



ARAB TRADE FINANCING PROGRAM

2015
ANNUAL REPORT



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Headquarters

Seventh Floor, Arab Monetary Fund Building, Corniche Road, Abu Dhabi, United Arab Emirates

P.O. Box 26799, Abu Dhabi, Telephone: (9712) 6316999

Telefax: (9712) 6316793/6316299

Website: www.atfp.org.ae



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FOREWORD

In 2015, the global economy recorded a growth rate of about 3.1% compared to 3.4% during 2014. This was a result of divergence of economic performance between developed economies and emerging economies. While the pace of modest recovery continued in the developed economies, where growth rose in the United States and the Euro zone, about 0.2 and 0.6 percentage points respectively, the emerging market economies growth declined by 0.6 percentage points, and the growth of the Chinese economy declined by about 0.5 percentage points.

The slowdown in global economic growth was mainly attributed to the decline in commodity prices as a result of weak demand, lower capital flows to emerging markets and the instability of financial markets, coupled with the decline in China's stock market, and the subsequent policy measures taken by the Chinese authorities, as well as weaker currencies in many emerging markets, and the worldwide waves of correction in stock prices. In spite of the positive effects of the Fed's decision to raise the interest rates on the US economy, this may have exacerbated the unfavorable conditions faced by emerging and developing economies. This was reflected in higher interest rates on long-term dollar bonds, as well as yields on long-term bonds denominated in local currencies, while stock prices fell, and exchange rates faced increasing pressures. In light of expectations of further increases in US interest rates, the investment flows to emerging and developing markets continued to decline, which reflected negatively on economic growth in these countries. These economic developments reflected negatively on the growth of global trade.

Regional and international economic developments significantly influenced developments in Arab economies during 2015. The developments in the global oil markets had a mixed effect on the internal balances of major Arab economies. On the one hand, the significant decline in oil prices caused budget deficits in the oil exporting countries estimated at 13% of GDP on average, as economic activity associated with oil revenue constituted the largest contributor to GDP. Meanwhile, non-oil GDP growth also slowed down. This situation required most countries to tap into their reserves to dampen the effect of lower oil prices on growth. This was coupled with measures to ensure financial discipline on public finances including subsidy reforms and directing budget savings to growth boosting economic activity. On the other hand, the decline in global oil prices contributed towards easing the burden on the balance of payments and government budgets of the oil importing countries by reducing expenditure related to imports, petroleum product subsidies, transportation costs, and commodity purchases.

As for the activity of the Program during the year 2015, disbursements on trade finance operations amounted to US\$812 million compared to US\$797 million during the year 2014, the outstanding draw-down balance on lines of credit, amounted to US\$570 million as at 2015 year end compared to US\$631 million as at prior year end. The cumulative volume of financing made available by the Arab Trade Financing Program since inception and up to the end of 2015 amounted to around US\$12 billion. In line with the important role that the national agencies play through its geographical distribution, the number of national agencies reached 210 distributed in 19 Arab countries and 5 non-Arab countries.



As for the activities of ATFP in ancillary trade services, the program organized in 2015 a Buyers/Sellers meeting in the pharmaceutical sector in Amman-Jordan. The meeting was the eighteenth event in a series of meetings between exporters and importers from various economic sectors arranged by ATFP, which aim to identify new trading opportunities and markets for Arab exporters. ATFP also continued to develop and update its Inter-Arab Trade Information Network database, which is available online through its website for the benefit of parties involved in Arab trade.

As for the financial performance of the Program, the audited financial statements for the year ended 31 December 2015 show that the total income amounted to US\$13.6 million compared with US\$14.9 million for the year ended 2014, distributed between income from lines of credit of US\$7.9 million and the income from investment portfolio of US\$5.7 million. With regards to administrative expenses during 2015, a slight increase noticed amounting to US\$42 thousand. Accordingly, the net income for the year 2015 amounted to US\$9.4 million compared to net income of the preceding year amounting to US\$10.7 million.

