | | Total Loans and facilities to customers |
|---|---|---|---|---|---|---|---|---|---|
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Debit current accounts | Direct loans | Syndicated loans | Other loans | |
| 1-Performing loans | 22,909,718 | 3,092 | -- | 1,026,930 | 184,584,929 | 74,677,538 | 230,808,302 | 205,930 | 514,216,439 |
| 2-Reular watching | 31,379,199 | 3,894,201 | 29,391,356 | -- | 76,652,144 | 15,670,365 | 43,500,000 | 2,231,464 | 202,718,729 |
| 3-Watch list | | | -- | -- | 4,646,811 | 700,838 | 13,048,177 | -- | 18,395,826 |
| | **54,288,917** | **3,897,293** | **29,391,356** | **1,026,930** | **265,883,884** | **91,048,741** | **287,356,479** | **2,437,394** | **735,330,994** |

**Loans and credit facilities to customers (31/12/2012)**
**(US Dollar)**

| | Individual | | | | Corporate | | | | Total Loans and facilities to customers |
|---|---|---|---|---|---|---|---|---|---|
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Debit current accounts | Direct loans | Syndicated loans | Other loans | |
| 1-Performing loans | 23,816,934 | 16,819 | -- | 1,041,856 | 183,792,057 | 72,873,533 | 205,091,352 | 558,186 | 487,190,737 |
| 2-Reular watching | 24,388,205 | 3,222,658 | 33,243,848 | -- | 59,995,082 | 1,284,670 | 41,775,862 | 2,560,115 | 166,470,440 |
| 3-Watch list | -- | -- | -- | -- | 451,255 | -- | -- | -- | 451,255 |
| | **48,205,139** | **3,239,477** | **33,243,848** | **1,041,856** | **244,238,394** | **74,158,203** | **246,867,214** | **3,118,301** | **654,112,432** |

* Guaranteed loans are not considered subject to impairment for non-performing category after taking into consideration the collectability of the guarantee.

# Notes - Financial Statements for the Year ended December 31, 2013

(13)

**Loans and credit facilities past due but not impaired**

These are loans and credit facilities less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Loans and credit facilities to customers which past due but are not subject to impairment are as follows:

| 31/12/2013 (US Dollar) | | | | | |
|---|---|---|---|---|---|
| | Individual | | | | |
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Total |
| Past due up to 30 days | -- | 443,910 | 1,382,289 | 93,485 | 1,919,684 |
| Past due 30- 60 days | -- | -- | 123,230 | -- | 123,230 |
| Past due 60-90 days | -- | -- | 1,913 | -- | 1,913 |
| Past due 150-180 days | -- | -- | 5,315 | -- | 5,315 |
| Past due 180-211 days | -- | -- | 2,627 | -- | 2,627 |
| **Total** | **--** | **443,910** | **1,515,374** | **93,485** | **2,052,769** |
| | Corporate | | | | |
| | Debit current accounts | Direct loans | Syndicated loans | Other loans | Total |
| Past due up to 30 days | 1,249,603 | 223,472 | | | 1,473,075 |
| Past due 30- 60 days | -- | 79,673 | -- | -- | 79,673 |
| **Total** | **1,249,603** | **303,145** | **--** | **--** | **1,552,748** |

| 31/12/2012 (US Dollar) | | | | | |
|---|---|---|---|---|---|
| | Individual | | | | |
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Total |
| Past due up to 30 days | -- | 451,111 | 1,843,337 | 218,753 | 2,513,201 |
| Past due 30- 60 days | -- | -- | 252,885 | -- | 252,885 |
| Past due 60-90 days | -- | -- | 40,508 | -- | 40,508 |
| Past due 90-120 days | -- | -- | 23,863 | -- | 23,863 |
| Past due 211 days | -- | -- | 11,400 | -- | 11,400 |
| **Total** | **--** | **451,111** | **2,171,993** | **218,753** | **2,841,857** |
| | Corporate | | | | |
| | Debit current accounts | Direct loans | Syndicated loans | Other loans | Total |
| Past due up to 30 days | 2,882,827 | 2,882,827 | -- | -- | 2,944,209 |
| **Total** | **2,882,827** | **2,882,827** | **--** | **--** | **2,944,209** |

- On initial recognition of loans and credit facilities .the fair value of guarantees is assessed based on valuation methods used for similar assets. In subsequent period, fair value is updated to reflect market price or prices of similar assets.

**Loans and credit facilities individually impaired**

- Balance of loans and credit facilities subject to individual impairment before taking into consideration cash flow from guarantees amounted to US Dollar 30,161,645 at 31 December 2013 against US Dollar 51,831,850 at 31 December 2012.
- Below is a breakdown in total value of the loans and credit facilities subject to individual impairment :

**Loans and credit facilities to customers (31/12/2013)**
**(US Dollar)**

| | Individual | | | | Corporate | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Debit current accounts | Direct loans | Syndicated loans | Other loans | Total Loans and facilities to customers |
| Individually impaired loans and credit facilities | 311,147 | 1,436,579 | 7,223,453 | 133,871 | 1,750,925 | 338,273 | 5,696,680 | 13,270,717 | **30,161,645** |

**Loans and credit facilities to customers (31/12/2012)**
**(US Dollar)**

| | Individual | | | | Corporate | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Debit current accounts | Direct loans | Syndicated loans | Other loans | Total Loans and facilities to customers |
| Individually impaired loans and credit facilities | 78,824 | 1,029,637 | 9,504,344 | 401,543 | 950,200 | 29,787 | 5,496,557 | 34,340,958 | **51,831,850** |

### a-7 Debt instruments and treasury bills

The table below presents an analysis of debt securities and other governmental securities by rating agency designation at the end of the year, based on Standard & Poor's ratings or their equivalent:

| | % Provision US Dollar | Investment US Dollar | Total US Dollar |
|---|---|---|---|
| AA- to AA+ | -- | 22,292,071 | 22,292,071 |
| A- to A+ | -- | 7,014,242 | 7,014,242 |
| Lower than A- | 928,293,679 | 1,413,247,698 | 2,341,541,377 |
| Total | 928,293,679 | 1,442,554,011 | 2,370,847,690 |

### a-8 Concentration of risks of financial assets with credit risk exposure

- Geographical sectors

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by geographical sector as of 31 December 2013. When this table was prepared, the risk was distributed on the geographical sectors according to the areas related to the bank's clients.

(US Dollar)

| Treasury bills | Cairo | Alex, Delta & Sinai | Upper Egypt | Others | Total |
|---|---|---|---|---|---|
| | 928,293,679 | -- | -- | -- | **928,293,679** |
| **Loans and facilities to customers:** | | | | | |
| **Individuals:** | | | | | |
| -Debit current accounts | 43,163,784 | 11,436,083 | 45 | 152 | **54,600,064** |
| -Credit cards | 4,551,085 | 1,186,099 | 9,415 | 31,183 | **5,777,782** |
| -Personal loans | 21,689,104 | 16,288,215 | 152,864 | -- | **38,130,183** |
| -Real estate loans | 734,279 | 419,094 | 100,913 | -- | **1,254,286** |
| **Corporate:** | | | | | |
| -Debit current accounts | 178,214,218 | 90,670,107 | 87 | -- | **268,884,412** |
| -Direct loans | 81,025,423 | 8,799,786 | 1,864,950 | -- | **91,690,159** |
| -Syndicated loans | 263,483,603 | 29,569,556 | -- | -- | **293,053,159** |
| -Other loans | 8,847,780 | 6,860,331 | -- | -- | **15,708,111** |
| **Financial investments** | | | | | |
| -Debt instruments | 1,196,257,273 | -- | | 246,296,738 | **1,442,554,011** |
| **Total in 31/12/2013** | **2,726,260,228** | **165,229,271** | **2,128,274** | **246,328,073** | **3,139,945,846** |
| **Total in 31/12/2012** | **1,988,985,435** | **147,799,462** | **1,817,245** | **219,949,735** | **2,358,551,877** |

■ Business sectors

The following table breaks down the bank's main credit exposure at their carrying amounts, as categorized by the business sectors of our business of the bank's clients:

