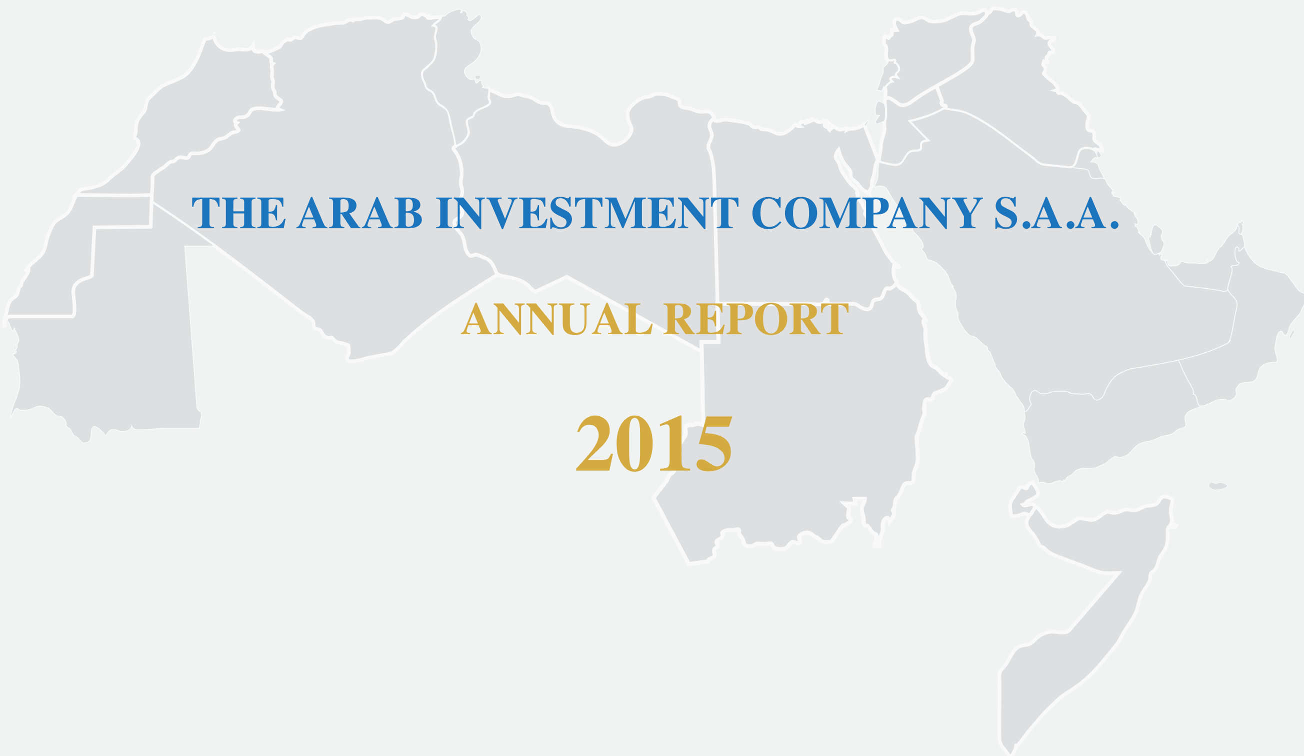
الشركة العربية للاستثمار ش.م.ع
The Arab Investment Company S.A.A.

THE ARAB INVESTMENT COMPANY S.A.A.

Annual Report



THE ARAB INVESTMENT COMPANY S.A.A.

ANNUAL REPORT

2015

CONTENTS

The Arab Investment Company (TAIC) was established in July 1974 as a Pan-Arab joint-stock company.

Its prime objective, according to the terms stipulated in its Memorandum of Association, is to "invest Arab funds to develop Arab resources by initiating investment projects in agricultural, industrial, commercial, transportation and service sectors, based on sound economic and commercial criteria, in a manner that would support and develop the Arab economy". The Company enjoys all guarantees and concessions provided by the national, Pan-Arab and foreign investment codes in the shareholding countries. In particular, its assets are granted full mobility and freedom of expatriation, and are immune against nationalization and expropriation.

The Company is wholly owned by the governments of 17 Arab states with an authorized capital of US$ 1,200 million and a paid-up capital of US$ 800 million, shared by member countries. TAIC conducts its activities from its Head Office in Riyadh, Saudi Arabia and its banking branch in the Kingdom of Bahrain.

Vision

To become the leading Arab financial institution focused on mobilizing resources to meet the investment and financing needs of businesses in the Arab region, which will lead to sustainable development in the Arab region.

Mission

Generate sound financial returns, Support economic development and contribute to the betterment of the investment environment in the Arab world through playing a catalytic role in the establishment and implementation of projects in different economic sectors, based on sound economic and commercial criteria, and by mobilizing Arab resources through the Company's banking activity to provide the necessary funds for investment projects and boost inter-Arab trade exchange in such a way to support economic integration between Arab countries.

SUBSCRIPTION OF MEMBER COUNTRIES

COUNTRY	AMOUNT (US$ Thousands)	%
The Kingdom of Saudi Arabia	125,422	15.68
The State of Kuwait	125,422	15.68
The United Arab Emirates (Abu Dhabi)	125,422	15.68
The Republic of Iraq	83,871	10.48
The State of Qatar	65,543	8.19
The Arab Republic of Egypt	55,743	6.97
The Syrian Arab Republic	55,743	6.97
The State of Libya	55,743	6.97
The Republic of Sudan	21,421	2.68
The Kingdom of Bahrain	13,679	1.71
The Republic of Tunisia	13,679	1.71
The Kingdom of Morocco	13,679	1.71
The Sultanate of Oman	13,679	1.71
The Republic of Lebanon	12,899	1.61
The People’s Democratic Republic of Algeria	12,899	1.61
The Hashemite Kingdom of Jordan	2,578	0.32
The Republic of Yemen	2,578	0.32
TOTAL	**800,000**	**100.00**

BOARD OF DIRECTORS

Eng. Yousef Ibrahim Al-Bassam
Chairman of the Board
The Kingdom of Saudi Arabia

Mr. Yusuf Abdullah Humood
Vice-Chairman
The Kingdom of Bahrain

Mr. Saleh Abdulaziz Al Sheikh
Board Member
The Kingdom of Saudi Arabia

Mr. Abdullah Humaid Al Mazrouei
Board Member
The United Arab Emirates

Mr. Ahmed Abdulla Al Mehairi
Board Member
The United Arab Emirates

Mr. Khaled Abdulaziz Al Hassoun
Board Member
The State of Kuwait

Mr. Nael Mohamed Al Homoud
Board Member
The State of Kuwait

Mr. Elgaili Mohamed Al Bashir
Board Member
The Republic of Sudan

Mr. Ahmed Abdelrehim Elsayad
Board Member
The Arab Republic of Egypt

Mr. Omar Abdulaziz Al Hamid
Board Member
The State of Qatar

Eng. Barakat Arafat Arafat
Board Member
The Syrian Arab Republic

Dr. Fadhil Nabee Othman
Board Member
The Republic of Iraq

Mrs. Fouzia Zaaboul
Board Member
The Kingdom of Morocco

Mr. Taher Mohamed Hawisa
Board Member
The State of Libya

Mr. Ali M. Reda Alhaj Jafar
Board Member
The Sultanate of Oman

Board Committees

In exercising its duties, TAIC's Board of Directors is assisted by a number of specialized committees. At the end of the year 2015, the composition of these committees was as follows:

Higher Investment Committee

The Higher Investment Committee is competent to exercise the Board authorities pertinent to investment decision making with regard to equity projects and banking activity in cases that are beyond the Company's internal committee authority. This Committee is composed of eight Board members as follows:

Eng. Yousef Ibrahim Al-Bassam	1	Chairman
Mr. Ali M. Reda Alhaj Jafar	2	Member
Eng. Barakat Arafat Arafat	3	Member
Mr. Taher Mohamed Hawisa	4	Member
Mr. Elgaili Mohamed Al Bashir	5	Member
Mrs. Fouzia Zaaboul	6	Member
Mr. Ahmed Abdulla Al Mehairi	7	Member
Mr. Nael Mohamed Al Homoud	8	Member

Risk and Asset Committee

The Risk and Asset Committee is charged with assisting the Board of Directors in assuming its supervisory tasks relating to the risks inherent to the Company's activities. It also evaluates and reviews equity investment and banking risks. This committee is composed of three Board members as follows:

Mr. Yusuf Abdullah Humood	1	Chairman
Mr. Khaled Abdulaziz Al Hassoun	2	Member
Mr. Abdullah Humaid Al Mazrouei	3	Member

Audit Committee

The Audit Committee is charged with the responsibility of assisting the Board of Directors in fulfilling its fiduciary responsibilities to provide oversight with respect to the integrity of the Company's financial statements and its compliance with legal requirements and Company policies, the independence of the external auditors and the performance of internal auditor, as well as the integrity of the internal system of controls. This committee is composed of three Board members as follows:

Dr. Fadhil Nabee Othman	1	Chairman
Mr. Omar Abdulaziz Al Hamid	2	Member
Mr. Saleh Abdulaziz Al Sheikh	3	Member

Nominations and Compensation Committee

The Nominations and Compensation Committee is charged with the responsibility of assisting the Board of Directors in fulfilling its responsibilities pertinent to employees' nominations and compensations in such a way to help safeguard the interests of the Company and achieve its objectives. This committee is composed of three Board members as follows:

Eng. Yousef Ibrahim Al-Bassam	1	Chairman
Mr. Yusuf Abdullah Humood	2	Member
Mr. Ahmed Abdelrehim Elsayad	3	Member

EXECUTIVE MANAGEMENT

EXECUTIVE MANAGEMENT

HEAD OFFICE - RIYADH

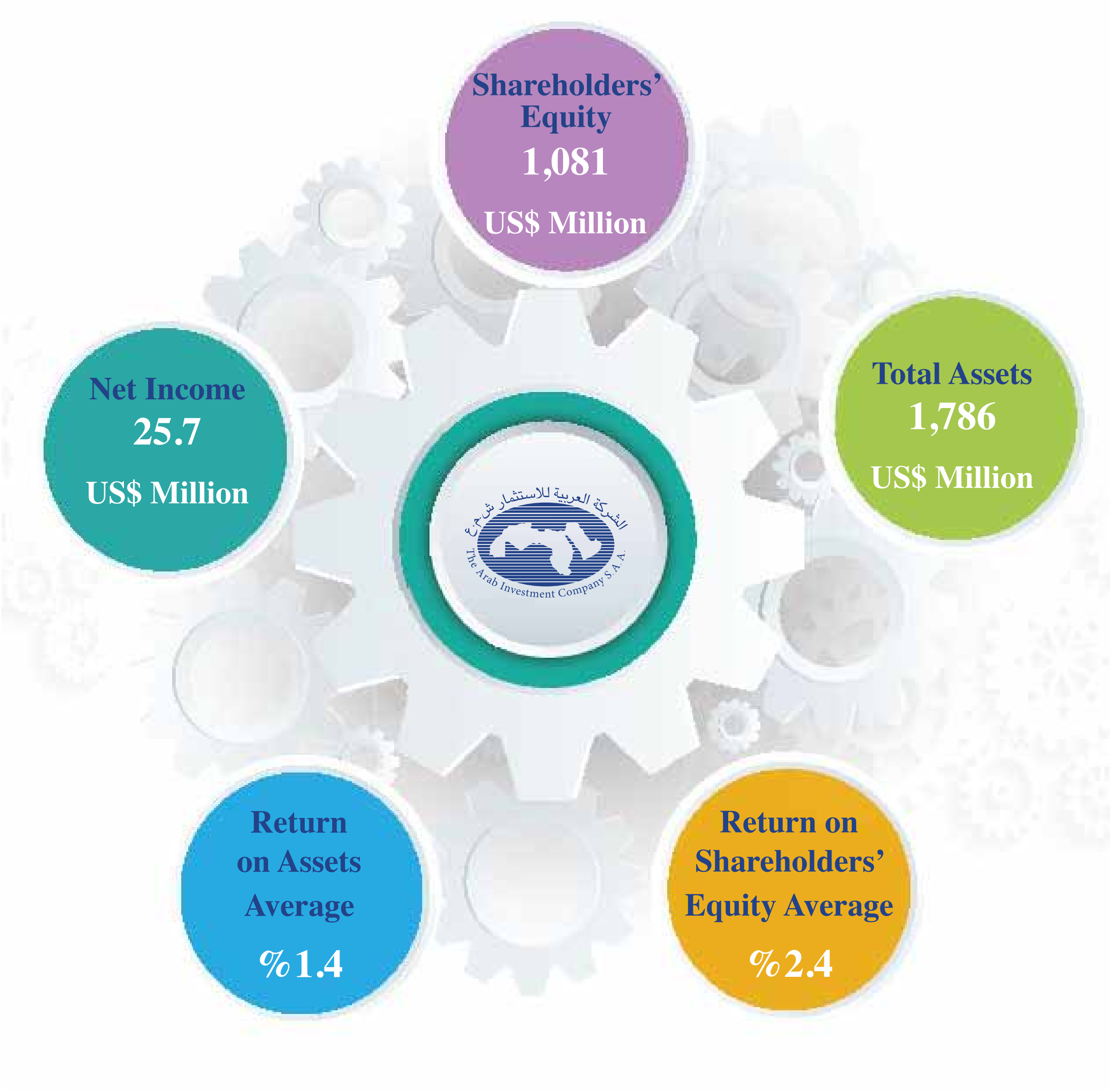
Chief Executive Officer
Mr. Ibrahim H. AlMazyad

Mr. Fahad A. Al Haqbani	1	Finance & Administration Affairs
Mr. Fahd Sulaiman Al Nhit	2	Investment
Mr. Abdulaziz A. Al Fureih	3	Human Resources & Administration
Mr. Magdi M. Elkafrawy	4	Financial Affairs
Eng. Abdullah Mohamed Al Subaie	5	Information Technology
Mr. Dakheel A. Al Zahrani	6	Strategic Planning & Research
Mr. Khalid S. Al- Zugaibi	7	Legal Advisor
Mr. Youssef Sami Salem	8	Internal Audit

Bahrain Branch (Wholesale Bank)

Mr. Ibrahim Milad Zlitni	1	Branch General Manager
Mr. Marc Dundi	2	Treasury
Mr. Samir Medjiba / Mr. Isam Khalid	3	Credit Department
Mr. Mohammadine H. Menjra	4	Operations
Mr. Nitin D. Gupta	5	Risk Management
Mr. Biju Abraham	6	Finance
Mr. Taher A. Taher	7	Human Resources and Administration
Dr. Osama A. Mukhtar	8	Legal Advisor
Ms. Sudha Tilani	9	Compliance Officer
Mr. Lalit H. Bakhru	10	Internal Audit

FINANCIAL HIGHLIGHTS



Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors of the Arab Investment Company ("TAIC"), it is my pleasure to present to your Assembly the Annual Report of the Arab Investment Company for the fiscal year ending December 31, 2015. The report reviews the Company's investment activities in project equity and banking services, highlighting the financial results achieved from these activities during 2015.

Despite the challenges and the uncertain conditions that prevailed in the Arab region during the year, alongside with the continued fluctuations recorded by the world economy and the sharp retraction in oil prices in the international markets, the Arab Investment Company was instrumental in mitigating the effects of these conditions and dealing with them with the utmost caution to cope with these changes. TAIC successfully pursued its efforts aiming at developing its activity and diversifying its investment and financial tools.