Regarding shareholders' funds, it increased to about US\$1,113 million as at 2015 year end, compared to almost US\$1,111 million as at the beginning of the year 2015, as a result of net income realized during the year 2015 amounting to US\$9.4 million, on the other side, pursuant to the Resolution No. (3/2015) issued by the General Assembly twenty sixth meeting held on 2 April 2015, dividends amounting to US\$6.4 million distributed to shareholders of record as at 31 December 2014, equivalent to almost US\$32.56 per share, paid to shareholders accounts on 30 June 2015, and the remaining Net Income balance for the year 2014 was transferred to the General Reserve.

We look forward during the coming period to continue expanding the Program's financing activities and diversify its credit facilities, also the Program will continue redeveloping ancillary trade services that supports its role in developing and promoting Arab trade.

Yours faithfully,

Abdulrahman A. Al Hamidy
Chief Executive Chairman of the Board



BOARD OF DIRECTORS

Abdulrahman A. Al Hamidy

Chief Executive Chairman of the Board

MEMBERS

Mr. Mohammed Saleh Alghofaili

Assistant Under Secretary for Int'l Financial Affairs,
Ministry of Finance,
Kingdom of Saudi Arabia
Representing
"The Arab Monetary Fund"

Mr. Abdelhak Bedjaoui

General Director,
Economic & External Financial Relations,
Ministry of Finance, Algeria,
Representing
"The Arab Monetary Fund"

Mr. Younis Haji Al Khoori

Under Secretary,
Ministry of Finance,
United Arab Emirates
Representing
"The Arab Monetary Fund"

H.E. Sheikh Salman Bin Isa Al-Khalifa

Executive Director of Banking Operations,
Bahrain Central Bank,
Kingdom of Bahrain
Representing
"The Arab Monetary Fund"

Mr. Ahmed Othman

Director, Technical Department,
The Arab Fund for Economic & Social Development,
Representing
"The Arab Fund and The Arab Multilateral Organizations"

Mr. Abdul-Hamid M. Zigalaie

Economic Advisor,
The Arab Fund for Economic & Social Development,
Representing
"The Arab Fund & The Arab Multilateral Organizations"

Mr. Abdulrahim Bou Azza

General Manager,
Bank of Al Maghrib,
Morocco
Representing
"The Arab Central Banks"

Mr. Houssam Mohamed Saleh Khlaif

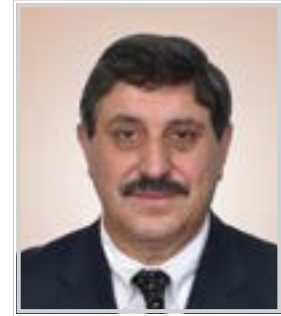
First Vice President, Department of Trade Finance
Arab Banking Corporation (BSC),
Representing
"The Private Financial and Banking Institutions"



Mr. Mohammed Saleh Alghofaili



Abdulrahman A. Al Hamidy
Chief Executive Chairman of the Board



Mr. Abdelhak Bedjaoui



Mr. Younis Haji Al Khoori



H.E. Sheikh Salman Bin Isa Al-Khalifa



Mr. Ahmed Othman



Mr. Abdul-Hamid M. Zigalaie



Mr. Abdulrahim Bou Azza



Mr. Houssam Mohamed Saleh Khlaif



THE ATFP IN BRIEF

Objectives & Means

ATFP aims at promoting and developing trade exchanges of Arab countries, and to enhancing the productivity and competitiveness of Arab producers and exporters. To achieve this end, ATFP seeks to bring together the resources capable of providing the necessary financing for such exchanges at convenient cost and terms. This is performed through various financing tools that include besides the Lines of Credit that are made available to its national agencies, risk sharing with the national agencies in its financing operations, forfaiting, and financing in accordance with the Islamic Sharia. ATFP also seeks to provide exporters and importers in Arab states with information on Arab trade activities, those involved therein, market potentials and opportunities. In addition, ATFP strives to cooperate and coordinate with regional and local institutions of finance and insurance to provide the necessary coverage for such exchanges.