(US Dollar)

| | Financial institutions | Manufacturing | Real estate | Commercial | Governmental | Other industries | Individuals | Total |
|---|---|---|---|---|---|---|---|---|
| Treasury bills | -- | -- | -- | -- | 928,293,679 | -- | -- | **928,293,679** |
| **Loans and credit facilities to customers:** | | | | | | | | |
| **Individuals:** | | | | | | | | |
| -Debit current accounts | -- | -- | -- | -- | -- | -- | 54,600,064 | **54,600,064** |
| -Credit cards | -- | -- | -- | -- | -- | -- | 5,777,782 | **5,777,782** |
| -Personal loans | -- | -- | -- | -- | -- | -- | 38,130,183 | **38,130,183** |
| -Real estate loans | -- | -- | -- | -- | -- | -- | 1,254,286 | **1,254,286** |
| **Corporate:** | | | | | | | | |
| -Debit current accounts | 17,955,252 | 152,317,235 | 2,859,648 | 75,541,734 | -- | 20,210,543 | -- | **268,884,412** |
| -Direct loans | 58,639,058 | 24,718,563 | 3,304,396 | 1,677,461 | -- | 3,350,681 | -- | **91,690,159** |
| -Syndicated loans | -- | 72,835,687 | 14,032,072 | 2,404,330 | -- | 203,781,070 | -- | **293,053,159** |
| -Other loans | -- | 8,420,167 | -- | 2,852,193 | -- | 4,435,751 | -- | **15,708,111** |
| Derivative financial instruments | | | | | | | | |
| **-Financial investments** | | | | | | | | |
| -Debt instrument | 154,296,470 | 2,088,090 | -- | -- | 1,286,169,451 | -- | -- | **1,442,554,011** |
| **Total in 31/12/2013** | **230,890,780** | **260,379,742** | **20,196,116** | **82,475,718** | **2,214,463,130** | **231,778,045** | **99,762,315** | **3,139,945.846** |
| **Total in 31/12/2012** | **195,467,623** | **271,415,553** | **21,419,783** | **84,507,938** | **1,510,001,455** | **176,153,000** | **99,586,525** | **2,358,551,877** |

## b. Market risk

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

The market risks arising from trading and non-trading activities are concentrated in the Bank in the risk management department.

Trading portfolios include those positions arising from market-making transactions where the

Bank acts directly as principal with clients or with the market ,Non-trading portfolios primarily arise from the interest rate management of the entity's retail and commercial banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Bank's held-to-maturity and available-for-sale investments.

### b-1 Foreign exchange volatility risk

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

(Equivalent to US Dollar)

| | EGP | USD | GBP | EURO | JPY | CHF | SAR | Other | Total |
|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31-12-2013** | | | | | | | | | |
| **Financial Assets** | | | | | | | | | |
| Cash and due from Central Bank of Egypt | 113,667,806 | 19,056,984 | 277,599 | 2,964,903 | -- | 43,011 | 114,730 | 16,975 | 136,142,008 |
| Due from banks | 485,205 | 125,659,643 | 9,799,942 | 2,114,878 | 470,862 | 530,251 | 663,554 | 195,138 | 139,919,473 |
| Treasury bills | 439,980,114 | 432,766,486 | -- | 55,547,079 | -- | -- | -- | -- | 928,293,679 |
| Loans and credit Facilities for customers | 516,652,317 | 206,248,298 | 110 | 11,240,732 | -- | -- | 28 | -- | 734,141,485 |
| **Financial Investments:** | | | | | | | | | |
| -Available for sale investments | 1,180,920,821 | 207,954,756 | -- | -- | -- | -- | -- | -- | 1,388,875,577 |
| -Held to maturity investments | 32,513,574 | 39,328,588 | -- | -- | -- | -- | -- | -- | 71,842,162 |
| -Other assets | 45,145,588 | 8,181,289 | 15,903 | 83,085 | -- | 8,146 | -- | -- | 53,434,011 |
| **Total financial Assets** | 2,329,365,425 | 1,039,196,044 | 10,093,554 | 71,950,677 | 470,862 | 581,408 | 778,312 | 212,113 | 3,452,648,395 |
| **Financial liabilities** | | | | | | | | | |
| Due to banks | 154,990,412 | 62,787,289 | 63,607 | 18,969,961 | -- | -- | 8,408 | -- | 236,819,677 |
| Customers' deposits | 1,984,606,963 | 671,736,551 | 10,062,617 | 56,920,443 | 466,838 | 537,585 | 801,447 | 19,055 | 2,725,151,499 |
| Other loans | 9,221,840 | 50,000,000 | -- | -- | -- | -- | -- | -- | 59,221,840 |
| Other liabilities | 172,115,998 | 8,373,274 | 26,981 | 265,459 | -- | 8,154 | 9,963 | -- | 180,799,829 |
| **Total financial Liabilities** | **2,320,935,213** | **792,897,114** | **10,153,205** | **76,155,863** | **466,838** | **545,739** | **819,818** | **19,055** | **3,201,992,845** |
| **Net Financial Position at 31-12-2013** | **8,430,212** | **246,298,930** | **(59,651)** | **(4,205,186)** | **4,024** | **35,669** | **(41,506)** | **193,058** | **250,655,550** |
| **Balance at 31-12-2012** | | | | | | | | | |
| Total financial assets | 1,701,486,510 | 791,862,425 | 6,743,959 | 54,695,199 | 99,668 | 512,390 | 832,149 | 314,544 | 2,556,546,844 |
| Total financial liabilities | 1,716,042,344 | 552,697,055 | 6,664,014 | 54,390,482 | 469,019 | 435,594 | 819,699 | 116,065 | 2,331,634,272 |
| **Net Financial Position at 31-12-2012** | **(14,555,834)** | **239,165,370** | **79,945** | **304,717** | **(369,351)** | **76,796** | **12,450** | **198,479** | **224,912,572** |

b-2 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Board sets limits on the level of mismatch of interest rate reprising that may be undertaken, which is monitored daily by Assets & Liabilities Management Dept.

**c. Liquidity risk**

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

▪ Liquidity risk management process

The Bank's liquidity management process, as carried out within the Bank and monitored by a separate team in Assets & Liabilities Management Dept, includes:

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

▪ Funding approach

Sources of liquidity are regularly reviewed by a separate jointly team in Bank Assets & liabilities Management, liabilities Investments to maintain a wide diversification by currency, provider, product and term.

**d. Fair value of financial assets and liabilities**

- Due from banks

The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

- Loans and credit facilities to customers

Loans and credit facilities are net of provisions for impairment. The estimated fair value of loans and credit facilities represents the discounted amount of estimated future cash flow expected to be received. Expected cash flow are discounted at current market rates to determine fair value.

- Financial investment

Financial investment securities include only interest-bearing assets held to maturity; assets classified as available for sale are measured at fair value. Fair value for held-to-maturity assets is based on market prices or broker/dealer price quotations. Where this information is not available, fair value is estimated using quoted market prices for securities with similar credit, maturity and yield characteristics.

- Due to other banks and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits and other borrowings not quoted in an active market is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

**e. Capital management**

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of balance sheets, are:

- Compliance with capital legal requirements in Egypt.
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and other parties dealing with the bank.
- Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the bank's management through guidelines developed by the Basel Committee; Data are submitted and filed at CBE on a quarterly basis.

The CBE requires each bank to:

- Maintaining EGP 500 million as a minimum requirement for the issued and paid-in capital.
- Maintaining a ratio between capital elements, and assets and contingent liability elements weighted by risk weights at 10% or more.

The dominator of capital adequacy comprises the following 2 tiers:

- Tier one:

Basic capital after disposals consisting of:

- Capital issued and paid up.
- Retained earnings (loss).
- Reserves, include the legal, general, formal and capital reserves.

Elements deducted from the basic capital continuing:

- Treasury bills.
- Goodwill.
- Intangible assets (other than goodwill).
- Future net profits resulting from the securitization.
- Advantages of pensions.
- Deferred tax assets.
- Investments in financial firms and insurance.

Elements negligible:

- General banking risk reserve.
- Balance of the fair value reserve / financial investments available for sale (if negative).
- Reserves of foreign currency translation differences (if negative).
- Reserves to hedge the risk of the cash flows.
- Reserves to hedge net investment of foreign currency.
- Versus fair value change of the Bank's liabilities as a result of changing credit rating of the bank itself.

Supplemental basic capital consists of:

- Permanent preferred stock, and is not cumulative.
- Profit / (Loss) interim quarterly.
- Minority interest.
- The difference between the face value and the present value of the subordinated loan (deposit).

- Tier two:
  - Special Reserve (45% of the value of the Special Reserve) .
  - Reserves of foreign currency translation adjustments (45% of the value of the positive differences) .
  - Balance reserves the fair value of available for sale financial (45% of the balance reserves the fair value of available for sale financial if positive).
  - Held to maturity financial investments and investments in associates and subsidiaries (45% of the increase between the fair value and the carrying amount of these investments).
  - Hybrid financial instruments.
  - Subordinated loans (deposits).
  - Provision for impairment losses on loans and credit facilities and regular contingent liabilities (including no more than 1.25 % of the total credit risk of the assets and liabilities risk-weighted when applying the standardized approach).
- Disposals by 50% of the tier one and 50% of the tier two:
  - Investments in non-financial companies.
  - Governor of securitization (the event that the bank originator of the securitization process).
  - The value of assets that reverted to the Bank settlement of debts within the general banking risk reserve.