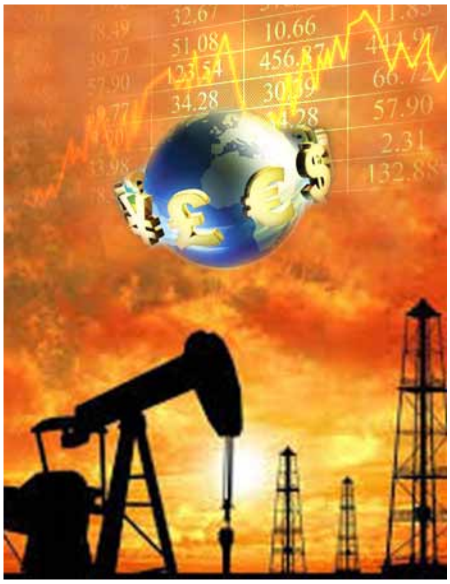
While presenting this report, I would like to seize the opportunity to pay tribute to the continued and unwavering support the Arab Investment Company received from the governments of the shareholding Arab States, which spared no effort in providing all the resources available to the Company in order to help it pursue its investment activities on sound economic and investment basis to achieve its development goals.

I would also like to thank my fellow Board Members for their effective contributions and their efforts in guiding and managing the Company, and to thank all TAIC staff for their determination to pursue the Company mission and its future aspirations.

Eng. Youssef Ibrahim Al Bassam
Chairman

DIRECTORS' REPORT

Global Economic Overview



The world economy was characterized in 2015 by a downturn in the growth rate it recorded the previous year as global GDP growth rate retracted to 3.1% compared to an average growth rate of 3.4% in 2014. The global economic results were varied and unbalanced among developed economies on the one hand, developing and emerging economies on the other. While there has been limited improvement in the developed economies due to an improved level of recovery in the euro zone, high level of economic activity was recorded in the United States together with positive growth in the Japanese economy. By contrast the emerging markets and developing economies recorded contraction in the economic activity mainly due to decline in foreign direct capital flows to these markets.

The slower growth in emerging and developing markets was as a result of combination of factors including reduced growth of oil-exporting countries, unexpected slowdown in China's economic activity and weak performance of countries exporting primary commodities. International Monetary Fund outlook for world economic prospects in 2015 (issued in January 2016) foresees a slight increase in world economic growth to 3.4% with a continued slowdown in emerging economies and a better performance in the Chinese economy. The outlook also expects a decrease in oil and commodity prices.

Arab Region Economic Developments in 2015:

The Arab economies were not immune to these negative developments and slow recovery faced by the global economy during 2015. This trend coupled with continued exacerbation of geopolitical tensions and conflicts in some Arab countries, impacted the region with greater intensity and led to a setback in the growth prospects and increase in the risk profile of the Arab region.

Economic growth rates varied in general in the Arab countries during 2015. Despite the negative impact of the decline in oil prices during the year on the economies of oil-exporting countries. This tendency, nevertheless, had a positive impact on oil-importing countries through improved balance of payments and decline in commodity prices, particularly food products, which helped in easing inflationary pressures on these countries. A number of Arab countries continued to suffer from chronic high rates of unemployment rates, an element considered one of the most important economic challenges that negatively affect their economic growth rates.

Reflecting on the economic performance of the region, Arab capital markets witnessed during 2015 a bout of volatility and setbacks. According to Arab Monetary Fund report issued in January 2016, combined Arab capital markets lost US$ 144 billion of their market value affected by the volatility in the global financial markets, slowdown in global economic activity, continued decrease in oil prices and ramifications of interest rate rise on US dollar. This poor performance was not limited to stock markets alone as new issues in the Arab bond markets retracted in both number and value in 2015. The number of issuances did not exceed 94 (including 82 from banks and financial institutions) with an aggregate value of US$ 14.8 billion as compared to 103 issues with a total value of US$ 18.9 billion in the previous year. On the other hand, the number of Sukuk issues by Arab companies increased in 2015 to reach 22 with a total value of US$ 10.6 billion against 16 issues with a value of US$ 10 billion in 2014.

TAIC activity in 2015:

In light of the geopolitical changes witnessed by Arab countries during the year 2015 and its direct / indirect repercussions on their economic performance, The Arab Investment Company (TAIC) intensified its efforts to address the effects of these implications on its activities in projects investment and the provision of financial services. TAIC also pursued its endeavors to mitigate these negative impacts through prudent risk management and professional dealing with uncertain market conditions prevailing in the Arab region.

As a result of the impact of the region's overall events on the investment climate in the Arab countries, The Arab Investment Company continued to conduct its activities in both equity investment and the provision of financial services with the support of shareholding countries in accordance with its Articles of Association as well as internal regulations and bylaws. In the meantime, the Company remained committed to its policy that aims at achieving the adequate balance between increasing the return on its investments and risk management.

TAIC continued during the year to focus on managing effectively its existing investment portfolio, executing planned exits from some investments, developing new products and entering into strategic regional and international alliances. In addition to this, the Company pursued its efforts to attract and mobilize financial resources and direct them to viable investments. TAIC also remained keen on identifying and elaborating promising business opportunities in coordination with various Arab financial institutions; Pan-Arab and international companies; Arab Chambers of Commerce and Industry; and Investment promoting agencies in the Arab countries while committed to the utmost caution in making investment decisions as per the goals of its strategic plan (2014-2018).

Significant developments in some of TAIC's activities and financial results during 2015 are provided below:

1- The Company's Management:

During 2015, The Arab Investment Company (TAIC) pursued its efforts to achieve its objectives and plans set forth in its strategic plan for the period 2014-2018. In line with the regulatory framework of the Company, the ordinary General Assembly adopted the formation of the new Board of Directors in its fourteenth session. During the year, the Board held four meetings during which it took the appropriate decisions and directives. The committees emanating from the Board, namely the Higher Investment Committee, Risks and Assets Committee, Audit Committee and the Nominations and Compensation Committee, carried out their tasks and responsibilities entrusted to them by the Board.

To this respect, the Company's Board of Directors steered the Company's activities to ensure optimal use of its resources and implementation of the General Assembly's decisions in line with the prevailing regulations and bylaws.

In line with its 2014-2018 strategic plan adopted by the Board of Directors, which involves a number of qualitative and quantitative objectives, TAIC continued to implement the requirements of this plan and managed to complete several strategic tasks for the second year despite the negative developments and challenges the global and regional economies faced in 2015. These tasks included, among others, the completion of its policies/ procedures, streamlining its activities and improving its equity investment portfolio. The objectives of such actions are to exit some old and small investments, develop new products, establish new partnerships with international and regional institutions, and reduce high risk credit exposures in accordance with the objectives of its five-year business plan as well as the investment climate and international/regional developments.

2- 2015 Financial Results:

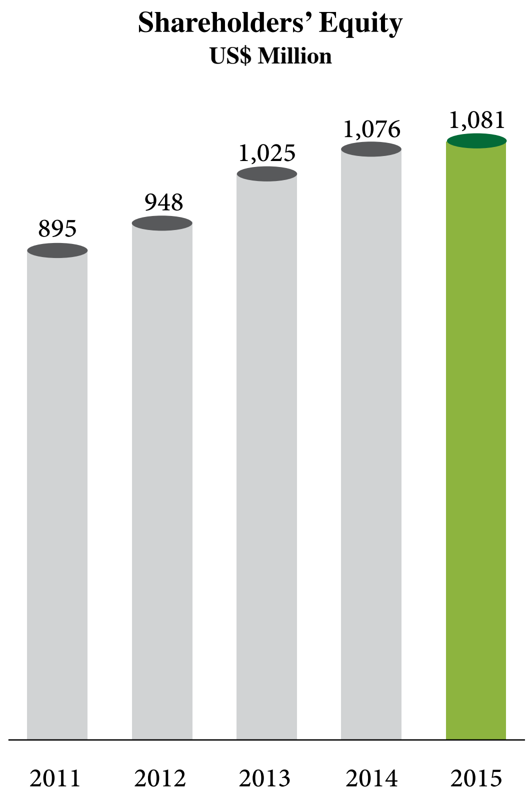
The Company's consolidated operating various activities amounted to US$ 65.8 million in 2015 with an increase of 7.7% compared to US$ 61.1 million in 2014. The Company's activities in both equity and banking fronts contributed to these results. As a result, the company's net profit for the fiscal year 2015 stood at US$ 25.7 million, after taking provisions amounting to US $ 18.4 million to cover non-performing loans and lower fair value of certain participations in equity projects, against US$ 30.2 million (after provisions of US$ 12.3 million) in the previous year, reflecting a decrease of 15%. The Company's profits for this year recorded a decrease compared to the previous year was due to decline in Interest/ Non-Interest income and reduction of gains on financial securities as a result of economic fluctuations, decrease in oil prices and sluggish economic activities in some developed countries. Moreover, the Company has proactively increased its provisions on the overall lending portfolio.

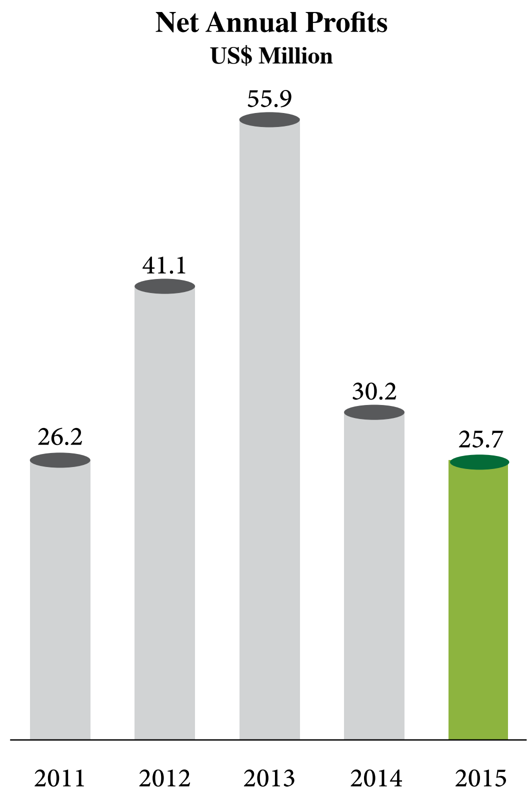
Total assets as of the year end 2015 amounted to US$ 1,785.8 million as compared to US$ 2,143.5 million in the previous year, thereby recording 17% decrease due to retraction in credit risks exposure.

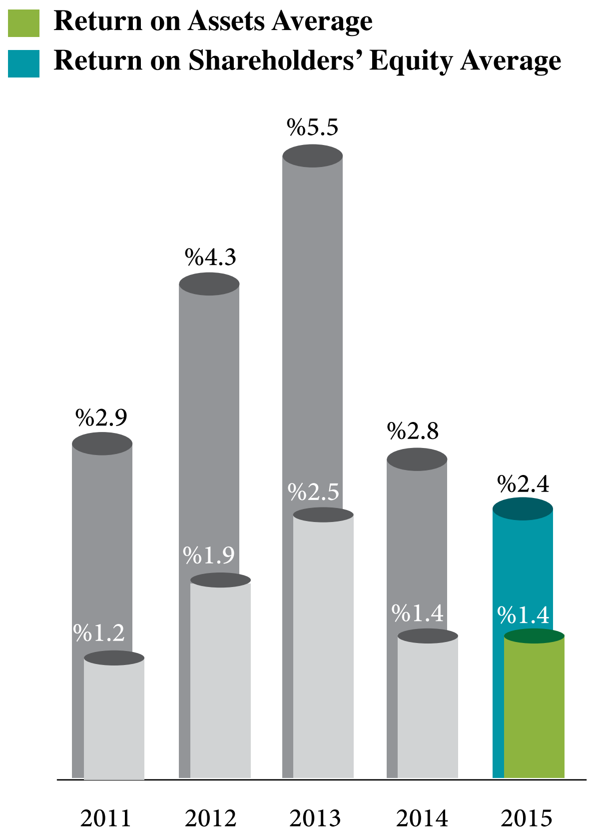
The Company shareholders' equity registered an increase of 0.5% from US$ 1,075.6 million in 2014 to 1,080.8 million at the end of 2015.

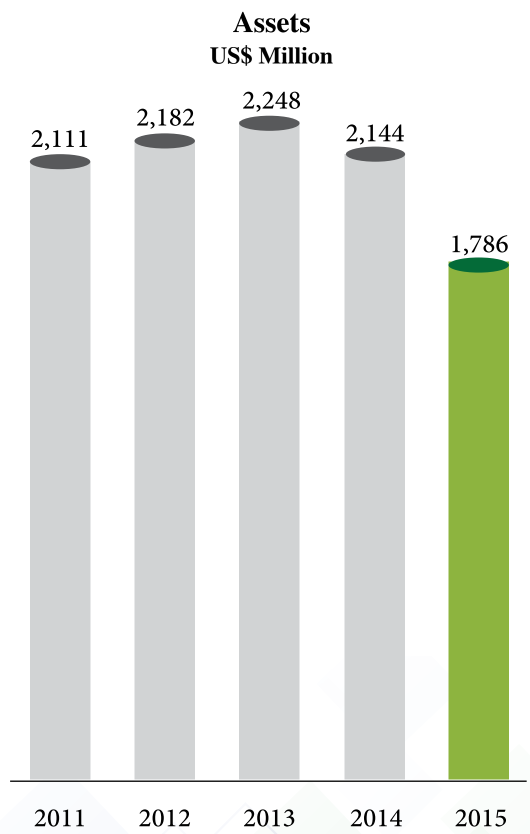
Return on assets and shareholders' equity stood at 1.4% and 2.4% respectively at the end of the year.

The following chart represents the growth in TAIC's net profit, shareholders' equity and return on assets and shareholders' equity during the period 2011-2015:


Shareholders' Equity
US$ Million
895
948
1,025
1,076
1,081
2011
2012
2013
2014
2015


Net Annual Profits
US$ Million
26.2
41.1
55.9
30.2
25.7
2011
2012
2013
2014
2015


Return on Assets Average
Return on Shareholders' Equity Average
%2.9
%1.2
%4.3
%1.9
%5.5
%2.5
%2.8
%1.4
%2.4
%1.4
2011
2012
2013
2014
2015


Assets
US$ Million
2,111
2,182
2,248
2,144
1,786
2011
2012
2013
2014
2015

3- TAIC's Equity Investment Activities

TAIC endeavors to achieve the objectives for which it was established through its participation in projects that contribute to the development of Arab resources, transfer of technological expertise to the Arab region, participation in equity projects capable of competing regionally and internationally by using comparative advantages available in the region and focusing its interest on joint projects that support Arab economic cooperation and integration. TAIC is always keen on diversifying its investment portfolio on sectorial and geographical basis in order to minimize risks, secure a rewarding and stable return on investments and allow the shareholding countries to benefit from its resources.

TAIC continued to monitor its existing projects in order to optimize their rate of return on investment. In the face of geopolitical uncertainty and unstable political and economic conditions prevailing in a number of Arab countries, the Company enhanced its efforts to address the challenges faced by these projects in close cooperation and coordination with the management of these projects and other shareholding parties. In addition, the Company intensified its efforts to identify viable investment opportunities in different Arab countries that correlate with its objectives and meet its investment criteria.

3-1 TAIC's Investments in 2015

In accordance with the objectives laid down in the Company's strategic plan (2014-2018) that stipulate taking initiatives in building strategic alliances with major investment corporations, the Company participated in the capital of IFC MENA Fund and acquired stakes of US$ 45 million, representing 15% of the fund's capital amounting to US$ 300 million. The fund aims at achieving a steady capital growth and regular dividend distribution to its shareholders through investing in green field and existing projects in various financial and banking sectors as well as infrastructure and production projects. TAIC in its endeavor to diversify its investment portfolio and to open new investment channels that enables it to participate in initial offerings in some Arab countries, the Company acquired stakes in 2015 in Saudi Fransi GCC IPO Fund of US$ 10 million, representing 2.3% of the fund's capital amounting to US$ 427 million. The aim of the fund is to achieve long-term capital growth by investing in GCC initial offerings and publicly traded companies in the Gulf countries.