Legal Status

The Arab Trade Financing Program is a joint Arab financial institution which has an independent corporate identity and enjoys full rights, particularly with respect to ownership, contract, litigation, acceptance of deposits, borrowing and fund management.

ATFP enjoys privileges and immunities granted to it by the United Arab Emirates, its country of domicile, pursuant to the Protocol of Privileges and Immunities issued as Federal Decree No. 3 of the year 1990.

Resources

The resources of the ATFP consist of its own capital and reserves, funds deposited with it by financial institutions, borrowing from money markets or other sources falling within the guidelines set by the General Assembly, and any other resources approved by the General Assembly.

Shareholders

Shareholders of ATFP are classified into three categories. Category (A) includes the Arab Monetary Fund, joint Arab financial institutions, and Arab governmental institutions of finance and banking. Category (B) encompasses non-governmental financial and banking institutions in the Arab countries, while Category (C) similar institutions albeit of international or joint Arab-foreign financial and banking institution.

Capital

The ATFP authorized capital, amounts to US\$1 billion, consisting of 200 thousand shares at a par value of US\$5,000 per share. ATFP has a total number of 53 shareholders representing a number of Arab financial organization, Arab Central Banks and Arab and joint Arab Foreign Commercial Banks. The list of the shareholders is lead by the Arab Monetary Fund and the Arab Fund for Economic & Social Development whereby each hold 111274 shares and 44509 shares respectively.



Organizational Structure

ATFP's organizational structure consists of a General Assembly which encompasses shareholders of all categories, a Board of Directors, and an Executive organizational structure which is headed by the Chief Executive & Chairman of the Board of Directors. The Executive Structure is comprised of three departments: - The Trade Development and Promotion Department, The Credit and Trade Finance Operations Department; and The Finance & Administration Department.

Program Characteristics

ATFP's nature of establishment, shareholding and activities, its characteristics and attributes, distinguish it from other sources of trade financing, in the following:

- Among joint Arab institutions specializing in trade financing, ATFP was the first to aim, as an objective, to contribute to the development of Arab trade and to the enhancing the Arab exporter's competitive advantage.
- ATFP extends financing to all exporters and importers of Arab commodities, and seeks to contribute to the generation of new opportunities for trade exchanges in Arab commodities. Also, ATFP provides financing for capital goods of non-Arab origin that are necessary for the production activity in the Arab countries.
- ATFP provides financing for Arab trade at competitive pricing convenient terms.
- As a specialized Arab institution, ATFP is in a better position to coordinate and cooperate with regional and local institutions of finance and insurance on matters related to providing financing and insurance coverage for trade transactions at reasonable conditions.
- ATFP seeks to enhance the capabilities of the commercial banks engaged in providing financing for Arab trade.
- ATFP enjoys a broad shareholder base including joint Arab financial institutions as well as Arab banking institutions of governmental, private and joint nature. Such base allows the establishment of a comprehensive framework within which resources can be pooled with the ultimate objective of helping develop trade in Arab commodities.
- In addition to financing, ATFP provides a package of other services related to development of foreign trade. These include the provision of relevant and reliable trade information on Arab markets, the coordination of available trade opportunities, and the promotion of trade in the form of pan Arab buyers/sellers meetings.



ARAB TRADE DEVELOPMENTS

According to the Joint Arab Economic Report of 2015, Arab exports witnessed a drop in 2014 due to the relative decline in global oil prices, meanwhile Arab imports increased due to higher levels of government spending in some Arab countries.

Arab Countries Foreign Trade

Arab exports recorded a drop in 2014 affected by the decline in global oil prices. Total exports amounted to US\$1,230 billion compared to US\$1,316 billion in 2013, a decrease of 6.6%. Thus Arab exports as a share of global exports dropped to 6.5% from 7% in 2013.