The Bank has committed to the instructions on the regulatory minimum standard for capital adequacy in The framework of the application of Basel as of December 31, 2012 and the following table summarizes the composition of the basic and supporting capital, and capital adequacy ratios at the end of those two years (per thousand Egyptian pounds), which according to the balance sheet data at December 31, 2013 and sent to the Central Bank of Egypt:

| | 31/12/2013<br>In thousand EGP | 31/12/2012<br>In thousand EGP |
|---|---|---|
| **Tier 1 after exclusions** | | |
| Capital issued and paid up* | 1,040,790 | 947,850 |
| Goodwill | -- | (1,150) |
| Reserves * | 446,646 | 373,174 |
| Retained earnings * | 31,122 | 15,891 |
| Bank's investments in financial firms (banks or companies) and insurance companies | (558) | (437) |
| Fair value reserve balance for financial investments available for sale | -- | (96,252) |
| **Total Tier 1 after exclusions** | **1,518,000** | **1,239,076** |
| **Tier 2 after exclusions** | | |
| 45% from the Special Reserve * | 430 | 392 |
| 45% of the increase in the fair value above its carrying amount of financial investments | 16,412 | -- |
| Subordinated loans (deposits) | 346,930 | -- |
| Provision for impairment losses for regular loans , facilities and contingent liabilities | 58,204 | 52,464 |
| **Total Tier 2 after exclusions** | **421,976** | **52,856** |
| **Total capital after exclusions** | **1,939,976** | **1,291,932** |
| **Total value of the assets and contingent liabilities (risk weighted credit, market and operating):** | | |
| Total credit risk | 11,773,126 | 8,611,059 |
| Capital requirements for operational risk | 833,888 | 698,721 |
| **Total value of the assets and liabilities risk-weighted credit, market and operating:** | **12,607,014** | **9,309,780** |
| **Total capital / Total value of the assets and contingent liabilities risk-weighted credit, market and operating** | **15.39%** | **13.88%** |

* Value of the Egyptian pound on the basis of the closing rate of the dollar at the balance sheet date.

## 4. Significant Accounting Estimates and Judgments

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

**a. Impairment losses on loans and credit facilities**

The Bank reviews its loan portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Bank make judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow from a portfolio of loans before the decrease can be with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Bank, or national economic conditions that correlate with defaults on assets in the Bank. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

**b. Impairment of available for-sale equity investments**

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

**c. Held-to-maturity investments**

The non-derivative financial assets with fixed or determinable payments and fixed maturity are being classified held to maturity. This classification requires significant judgment. There for the bank tests whether there is a genuine 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 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 addition to suspending the classification of any of the investments in that item.

If the use of the classification of the investments is suspended as held to maturity, it will (reduce) the book value of US Dollars 1,814,393 to fair value by recording an entry in the fair value reserve within the equity.

## 5. Sectorial Analysis

**Sectorial Analysis for activities**
Sectorial activity includes operations and assets used in providing banking services and managing risks surrounding it and the income associated with this activity that may differ from the rest of the other activities.

The sectorial analysis of operations includes, according to the received banking operations, the following:

- The large, medium and small enterprises.
- Activities include current accounts, deposits, and debit current accounts and loans and credit facilities and financial derivatives.

**Investments**
Activities include company mergers and purchase of investments and financing of corporate restructuring and financial instruments.

**Individuals**
Activities include current and savings accounts, deposits, credit cards, personal loans and mortgages.

**Other Activities**
Include other banking services, such as money management.

Transactions between sectorial activities are held in accordance with the standard cycle of activity of the bank. The assets and liabilities include operating assets and liabilities as displayed in the financial position of the bank.

(19)

**Assets and Liabilities according to the Sectorial Activity**

| | 31/12/2013 | | | (US Dollar) |
|---|---|---|---|---|
| | **Corporate** | **Individual** | **Other** | **Total** |
| **Assets** | | | | |
| Cash and due from Central Bank of Egypt | -- | -- | 136,142,008 | **136,142,008** |
| Due from banks | 65,684,440 | -- | 74,235,033 | **139,919,473** |
| Treasury bills | -- | -- | 928,293,679 | **928,293,679** |
| Loans and facilities for customers After deducting the provision | 647,050,717 | 87,090,768 | -- | **734,141,485** |
| Available for sale financial investments | 167,291,839 | -- | 1,221,583,738 | **1,388,875,577** |
| Held to maturity financial investments | 7,256,450 | -- | 64,585,712 | **71,842,162** |
| Investments at associates companies | 732,724 | -- | -- | **732,724** |
| **Unclassified Assets** | | | | |
| Intangible assets | -- | -- | 88,004 | **88,004** |
| Other assets | -- | -- | 53,434,011 | **53,434,011** |
| Deferred tax assets | -- | -- | 162,890 | **162,890** |
| Fixed Assets (After deducting (accumulated depreciation | -- | -- | 16,921,262 | **16,921,262** |
| **Total Assets** | **888,016,170** | **87,090,768** | **2,495,446,337** | **3,470,553,275** |
| **Liabilities** | | | | |
| Due to banks | 236,819,677 | -- | -- | **236,819,677** |
| Customers' deposits | 1,581,898,795 | 1,143,252,704 | -- | **2,725,151,499** |
| Other loans | -- | -- | 59,221,840 | **59,221,840** |
| Other liabilities | -- | -- | 180,799,829 | **180,799,829** |
| Other provisions | -- | -- | 6,478,254 | **6,478,254** |
| Deferred tax liabilities | -- | -- | -- | **--** |
| **Total Liabilities** | **1,818,718,472** | **1,143,252,704** | **246,499,923** | **3,208,471,099** |
| **Total Equity** | **--** | **--** | **262,082,176** | **262,082,176** |

**Assets and Liabilities according to the Sectorial Activity**

| | 31/12/2012 | | | (US Dollar) |
|---|---|---|---|---|
| | Corporate | Individual | Other | Total |
| **Assets** | | | | |
| Cash and due from Central Bank of Egypt | -- | -- | 97,239,655 | **97,239,655** |
| Due from banks | 38,186,696 | -- | 53,370,000 | **91,556,696** |
| Treasury bills | -- | -- | 609,710,661 | **609,710,661** |
| Loans and credit facilities for customers After deducting the provision | 570,508,405 | 85,630,461 | -- | **656,138,866** |
| Available for sale financial investments | 146,418,866 | -- | 828,107,888 | **974,526,754** |
| Held to maturity financial investments | 9,438,168 | -- | 72,182,907 | **81,621,075** |
| Investments at associates companies | 161,576 | -- | -- | **161,576** |
| **Unclassified Assets** | | | | |
| Intangible assets | -- | -- | 286,446 | **286,446** |
| Other assets | -- | -- | 45,753,137 | **45,753,137** |
| Fixed Assets (After deducting (accumulated depreciation | -- | -- | 15,049,158 | **15,049,158** |
| **Total Assets** | **764,713,711** | **85,630,461** | **1,721,699,852** | **2,572,044,024** |
| **Liabilities** | | | | |
| Due to banks | 153,140,125 | -- | -- | **153,140,125** |
| Customers' deposits | 1,247,237,272 | 781,663,443 | -- | **2,028,900,715** |
| Other loans | -- | -- | 9,193,966 | **9,193,966** |
| Other liabilities | -- | -- | 140,399,466 | **140,399,466** |
| Other provisions | -- | -- | 8,683,986 | **8,683,986** |
| Deferred tax liabilities | -- | -- | 185,843 | **185,843** |
| **Total Liabilities** | **1,400,377,397** | **781,663,443** | **158,463,261** | **2,340,504,101** |
| **Total Equity** | **--** | **--** | **231,539,923** | **231,539,923** |

## 6. Net Interest Income

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Loans Interest and similar income** | | |
| Loans and facilities to clients | 66,698,665 | 68,427,098 |
| Treasury Bonds | 193,960,386 | 133,530,558 |
| Deposits and current accounts | 1,320,235 | 1,491,739 |
| | **261,979,286** | **203,449,395** |
| **Cost of deposits and similar expenses** | | |
| Deposits and current accounts: | | |
| -Banks | (12,756,870) | (5,070,680) |
| -Clients | (169,911,087) | (130,470,647) |
| Operations of financial instruments with repurchase commitment | (1,365,686) | (795,159) |
| Other loans | (764,659) | (459,096) |
| | **(184,798,302)** | **(136,795,582)** |
| **Net** | **77,180,984** | **66,653,813** |

## 7. Net Fees and Commissions Income

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Fees & Commissions Income :** | | |
| Fees & Commissions Related to Credit | 14,734,244 | 11,592,329 |
| Custody Fees | 285,064 | 327,702 |
| Other Fees | 3,539,202 | 3,664,720 |
| | **18,558,510** | **15,584,751** |
| **Fees & Commissions expenses:** | | |
| Other Fees Paid | (607,397) | (404,467) |
| | **(607,397)** | **(404,467)** |
| Net | **17,951,113** | **15,180,284** |

## 8. Dividends income

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| Available for sale investments | 1,092,595 | 1,164,900 |
| Investments fund held to maturity | 158,756 | 20,648 |
| | 1,251,351 | 1,185,548 |

## 9. Net Trading Income

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| **Foreign exchange transactions:** | | |
| Profit From Foreign exchange | 2,141,398 | 4,254,174 |
| Trading Equity Instruments | -- | 129,139 |
| **Net** | **2,141,398** | **4,383,313** |

## 10. Administrative expenses

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| **Staff Costs** | | |
| Wages & salaries | 27,645,182 | 27,951,681 |
| Social insurance | 790,762 | 749,083 |
| | **28,435,944** | **28,700,764** |
| Depreciation and amortization | 2,439,455 | 2,419,267 |
| Other administrative expenses | 13,482,728 | 12,777,245 |
| | **44,358,127** | **43,897,276** |

* The average monthly that is earned by the twenty ones with the largest bonuses and salaries at the bank all combined is US Dollars 263,264 ; for the financial year ended December 31, 2013.