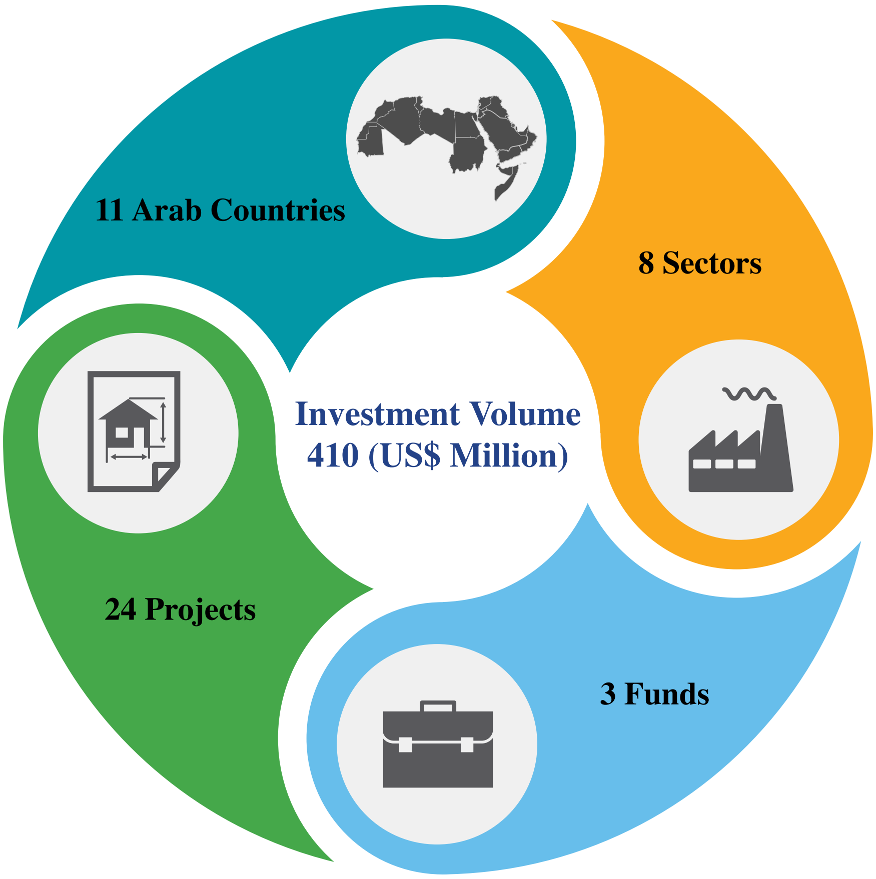
Consistent with its strategic plan to exit some projects in order to reinvest in new promising investment opportunities, the Company made a capital gain of US$ 2.3

million from its divestment of equity in the Saudi Hotel Services Company operating in the Kingdom of Saudi Arabia. TAIC also sold most of its shares in the capital of the Société Tunisienne de Banque in the Republic of Tunisia.

In an effort to enhance its growth and ensure sustained income, TAIC started during the year the expansion of its residential compound in Riyadh with the construction of additional 15 new residential units thereby increasing the total number of the compound units to 86. The expansion works are expected to be completed by the end of 2016.

3-2 TAIC's Investments Portfolio as of December 31, 2015

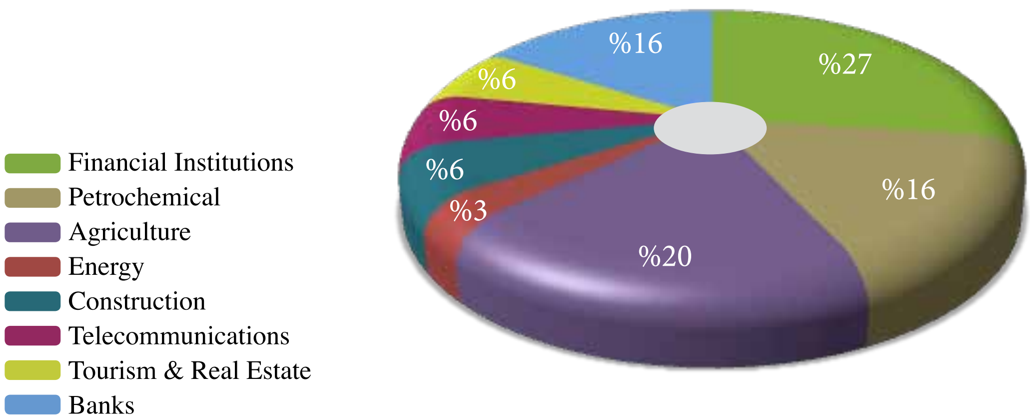
At the end of the year, TAIC's total investments in both equity and investment funds amounted to US$ 410 million. The portfolio included 24 equity projects and 3 investment funds, spread geographically over 11 Arab states and distributed over 8 sectors, namely agriculture, petrochemicals, non-banking financial institutions, banks, tourism and real estate, construction, telecommunications and energy.



The total paid-up capital of the above eight sectors projects amounted to US$ 8.2 billion and shareholders' equity totaled US$ 11.3 billion. TAIC's investments in these projects totaled US$ 325 million, representing 40.6% of its Paid-up Capital.

The following chart shows the percentage of the investment portfolio's sectoral distribution at historical cost as of 31/12/2015:

Investment Portfolio Composition



On the investment funds front, the Company's portfolio at the year-end included participation in three funds totaling US$ 85MM. The aim of these funds, having a total value of above US$ 1 billion, is to invest in initial offerings, energy and development companies.

The following tables summarize the Company's portfolio in equity projects and investment funds as of 31/12/2015:

First: Equity Investment portfolio at yearend:

	Name of Project	TAIC Participation (US$ Million)	TAIC Share %	Major Shareholders	Sector
	Kenana Sugar Company - Sudan	62.4	6.99%	- The Government of Sudan - Kuwait Investment Authority - The Government of Saudi Arabia	Agriculture
	Egyptian Propylene & Polypropylene Company - Egypt	27.6	10%	- Hail Said Group - Oriental Weavers	Petrochemicals
	Bidaya Home Finance Company - Saudi Arabia	26.7	11.1%	-Public Investment Fund - The Islamic Corporation for the Development of the Private Sector - Al Rashed A. Al Rashed & Sons Company	Non-Banking Financial Institutions
	Saudi International Petrochemical Company (Sipchem) – Saudi Arabia	25	2.3%	- Al Olayan Financial Company Ltd. - Al Zamil Holding Group - Public Pension Agency - Icarus Petrochemical Holding Company	Petrochemicals

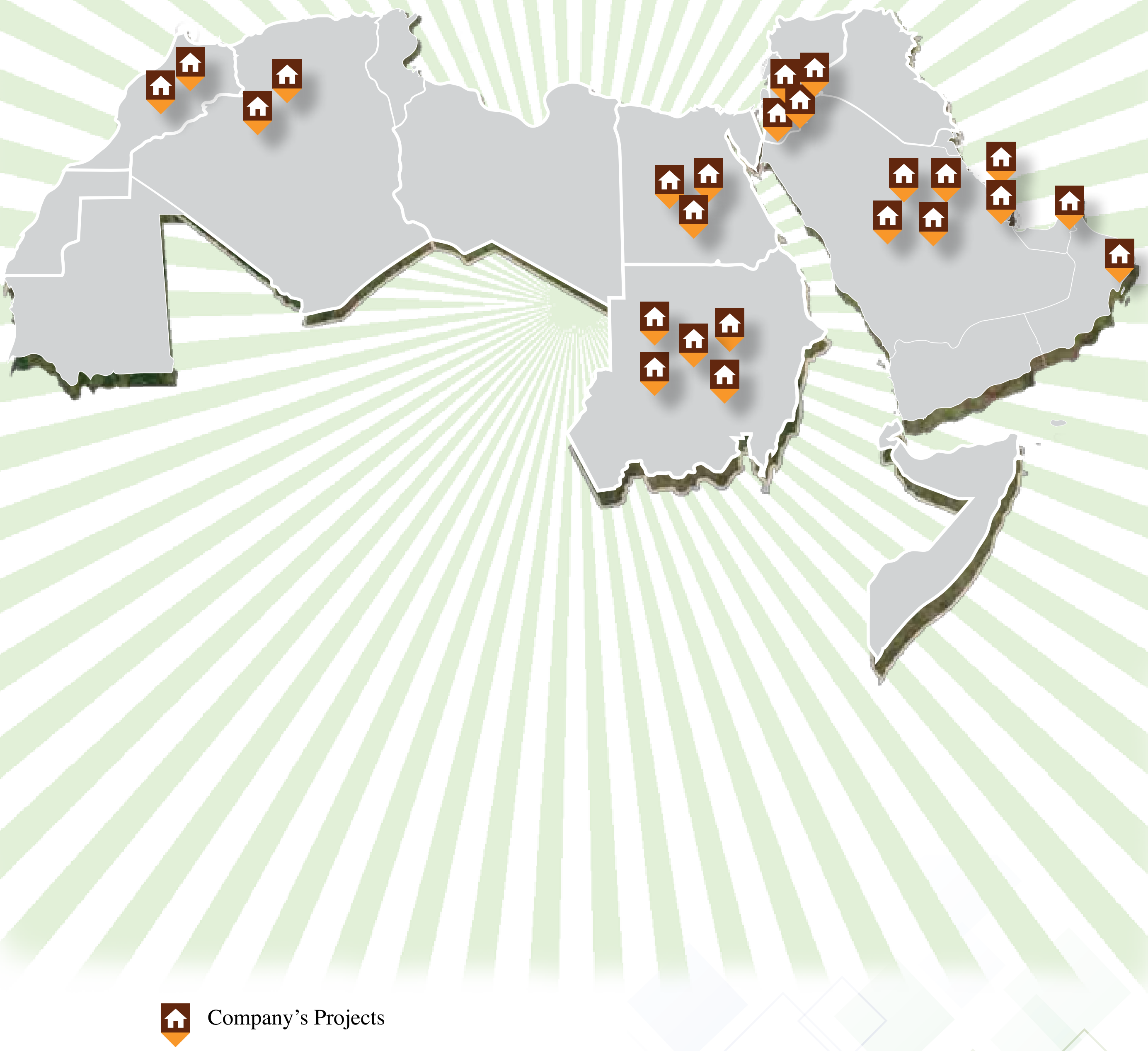
	Name of Project	TAIC Participation (US$ Million)	TAIC Share %	Major Shareholders	Sector
	SUDATEL Telecommunications Group LTD - Sudan	20.7	2.18%	- The Government of Sudan	
	The Arab Jordan Investment Bank - Jordan	19.1	10.25%	- Abdulqader A. Al Qadi Family - Libyan Foreign Bank	Banks
	Berber Cement Company - Sudan	16.4	16.40%	- National Cement Co. - The Islamic Corporation for the Development of the Private Sector - National Social Security Fund	Construction
	Middle East Company for Financial Investment – Saudi Arabia	16	15%	- Kuwait and Middle East Financial Co.	Non-Banking Financial Institutions
	Bank ABC - Bahrain	15.7	0.42%	- Libyan Central Bank - General Authority for Investment - Kuwait	Banks
	Arab International Company for Hotels and Tourism - Egypt	12.7	13.62%	-Arab International Bank - General Authority for Investment – Kuwait - Abu Dhabi Investment Authority	Tourism & Real Estate
	Arab Leasing Corporation SpA- Algeria	10.7	25%	- Bank ABC - Algeria - Caisse Nationale d'Epargne et de Prevoyance	Non-Banking Financial Institutions
	National Trigeneration CHP Company – Saudi Arabia	9.04	9.94%	- Ministry of Islamic Affairs and Waqf - Al Anoud Charity Foundation	Energy
	The Arab Leasing Company LTD – Sudan	9	30%	- The Islamic Corporation for the Development of the Private Sector - Libyan Foreign Bank	Non-Banking Financial Institutions
	The Arab Jordan Investment Bank - Qatar	8.7	15%	- The Arab Jordan Investment Bank	Banks
	Taager Leasing Company - Oman	7.9	18.79%	- Oman Investment Fund - Ministry of Defense Pension Fund	Non-Banking Financial Institutions
	International Company for Leasing (Incolease) - Egypt	7.9	10%	- Arab International Banking Corporation Bank - Banque Misr	Non-Banking Financial Institutions
	Arab International Hotels Company - Jordan	7.79	8.36%	- Jordan Ahli Bank - Jordan Worsted Mills Co. - Al Nabeel Trading Co.	Tourism & Real Estate

	Name of Project	TAIC Participation (US$ Million)	TAIC Share %	Major Shareholders	Sector
	Maroc Leasing - Morocco	4.76	5.74%	- Groupe Banque Populaire - Credit Immobilier & Hotelier Bank	Non-Banking Financial Institutions
	Financial Investment Bank - Sudan	4.44	20.8%	- Central Bank of Sudan - Tadhamon International Islamic Bank - Hospico Company	Banks
	The Arab Co. for Livestock Development	3.56	1.67%	- Arab Joint Company	Agriculture
	Arab Trade Financing Programme	3.33	0.44%	- Arab Monetary Fund - Arab Fund for Economic & Social Development - Banque d'Algerie	Non-Banking Financial Institutions
	Bank ABC – Algeria	3.17	4.18%	-Bank ABC– Bahrain	Banks
	The Arab Mining Co.	2.16	1.1%	- Arab Joint Company	Construction
	Société Riad Swalem - Morocco	0.2	33%	Asma Investment Company	Tourism & Real Estate

Second: Investment Funds Portfolio as of 31/12/2015

	Name of Fund	Fund Investment Field	Fund Volume (USMillion)	TAIC Share (US$ Million)	Investment Geographical Scope
	IFC MENA Fund	Development Companies	300	45	MENA Region
	PowerVest Fund (AquaPower)	Energy Sector	300	30	Worldwide
	Saudi Fransi GCC IPO Fund	Initial Offerings	427	10	GCC Countries

Geographical Distribution of TAIC's Projects as of 31/12/2015



4- TAIC's Investment Activities in Financial Services:

In addition to its main activity of investment in equity projects, TAIC provides a wide range and full-fledged financial services through its Branch in the Kingdom of Bahrain, which is licensed as a Conventional Wholesale Bank by the Central Bank of Bahrain. The banking activity constitutes an important and stable source of income for the Company that bolsters its capabilities in investing in more equity projects, reflecting its role as an investment catalyst in the Arab world. The Branch provides various financial services to its customers comprising of public, semi-public and private institutions. The branch also has a wide network of relationships with a large number of banks and financial institutions in many countries supported by highly skilled staff with an outstanding expertise in different banking areas and leveraged by state-of-the-art technology and best banking practices.

Despite the prevailing global and regional economic conditions, the Branch pursued its efforts in the management of its banking activity by adopting a sound and objective approach in dealing with the Company's banking assets to cope with the requirements of this critical period and the goals of its strategic plan (2014-2018). These efforts focused mostly on resource mobilization, liquidity management and close monitoring of its credit and investment portfolios in accordance with the requirements of international accounting standards and directives of regulatory authorities as well as the best market practices.