Schedule No. 1
Total Arab Foreign Trade
2010 – 2014

	US\$ (billion)					Annual Change (%)					Average Change during the period (2010 – 2014) %
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Arab Exports	902.0	1,199.6	1,322.1	1,316.3	1,229.6	22.7	32.9	10.2	-0.4	-6.6	13.4
Arab Imports	651.4	734.8	813.8	860.6	889.3	7.3	12.8	10.8	5.8	3.3	9.7
Global Exports	15,254.0	18,291.0	18,404.0	18,784.0	18,935.0	21.7	19.9	0.6	2.1	0.8	7.2
Global Imports	15,457.0	18,487.0	18,608.0	18,874.0	19,024.0	21.4	19.6	0.7	1.4	0.8	6.9
Ratio of Arab to Global Exports (%)	5.9	6.6	7.2	7.0	6.5						
Ratio of Arab to Global Imports (%)	4.2	4.0	4.4	4.6	4.7						

Source: Joint Arab Economic Report 2015

As for export performance at the country level, indicators for 2014 show a drop in the value of exports in all oil exporting countries with the exception of UAE. Exports of Libya declined by 48.6%, Algeria by 14.7%, Kuwait by 9.2%, Iraq by 9%, Saudi Arabia by 8.7%, Oman by 5.7%, Qatar by 4.1% and Bahrain by 0.8%. The exports of UAE recorded an increase of 0.5% in 2014.

Among the non-oil exporting countries, exports of Comoros declined by 41.1%, Lebanon by 15.8%, and Egypt by 13.6%. The exports of Sudan declined by 9.2%, Mauritania by 9%, and Tunisia by 1.9%. Meanwhile the value of exports in Somalia, Jordan, Morocco, Djibouti and Yemen improved by 4.8%, 7.5%, 7.9%, 12.5%, and 17.6% respectively in 2014.

Total imports of Arab countries during 2014 recorded a growth amounted to US\$889.3 billion compared to US\$860.6 billion in 2013. Accordingly, the share of Arab imports in global imports slightly increased to 4.7% in 2014 compared to 4.6% in 2013.