## 11. Other operating revenue (expenses)

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Profits from selling Fixed Assets | 266,999 | -- |
| Leasing | (320,087) | (339,011) |
| Operating lease | (355,370) | (400,375) |
| (Expenses) recovery of other provisions (Note 28) | (172,582) | (3,974,536) |
| Other | 6,978 | 4,156,684 |
| | **(574,062)** | **(557,238)** |

## 12. Impairment (expenses) from credit losses

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Loans and facilities for clients | (1,130,089) | (3,083,820) |
| | **(1,130,089)** | **(3,083,820)** |

## 13. Income taxes (expenses)

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Current tax* | (28,957,623) | (15,870,880) |
| Deferred tax (Note 29) | 348,733 | 59,480 |
| | **(28,608,890)** | **(15,811,400)** |

* The value of the tax due on the return of treasury bonds and bills for the financial year ended on that date.

## 14. Earnings per share

Earnings Per share is calculated by dividing the net profit attributable to the shareholders of the Bank excluded the employee's shares and the reward of the Board of Directors from the net profit by the weighted average of ordinary shares issued during the year.

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Net Profit Available for Distribution on shareholders(1) | 21,148,823 | 19,741,881 |
| Weighted average of ordinary issued shares (2) | 15,000,000 | 15,000,000 |
| **Basic Earnings Per Share (US Dollar) (1/2)** | **1.41** | **1.32** |

## 15. Cash and due from Central Bank of Egypt

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Cash | 33,391,842 | 25,124,588 |
| Balances with Central Bank of Egypt (mandatory reserve) | 102,750,166 | 72,115,067 |
| | **136,142,008** | **97,239,655** |
| Balances without interest | 136,142,008 | 97,239,655 |
| | **136,142,008** | **97,239,655** |

## 16. Due from Banks

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Current Accounts | 6,555,773 | 11,026,541 |
| Deposits | 133,363,700 | 80,530,155 |
| | **139,919,473** | **91,556,696** |
| Central Banks (Except Obligatory Reserve) | 74,235,033 | 53,370,000 |
| Local Banks | 52,289,054 | 28,503,556 |
| Foreign Banks | 13,395,386 | 9,683,140 |
| | **139,919,473** | **91,556,696** |
| Balances without interest | 3,713,451 | 2,675,118 |
| Balances with variable interest | 2,842,322 | 8,351,423 |
| Balances with fixed interest | 133,363,700 | 80,530,155 |
| | **139,919,473** | **91,556,696** |
| Current Balances | 139,919,473 | 91,556,696 |
| | **139,919,473** | **91,556,696** |

## 17. Treasury bills

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Treasury bills | 928,293,679 | 654,337,979 |
| Sale of Treasury bills with repurchase commitment | -- | (44,627,318) |
| | 928,293,679 | 609,710,661 |
| Egyptian Treasury bills | 928,293,679 | 609,710,661 |
| | 928,293,679 | 609,710,661 |
| The Treasury bills are represented in the following: | | |
| 182 Days maturity | -- | 9,495,174 |
| 222 Days maturity | -- | 15,000,000 |
| 232 Days maturity | -- | 10,000,000 |
| 254 Days maturity | -- | 14,832,253 |
| 257 Days maturity | -- | 15,000,000 |
| 264 Days maturity | -- | 2,000,000 |
| 266 Days maturity | 55,324,564 | 106,452,769 |
| 273 Days maturity | 55,865,019 | 63,301,160 |
| 292 Days maturity | -- | 3,955,500 |
| 299 Days maturity | -- | 7,000,000 |
| 301 Days maturity | -- | 3,955,500 |
| 302 Days maturity | 7,000,000 | -- |
| 309 Days maturity | 12,000,000 | -- |
| 314 Days maturity | 10,000,000 | -- |
| 316 Days maturity | -- | 5,000,000 |
| 323 Days maturity | -- | 17,000,000 |
| 330 Days maturity | 5,000,000 | -- |
| 341 Days maturity | -- | 7,911,000 |
| 357 Days maturity | 158,533,430 | 94,951,740 |
| 358 Days maturity | -- | 15,000,000 |
| 363 Days maturity | 10,000,000 | 82,370,000 |
| 364 Days maturity | 642,910,537 | 211,650,580 |
| | 956,633,550 | 684,875,676 |
| Unearned Interest | (28,339,871) | (30,537,697) |
| **Total (1)** | 928,293,679 | 654,337,979 |
| Sale of Treasury bills with repurchase commitment: | | |
| Treasury bills sold with the obligation to repurchase within a week | -- | (44,627,318) |
| **Total (2)** | -- | (44,627,318) |
| **Total (1+2)** | 928,293,679 | 609,710,661 |

## 18. Loans and credit Facilities for customers

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Individuals:** | | |
| -Debit current accounts | 54,600,064 | 48,283,963 |
| -Credit cards | 5,777,782 | 4,720,225 |
| -Personal loans | 38,130,183 | 44,920,185 |
| -Real estate loans | 1,254,286 | 1,662,152 |
| **Total (1)** | **99,762,315** | **99,586,525** |
| **Corporate:** | | |
| -Debit current accounts | 268,884,412 | 248,071,421 |
| -Direct loans | 91,690,159 | 74,249,372 |
| -Syndicated loans | 293,053,159 | 252,363,771 |
| -Other loans | 15,708,111 | 37,459,259 |
| **Total (2)** | **669,335,841** | **612,143,823** |
| **Loans and credit facilities to customers (1+2)** | **769,098,156** | **711,730,348** |
| **Less**: | | |
| Provision for impairment losses | (25,418,364) | (43,223,635) |
| Reserved interest | (4,161,220) | (6,737,036) |
| Advanced interest | (5,377,087) | (5,630,811) |
| **Net loans and credit facilities to customers, distributed to :** | **734,141,485** | **656,138,866** |
| Current Balances | 322,793,240 | 299,318,061 |
| Non-current Balances | 411,348,245 | 356,820,805 |
| | **734,141,485** | **656,138,866** |

**Provision for impairment losses**
**Analysis of the provision for impairment losses for Customers**

| | 31/12/2013 | | | | |
|---|---|---|---|---|---|
| | Individual | | | | |
| | Debit current accounts | Credit cards | Personal loans | Real estate loans | Total US Dollar |
| **Balance At Beginning Of The year** | **22,239** | **689,603** | **7,085,514** | **201,158** | **7,998,514** |
| Impairment expenses (recovery) | 15,378 | 99,735 | (424,303) | (17,272) | (326,462) |
| Write off during the period | -- | (3,236) | (8,079) | (131,274) | (142,589) |
| Translation differences . | (1,765) | (62,764) | (637,972) | (19,675) | (722,176) |
| **Balance At The End Of The year** | **35,852** | **723,338** | **6,015,160** | **32,937** | **6,807,287** |
| | Corporate | | | | |
| | Debit current accounts | Direct loans | Syndicated loans | Other loans | Total US Dollar |
| **Balance At Beginning Of The year** | **2,604,785** | **748,221** | **3,567,981** | **28,304,134** | **35,225,121** |
| Impairment expenses (recovery) | 677,003 | 316,890 | 578,431 | (115,773) | 1,456,551 |
| Write off during the period | -- | -- | -- | (15,932,333) | **(15,932,333)** |
| Translation differences | (347,036) | (31,741) | (230,106) | (1,529,379) | (2,138,262) |
| **Balance At The End Of The year** | **2,934,752** | **1,033,370** | **3,916,306** | **10,726,649** | **18,611,077** |