Following is an outline of the most significant developments in financial activities during 2015:

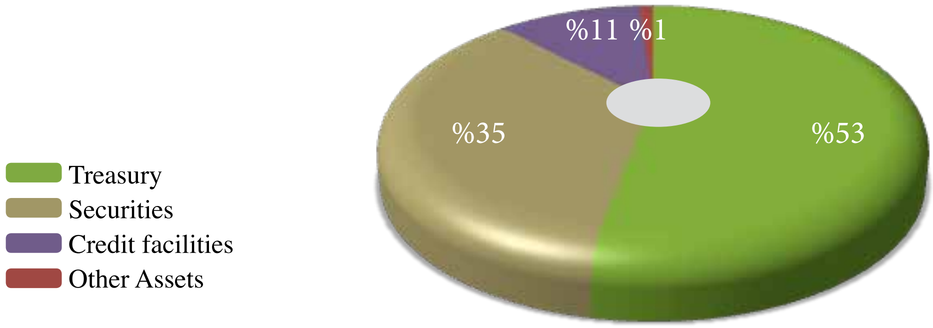
- Total banking assets amounted to US$ 1,434.2 million at the end of 2015 against US$ 1,764.9 million in the previous year, reflecting a decrease of 18.7%.

The following table shows the composition of banking assets at the end of 2015:

Banking Assets	US$ Million	%
Placements	758.1	53%
Securities	504.9	35%
Credit facilities	160.2	11%
Other Assets	11.0	1%
Total	1,434.2	100%

The following chart shows the distribution of the banking assets at the end of the year:

Banking Assets to Total Assets as of 31/12/2015



Banking Assets are managed through the following activities:

a) Treasury and Capital Market Portfolio:

During the year, despite the uncertain global and regional markets, Treasury and Capital Market Department adopted an extremely prudent approach that effectively ensured the balance between different activities and the diversification of investing the asset portfolio in order to minimize risk and optimize profitability. Accepted deposits from clients, financial institutions and government entities amounted to US$ 688.2 million at the end of the year against US$ 1,050.2 million in the previous year, reflecting a decrease of 34% due to tightening of the liquidity and economic crunch faced by all sectors in the markets. Placements with banks and financial institutions amounted to US$ 758.1 million against US$ 909.3 million in 2014, thereby recording a decline of 17%. The investment portfolio in securities stood at US$ 504.9 million at the end of the year against US$ 429.6 million the previous year, reflecting an increase of 18%. TAIC's Treasury actively manages overall liquidity of the Company and maintains adequate positions throughout the year to mitigate the liquidity risk emanating from global markets volatility.

b) Credit Facilities:

In the midst of tough market conditions characterized by tight spreads and rigorous regulatory requirements necessitating vigilance and close monitoring, Credit Department pursued the provision of credit facilities to clients directly or through participation in syndications with other financial institutions. The Department also extends trade finance facilities, with special emphasis on customers in the Arab region, which includes opening, advising, confirming and refinancing letters of credit, discounting commercial papers and financing pre-export production. At the year-end, the outstanding balance of the credit and financing portfolio stood at US$ 160.2 million (after provisions) against US$ 413.9 million, a decrease of 61%. This decrease was due to the drop in the portfolio as per the Company's strategy to minimize high credit risk exposures, diversify its portfolio and reform its approach to the lending markets. These internal factors coupled with critical microeconomic indicators and uncertain political situation in the Arab region had impacted the Company's lending activity.

5- Supporting Services

During 2015, the Company continued to upgrade and develop its supporting services in the fields of information management systems and human resources development as detailed here under:

5-1 Information Technology System Development:

Upon completion of the installation of more advanced infrastructure, integration and operation of highly sophisticated software applications during 2014, TAIC successfully pursued during 2015 the implementation of its IT systems development by upgrading some operating systems and those supporting its networks. While continuing to raise readiness in line with the regulatory directives and the best market practices, TAIC successfully completed its test of the Business Continuity plan at the alternative site in Amwaj Island in the Kingdom of Bahrain to ensure its readiness to continue its operations during the time of crisis. During the year, the Company increased the efficiency of the link between its Head Office in Riyadh and Bahrain branch, updated its network and electronic communication security and protection as well as backup systems.

In order to integrate and apply various stages of development, the Company provided the necessary training for its personnel in information technology systems management to enable them to manage and run all the software and hardware used at the Head Office and Bahrain branch.

5-2 Human Resource Development:

As part of the strategic importance of the development of the human capital in the organization, The Arab Investment Company continued during the year to improve the skills of its staff and increase their capabilities and efficiency both at its Head Office in Riyadh and in Bahrain branch. 28 employees from all departments of the Company, representing about 30% of TAIC 92 employees, had the opportunity to participate in a number of courses, training programs and events associated with the Company's investment and banking activities. These programs included a seminar organized by IFC for its strategic partners at its Head Office in Washington. In addition to this, the Company staff participated in a number of training courses, including investment transactions and related risks, treasury operations, loan documentations, risk management and compliance, international standard banking practices, international trade policies, international standard approved bank accounting, income management, money markets and digital application development and hardware management.

TAIC also actively participated during the year in various Arab economic conferences and meetings to build good business relationships with other financial and investment institutions in the Arab region.

6 - Institutional Management

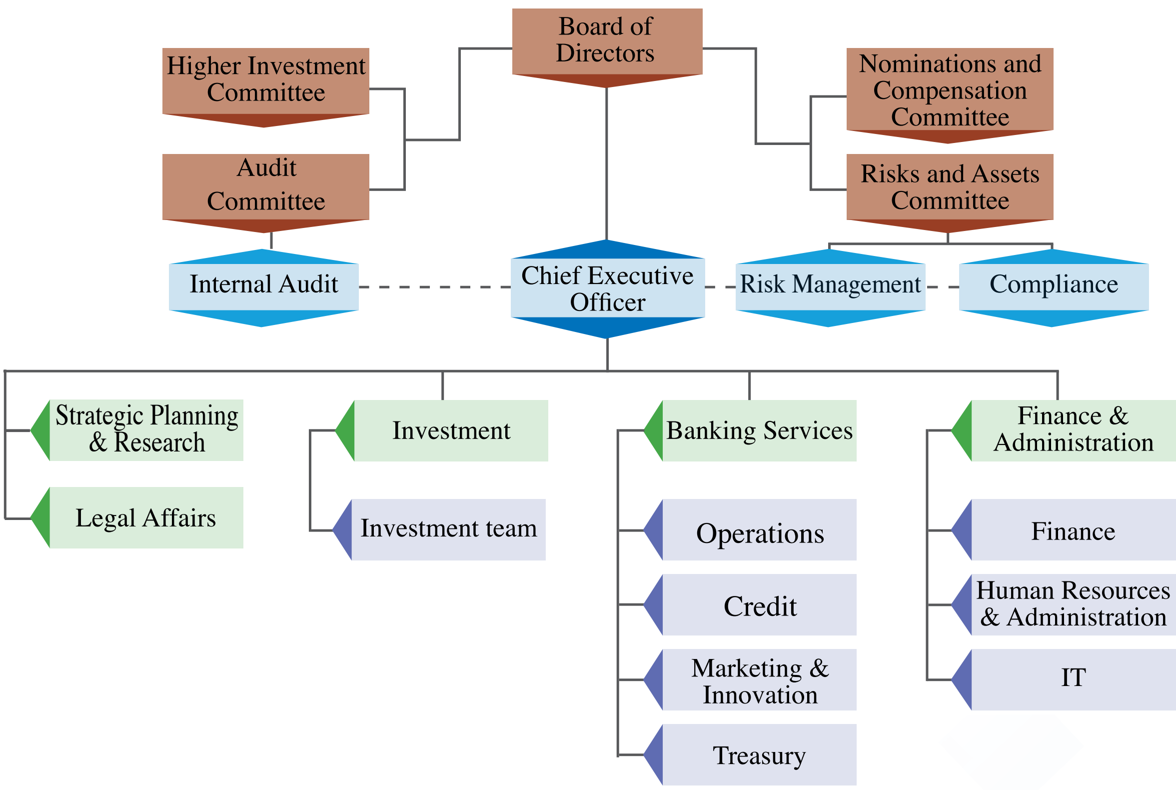
There is no doubt that the Company's continuous success in addressing global and regional risks and challenges reflects the applied efficiency of risk management and governance standards. TAIC conservative policy in risk management and the standards applied to the corporate governance have ensured its protection from the fallouts in the political and economic challenges on both regional and international levels.

During 2015 and in fulfillment of the general objectives stated in its charter, TAIC pursued its goal of enhancing institutional management practices in accordance with the principles of corporate governance, directives of its General Assembly and Board of Directors, and the requirements of regulatory authorities. Institutional management is carried out in accordance with the following principles:

6-1 Corporate Governance:

Since its inception and for over four decades, TAIC has been adhering to the principles and standards of corporate governance as an integral part of its culture and philosophy in building and strengthening credibility, confirming transparency and maintaining clear and effective channels for disclosure, which has had a positive impact on maximizing the value of the Company. This commitment was reflected in defining the responsibilities of both supervisory and executive parties and ensuring their independence. The following chart shows the organizational structure of the Company and its consistency with the principles of corporate governance.

Governance and Organizational Structure

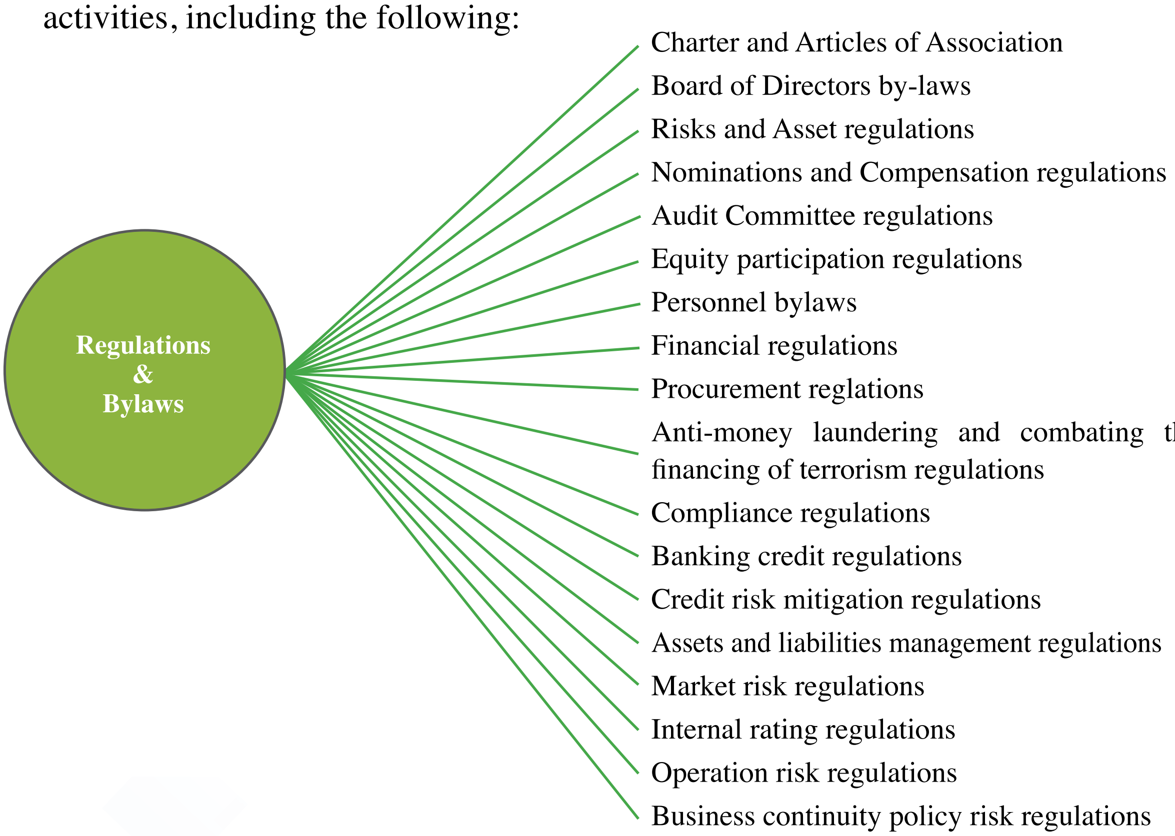


The Company conducts its institutional activities through the following measures:

- Strengthening the supervisory role of the Board of Directors as the policy maker of the Company and regulator of ways and means of implementing policies. To this end, the Board relies on its committees to help fulfill its responsibilities as follows:

- Setting-up internal committees with diverse functions and authorities to facilitate business management and organize the tasks of its different departments according to institutional governance requirements. These committees are:

- Compliance with policies and regulations governing and facilitating the Company's activities, including the following:



- Selection of well-reputed and professionally experienced and credible international external auditors to review and audit the Company's financial statements.
- Strengthening internal audit role to ensure adequate internal controls.
- Adopting strategic plans that involve a number of qualitative and quantitative objectives with specific application procedures and implementation monitoring.

- Transfer of the Company's corporate culture and professional experience to the Board of Directors and Executive Managements of projects where the Company holds stakes. This culture includes the establishment of investment corporations and participation in the preparation of regulations and bylaws governing their activities.

6-2 Risk Management and Compliance

Risk management in the Company is based on three main pillars that constitute separately structural defensive lines against any emergency and contribute collectively to the best practices in the management of various risks faced by the company to varying degrees and different stages. These lines are reflected in the internal committees, internal audit unit as well as risk and compliance management under the direct supervision of the Board of Directors and its committees. The company is working to keep pace with the developments in risk management and to consolidate the best practices in this regard.

The company believes in the importance of compliance with laws, rules and regulations as an essential element for its success, as it is keen on the obligation to protect its reputation, shareholders and customers, and on the application of preventive measures that shelter it from the consequences of risks. This is generally achieved by adhering to the provisions of laws, rules and regulations in effect and to moral business actions. In this context, the Company provides regular reports on its activities in the provision of financial services to the concerned regulators represented by the Saudi Arabian Monetary Agency and the Central Bank of Bahrain. TAIC also abides by the requirements of Basel with regard to calculating capital adequacy in line with the Guidelines of the Basel Convention. To this end, the Company has been working on the elaboration of a unified approach to credit risk management, the development of an operational risk basic indicator approach, as well as a uniform method for measuring market risk and the adoption of internal evaluation plan for capital adequacy. This includes the assessment of credit risk, market risk, operational risk, liquidity risk, interest rate risk, concentration of credit risk and funding risk.

The Company's policy is to maintain a strong basis for the capital, which enables it to preserve the confidence of investors and creditors and that of the market, and bolster its ability to develop future projects. The company also pursues a conservative policy that takes into account the optimal balance between income and risks in line with its strategic objectives. TAIC applies the principle of transparency and disclosure in all accounts and reports, with the assistance of a package of precautionary measures and procedures. This is achieved through the adoption of the institutional method in investment and credit decision-making in accordance with its hierarchical structure of authority and within the systematic framework of regulations and work procedures, which provide a solid foundation for internal control in the Company.

Finally, while presenting this annual report, the Board of Directors would like to take this opportunity to thank the shareholding countries for their relentless support to the Company, and in particular the Government of the Kingdom of Saudi Arabia (the host country), and the Government of the Kingdom of Bahrain (which hosts the banking branch), for the timely assistance they have always extended to the Company through their various government agencies.

At the same time, the Board would like to express its deep appreciation for the support that TAIC has always received from its clients in both public and private sectors. The Board would also like to thank the Company's staff for their dedication and continuous efforts in achieving optimal financial results for the year.