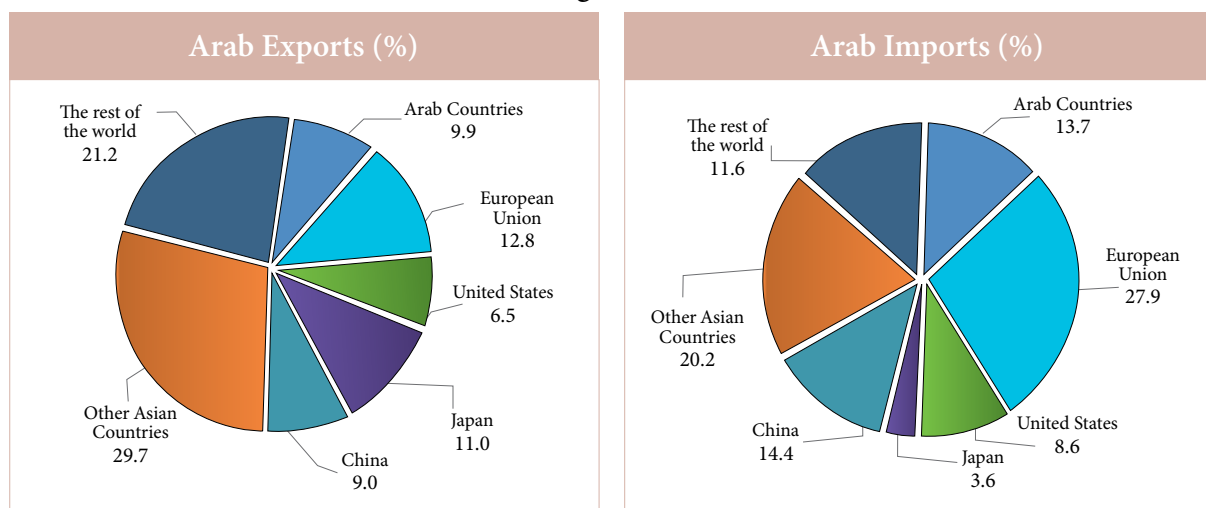


At the country level, indicators reflect an increase in imports of most Arab countries. Fourteen Arab countries recorded an increase in their imports value ranging between the highest rate of 28.2% in Mauritania and the lowest rate of 0.6% in Morocco. Meanwhile, the imports of Comoros, Bahrain, Lebanon, Libya, Sudan, Oman and Iraq recorded a decline ranging between 2.1% for Comoros and 15% for Iraq.

Geographical Distribution of Arab Trade

With regard to the share of the main trading partners in total Arab exports, the shares of the United States and the European Union dropped to 6.5% and 12.8% respectively during 2014 from 6.8% and 13.2% respectively in 2013. Conversely, the share of Japan in Arab exports increased to 11% and China to 9% compared to 10.5% and 8.1% respectively in 2013.

Arab Trading Partners in 2014



Source: Joint Arab Economic Report 2015

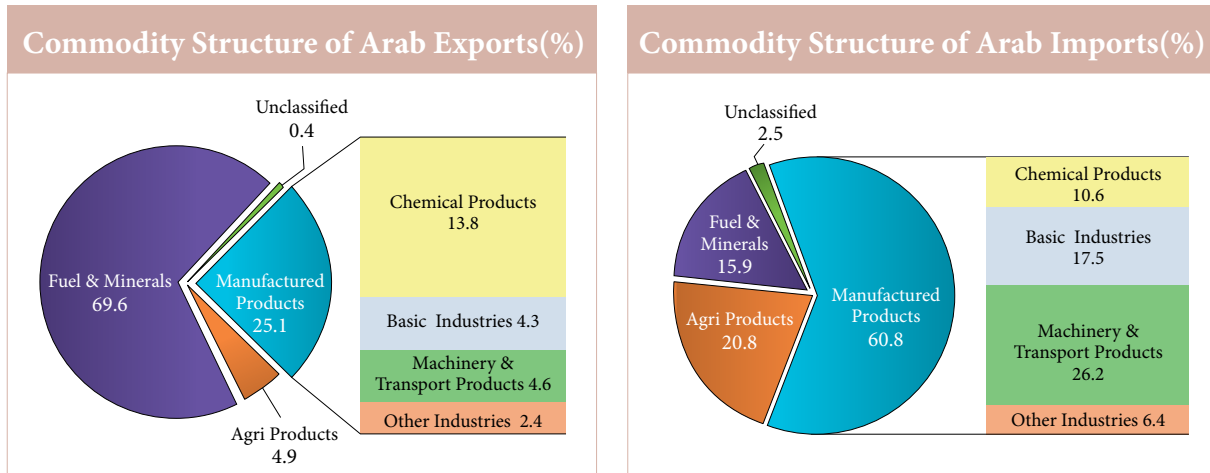
As for the direction of Arab imports, the share of the European Union in total Arab imports slightly dropped to 27.9% and the share of the United States to 8.6%, compared to 28.2% and 8.8% respectively in 2013. Meanwhile, the share of China and Japan in Arab imports reached 14.4% and 3.6% respectively in 2014 compared to 13.1% and 3.3% respectively in 2013.

Commodity Structure of Arab Foreign Trade

Statistics relating to the commodity structure of Arab exports indicate that fuel and minerals continue to comprise the largest item of Arab exports amounting to 69.6% of total exports in 2014 despite the decline from its share of 73.7% in 2013. As a result, manufactured products increased from 19.8% to 25.1% of total Arab exports in 2014. Within the manufactured products category, chemical products, basic industries and machinery & transport equipment represented a share of 13.8%, 4.3% and 4.6% respectively. Meanwhile, agricultural products' share of total Arab exports dropped to 4.9% in 2014 compared to 5.2% in 2013.