(24)

| | 31/12/2012 | | | | |
|---|---|---|---|---|---|
| | Individual | | | | |
| | **Debit current accounts** | **Credit cards** | **Personal loans** | **Real estate loans** | **Total US Dollar** |
| **Balance At Beginning Of The year** | **35,856** | **708,531** | **6,628,069** | **208,868** | **7,581,324** |
| Impairment expenses (recovery) | (9,068) | 20,667 | 796,401 | 138 | 808,138 |
| Write off during the period | -- | (3,720) | (7,959) | -- | (11,679) |
| Translation differences . | (4,549) | (35,875) | (330,997) | (7,848) | (379,269) |
| **Balance At The End Of The year** | **22,239** | **689,603** | **7,085,514** | **201,158** | **7,998,514** |
| | Corporate | | | | |
| | **Debit current accounts** | **Direct loans** | **Syndicated loans** | **Other loans** | **Total US Dollar** |
| **Balance At Beginning Of The year** | **2,482,636** | **853,390** | **2,576,862** | **28,417,239** | **34,330,127** |
| Impairment expenses (recovery) | 224,213 | (87,314) | 1,081,906 | 1,056,877 | 2,275,682 |
| Write off during the period | -- | -- | -- | (323,760) | **(323,760)** |
| Translation differences | (102,064) | (17,855) | (90,787) | (846,222) | (1,056,928) |
| **Balance At The End Of The year** | **2,604,785** | **748,221** | **3,567,981** | **28,304,134** | **35,225,121** |

## 19. Financial Investments

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| **Available for sale financial investments** | | |
| Debt instruments-fair value: | | |
| -listed | 1,373,953,270 | 959,049,048 |
| Equity instruments-fair value: | | |
| -unlisted | -- | -- |
| Equity instruments-cost: | | |
| -listed | 5,859,397 | 6,433,932 |
| -unlisted | 9,062,910 | 9,043,774 |
| **Total avilable for sale financial investments (1)** | **1,388,875,577** | **974,526,754** |
| **Held to maturity financial investment** | | |
| Debt instruments-amortized cost: | | |
| -listed | 68,600,741 | 78,061,820 |
| Equity instruments-cost: | | |
| -unlisted | 3,664,297 | 4,023,595 |
| Less :impairment provision | (422,876) | (464,340) |
| **Total held to maturity financial investment (2)** | **71,842,162** | **81,621,075** |
| **Total financial investment(1+2)** | **1,460,717,739** | **1,056,147,829** |
| Current balances | 1,388,875,577 | 974,526,754 |
| Non-current balances | 71,842,162 | 81,621,075 |
| | **1,460,717,739** | **1,056,147,829** |
| Fixed Interest Debt Instruments | 1,440,420,277 | 1,032,210,403 |
| Variable Interest Debt Instruments | 2,133,734 | 4,900,465 |
| | **1,442,554,011** | **1,037,110,868** |

| | 31/12/2013 | | |
|---|---|---|---|
| | **Available for sale financial investments US Dollar** | **Held To Maturity Financial Investment US Dollar** | **Total US Dollar** |
| **Opening Balance** | **974,526,754** | **81,621,075** | **1,056,147,829** |
| Addition | 602,297,730 | -- | **602,297,730** |
| Deduction (Selling - Redemption) | (135,291,629) | (5,293,576) | **(140,585,205)** |
| Translation differences | (69,770,775) | (3,773,480) | **(73,544,255)** |
| Profit from fair value difference (Note 31/c) | 19,744,001 | -- | **19,744,001** |
| Discount | 448,924 | 10,796 | **459,720** |
| Premium | (3,079,428) | (722,653) | **(3,802,081)** |
| **Ending balance** | **1,388,875,577** | **71,842,162** | **1,460,717,739** |

| | 31/12/2012 | | |
|---|---|---|---|
| | **Available for sale financial investments US Dollar** | **Held To Maturity Financial Investment US Dollar** | **Total US Dollar** |
| **Opening Balance** | **734,737,241** | **153,291,261** | **888,028,502** |
| Addition | 405,183,257 | -- | **405,183,257** |
| Deduction (Selling - Redemption) | (126,512,460) | (68,446,615) | **(194,959,075)** |
| Transferred from investments in associates companies (Note 20) | 30,391 | -- | **30,391** |
| Translation differences | (35,785,253) | (2,718,714) | **(38,503,967)** |
| (losses) from fair value difference (Note 31/c) | (1,261,304) | -- | **(1,261,304)** |
| Discount | 100,652 | 246,909 | **347,561** |
| Premium | (1,935,381) | (751,766) | **(2,687,147)** |
| Impairment losses recovery | (30,389) | -- | **(30,389)** |
| **Ending balance** | **974,526,754** | **81,621,075** | **1,056,147,829** |

### - Profit from Financial Investment

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| Profit From Selling Available For Sale Financial Instruments | 6,975,783 | 4,138,776 |
| Impairment (losses) of available for-sale equity investments | -- | (30,389) |
| | **6,975,783** | **4,108,387** |

### - Adjustments for impairment losses provision of held to maturity financial investments

| | 31/12/2013<br>US Dollar | 31/12/2012<br>US Dollar |
|---|---|---|
| **Opening Balance** | **464,340** | **486,441** |
| Translation differences | (41,464) | (22,101) |
| **Ending balance** | **422,876** | **464,340** |

## 20. Investments in associates companies

The bank's shareholding percentage in associates companies are as follows:

| | 31/12/2013 | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Assets US Dollar | Liability (without shareholders equity) US Dollar | The company's revenues US Dollar | Profit (loss) US Dollar | Company country | Balance as of 1/1/2013 US Dollar | Adjustments (losses) of investments in Associates companies - equity method US Dollar | Additions during the year US Dollar | Transfer for financial investments available for sale US Dollar | Translation differences US Dollar | Balance as of 31/12/2013 US Dollar | Shareholding % |
| Cairo National Co. for Trading Securities * | 686,696 | 198,442 | 142,713 | (15,620) | Egypt | **161,576** | 9,362 | -- | -- | (14,699) | 156,239 | **32** |
| Cairo factoring company** | -- | -- | -- | -- | Egypt | -- | -- | 569,468 | -- | 7,017 | 576,485 | **40** |
| | | | | | | **161,576** | **9,362** | **569,468** | **--** | **(7,682)** | **732,724** | |

* Been relying on financial statements approved in September 30, 2013 for Cairo National Co. for Securities Trading.

** Cairo factoring Co. (S.A.E) was founded on May 20, 2013 according to Investments Guarantees and Incentives law No. 8 of 1997 and its executive regulations for the purpose of factoring and the company's financial statements are not issued till that date

| | Assets US Dollar | Liability (without shareholders equity) US Dollar | The company's revenues US Dollar | Profit (loss) US Dollar | Company country | 31/12/2012 Balance as of 1/1/2012 US Dollar | Adjustments (losses) of investments in Associates companies - equity method US Dollar | Additions during the year US Dollar | Transfer for financial investments available for sale US Dollar | Translation differences US Dollar | Balance as of 31/12/2012 US Dollar | Shareholding % |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| International Company for Information Technology A.C.Tech* | -- | -- | -- | -- | Egypt | **30,583** | -- | -- | (30,391) | (192) | -- | **20** |
| Cairo National Co. for Securities Trading | 1,448,749 | 897,034 | 208,421 | 46,783 | Egypt | 179,001 | (9,730) | -- | -- | (7,695) | 161,576 | **32** |
| | | | | | | **209,584** | **(9,730)** | **--** | **(30,391)** | **(7,887)** | **161,576** | |

* Investment in the international information technology AC tech have been reclassified from investments in associates companies to financial investments available for sale due to the bank losing effective influence on them through the loss of the ability to participate in the financial and operating policies of the company as a result of being subject to the control of the liquidator of the company, and the income statement have been charged during the year end December 31, 2012 with the value of losses of impairment of that investment amounted to US Dollars 30,389.

## 21. Intangible assets

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **a- Goodwill** | | |
| **Net book value at the beginning of the year** | **181,960** | **381,241** |
| Amortization | (166,316) | (188,688) |
| Translation Differences | (15,644) | (10,593) |
| **Net book value at the ending of the year** | **--** | **181,960** |
| **b- Franchise** | | |
| **Net book value at the beginning of the year** | **104,486** | **117,687** |
| Amortization | (7,178) | (8,144) |
| Translation Differences | (9,304) | (5,057) |
| **Net book value at the ending of the year** | **88,004** | **104,486** |
| **Total** | **88,004** | **286,446** |

* Goodwill is annually tested for impairment or if there is any indication of impairment losses.

According to the decision of the extraordinary General Assembly on 15 November 2007 for Societe Arabe Internationale de Banque "SAIB" (the merging bank) and Societe Arabe Internationale de Banque "SAIB" – Port Said (the merged bank) and applying the decision of the Central Bank of Egypt on January 8, 2008 by merging the above banks, this merger has been established in accordance with book value of the assets and liabilities of the two banks and the difference, between the purchase value and the shareholders of the merged bank, has been addressed as goodwill.