6,750
6,500
6,250

Financial Statements

For the year ended December 31, 2015
And The Independent Auditor's Report

EY
Building a better working world

Ernst & Young & Co. (Public Accountants)
Al Faisaliah Office Tower
PO Box 2732
King Fahad Road
Riyadh 11461
Saudi Arabia
Registration Number: 45

Tel: +966 11 273 4740
Fax: +966 11 273 4730

www.ey.com

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF THE ARAB INVESTMENT COMPANY S.A.A.
(Arab Joint Stock Company)

We have audited the accompanying financial statements of The Arab Investment Company S.A.A (the "Company"), which comprise the statement of financial position as at 31 December 2015, and the statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

for Ernst & Young

Fahad M. Al-Toaimi
Certified Public Accountant
Registration No.354

Riyadh: 10 Jamad Thani 1437H
(19 March 2016)

STATEMENT OF FINANCIAL POSITION
As of 31 DECEMBER 2015
All amounts in United States Dollars thousands

	Notes	2015	2014
ASSETS			
Cash and deposits with banks	5	**769,917**	929,006
Investments:			
Securities	6	**534,179**	436,245
Equity participations	7.1	**284,053**	330,337
Loans and advances	8	**160,219**	413,875
Property and equipment	10.1	**14,095**	14,352
Investment property	10.2	**6,191**	5,268
Other assets	9	**17,154**	14,370
TOTAL ASSETS		**1,785,808**	2,143,453
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Deposits	11	**688,244**	1,050,180
Derivative financial instruments	12	**110**	25
Other liabilities	13	**16,608**	17,613
TOTAL LIABILITIES		**704,962**	1,067,818
SHAREHOLDERS' EQUITY			
Share capital	14.1	**800,000**	800,000
Subscription in share capital	14.2	**51,481**	26,959
Statutory reserve	15	**98,885**	96,310
Retained earnings		**89,378**	66,654
Fair value reserve	16	**41,102**	85,712
TOTAL SHAREHOLDERS' EQUITY		**1,080,846**	1,075,635
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,785,808**	2,143,453

Acting Director of Finance	Chief Executive Officer	Chairman of the Board
Magdi Mohamed El Kafrawy	Ibrahim Hammoud Al- Mazyad	Engineer/Yousef Ibrahim Al-Bassam

The accompanying notes form an integral part of these financial statements.

STATEMENT OF INCOME
Year ended 31 December 2015
All amounts in United States Dollars thousands

	Notes	2015	2014
INCOME			
Interest income		**37,239**	38,527
Interest expense		**(5,059)**	(6,807)
Net interest income		**32,180**	31,720
Gain on sale of equity participations	7.2	**2,260**	974
Loss on written off equity participations		**-**	(3,583)
Dividends		**15,130**	13,177
Net gain on derivative financial instruments		**-**	201
Net fees and commissions	17	**795**	2,497
Net (loss) gain on financial securities	18	**(701)**	8,785
Net foreign exchange loss		**(1,078)**	(895)
Rental income		**4,508**	4,561
Other income	19	**12,742**	3,697
Total operating income		**65,836**	61,134
EXPENSES			
General and administrative	20	**(21,678)**	(18,644)
Provisions	21	**(18,409)**	(12,332)
Total operating expenses		**(40,087)**	(30,976)
PROFIT FOR THE YEAR		**25,749**	30,158

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2015
All amounts in United States Dollars thousands

	Notes	2015	2014
Profit for the year		**25,749**	30,158
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net fair value movement on available for sale financial assets		**(44,620)**	7,445
Recycling of gains (losses) to the statement of income on sale or impairment of available for sale financial assets		**10**	(13,614)
	16	**(44,610)**	(6,169)
Total comprehensive (loss) income		**(18,861)**	23,989

The accompanying notes form an integral part of these financial statements.

Year ended 31 December 2015
All amounts in United States Dollars thousands

	Notes	Share capital	Subscription for share capital	Statutory reserve	Retained Earnings	Fair value reserve	Total
Balance at 31 December 2013		700,000	-	93,295	140,124	91,881	1,025,300
Profit for the year		-	-	-	30,158	-	30,158
Other comprehensive income		-	-	-	-	(6,169)	(6,169)
Total comprehensive income		-	-	-	30,158	(6,169)	23,989
Transfer to statutory reserve	15	-	-	3,015	(3,015)	-	-
Board of directors' bonuses paid		-	-	-	(613)	-	(613)
Increase in share capital (note 14.1)		100,000	-	-	(100,000)	-	-
Contribution for share capital increase (note 14.2)		-	26,959	-	-	-	26,959
Balance at 31 December 2014		800,000	26,959	96,310	66,654	85,712	1,075,635
Profit for the year		-	-	-	25,749	-	25,749
Other comprehensive loss		-	-	-	-	(44,610)	(44,610)
Total comprehensive loss		-	-	-	25,749	(44,610)	(18,861)
Transfer to statutory reserve	15	-	-	2,575	(2,575)	-	-
Board of directors' bonuses paid		-	-	-	(450)	-	(450)
Contribution for share capital increase (note 14.2)		-	24,522	-	-	-	24,522
Balance at 31 December 2015		**800,000**	**51,481**	**98,885**	**89,378**	**41,102**	**1,080,846**

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2015
All amounts in United States Dollars thousands

	Notes	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		**25,749**	30,158
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Gain on sale of equity participations	7.2	**(2,260)**	(974)
Impairment on equity participations	21	**4,000**	5,000
Impairment on loans and advances	21	**14,409**	7,332
Loss on write off of equity participation		**-**	3,583
Loss (gain) on sale of investments		**273**	(1,885)
Amortisation of discount		**(163)**	(481)
Gain on valuation of land		**-**	(756)
Depreciation	10	**990**	1,183
		42,998	43,160
Changes in operating assets and liabilities:			
Deposits with banks with maturities longer than 3 months		**(200,765)**	(169,778)
Financial assets at fair value through income statement		**(9,858)**	16,401
Loans and advances, net		**241,437**	(35,119)
Other assets		**(2,786)**	10,094
Deposits		**(361,935)**	(148,426)
Derivative financial instruments		**85**	(301)
Other liabilities		**(578)**	(5,628)
Net cash used in operating activities		**(291,402)**	(289,597)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale and purchase			
of investment securities		**(98,317)**	43,869
Purchase of equity participation		**-**	(33,907)
Proceeds from disposal/refund of equity participations		**7,449**	3,523
Property and equipment and investment properties, net	10	**(1,656)**	(1,054)
Net cash (used in) from investing activities		**(92,524)**	12,431
CASH FLOWS FROM FINANCING ACTIVITIES			
Board of directors' bonuses paid		**(450)**	(613)
Subscription in capital increase		**24,522**	26,959
Net cash from financing activities		**24,072**	26,346
DECREASE IN CASH AND CASH EQUIVALENTS		**(359,854)**	(250,820)
Cash and cash equivalents, beginning of the year	5	**759,228**	1,010,048
CASH AND CASH EQUIVALENTS, END OF THE YEAR	5	**399,374**	759,228
Supplemental non cash information			
Net change in fair value reserve	16	**(44,610)**	(6,169)
Interest income received		**37,546**	46,541
Interest expense paid		**(7,596)**	(9,313)
Dividends received		**14,944**	17,467

The accompanying notes form an integral part of these financial statements.

1- GENERAL

The Arab Investment Company S.A.A. ("the Company") is an Arab joint stock company formed in July 1974 and owned by 17 Arab states. The Company's primary objective is the encouragement of investment and development in the Arab world through participation in commercially and economically viable projects. The Company has been granted all guarantees and concessions applicable to national, Arab and foreign investments by the laws of shareholder countries. In particular, its assets are granted full freedom of movement and are guaranteed against nationalisation, expropriation and other non-commercial risks.

The Company's head office is located at the following address:

P.O. Box 4009

Riyadh 11491

Kingdom of Saudi Arabia

The Company has a branch which operates as a wholesale bank in the Kingdom of Bahrain ("the Branch") under a license granted by the Central Bank of Bahrain ("the CBB"). The principal activities of the Company include trade financing, commercial lending, treasury services and Islamic banking.

The Kingdom of Saudi Arabia (the host country) exempts gross profits, dividends and reserves of the Company from all taxes, fees and royalties throughout the duration of the Company. Additionally, the Bahrain branch is also exempted from all taxes in accordance with the laws of the Kingdom of Bahrain.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2-1 Basis of preparation

The Company's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of available-for-sale financial assets, financial assets and financial liabilities held at fair value through income statement and derivative financial instruments which are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

2-2 Summary of significant accounting policies

The summary of the significant accounting policies for the Company is as follow:

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in United States Dollars,

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Foreign currency translation (continued)

(a) Functional and presentation currency (continued)

which is the Company's presentation currency. The figures shown in the financial statements are stated in USD thousands, except when indicated otherwise.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency of the Company using exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

Translation differences on non-monetary items, such as equities held as trading securities, are treated as part of fair value gain or loss in the statement of income. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets are included in comprehensive income.

(c) Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are retained in the financial statements and the counterparty liability is included in deposits from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest rate method.

Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through income statement; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

Purchases and sales of financial assets are recognised on the trade-date, i.e., the date on which the Company commits to purchase or sell the asset.

(a) Financial assets at fair value through income statement ("FVIS")

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

Financial assets held for trading

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. Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments.

Financial instruments included in this category are recognised initially at fair value; transaction costs are charged to the statement of income. Gains and losses arising from changes in fair value are included directly in the statement of income. Interest income and expense and dividend income and expenses on financial assets held for trading are included in the statement of income.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Financial assets (continued)

(a) Financial assets at fair value through income statement ("FVIS" (continued)

Financial assets designated at fair value through income statement

Financial assets classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis
- The assets and liabilities are part of a group of financial assets and liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contract.

Financial assets at fair value through income statement are carried at fair value. Changes in fair value are recorded in the statement of income.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than: (a) those classified as at fair value through income statement (b) those designated as available for sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the financial asset including any transaction costs and measured subsequently at amortised cost using the effective interest rate method.

(c) Held-to-maturity ("HTM") financial assets

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

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

(d) Available-for-sale ("AFS") financial assets

Available-for-sale financial assets are those that are 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, or that are not classified as loan and receivables, held to maturity investments or financial assets at fair value through income statement.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Financial assets (continued)

(d) Available-for-sale ("AFS") financial assets (continued)

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in the statement of comprehensive income, except for impairment losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the statement of income. However, interest calculated using the effective interest rate method, and foreign currency gains and losses on monetary assets classified as available-for-sale are recognised in the statement of income.

For financial assets where there is no quoted market price, including investments in equity participations in excess of 20% of the shareholding where the Company does not have significant influence over their operations and financial decisions, a reasonable estimate of the fair value is determined by reference to the current market value of another instrument which is substantially the same, or is based on the expected cash flows or the underlying net asset base of the financial assets.

(e) Determination of fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or dealer price quotations. For all other financial instrument not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e. using recent arm's length market transactions adjusted as necessary and with reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data in a reasonably possible manner). A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between the levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. (See Note 3.4 (b))

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Financial assets (continued)

(e) Determination of fair value (continued)

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy. (See Note 3.4 (b))

Financial liabilities

The Company's financial liabilities are carried at amortised cost. Financial liabilities are derecognised when extinguished.

(a) Financial liabilities at fair value through income statement

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated by the Company as at fair value through income statement upon initial recognition.

- A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it 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.
- Derivatives are also categorised as held for trading unless they are designated as effective hedging instruments. Gains and losses arising from changes in fair value of financial liabilities classified as held for trading are included in the statement of income.

(b) Other liabilities measured at amortised cost

Financial liabilities that are not classified as at fair value through income statement fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost include deposits from banks or customers.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derecognition of financial assets and financial liabilities

(a) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flow from the asset have expired
- The Company has transferred its right to receive cash flow from the asset or has assumed an obligation to pay the received cash flows in full without material delay to the third party under a 'pass-through' arrangement; and either:

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Derecognition of financial assets and financial liabilities (continued)

(a) Financial assets (continued)

- The Company has transferred substantially all the risks and rewards of the asset, or
- The Company has neither transferred nor retained substantially all the risks and reward of the asset, but has transferred control of the asset

When the Company has transferred its rights to receive cash flows from the asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and reward of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the assets and the maximum amount of consideration that the Company could be required to repay.

(b) Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivative financial instruments held by the Company are privately negotiated contracts and carried as assets when fair value is positive and as liabilities when fair value is negative. Fair values are obtained from counterparties or through the use of pricing services such as Bloomberg. Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value, when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried as fair value through income statement. The changes in the fair values of such embedded derivatives are recognised in the statement of income.

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 income statement) are recognised within 'interest income' and 'interest expense' in the statement of income using the effective interest method.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Interest income and expense (continued)

The effective interest method is a method of calculating the amortised 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 Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

Fees and commissions are generally recognised 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) and recognised as an adjustment to the effective interest rate on the loan. Loan syndication fees are recognised as revenue when the syndication has been completed and the Company 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.

Dividend income

Dividends are recognised in the statement of income when the Company's right to receive payment is established usually when the investee declares the dividends.

Impairment of financial assets

(a) Assets carried at amortised cost

The Company assesses at each reporting 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 estimated period between a loss occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The Company 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. If the Company 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.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

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 recognised in the statement of income. 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 Company 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 collateralised 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. asset type and industry).

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 Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. 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.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(b) Assets classified as available-for-sale

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of available-for-sale equity instruments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the statement of income, is recognised in the statement of income. Impairment losses recognised in the statement of income on equity instruments are not reversed through the statement of income. 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 recognised in the statement of income, the impairment loss is reversed through the statement of income.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(c) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due, but are treated as new loans.

Property and equipment

Property and equipment excluding land is stated at historical cost less accumulated depreciation. 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 recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to 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:

- Building and its improvements: 550- years,
- Furniture and equipment: 35- years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets 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 recognised in the statement of income.

Investment property

Property held for long-term rental yields or for capital appreciation or both, which is not occupied by the Company is classified as investment property. Investment property principally comprises land, buildings (and equipment, fixtures and fittings which are an integral part of the buildings). Investment property is recorded at historical cost, net of accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Investment property (continued)

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs over their estimated useful lives as indicated under property and equipment.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of income.

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash, balances with banks and time deposits with an original maturity of less than three months at the date of acquisition.

Provisions

Provisions for restructuring costs and legal claims are recognised when: the Company 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.

Employee benefits

(a) Compensation costs

Company employee benefits and entitlements including entitlement for annual leave, holiday, air passage and other short term benefits are recognised as they accrue to the employees.

(b) Savings scheme

The Company's contributions to defined contribution savings scheme are charged to the statement of income in the year to which they relate. In respect of these plans, the Company has a legal and constructive obligation to pay the contributions as they fall due and no obligations exist to pay the future benefits.

(c) Termination benefits

The staff indemnity provision is made based on an actuarial valuation of the Company's liability under the Company's Employees By laws and in accordance with the local statutory requirements of the foreign branch.

Accounting for leases

(a) Where the Company is the lessee

Leases entered into by the Company are all operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-2 Summary of significant accounting policies (continued)

Accounting for leases (continued)

(b) Where the Company is the lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable and disclosed under "Loans and advances". The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets granted on operating leases are included in the financial statements as investment property. Income from operating lease is recognised on a straight-line basis over the period of the lease.

2-3 New and amended standards and interpretation

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2014, except for the new and amended standards and interpretation made in the following which are effective for annual periods beginning on or after 1 January 2015. The company has not early adopted any other standard interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. This amendment does not have any impact on the Company

Annual Improvements 2010-2012 Cycle

All other improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact to the revaluation adjustments recorded by the Company during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-3 New and amended standards and interpretation (continued)

the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these improvements for the first time in these financial statements. They include:

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. In previous periods, the Company has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment did not impact the accounting policy of the Company.

2-4 Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2-4 Standards and interpretations issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Branch plans to adopt the new standard on the required effective date using the full retrospective method. Furthermore, the Branch is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

3- FINANCIAL RISK MANAGEMENT

The Company's activities are exposed 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 Company's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Company's financial performance.

The Company's risk management policies are designed to identify and analyse 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 Company 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 Risk Management Department under policies approved by the Board of Directors. The Risk Management Department identifies, evaluates and manages financial risks in close co-operation with the Company'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, internal audit is responsible for the independent review of risk management and the control environment.

The most important types of risk are credit risk, market risk, liquidity risk and other operational risk. Market risk includes currency risk, interest rate and equity price risk.

3-1 Credit risk

The Company is exposed to credit risk, which is the risk that a counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit exposures arise principally in lending activities that lead to loans and advances, and investment activities that bring debt securities and other bills into the Company's assets portfolio. There is also credit risk in non-funded financial instruments, such as loan commitments, documentary letters of credit, letters of guarantees, etc.

In management of this risk, the Company has established various procedures that inter alia, include the following:

- The credit and marketing team screens, reviews and continuously monitors all credit related areas on a global basis.

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

- Approval is obtained on the basis of credit recommendations prepared by designated account officers and reviewed by the Company's management.
- The Company has a system of ensuring that adequate security / collateral is in place in respect of funded and non-funded exposures.

Concentration of credit risk arises when the counterparties are engaged in similar business activities or activities in the same geographic region. The risk associated with such concentration is that the exposure would be substantial in the event of a common trend affecting that industry geographic region. Concentration of credit risk by geographic region relating to loans and advances is given in Note 3.1.7.

To mitigate this risk, the Company spreads its exposure, to the extent possible, over various types of counterparties. However, where concentration is inevitable, the Company seeks to take adequate precautions to reduce this additional risk to acceptable levels.

3-1-1 Credit risk measurement

(a) Loans and advances

The Company reviews the creditworthiness of the counterparties to which loans and advances are extended at a counterparty level. The Company also performs an overall collective assessment of its loan portfolio on an annual basis.

Assets are reclassified from the "Regular" grade to the below internal rating scale of the Company, when the obligor financial status indicates possible problems. Therefore, so long as the assets are regular in paying back their dues on time, the assets are not subject to the below classification.

Company rating	Description of the grade	Explanation
A	Watch	Applies to assets which are settled on agreed dates but where careful analysis of the obligor's financial status indicates possible problems or weaknesses in his financial position which might affect its future ability to pay on time.
B	Sub-Standard	Applies to assets where repayment of installments and or interest are delayed for a period of 90 days or less and their full settlement is in doubt and there is a significant deterioration in the value of collaterals.
C	Doubtful	Applies to assets for which the repayment of the installments and or interest are delayed for a period of 180 days. These assets contain all deterioration indicators that are included under the category (B) Sub-Standard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions and values, highly questionable and improbable.
D	Loss	Applies to assets for which the repayment of the interest, principal or any due installments is delayed for a period of 270 days. These assets are considered uncollectible and of such little value, that continuance as bankable asset is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer classifying the asset under this Category even though partial recovery may be possible in the future.

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-1 Credit risk measurement (continued)

(a) Loans and advances (continued)

The Company uses the above ratings in its internal credit risk assessment. Observed defaults per rating category vary year on year, especially over an economic cycle.

Exposure at default is based on the amounts that Company expects to be owed at the time of default. For example, for a loan, this is the face value. For a commitment, the Company includes any amount that may be drawn by the time of default.

(b) Debt securities and other bills

For debt securities and other bills, external rating such as Standard & Poor's, Fitch and Moody's ratings are used by the Company's treasury for managing 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.

(c) Derivatives

Credit risk exposure from derivatives is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Collateral is not usually obtained for credit risk exposures on these instruments.

(d) 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 Company on behalf of a customer authorising a third party to draw drafts on the Company up to a stipulated amount under specific terms and conditions - are collateralised 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 authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Company 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 Company monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

3-1-2 Risk limit control and mitigation policies

The Company manages limits and controls concentrations of credit risk wherever they are identified - in particular, to individual counterparties, companies, and to industries and countries.

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or the Company's borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-2 Risk limit control and mitigation policies (continued)

and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and by country are approved by the Board of Directors.

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:

(a) Collateral

The Company employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Company implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation.

(b) Settlement risk

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

(c) Master netting arrangements

The Company further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions.

3-1-3 Impairment and provisioning policies

The internal rating systems described in Note 3.1.1 focus more on credit quality mapping from the inception of the lending activities. In contrast, impairment provisions are recognised for financial reporting purposes only for losses that have been incurred at the reporting date based on objective evidence of impairment. The table below shows the percentage of the Company's funded and non-funded exposures relating to loans and advances and the associated impairment provision for each of the Company's internal rating categories:

	Percentage			
	2015		2014	
	Loans and Advances %	Impairment provision %	Loans and advances %	Impairment provision %
Regular	**91**	**4**	86	1
Sub-Standard	**9**	**100**	14	15
	100		100	

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-4 Maximum exposure to credit risk before collateral held or other credit enhancements

	Maximum Exposure	
	2015	2014
Credit risk exposures relating to funded exposures are as follows:		
Deposits and cash with banks	**769,911**	929,001
Overdrafts	-	99,161
Loans and advances to banks	**121,523**	262,307
Loans and advances to non-banks	**38,696**	52,407
Trading debt securities	**4,796**	4,908
Investment debt securities	**470,826**	405,410
Interest receivable and other assets	**7,572**	8,766
	1,413,324	1,761,960
Credit risk exposures relating to non-funded exposures are as follows:		
Contingent liabilities		
Loan commitments	**41,772**	86,238
Letters of credit commitments	**17,846**	26,165
Bank guarantees	-	226
	59,618	112,629
At 31 December	**1,472,942**	1,874,589

The above table represents a worst case scenario of credit risk exposure to the Company at 31 December 2015 and 31 December 2014, without taking account of any collateral held or other credit enhancements attached. For funded assets, the exposures set out above are based on net carrying amounts as reported in the statement of financial position.

As shown above, 11% of the total maximum exposure is derived from loans and advances (including overdrafts) to banks and non-banks at 31 December 2015 (2014: 22 %);

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

- 91% of the overdraft, loans and advances portfolio is categorised in the first grade of the internal rating system - regular grade and are considered to be neither past du nor impaired at 31 December 2015 (2014: 86%);
- 20% of the debt securities have at least a credit rating of A– (as rated by Standard & Poor's or its equivalent) at 31 December 2015 (2014: 33%).

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-5 Credit quality of financial assets

The credit exposure as at 31 December is summarised below. These amounts are shown gross without the related impairment provision:

31 December 2015	Neither past due nor Impaired		Past due but not Impaired	Individually Impaired	Total
	Regular	Watch			
Deposits and cash with banks	**769,911**	**-**	**-**	**-**	**769,911**
Debt securities (including trading)	**469,055**	**-**	**6,567**	**6,908**	**482,530**
Loans and advances					
- Loans and advances to banks	**131,726**	**-**	**-**	**16,464**	**148,190**
- Loans and advances to non-banks	**35,130**	**-**	**-**	**-**	**35,130**
Interest receivable and other assets	**7,572**	**-**	**-**	**-**	**7,572**
	1,413,394	**-**	**6,567**	**23,372**	**1,443,333**

As at 31 December 2015, US$ Nil thousand (2014: 1 thousand) has been past due for less than 30 days and US$ 6,567 thousand (2014: US$ 6,675 thousand) for over a year.

31 December 2014	Neither past due nor Impaired		Past due but not Impaired	Individually Impaired	Total
	Regular	Watch			
Deposits and cash with banks	929,001	-	-	-	929,001
Debt securities (including trading)	403,642	-	6,675	4,718	415,035
Loans and advances					
- Overdrafts	99,160	-	1	-	99,161
- Loans and advances to banks	213,586	-	-	60,081	273,667
- Loans and advances to non-banks	52,407	-	-	-	52,407
Interest receivable and other assets	8,766	-	-	-	8,766
	1,706,562	-	6,676	64,799	1,778,037

The total impairment provision for overdraft, loans and advances as at 31 December 2015 is US$ 23.1 million (2014: US$ 11.4 million). Further information of the impairment allowance for overdrafts, loans and advances is provided in note 8.

Total impairment provision for debt securities as at 31 December 2015 is US$ 6.9 million (2014: US$ 4.7 million).

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-5 Credit quality of financial assets (continued)

(a) Age analysis of past due but not impaired financial assets

Financial assets less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. Financial assets more than 90 days past due are considered impaired unless there is available information to indicate the contrary, such as availability of sufficient collateral or pledged securities.

(b) Financial assets renegotiated

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Following restructuring, a previously overdue counterparty account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgment of local management, indicate that payment will most likely continue. These assets are kept under continuous review. Renegotiated financial assets that would otherwise be past due or impaired totalled US$ Nil at 31 December 2015 (2014: US$ nil million).

3-1-6 Debt Securities

The table below presents an analysis of debt securities, at 31 December 2015 and 31 December 2014, based on Standard & Poor's rating or its equivalent:

31 December 2015	FVIS	Available for sale securities	Held to maturity securities	Total
A to A+	**-**	**87,069**	**7,244**	**94,313**
Lower than A-	**4,738**	**210,350**	**4,926**	**220,014**
Unrated	**58**	**152,745**	**8,492**	**161,295**
Total	**4,796**	**450,164**	**20,662**	**475,622**

31 December 2014	FVIS	Available for sale securities	Held to maturity securities	Total
A to A+	58	136,987	-	137,045
Lower than A-	4,850	244,753	14,694	264,297
Unrated	-	8,928	48	8,976
Total	4,908	390,668	14,742	410,318

3-1-7 Concentration of risks of financial assets with credit risk exposure

(a) Geographical sectors

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by geographical region. For this table, the Company has allocated exposures to regions based on the country of domicile of its counterparties.

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-1 Credit risk (continued)

3-1-7 Concentration of risks of financial assets with credit risk exposure (continued)

(a) Geographical sectors (continued)

	Gulf	Other Arab Countries	Asia	Western Europe and USA	Total
Deposits with banks	618,759	31,990	2,013	117,149	769,911
Loans and advances	13,159	32,827	12,549	101,684	160,219
Debt securities	185,532	14,394	158,950	116,746	475,622
Interest receivable and other assets	3,271	1,064	1,875	1,362	7,572
At 31 December 2015	**820,721**	**80,275**	**175,387**	**336,941**	**1,413,324**
At 31 December 2014	958,378	308,937	193,886	300,759	1,761,960
Non-funded exposures:					
At 31 December 2015	**32,532**	**26,498**	**287**	**301**	**59,618**
At 31 December 2014	8,207	58,579	25,843	20,000	112,629

3-2 Market risk

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

Non-trading portfolios primarily arise from the interest rate management of the entity' banking assets and liabilities. Non-trading portfolios also consist of foreign exchange and equity risks arising from the Company's held-to-maturity and available-for-sale investments.

(a) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect either the fair values or the future cash flows of the financial instrument.

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 Company takes exposures which are subject to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks.

The following table depicts the sensitivity to a reasonable possible change in interest rates, with other variables held constant, on the Company's statement of income. The sensitivity of the income is the effect of the assumed changes in interest rates on the floating rate non-trading financial assets and financial liabilities held at the year end.

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-2 Market risk (continued)

(a) Interest rate risk (continued)

Should market interest rates increase by the amounts shown in the table, net income will be affected as mentioned below. An equal decrease in the rates could result in an equal and opposite effect.

Interest rate risk 2015	USD 100BP	EUR 100BP	AED 100BP	SAR 100BP	Other 100BP	Total
Financial assets:						
Deposit with banks	**6,338**	**274**	**803**	**-**	**92**	**7,507**
Overdrafts, loans and advances	**609**	**217**	**-**	**-**	**-**	**826**
Debt securities	**927**	**88**	**-**	**-**	**22**	**1,037**
Impact of Financial Assets	**7,874**	**579**	**803**	**-**	**114**	**9,370**
Financial liabilities:						
Deposits	**(6,112)**	**(56)**	**(6)**	**(44)**	**(92)**	**(6,310)**
Impact of Financial Liabilities	**(6,112)**	**(56)**	**(6)**	**(44)**	**(92)**	**(6,310)**
Impact on the results of the Company	**1,762**	**523**	**797**	**(44)**	**22**	**3,060**

Interest rate risk 2014	USD 100BP	EUR 100BP	AED 100BP	SAR 100BP	Other 100BP	Total
Financial assets:						
Deposit with banks	5,607	484	1,363	1,329	258	9,041
Overdrafts, loans and advances	1,622	483	-	-	-	2,105
Debt securities	262	158	-	-	23	443
Impact of financial assets	7,491	1,125	1,363	1,329	281	11,589
Financial liabilities:						
Deposits	(8,761)	(390)	(64)	(376)	(9)	(9,600)
Impact of financial liabilities	(8,761)	(390)	(64)	(376)	(9)	(9,600)
Impact on the results of the Company	(1,270)	735	1,299	953	272	1,989

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-2 Market risk (continued)

(b) Equity price risk

Equity risk refers to the risk of decrease in fair values of equities in the Company's investment portfolio as a result of reasonable possible changes in levels of equity indices and the value of individual stocks. The effect on the Company's equity investment held for trading and available for sale due to reasonable change in equity indices, with all other variables held constant, is as follows:

Equity classification	2015			2014		
	Change in equity price/ fund NAV %	Effect on net income	Effect on equity	Change in equity price/ fund NAV %	Effect on net income	Effect on equity
Trading equity	±10	1,665	-	±10	507	-
Available for sale equity	±10	-	1,433	±10	-	1,426
Equity participations - quoted	±10	-	12,607	±10	-	16,653

The non-trading equity price risk arising from unquoted equity participations classified as available for sale cannot be easily quantified. Fair value attributed to unquoted equity participation included within equity at the year-end amounted to US$ 165.9 million (2014: US$ 170.4 million).

(c) Foreign exchange risk

The Company takes an 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 intraday positions, which are monitored daily. The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December. Included in the table are the Company's financial instruments at carrying amounts, categorised by major currencies. Some assets and liabilities are not included in the table since they are not considered in the monitoring of currency risk exposure.

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-2 Market risk (continued)

(c) Foreign exchange risk (continued)

Concentrations of currency risk - financial instruments:

As at 31 December 2015	USD	EUR	AED	SAR	BHD	GBP	Others	Total
Cash and deposits with banks	636,248	27,669	80,347	6,215	9,340	151	9,947	769,917
Financial assets at fair value through income statement	4,592	-	-	6,709	2,076	-	6,459	19,836
Investments securities:								
- Available for sale	463,093	8,825	-	7,944	-	-	13,819	493,681
- Held to maturity	20,614	-	-	-	-	-	48	20,662
Overdrafts, loans and advances	122,501	21,729	-	15,989	-	-	-	160,219
Equity participation	92,738	-	-	78,257	-	-	113,058	284,053
Property, plant and equipment	20,286	-	-	-	-	-	-	20,286
Other assets	16,065	46	125	336	578	3	1	17,154
Total financial assets	**1,376,137**	**58,269**	**80,472**	**115,450**	**11,994**	**154**	**143,332**	**1,785,808**
Derivative financial instruments	(110)	-	-	-	-	-	-	(110)
Deposits	(615,344)	(57,953)	(845)	(4,753)	(9,221)	(128)	-	(688,244)
Other liabilities	(3,641)	(306)	-	(9,773)	(1,018)	-	(1,870)	(16,608)
Total financial liabilities	**(619,095)**	**(58,259)**	**(845)**	**(14,526)**	**(10,239)**	**(128)**	**(1,870)**	**(704,962)**
Fair value reserve	(6,525)	(81)	-	619	-	-	(35,115)	(41,102)
Net open position	**750,517**	**(71)**	**79,627**	**101,543**	**1,755**	**26**	**106,347**	**1,039,744**
As at 31 December 2014								
Total financial assets	1,355,750	149,075	165,398	276,934	3,247	25,942	167,107	2,143,453
Total financial liabilities	(885,444)	(108,383)	(12,158)	(57,711)	(2,732)	(1,356)	(34)	(1,067,818)
Fair value reserve	(13,605)	(161)	-	(30,096)	-	-	(41,850)	(85,712)
Net open position	456,701	40,531	153,240	189,127	515	24,586	125,223	989,923

United States Dollars is the functional currency of the Company. The Company does not therefore have a foreign exchange risk to United States Dollars exposures and balances are provided for information only.