## 22. Other assets

| | **31/12/2013 US Dollar** | **31/12/2012 US Dollar** |
|---|---|---|
| Accrued revenue | 43,646,929 | 35,864,037 |
| Prepaid expenses | 864,895 | 770,848 |
| Advance payments for purchasing fixed assets | 6,720,068 | 6,092,674 |
| Paid amounts for investments increasing (New/standing) | 851,624 | 1,587,922 |
| Assets reverted to the bank in settlement of debts | 256,824 | 282,007 |
| Imprest and insurance | 60,044 | 67,138 |
| Others | 1,033,627 | 1,088,511 |
| | **53,434,011** | **45,753,137** |

## 23. Fixed assets

| | Land US Dollar | Buildings US Dollar | Computers & Core Systems US Dollar | Vehicles US Dollar | Fixtures & fittings US Dollar | Equipments US Dollar | Furniture US Dollar | Total US Dollar |
|---|---|---|---|---|---|---|---|---|
| **Balance as of 1/1/2012** | | | | | | | | |
| Cost | 600,156 | 14,087,553 | 12,056,291 | 629,838 | 2,795,154 | 1,460,277 | 601,801 | 32,231,070 |
| Accumulated Depreciation | -- | (4,669,423) | (10,162,144) | (622,582) | (2,262,381) | (1,200,729) | (487,803) | (19,405,062) |
| **Net book value as of 1/1/2012** | **600,156** | **9,418,130** | **1,894,147** | **7,256** | **532,773** | **259,548** | **113,998** | **12,826,008** |
| Additions | -- | 2,324,113 | 329,104 | 6,131 | 1,119,199 | 1,175,122 | 107,179 | 5,060,848 |
| Translation Differences (Assets balances) | (27,268) | (719,807) | (97,988) | (28,765) | (169,704) | (86,293) | (31,566) | (1,161,391) |
| Translation Differences (Accumulated depreciation) | -- | 235,945 | 85,215 | 28,473 | 112,989 | 59,584 | 23,922 | 546,128 |
| Depreciation cost | -- | (679,054) | (942,115) | (5,379) | (303,562) | (241,813) | (50,512) | (2,222,435) |
| **Net book value as of 31/12/2012** | **572,888** | **10,579,327** | **1,268,363** | **7,716** | **1,291,695** | **1,166,148** | **163,021** | **15,049,158** |
| **Balance as of 1/1/2013** | | | | | | | | |
| Cost | 572,888 | 15,691,859 | 12,287,407 | 607,204 | 3,744,649 | 2,549,106 | 677,414 | 36,130,527 |
| Accumulated Depreciation | -- | (5,112,532) | (11,019,044) | (599,488) | (2,452,954) | (1,382,958) | (514,393) | (21,081,369) |
| **Net book value as of 1/1/2013** | **572,888** | **10,579,327** | **1,268,363** | **7,716** | **1,291,695** | **1,166,148** | **163,021** | **15,049,158** |
| **Balance of the current financail year** | | | | | | | | |
| **Net book value as of 1/1/2013** | **572,888** | **10,579,327** | **1,268,363** | **7,716** | **1,291,695** | **1,166,148** | **163,021** | **15,049,158** |
| Additions | -- | 1,948,360 | 1,547,974 | 1,157 | 1,533,959 | 206,533 | 91,409 | 5,329,392 |
| Disposals | -- | -- | -- | (96,784) | -- | -- | -- | (96,784) |
| Translation Differences (Assets balances) | (51,157) | (1,394,600) | (185,963) | (35,136) | (329,534) | (171,179) | (60,590) | (2,.228,159) |
| Translation Differences (Accumulated depreciation) | -- | 456,294 | 165,458 | 34,484 | 218,020 | 116,530 | 46,052 | 1,036,838 |
| Depreciation cost | -- | (707,793) | (716,610) | (2,551) | (469,470) | (315,181) | (54,356) | (2,265,961) |
| Accumulated depreciation of disposals | -- | -- | -- | 96,778 | -- | -- | -- | 96,778 |
| **Net book value as of 31/12/2013** | **521,731** | **10,881,588** | **2,079,222** | **5,664** | **2,244,670** | **1,002,851** | **185,536** | **16,921,262** |
| **Balance as of 31/12/2013** | | | | | | | | |
| Cost | 521,731 | 16,245,619 | 13,649,418 | 476,441 | 4,949,074 | 2,584,460 | 708,233 | 39,134,976 |
| Accumulated depreciation | -- | (5,364,031) | (11,570,196) | (470,777) | (2,704,404) | (1,581,609) | (522,697) | (22,213,714) |
| **Net book value** | **521,731** | **10,881,588** | **2,079,222** | **5,664** | **2,244,670** | **1,002,851** | **185,536** | **16,921,262** |

## 24. Due to banks

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Current Accounts | 12,699,238 | 16,168,956 |
| Deposits | 224,120,439 | 136,971,169 |
| | **236,819,677** | **153,140,125** |
| Local Banks | 220,634,059 | 129,514,985 |
| Foreign Banks | 16,185,618 | 23,625,140 |
| | **236,819,677** | **153,140,125** |
| Balances without interest | 1,360,769 | 722,958 |
| Balances with variable interest | 11,338,469 | 15,445,997 |
| Balances with fixed interest | 224,120,439 | 136,971,170 |
| | **236,819,677** | **153,140,125** |
| Current Balances | 236,819,677 | 153,140,125 |
| | **236,819,677** | **153,140,125** |

## 25. Customer's deposits

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Demand Deposits | 152,650,439 | 130,246,177 |
| Time Deposits and call accounts | 1,319,739,035 | 1,007,392,484 |
| Certificates of savings and Deposit | 1,073,976,166 | 737,532,893 |
| Saving Deposits | 118,134,885 | 88,182,228 |
| Other Deposits | 60,650,974 | 65,546,933 |
| | **2,725,151,499** | **2,028,900,715** |
| Corporate Deposits | 1,581,898,795 | 1,247,237,272 |
| Retail Deposits | 1,143,252,704 | 781,663,443 |
| | **2,725,151,499** | **2,028,900,715** |
| Balances without interest | 182,751,000 | 178,142,888 |
| Balances with variable interest | 1,302,224,681 | 991,845,577 |
| Balances with fixed interest | 1,240,175,818 | 858,912,250 |
| | **2,725,151,499** | **2,028,900,715** |
| Current Balances | 1,651,175,333 | 1,274,517,910 |
| Non-Current Balances | 1,073,976,166 | 754,382,805 |
| | **2,725,151,499** | **2,028,900,715** |

## 26. Other loans

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Loan from Social Fund for Development** | | |
| Development Project for Small Entities (New/Standing) | 4,667,607 | 2,863,850 |
| Development project for Small and medium poultry entities (New/Standing) | 4,554,233 | 6,330,116 |
| | **9,221,840** | **9,193,966** |
| **Subordinated loan** | | |
| Arab International Bank * | **50,000,000** | -- |
| **Total subordinated loan** | **50,000,000** | **--** |
| **Total other loans** | **59,221,840** | **9,193,966** |

* Based on the approval of the Ordinary General Assembly of our bank decisions held on February 19, 2013 has been the conclusion of a loan contract rests with the Arab International Bank (a major contributor to our bank) on March 18, 2013 value of 50,000,000 USD to support the second tranche of base capital to our bank when calculating the percentage rate capital adequacy according to Basel in order to maintain the prescribed percentage of the Central Bank of Egypt.

- The duration of this loan is five years starting from March 2013 and will end in February 2018 and pay off the loan total at the end of term at one and a maximum of February 28, 2018.
- Calculated on the amount of the loan rate of return by ¼% (quarter percent) per annum over LIBOR for six months and be paid every six months.

## 27. Other liabilities

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Accrued interest | 144,339,549 | 123,324,635 |
| Unearned revenue | 580,267 | 460,148 |
| Accrued expenses | 886,630 | 1,093,111 |
| Dividends payable* | 24,027 | 24,092 |
| Sundry credit balances | 34,969,356 | 15,497,480 |
| | **180,799,829** | **140,399,466** |

*This balance represents dividends of shareholders for prior years and the ones concerned did not come forth to cash them.