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-3 Liquidity risk

Liquidity risk is the risk that the Company will be 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 fulfil commitments to lend.

3-3-1 Liquidity risk management process

The Company's liquidity management process, as carried out within the Company and monitored by a separate team in the Company's treasury, 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 Company 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 financial position liquidity ratios against internal and regulatory requirements; and
- Managing the concentration and profile of debt maturities.

Monitoring and reporting takes 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. The Company's treasury also monitors unmatched medium term assets, the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees.

3-3-2 Non-derivative cash flows

The table below presents the cash flows payable by the Company under non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual cash flows, whereas the Company manages the inherent liquidity risk based on expected cash inflows not resulting in a significantly different analysis. Due to system constraints the company does not have undiscounted cash flow analysis.

As at 31 December 2015	1-3 months	3-12 months	Total
Liabilities			
Deposits	444,202	244,042	688,244
Other liabilities	3,645	4,470	8,115
Total liabilities (contractual maturity dates)	447,847	248,512	696,359

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-3 Liquidity risk (continued)

3-3-2 Non-derivative cash flows (continued)

As at 31 December 2014	1-3 months	3-12 months	Total
Liabilities			
Deposits	717,193	332,987	1,050,180
Other liabilities	3,704	4,759	8,463
Total liabilities (contractual maturity dates)	720,897	337,746	1,058,643

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash, deposits with banks, items in the course of collection, loans and advances to banks; and loans and advances to customers. The Company would also be able to meet unexpected net cash outflows by selling securities and accessing additional funding sources.

3.3.3 Derivative cash flows

The table below sets out the Company's maturity of contractual cash flows of derivatives:

As at 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
Derivatives held for trading					
Foreign exchange derivatives:					
Outflow	67,964	41,757	7,197	-	116,918
Inflow	67,910	41,714	7,184	-	116,808
Total outflow	**67,964**	**41,757**	**7,197**	**-**	**116,918**
Total inflow	**67,910**	**41,714**	**7,184**	**-**	**116,808**

As at 31 December 2014	Up to 1 month	1-3 months	3-12 months	1-5 years	Total
Derivatives held for trading					
Foreign exchange derivatives:					
Outflow	241,777	198,689	-	-	440,466
Inflow	241,822	198,936	-	-	440,758
Total outflow	241,777	198,689	-	-	440,466
Total inflow	241,822	198,936	-	-	440,758

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-3 Liquidity risk (continued)

3-3-4 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

As at 31 December 2015	Less than 12 months	Over 12 months	No fixed Maturity	Total
ASSETS				
Cash and deposits with banks	762,561	-	7,356	769,917
Investments:				
Securities	79,797	438,699	15,683	534,179
Equity participations	-	-	284,053	284,053
Loans and advances	140,219	20,000	-	160,219
Property and equipment	-	-	14,095	14,095
Investment property	-	-	6,191	6,191
Other assets	16,739	-	415	17,154
TOTAL ASSETS	**999,316**	**458,699**	**327,793**	**1,785,808**
LIABILITIES				
Deposits	688,244	-	-	688,244
Derivative financial instruments	110	-	-	110
Other liabilities	5,852	8,072	2,684	16,608
TOTAL LIABILITIES	**694,206**	**8,072**	**2,684**	**704,962**
NET	305,110	450,627	325,109	1,080,846
Cumulative liquidity gap	305,110	755,737	1,080,846	-

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-3 Liquidity risk (continued)

3-3-4 Maturity analysis of assets and liabilities (continued)

As at 31 December 2014	Less than 12 months	Over 12 months	No fixed Maturity	Total
ASSETS				
Cash and deposits with banks	923,669	-	5,337	929,006
Investments:				
Securities	47,863	383,310	5,072	436,245
Equity participations	-	-	330,337	330,337
Loans and advances	287,708	126,167	-	413,875
Property and equipment	-	-	14,352	14,352
Investment property	-	-	5,268	5,268
Other assets	13,856	98	416	14,370
TOTAL ASSETS	**1,273,096**	**509,575**	**360,782**	**2,143,453**
LIABILITIES				
Deposits	1,050,180	-	-	1,050,180
Derivative financial instruments	25	-	-	25
Other liabilities	6,576	8,296	2,741	17,613
TOTAL LIABILITIES	**1,056,781**	**8,296**	**2,741**	**1,067,818**
NET	216,315	501,279	358,041	1,075,635
Cumulative liquidity gap	216,315	717,594	1,075,635	

3-4 Fair value of financial assets and liabilities

(a) Financial instruments measured at fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations. This includes listed equity securities and quoted debt instruments on major exchanges (for example; FTSE, NYSE) and broker quotes from Bloomberg and Reuters.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-4 Fair value of financial assets and liabilities (continued)

(a) Financial instruments measured at fair value (continued)

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques.

The fair value of over-the-counter (OTC) derivatives is determined using valuation methods that are commonly accepted in the financial markets, such as present value techniques. The fair value of foreign exchange forwards is generally based on current forward exchange rates.

(b) Fair value hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments quoted on exchanges.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes the majority of the OTC derivative contracts, traded loans and issued structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Company considers relevant and observable market prices in its valuations where possible.

Assets and liabilities measured at fair value

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
- Debt securities	4,796	-	-	4,796
- Equity securities	15,041	-	-	15,041
Available for sale financial assets				
- Equity securities	8,587	-	-	8,587
- Debt securities	443,598	6,567	-	450,165
- Investment funds	-	-	34,928	34,928
- Equity participations	118,124		165,929	284,053
Total assets	**590,145**	**6,567**	**200,857**	**797,569**
Financial liabilities at FVIS				
- Derivative financial instruments	-	110	-	110
Total liabilities	**-**	**110**	**-**	**110**

All amounts in United States Dollars thousands

3- FINANCIAL RISK MANAGEMENT (continued)

3-4 Fair value of financial assets and liabilities (continued)

(b) Fair value hierarchy (continued)

31 December 2014	Level 1	Level 2	Level 3	Total
Financial assets at fair value through income statement				
- Debt securities	5,070	-	-	5,070
- Equity securities	4,908	-	-	4,908
Available for sale financial assets				
- Equity securities	7,543	-	-	7,543
- Debt securities	383,993	6,675	-	390,668
- Investment funds	-	-	13,314	13,314
- Equity participations	159,896	-	170,441	330,337
Total assets	**561,410**	**6,675**	**183,755**	**751,840**
Financial liabilities at FVIS				
- Derivative financial instruments	-	25	-	25
Total liabilities	**-**	**25**	**-**	**25**

There were no transfers between the levels of fair value hierarchies during the year.

Reconciliation of fair value measurements of Level 3 financial instruments

The Company has classified unquoted equity shares within the fair value hierarchy.

A reconciliation of the beginning and closing balances of the unquoted equity participation including movements is summarised below:

	2015	2014
1 January	170,441	159,522
Purchases	-	26,667
Sales	(4,099)	(853)
Written off	-	(23,950)
Liquidation	(1,779)	-
Total gains and losses recognised in other comprehensive income	1,366	9,057
31 December	165,929	170,443

(c) Financial instruments not measured at fair value

At 31 December 2015, the fair value of HTM instruments carried at amortised cost of US$ 20.6 million (2014: US$ 14.7 million) was determined to be US$ 20.5 million (2014: US$ 14.8 million). The estimated fair value of the other financial assets and liabilities including loans and advances was not significantly different from their respective carrying values. These would qualify for Level 2 disclosure in the table above.

3- FINANCIAL RISK MANAGEMENT (continued)

3-5 Capital management

The Company's objectives when managing capital, which is a broader concept than 'equity' are:

- To safeguard the Company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

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

Impairment losses on loans and advances and debt securities

The Company reviews its loan and debt security portfolios to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recorded in the statement of income; the Company makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment. 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.

Impairment of available-for-sale investment securities

The Company determines that available-for-sale investment securities are impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. In making this judgment, the Company evaluates amongst other factors, whether there is deterioration in the financial health of the investee, industry or sector performance, changes in technology, and operational and financing cash flows.

Going concern

The Company's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management has evaluated compliance with all applicable regulations, outcome of any perceived litigation and is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

All amounts in United States Dollars thousands

4- CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Classification of investments

Management decides on acquisition of an investment whether it should be classified as carried at fair value through statement of income, held-to-maturity or available-for-sale. The Company classifies investments as fair value through statement of income if they are acquired primarily for the purpose of making short term profit. Classification of investments designated as fair value through statement of income depends on how management monitors the performance of these investments. Investments are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. All other investments are classified as available-for-sale.

5- CASH AND DEPOSITS WITH BANKS

Cash and deposits with banks as of 31 December comprise the following:

	2015	2014
Cash and cash equivalents:		
Cash on hand and in banks	**9,550**	14,688
Time deposits maturing within three months of acquisition	**389,824**	744,540
Cash and cash equivalents	**399,374**	759,228
Time deposits with original maturities of more than three months	**370,543**	169,778
Total	**769,917**	929,006

6- INVESTMENTS

Investment securities as of 31 December comprise the following:

	2015	2014
a) Financial assets at fair value through income statement (FVIS)		
Equity securities	**15,041**	5,070
Debt securities	**4,796**	4,908
Total	**19,837**	9,978
b) Available-for-sale securities		
Equity securities	**12,212**	9,186
Debt securities	**457,072**	395,385
Investment funds	**37,184**	13,314
Provision for impairment	**(12,788)**	(6,360)
Total	**493,680**	411,525
c) Held-to-maturity securities		
Debt securities	**20,662**	14,742
Total	**20,662**	14,742
Total investments	**534,179**	436,245

All amounts in United States Dollars thousands

6- INVESTMENTS (continued)

The movement in investment securities is summarised below:

	FVIS	Available-for-sale	Held-to-maturity	Total	
				2015	2014
At 1 January	9,978	411,525	14,742	**436,245**	494,488
Exchange differences	(4)	(2,825)	-	**(2,829)**	(627)
Additions	13,568	162,199	10,710	**186,477**	189,015
Disposals (sale, maturity and redemption)	(1,834)	(69,892)	(5,000)	**(76,726)**	(246,025)
Change in fair value	(1,871)	(7,516)	-	**(9,387)**	(1,369)
Accretion of discount	-	-	210	**210**	481
Writeback of provision	-	189	-	**189**	282
At 31 December	**19,837**	**493,680**	**20,662**	**534,179**	436,245

Included in the above are securities pledged under repurchase agreements with other banks whose carrying value at 31 December 2015 is US$ 146.7 million (2014: US$ 147.4 million)

During the financial year of 2008, in view of the rare circumstance caused by the significant deterioration in the world's financial markets, the Company reclassified interest bearing securities from the 'fair value through statement of profit and loss' sub-category of held for trading to the 'held to maturity' (HTM) category. These securities had a fair value of US$ 9,829 thousand (2014: US$ 9,740 thousand) and carrying value of US$ 9,864 thousand (2014: US$ 9,734 thousand) as of 31 December 2015.

Had these interest bearing securities not been re-classified to HTM, fair value gains of US$ 89 thousands (2014: US$ 506 thousand) would have been recognised in the statement of profit and loss for the year ended 31 December 2015.

7- INVESTMENTS IN EQUITY PARTICIPATIONS

7-1 Fair value of equity participations

Investments in equity participations as of 31 December comprise the following:

	2015	2014
Quoted	**118,124**	159,894
Unquoted	**165,929**	170,443
Total	284,053	330,337

All amounts in United States Dollars thousands

7- INVESTMENTS IN EQUITY PARTICIPATIONS (continued)

7-1 Fair value of equity participations (continued)

2015			
Country / Project	**Quoted shares**	**Fair value of participation**	**Percentage of shareholding**
Kingdom of Morocco			
Société Ryad Soualem S.A.		**198**	**33.0**
Maroc Leasing Company	Quoted	**6,281**	**5.7**
		6,479	
Kingdom of Saudi Arabia			
Saudi International Petrochemical Company	Quoted	**31,497**	**2.3**
Middle East Financial Investment Company		**16,000**	**15.0**
National Trigeneration CHP Company		**4,094**	**9.9**
Bidaya Home Finance		**26,667**	**11.1**
		78,258	
Republic of Sudan			
Kenana Sugar Company		**16,770**	**7.0**
Sudatel Group for Communication	Quoted	**7,173**	**2.2**
Financial Investment Bank	Quoted	**5,170**	**20.8**
Berber Cement Company		**15,136**	**16.4**
The Arab Leasing Company		**9,000**	**30.0**
		53,249	
Arab Republic of Egypt			
Arab International Company for Hotels and Tourism		**12,700**	**13.6**
Egyptian Propylene and Polypropylene Company		**27,630**	**10.0**
International Company for Leasing		**6,119**	**10.0**
		46,449	
Peoples' Democratic Republic of Algeria			
Arab Banking Corporation – Algeria		**3,171**	**4.2**
Arab Leasing Corporation		**10,694**	**25.0**
		13,865	
The Hashemite Kingdom of Jordan			
Arab Jordan Investment Bank	Quoted	**41,466**	**10.3**

All amounts in United States Dollars thousands

7- INVESTMENTS IN EQUITY PARTICIPATIONS (continued)

7-1 Fair value of equity participations (continued)

2015 (continued)			
Country / Project	**Quoted shares**	**Fair value of participation**	**Percentage of shareholding**
Arab International Hotels Company	Quoted	**4,948**	**8.4**
		46,414	
Kingdom of Bahrain			
Arab Banking Corporation	Quoted	**5,504**	**0.4**
State of Qatar			
Arab Jordan Investment Bank		**8,700**	**15.0**
Sultanate of Oman			
Taageer Finance Company	Quoted	**16,085**	**18.8**
Pan-Arab			
The Arab Company for Livestock Development		**3,559**	**1.7**
Arab Mining Company		**2,156**	**1.1**
Arab Trade Financing Program		**3,335**	**0.4**
		9,050	
Total		**284,053**	

2014			
Country / Project	**Quoted shares**	**Fair value of participation**	**Percentage of shareholding**
Kingdom of Morocco			
Société Ryad Soualem S.A.		1,977	33.0
Maroc Leasing Company	Quoted	6,363	5.7
		8,340	
Kingdom of Saudi Arabia			
Saudi Hotel Services Company		4,099	20.0
Saudi International Petrochemical Company	Quoted	59,666	2.3
Middle East Financial Investment Company		16,000	15.0
National Trigeneration CHP Company		5,103	9.9
Bidaya Home Finance		26,667	11.1
		111,535	

All amounts in United States Dollars thousands

7- INVESTMENTS IN EQUITY PARTICIPATIONS (continued)

7-1 Fair value of equity participations (continued)

2014 (continued)			
Country / Project	**Quoted shares**	**Fair value of participation**	**Percentage of shareholding**
Republic of Sudan			
Kenana Sugar Company		17,245	7.0
Sudatel Group for Communication	Quoted	10,651	2.2
Financial Investment Bank	Quoted	4,832	20.8
Berber Cement Company		12,570	16.4
The Arab Leasing Company		8,619	30.0
		53,917	
Arab Republic of Egypt			
Arab International Company for Hotels and Tourism		12,700	13.6
Egyptian Propylene and Polypropylene Company		27,630	10.0
International Company for Leasing		6,218	10.0
		46,548	
Peoples' Democratic Republic of Algeria			
Arab Banking Corporation – Algeria		3,171	4.2
Arab Leasing Corporation		10,694	25.0
		13,865	
The Hashemite Kingdom of Jordan			
Arab Jordan Investment Bank	Quoted	44,455	10.3
Arab International Hotels Company	Quoted	6,301	8.4
		50,756	
Kingdom of Bahrain			
Arab Banking Corporation	Quoted	9,066	0.4
State of Qatar			
Arab Jordan Investment Bank		8,700	15.0
Sultanate of Oman			
Taageer Finance Company	Quoted	18,560	18.8

All amounts in United States Dollars thousands

7- INVESTMENTS IN EQUITY PARTICIPATIONS (continued)

7-1 Fair value of equity participations (continued)

2014 (continued)			
Country / Project	Quoted shares	Fair value of participation	Percentage of shareholding
Pan-Arab			
The Arab Company for Livestock Development		3,559	1.7
Arab Mining Company		2,156	1.1
Arab Trade Financing Program		3,335	0.4
		9,050	
Total		330,337	

Effective beginning of 2001, the Company applied prospectively IAS 39 Financial Instruments: Recognition and Measurement, which requires the re-evaluation of available-for-sale investments at fair value and the recognition of any unrealised gains or losses resulting from the revaluation in the fair value reserve within comprehensive income rather than statement of income, as was previously recognised.