## 28. Other provisions

| Description | Balance at The Beginning of the year US Dollar | Translation Differences US Dollar | Charged to Income Statement Note (11) US Dollar | Used during the year US Dollar | Year-end Balance US Dollar |
|---|---|---|---|---|---|
| | | | 31/12/2013 | | |
| Provision for potential claims | 6,241,621 | (575,836) | -- | (1,642,385) | **4,023,400** |
| Provision for contingent liabilities | 2,299,675 | (147,351) | 172,582 | -- | **2,324,906** |
| Litigations provision | 142,690 | (12,742) | -- | -- | **129,948** |
| | **8,683,986** | **(735,929)** | **172,582** | **(1,642,385)** | **6,478,254** |

* The provision was formed by the expected fully bearing value, and it is expected that provision will be fully used during the subsequent periods.

| Description | Balance at The Beginning of the year US Dollar | Translation Differences US Dollar | Charged to Income Statement Note (11) US Dollar | Used during the year US Dollar | Year-end Balance US Dollar |
|---|---|---|---|---|---|
| | | | 31/12/2012 | | |
| Provision for potential claims | 4,706,138 | (143,738) | 4,230,728 | (2,551,507) | **6,241,621** |
| Provision for contingent liabilities | 2,634,798 | (78,931) | (256,192) | -- | **2,299,675** |
| Litigations provision | 149,482 | (6,792) | -- | -- | **142,690** |
| | **7,490,418** | **(229,461)** | **3,974,536** | **(2,551,507)** | **8,683,986** |

## 29. Deferred tax asset /(liability)

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Balance at beginning of the year assets (liability)** | **(185,843)** | **(245,323)** |
| Additions (Note 13) | 348,733 | -- |
| Exclusions (Note 13) | -- | 59,480 |
| **Balance at the end of the year asset/(liability)** | **162,890** | **(185,843)** |

## 30. Capital

| | No of Shares (Per million) US Dollar | Nominal value per share US Dollar | Total US Dollar |
|---|---|---|---|
| **Balance as of 1/1/2013** | **15** | **10** | **150,000,000** |
| **Balance as of 31/12/2013** | **15** | **10** | **150,000,000** |

* The Authorized capital on 31 December 2013 amounting to US Dollar 200 million with a nominal value US Dollar 10 per share, the issued and fully paid capital before increasing amounting to US Dollar 150 million divided on 15,000,000 shares of nominal value US Dollar 10 per share.

## 31. Reserves and Retained Earnings

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Reserves** | | |
| General Banking Risks Reserve (A) | 3,793,456 | 3,712,331 |
| Legal Reserve (B) | 52,365,714 | 49,550,526 |
| General Reserve | 11,291,493 | 8,791,493 |
| Capital Reserve | 713,920 | 713,920 |
| Fair Value Reserve-available for sale financial investments (C) | 5,256,227 | (15,232,203) |
| Special Reserve (D) | 3,337,162 | 3,337,162 |
| **Total reserves at the end of the year** | **76,757,972** | **50,873,229** |

**Reserves movements are as follow:**

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **a. General Banking Risks Reserve** | | |
| **Balance At Beginning Of The Year** | 3,712,331 | 3,053,542 |
| Transferred from the Retained earning | 81,125 | 658,789 |
| **Balance At the End Of The Year** | **3,793,456** | **3,712,331** |

* Under instructions of the Central Bank of Egypt to create bank risk reserve to encounter unforeseen risks, this reserve is distributed only after obtaining the approval of the Central Bank of Egypt.

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **b. Legal Reserve** | | |
| **Balance At Beginning Of The Year** | **49,550,526** | **47,466,068** |
| Transferred from profit of the year | 2,815,188 | 2,084,458 |
| **Balance At Ending Of The Year** | **52,365,714** | **49,550,526** |

* In accordance with the initial statute of the bank, 10% of the net profit of the year is retained to feed the legal reserve until the balance reaches 50% of the paid up capital, and the decrease of the reserve less than half specifies to return to truncation.

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **c. Fair value Reserve-available for sale financial investment** | | |
| **Balance At Beginning Of The Year** | **(15,232,203)** | **(14,859,753)** |
| Net profit resulting from change in fair value (Note 19) | 19,744,001 | (1,261,304) |
| Translation differences | 744,429 | 888,854 |
| **Balance At Ending Of The Year** | **5,256,227** | **(15,232,203)** |

* Application of the presentation rules of banks' financial statements and the basis of recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008, that are recognized directly in equity with profits and losses arising from changes in fair value of available-for-sale financial investments for this item, and that until the asset is excluded

or impaired its value, then it is recognized in the income statement as gains and losses previously recognized in equity.

**d. Special Reserve**

* Requires the application of rules of preparation and presentation of financial statements and recognition and measurement basis approved by the Board of Directors of the Central Bank of Egypt in its session on 16 December 2008 amendments to the comparative figures for the first financial year to start the application which affects the balance sheet (Comparative figures) and income statement (previous financial year) for some items without the other, so that the net effects of adjustments which was exported through retained earnings to special reserve of equity which are used only with the approval of the Central Bank of Egypt.

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **E -Retained Earnings** | | |
| **Balance At Beginning Of The Year** | **30,666,694** | **23,983,805** |
| Net profit of the financial year | 30,838,823 | 28,151,881 |
| Distributions for shareholders | (12,375,000) | (9,750,000) |
| Employees' share in profit | (7,210,000) | (5,500,000) |
| Board of directors' remuneration | (1,200,000) | (954,120) |
| Transferred to general banking risks reserve (Note 31/a) | (81,125) | (658,789) |
| Transferred to legal reserve | (2,815,188) | (2,084,458) |
| Transferred to general reserve | (2,500,000) | (2,500,000) |
| Transferred to capital reserve | -- | (21,625) |
| **Balance At Ending Of The Year** | **35,324,204** | **30,666,694** |

## 32. Distribution for shareholders

Dividends are not recognized until the approval of the General Assembly of Shareholders. The Board of Directors proposes to the Assembly which will be held on February 27, 2014 to distribute to UD Dollar 0.933 per share for the year 2013 with a total amount of US Dollar 14,000,000 (The actual distributions was US Dollar 0.825 per share with a total amount of US Dollar 12,375,000 for the comparison year.) In addition to the dividend to shareholders, the Board of Directors proposed - in accordance with the Bank's Statute on the next General Assembly of shareholders to distribute US Dollar 8,250,000 as Employees share in profit and US Dollar 1,440,000 as Board of directors remuneration (The actual dividends amounting US Dollar 7,210,000 for the employees and US Dollar 1,200,000 as Board of directors remuneration for the comparison year ) this decision is not recognized in these financial statements and the Distributions for shareholders, Employees share in profit and the board of directors remuneration will be recognized in the equity distributed from the retained earnings in the financial year ending December 31, 2014.

## 33. Cash and Cash Equivalent

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

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Cash and balances with central bank | 33,391,842 | 25,124,588 |
| Due from banks | 88,596,273 | 91,556,696 |
| | **121,988,115** | **116,681,284** |

## 34. Contingent Liabilities and Commitments

### a. Capital Commitments

The bank's contracts for capital commitments amounted to US Dollar 419,713 at 31 December 2013 representing purchase of fixed assets contracts, such as branches constructions, and the management have a sufficient confidence to achive net revenue and the availability to cover those commitments.

### b. Commitments for loans, guarantees and facilities

The bank's commitments for loans,guarantees and facilities are represented as follows :

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Customers Acceptances | 18,495,663 | 18,439,153 |
| Letters Of Guarantee | 91,174,417 | 77,415,552 |
| Letters Of Credit (Import) | 63,955,845 | 43,510,211 |
| Letters Of Credit (Export) | 1,728,624 | 127,637 |
| | **175,354,549** | **139,492,553** |

**c. Leasing contracts Commitments**

The total minimum lease payments for finance leases as follows :

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| Not more than one year | 296,654 | 251,209 |
| More than one year and less than five years | 559,583 | 573,355 |
| | **856,237** | **824,564** |

## 35. Transactions with Related Parties

The Bank deals with related parties on the same basis, which is dealing with others, and the nature of the most important transactions and balances in the balance sheet date are as follows:

| | 31/12/2013 US Dollar | 31/12/2012 US Dollar |
|---|---|---|
| **Nature of transactions** | | |
| Due from banks | 50,859,358 | 267,959 |
| Other assets | 263,199 | 291,099 |
| Due to banks | 31,092,756 | 1,616,500 |
| Customers' deposits | 168,276,320 | 70,505,941 |
| Certificates of savings | 1,441,213 | 1,582,529 |
| Other liabilities | 8,351 | 8,456 |
| Other loans | 50,000,000 | -- |

## 36. Mutual Funds

**The first fund**

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is Prime Investments for managing financial investments.
- The bank established the first mutual fund on june 3,1996 with a nomianl value of LE 500 for each,on march 13, 2007 the General authority for capital market approved to divide the value of the certificate by 1:5 to become the nominal value of the certificate LE 100 instead of LE 500 ,article (6) of the Fund's prospectus was modified on march 29,2007.
- The number of the certificates reached 102,146 with a total value of US Dollar 1,472,141; the bank's portion 19,000 certificates with a nominal value of US Dollar 273,830 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 498.24 on the date of the balance sheet equivalent to US Dollar 70.51.

**The Second fund**

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is Prime Investments for managing financial investments.
- The bank established the second mutual fund on September 20,1997 with a nominal value of LE 100 for each.
- The number of the certificates reached 115,494 with a total value of US Dollar 1,650,102; the bank's portion 26,000 certificates with a nominal value of US Dollar 374,715 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 334.99 on the date of the balance sheet equivalent to US Dollar 48.28

**The Third fund (EL RABEH)**

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is EFG Hermes Holding.
- The bank established the third mutual fund on February 21,1999 with a nomianl value of LE 100 for each. on March 29,2007 the name of the fund changed from the third fund to be (EL RABEH).
- The number of the certificates reached 904,228 with a total value of US Dollar 13,031,851; the bank's portion 50,000 certificates with a nominal value of US Dollar 720,606 to proceed the fund activity.
- The recoverable amount for the certificate reached LE 112.11 on the date of the balance sheet equivalent to US Dollar 16.16.