7-2 Gain on sale of equity participations

The gain on sale of equity participations during the years ended 31 December consist of the following:

	2015
Saudi Hotel Services Company - Kingdom of Saudi Arabia -	**2,023**
Societe Ryad Soualem S.A. – Morocco –	**(83)**
Societe Tunisienne de Banque –Tunis-	**320**
Total	**2,260**

	2014
Allianz Company –Egypt	974
Total	974

All amounts in United States Dollars thousands

8- LOANS AND ADVANCES

Loans and advances as of 31 December comprise the following:

	2015	2014
Overdrafts	-	99,161
Short term facilities	-	92,340
Loans and advances	**183,320**	233,733
Total loans and advances	**183,320**	425,234
Provision for impairment on loans and advances	**(23,101)**	(11,359)
Loans and advances, net	**160,219**	413,875
Movement in provision:		
At 1 January	**11,359**	77,349
Provision for the year (see Note 20)	**12,219**	7,324
Written off during the year	-	(73,314)
Writeback	**(766)**	-
Transfer, net*	**289**	-
At 31 December	**23,101**	11,359
Specific impairment provision	**16,464**	9,012
Collective impairment provision	**6,637**	2,347
	23,101	11,359

* During the year, provision for impairment of US$ 289 thousand was transferred from LC contingent liability to General provision of loans upon settlement of liability. Further, provision for impairment of US$ 39 thousand for loans was transferred from Specific to General upon settlement of credit.

The fair value of collaterals that the company holds relating to loans individually determined to be impaired at 31 December 2015 amounts to US$ Nil (2014: US$ nil thousand).

9- OTHER ASSETS

Other assets as of 31 December comprise the following:

	2015	2014
Accrued income	**13,337**	10,921
Other receivables	**3,817**	3,449
Total	**17,154**	14,370

All amounts in United States Dollars thousands

10- PROPERTY AND EQUIPMENT AND INVESTMENT PROPERTY

10-1 Property and equipment:

Property and equipment as of 31 December comprise the following:

	Land	Building and its equipment	Furniture and equipments	Total 2015	Total 2014
Cost:					
At 1 January	7,416	18,305	13,934	39,655	38,139
Adjustment	-	-	-	-	756
Additions during the year	-	1,063	890	1,953	1,264
Disposals during the year	-	-	(1,419)	(1,419)	(504)
At 31 December	7,416	19,368	13,405	40,189	39,655
Accumulated depreciation:					
At 1 January	-	(13,320)	(11,983)	(25,303)	(24,374)
Charge for the year	-	(228)	(662)	(890)	(1,078)
Relating to disposals	-	-	99	99	149
At 31 December	-	(13,548)	(12,546)	(26,094)	(25,303)
Net book value:					
At 31 December 2015	**7,416**	**5,820**	**859**	**14,095**	
At 31 December 2014	7,416	4,985	1,951		14,352

10-2 Investment property:

Investment property, net as of 31 December comprises the following:

	2015	2014
Cost:		
At 1 January	**30,613**	30,468
Additions during the year	**1,023**	145
At 31 December	**31,636**	30,613
Accumulated depreciation:		
At 1 January	**(25,345)**	(25,240)
Charge for the year	**(100)**	(105)
At 31 December	**(25,445)**	(25,345)
Net book value:	**6,191**	5,268

The fair value of investment property at 31 December 2015 amounted to approximately US$ 25 million (2014: US$ 25 million).

All amounts in United States Dollars thousands

11- DEPOSITS

Deposits as of 31 December comprise the following:

	2015	2014
Deposits by banks	**386,665**	718,523
Deposits by non-banks	**301,579**	331,657
Total	**688,244**	1,050,180

Included in the above are deposits raised under repurchase agreements whose carrying value as at 31 December 2015 is US$ 132.9 million (2014: US$ 125.6 million).

12- DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Company enters into various types of transactions that involve derivative financial instruments. The table below shows the positive (assets) and negative (liabilities) fair values of derivative financial instruments together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at year end and are neither indicative of the market risk nor credit risk.

	2015		
	Contract/Notional Amount	Fair value	
		Assets	Liabilities
Held for trading			
Foreign exchange derivatives:			
Currency swaps	233,726	-	110
		-	110

	2014		
	Contract/Notional Amount	Fair value	
		Assets	Liabilities
Held for trading			
Foreign exchange derivatives:			
Currency swaps	881,224	315	25
		315	25

All amounts in United States Dollars thousands

13- OTHER LIABILITIES

Other liabilities as of 31 December comprise the following:

	2015	2014
Accounts payable and accrued expenses	**4,192**	4,316
Deferred income	**1,859**	2,126
Employees' benefits (see table below)	**9,011**	9,246
Interest payable	**1,546**	1,925
Total	**16,608**	17,613

Employees' benefits as of 31 December comprise the following:

	Employees saving schemes	Provision for end of service indemnity	Provision for leave	Total	
				2015	2014
At 1 January	1,034	7,262	950	9,246	9,600
Charge for the year	136	1,050	773	1,959	1,946
Provisions utilised	(356)	(1,054)	(784)	(2,194)	(2,300)
At 31 December	814	7,258	939	9,011	9,246

Under the employees saving scheme, charge for the year represent the cost of the benefits provided by the Company to the employees who are participating in the scheme. Provisions utilised represent the additional contributions to the saving scheme made by the employees less the withdrawals of the employees' entitlements at the time of exiting from the scheme.

14- SHARE CAPITAL

14-1 Authorized and paid

The share capital with a par value of US$ 1,000 each as of 31 December comprises the following:

	2015		2014	
	No. of Shares	Amount	No. of Shares	Amount
Authorised	1,200,000	1,200,000	1,200,000	1,200,000
Fully paid	800,000	800,000	800,000	800,000

All amounts in United States Dollars thousands

14- SHARE CAPITAL (continued)

14-1 Authorized and paid (continued)

On 22 June 2014, the extra ordinary General Assembly Meeting approved an increase in paid up capital from US$ 700 million to US$ 800 million, through capitalization of retained earnings of an amount of US$ 100 million. Legal formalities to effect this increase are completed at the balance sheet date.

On 8 June 2013, the Extraordinary General Assembly Meeting approved an increase in the authorised share capital from US$ 800 million to US$ 1.2 billion, and paid-up capital from US$ 700 million to US$ 1,050 million through the capitalization of US$ 175 million from retained earnings over the next five years and the balance through payment by willing member states in five annual instalments beginning on 1 April 2014. (see note 14)

The ownership of the shareholders as at 31 December is as follows:

	Ownership Percentage(%)	2015	2014
Kingdom of Saudi Arabia	15.68	**125,422**	125,422
State of Kuwait	15.68	**125,422**	125,422
United Arab Emirates (Abu Dhabi)	15.68	**125,422**	125,422
Republic of Iraq	10.48	**83,871**	83,871
State of Qatar	8.19	**65,543**	65,543
Arab Republic of Egypt	6.97	**55,743**	55,743
Syrian Arab Republic	6.97	**55,743**	55,743
The State of Libya	6.97	**55,743**	55,743
Republic of Sudan	2.68	**21,421**	21,421
Kingdom of Bahrain	1.71	**13,679**	13,679
Republic of Tunisia	1.71	**13,679**	13,679
Kingdom of Morocco	1.71	**13,679**	13,679
Sultanate of Oman	1.71	**13,679**	13,679
Republic of Lebanon	1.61	**12,899**	12,899
People’s Democratic Republic of Algeria	1.61	**12,899**	12,899
The Hashemite Kingdom of Jordan	0.32	**2,578**	2,578
Republic of Yemen	0.32	**2,578**	2,578
Total	100.00	**800,000**	800,000

All amounts in United States Dollars thousands

14- SHARE CAPITAL (continued)

14-2 Contribution to share capital increase

The subscription in share capital as at 31 December is as follows:

	Ownership Percentage(%)	2015	2014
Kingdom of Saudi Arabia	15.68	**10,976**	5,488
State of Kuwait	15.68	**10,976**	5,488
United Arab Emirates (Abu Dhabi)	15.68	**-**	-
Republic of Iraq	10.48	**7,336**	3,668
State of Qatar	8.19	**5,733**	2,866
Arab Republic of Egypt	6.97	**4,879**	2,440
Syrian Arab Republic	6.97	**-**	-
The State of Libya	6.97	**2,440**	2,440
Republic of Sudan	2.68	**1,876**	938
Kingdom of Bahrain	1.71	**1,197**	598
Republic of Tunisia	1.71	**1,196**	597
Kingdom of Morocco	1.71	**1,197**	598
Sultanate of Oman	1.71	**1,197**	598
Republic of Lebanon	1.61	**1,127**	564
People's Democratic Republic of Algeria	1.61	**1,127**	564
The Hashemite Kingdom of Jordan	0.32	**224**	112
Republic of Yemen	0.32	**-**	-
Total	100.00	**51,481**	26,959

All amounts in United States Dollars thousands

15- STATUTORY RESERVE

In accordance with the Company's Articles of Association, 10% of the net income is transferred annually to the statutory reserve until the reserve equals 100% of the paid-up capital.

	2015	2014
Movement of statutory reserve:		
Balance, beginning of the year	**96,310**	93,295
Additions for the year	**2,575**	3,015
Balance, end of the year	**98,885**	96,310

16- FAIR VALUE RESERVE

The movements in fair value reserve for the years ended 31 December are summarised as follows:

	2015	2014
Equity participations		
Balance, at beginning of year	**81,737**	87,567
Change in fair value	**(37,095)**	(5,830)
Balance, at end of year	**44,642**	81,737
Securities available-for-sale		
Balance, at beginning of year	**3,975**	4,314
Change in fair value	**(7,515)**	(339)
Balance, at end of year	**(3,540)**	3,975
Total fair value reserve	**41,102**	85,712

All amounts in United States Dollars thousands

17- NET FEES AND COMMISSIONS

	2015	2014
Loans	**176**	10
Trade finance	**299**	2,138
Islamic banking	**402**	485
Others	**(82)**	(136)
Net fees and commissions	**795**	2,497

18- NET (LOSS) GAIN ON FINANCIAL SECURITIES

	2015	2014
Equities	**(2,695)**	6,212
Debt securities	**(390)**	200
Unit Trust Funds	**2,384**	2,373
Total	**(701)**	8,785

19- OTHER INCOME

	2015	2014
Recovery of loans previously written off	**11,446**	1,000
Board remuneration earned from projects	**359**	494
Revaluation of land	**-**	756
Others	**937**	1,447
Total	**12,742**	3,697

All amounts in United States Dollars thousands

20- GENERAL AND ADMINISTRATIVE EXPENSES

	2015	2014
Salaries and related benefits	**11,874**	12,259
Professional and consultancy	**5,492**	2,125
Board of directors' expenses	**785**	702
Others	**3,527**	3,558
Total	**21,678**	18,644

21- IMPAIRMENT PROVISIONS

	2015	2014
Securities	**2,190**	(282)
Loans and advances, net	**12,219**	7,324
Provision expenses for contingent liabilities	**-**	290
Equity participation	**4,000**	5,000
Total	**18,409**	12,332

22- COMMITMENTS AND CONTINGENCIES

Credit related commitments include commitments to extend credit, standby letters of credit and guarantees which are designed to meet the requirements of the Company's customers.

Terms to maturity for credit related commitments and contingencies as of 31 December were as follows:

31 December 2015	No later than 1 year	1-5 year	Total
Loan commitments	-	41,772	41,772
Guarantees, acceptances and other financial facilities	4,513	13,333	17,846
Total	**4,513**	**55,105**	**59,618**

All amounts in United States Dollars thousands

a) The maturities set out above are based on contractual re-pricing or maturity dates, whichever is earlier.

b) Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses, and normally require the payment of a fee. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represents future cash requirements.

c) Standby letters of credit and guarantees commit the Company to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract. Standby letters of credit would have market risk if issued or extended at a fixed rate of interest.

d) The Company has investment commitments amounting to US$ 91.9 million as at 31 December 2015 (2014: US$ 48.1 million).

23- RELATED PARTY TRANSACTIONS AND BALANCES

In the ordinary course of its activities, the Company has no transactions with related parties, except remuneration to board members and executive managers personnel.

i. The balances resulting from such transactions at 31 December are as follows:

	2015	2014
Executive management personnel:		
Loans and advances	-	(85)
End of service benefit	1,918	1,729

ii. The amounts of compensation paid to the board of directors and the executive management personnel during the years ended 31 December are as follows:

	2015	2014
Board of directors' expenses	785	702
Board of directors' bonuses paid	450	613
Salaries and short-term employee benefits	610	573
End of service benefits	189	201

24- COMPARATIVE INFORMATION

Certain comparative figures have been reclassified where necessary to conform to the presentation adopted in the financial statements at 31 December 2015.

25- POLITICAL UNREST

Certain Arab countries in which the Company has investments are undergoing political unrest. Management expects the political situation in these countries to stabilise over the medium term. In the case of shorter term instruments, the Company has received settlement upon maturity of the instruments. Based on available information as of the date of approval of these financial statements; management is confident of the long term viability and recoverability of the Company's longer term investments (including equity participations).

26- APPROVAL OF FINANCIAL STATEMENTS

The accompanying financial statements were approved by the Board of Directors of the Company on 10 Jamad Thani 1437H (corresponding to 19 March 2016).

Adresses

HEAD OFFICE
Kingdom of Saudi Arabia
King Abdulaziz Road
P.O. Box. 4009
Riyadh 11491 - Saudi Arabia
Telephone: +(966) 114760601 (many lines)
Fax: +(966) 114760514
Web Site: www.taic.com
E-mail: taic@taic.com

BAHRAIN BRANCH (Wholesale Bank)
TAIC Building
Al Seef District, P.O. Box. 5559, Manama - Kingdom of Bahrain
Telephone: (973) 17588888 (general), (973) 17588999 (dealing)
Fax: (973) 17588885 (general), (973) 17588988 (dealing)
Swift: TAIQ BH BM
E-mail: taic@taicobu.com

www.taic.com