**The Fourth fund (Sanabel)**

- The mutual fund is one of the banking activities authorized for the bank according to the law of the capital market stock number 95 for the year 1992 and its regulation, the company that manage the fund is HC for securities instead of Prime Investments for managing financial investments since December 21, 2011.
- The bank established the fourth mutual fund (Sanabel) on December 20,2006 with a nomianl value of LE 100 for each.
- The number of the certificates reached 729,325 with a total value of US Dollar 10,511,127; the bank's portion 74,085 certificates with a nominal value of US Dollar 1,067,723 to proceed the fund activity.

- The recoverable amount for the certificate reached LE 91.44 on the date of the balance sheet equivalent to US Dollar 13.18.

## 37. Tax Position

**a. Societe Arabe Internationale de Banque**

- First: Corporate Tax

  **Years from the date of commencement of activities till 1995**
  - The bank was inspected for these years and the related due taxes were paid.

  **Years from 1996 till 2000**
  - The bank was inspected for these years and the disputed points are being solved with the Settlement Committee of large taxpayer center and the related due taxes were paid.

  **Years from 2001 till 2004**
  - The bank was inspected for these years and the related due taxes were paid.

  **Years from 2005 till 2006**
  - The bank was inspected for these years, The Bank objected to the claim and refer the dispute to the internal committees, The dispute with the Tax authority has finished and the related due taxes were paid.

  **Years from 2007 till 2012**
  - The tax returns of those years have been prepared and submitted on due dates in accordance with Law No. 91 for 2005.

- Second: Salary Tax

  **Years from the date of commencement of activities till 2004**
  - The bank was inspected for these years until the year 2004 and the related due taxes were paid.

  **Years from 2005 till 2011**
  - The bank was inspected for these years until the year 2011 and the related due taxes were paid.

  **Years from 2012 till 2013**
  - The Bank is calculating, deducting and paying the tax on due dates in accordance with Law No. 91 for 2005, and are currently under inspection by large taxpayer center.

- Third: Stamp Tax

**Years from the date of commencement of activities till 2005**

- The Tax Authority inspected the bank for these years and the bank paid the due tax differences.

**Years from January 1, 2006 till July 31, 2006**

- The years from the beginning of year 2006 till July 2006 are currently inspected by the large taxpayer center.

**Years from August 1, 2006 till December 31, 2013**

- Starting from August 1, 2006, the bank pays the accrued taxes every three months according to the law requirements.

**b. The position of SAIB - Port Said (Port Said National Bank For Development - Previously) that has been merged on January 1, 2008 with Societe Arabe International De Banque (SAIB).**

- First: Corporate Tax

  **Years from the 1981 till 1997**
  - The bank was inspected and the related due taxes were paid.

  **Years from 1998 till 2002**
  - The dispute with the Tax authority has finished, and the related due taxes were paid, the dispute on the portion of capital increase are transferred court.

  **Years from 2003 till 2004**
  - The dispute with the Tax authority has finished, and the related due taxes were paid, the dispute on the portion of capital increase interest are transferred court.

  **Years from 2005 till 2007**
  - Was an appointment with the competent Tax Office to start checking those years.

- Second: Salary Tax

**Years from the date of commencement of activities till 1994**

- The bank was inspected for these years and the related due taxes were paid.

**Years from 1995 till 1998**

- The bank has to submit a request to the Tax authority to finish The dispute and re-inspect The dispute And payment of tax differences due..

**Years from 1999 till 2004**

- The bank was inspected for these years and the related due taxes were paid.

**Years from 2005 till 2007**

- Those years were not inspected till now

- Third: Stamp Tax

**Years from the date of commencement of activities till 1995**

- The bank was inspected for these years and the related due taxes were paid.

**Years from 1996 till 2005**

- The dispute with the Tax authority has finished, and the related due taxes were paid.

**Years from 2005 till 2007**

- The bank was inspected for these years. and the objection form was sent by the bank.

Vice Chairman
And Managing Director

**HASSAN ABDEL MEGUID**

Chairman
And Managing Director

**MOHAMMED NAGUIB IBRAHIM**

# Branches Network

# • Branches

# Branches

## Head Office

56, Gameat El Dowal El Arabia Street,
Mohandessin, Giza
P.O. Box: 54 El Mohandessin
Telephone: 33325000
Fax: 33363244
E-mail address: custumer.care@saib.com.eg

## Greater Cairo Branches:

**Mohandessin:**
56, Gameat El Dowal El Arabia Street,
Mohandessin - Giza
P.O. Box: 124 El Mohandessin
Telephone: 37488034
Fax: 33363244

**Al Azhar:**
84/86, Al Azhar Street - Cairo
P.O. Box: 27 Al Azhar
Telephone: 25919297 – 25915743
Fax: 25917063 - 25931263

**Dokki:**
26, Lofti Hassouna Street, Dokki - Giza
P.O. Box: 240 Dokki.
Telephone: 37481365
Fax: 37481385

**Heliopolis:**
6 A, El Hegaz Street, Misr El Gedeeda
(Heliopolis) - Cairo
P.O. Box: 5991 Heliopolis
Telephone: 24528367 – 24528368 – 24528369
Fax: 24531718

**Merghany:**
12, Tawfik Street off Ahmed Tayseer Street, Misr
El Gedeeda (Heliopolis) – Cairo
Telephone: 24189711 – 24189721 – 24189713
Fax: 24189714

**El Katameya:**
Fifth Zone, Canadian Institute, Katameya – New
Cairo
P.O. Box: 26 Fifth Zone, El Katameya
Telephone: 26131623 – 26131621
Fax: 26131611

**5th Settlement:**
Banks Street, behind 90 Street, Fifth Settlement
Telephone: 29298253
Fax: 29298246

**Nasr City:**
106, Abbas El Akkad Street, Nasr City, Cairo
Telephone: 26705436
Fax: 26705437

**6th of October:**
7th District Service, Al Ordonia, next to 1st Police
Department – 6th of October City
Telephone: 38366005 – 38366007 – 38366009
Fax: 38366004

**Mall of Arabia:**
Block 8, North Tourism Area, Green Heights,
Behind Mall of Arabia
Telephone: 38211401
Fax: 38211402

## Alexandria Branches:

**El Horreya:**
45, El Horreya road – El Attarein
Telephone: (03)3903549 – (03)3903550
Fax: (03)3903551

**Smouha:**
74, Albert AL Awal Street, Smouha – Alexandria
P.O. Box: 68 Sidi Gaber, Alex
Telephone: (03)4208146 – (03)4208321 –
(03)4208263
Fax: (03)4208348 – (03)4208369

## 10th of Ramadan:

Dawwar El Asher, Cairo/ Ismailia Road – 10th of Ramadan City
P.O. Box: 1616 El Asher
Telephone: (015)412470 – (015)412480
Fax: (015)412490

## Port Said Branches:

**El Shohadaa:**
Oraby and El Negilah Street, El Shohadaa Square – Port Said
Telephone: (066)3335052 – (066)3237603 – (066)3230714
Fax: (066)3237601

**El Nouras:**
El Nouras Touristic Village, Tarh El Bahr Street – Port Said
Telephone: (066)3727386
Fax: (066)3727385

**El Estethmar:**
General Free Zone Investment Area – Port Said
Telephone: (066)3727386
Fax: (066)3727385

## Mansoura:

4, Toryel Street, El Mansoura – Dakahleya
Telephone: (050)2304030 – (050)2304032
Fax: (050)2304031

## Suez:

8, Hafez Ibrahim Street, off El Shohadaa Street - Suez
P.O. Box: 36 Suez
Telephone: (062)3223041
Fax: (062)3223070

## Tanta:

2, El Ashraf Street, Saeed Street intersection - Tanta
P.O. Box: 19, Tanta
Telephone: (040)3272356 – (040)3272357
Fax: (040)3272358

## Damietta:

El Shark Insurance Building, Kornish El Nile Street - Damietta
Telephone: (057)2363777
Fax: (057)3265557

## Mahala El-Kobra:

36, Shoukri El Koatli Street - El Mahala El Kobra City
P.O. Box: 36, El Mahala
Telephone: (040)2243513
Fax: (040)2243509

## Assuit:

El Helaly and Cournish El Nile Street Intersection

## Branches Openning Soon:

**Maadi:**

52 El Nasr Street, Maadi

**El Kasrawy:**

187 Mehwar Crazy Water, Sheikh Zayed

**Luxor:**

El Fayrouz District behind the International Hospital

**Beverly Hills:**

Looking Forward to
a successful
2014

SAIBANK

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