On the import side, manufactured products topped the list amounting to 60.8% of total Arab imports. Within this category, machinery & transport equipment represented 26.2% followed by basic industries at 17.5% and chemical products at 10.6%. Agricultural products ranked second in Arab imports with a share of 20.8%, followed by fuel and minerals at 15.9%.

Commodity Structure of Arab Foreign Trade in 2014



Source: Joint Arab Economic Report 2015

Inter-Arab Trade

The average value of inter-Arab trade in 2014 recorded an increase of 5.4% and reached US\$121.9 billion compared to US\$115.7 billion in 2013. The value of inter-Arab exports increased by 6.2% and reached US\$121.8 billion, while the value of inter-Arab imports increased by 4.7% and reached US\$122.1 billion in 2014.

Schedule No. 2 Value and Growth of Inter-Arab Trade 2010 – 2014

	Value (US\$ billion)					Annual Change (%)					Average Change during the period (2010-2014) %
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	
Inter-Arab Trade (1)	90.6	102.0	110.7	115.7	121.9	12.6	12.6	8.6	4.5	5.4	11.3
Inter-Arab Exports (FOB)	97.4	103.9	111.0	114.7	121.8	11.6	6.7	6.9	3.3	6.2	8.4
Inter-Arab Imports (CIF)	83.7	100.1	110.5	116.6	122.1	13.8	19.6	10.3	5.6	4.7	14.5

(1) (Inter-Arab Exports + Inter-Arab Imports) ÷ (2) Source: Joint Arab Economic Report 2015

As a result of the decline of international oil prices which resulted in a drop in the value of total Arab exports, the share of the inter-Arab exports in total Arab exports slightly increased from 8.7% to 9.9% in 2014.

On the imports side, the share of the inter-Arab imports in total Arab imports slightly increased to reach 13.7% in 2014.



Schedule No. 3
Share of Inter-Arab Trade in Total Arab Trade (%)
2010- 2014

	2010	2011	2012	2013	2014
Ratio of Inter-Arab Exports to Total Arab Exports	10.8	8.7	8.4	8.7	9.9
Ratio of Inter-Arab Imports to Total Arab Imports	12.9	13.6	13.6	13.6	13.7

Source: Joint Arab Economic Report 2015

As for the performance at the country level, indicators show that fifteen Arab countries recorded an increase in their inter-Arab exports in 2014. Mauritania recorded the highest increase in inter-Arab exports amounting to 59.7%, followed by Kuwait at 41.2%, Oman at 21.8%, Comoros at 18.8%, Yemen at 18.5%, Libya at 15.6% and Algeria at 12.2%. Concurrently, the increase of inter-Arab exports for Morocco, Somalia, Djibouti, UAE, Qatar, Saudi Arabia, Iraq and Jordan recorded an increase ranging between 9.5% and 3.5%. Conversely, the Inter-Arab exports of Sudan, Tunisia, Bahrain and Egypt dropped between 0.1% for Sudan and 7% for Egypt in 2014.

As for inter-Arab imports, thirteen Arab countries recorded increases ranging between 23.5% for Qatar and 0.1% for Saudi Arabia. Inter-Arab imports of Djibouti dropped by 15%, Iraq by 14.7%, Lebanon by 12.4%, Sudan by 9%, Mauritania by 8.5% and Morocco by 8%.

Geographical Distribution of Inter-Arab Trade

Inter-Arab trade continues to be mostly concentrated in dealings between neighboring Arab countries. Thus, in 2014, 58% of the inter-Arab exports of Jordan were directed towards Iraq and Saudi Arabia. Similarly 47.6% of the inter-Arab exports of Tunisia were directed towards Libya and 26.6% towards Algeria. On the other hand, Saudi Arabia, Egypt and Morocco were able to increase the geographical distribution of their inter-Arab exports to several Arab countries.

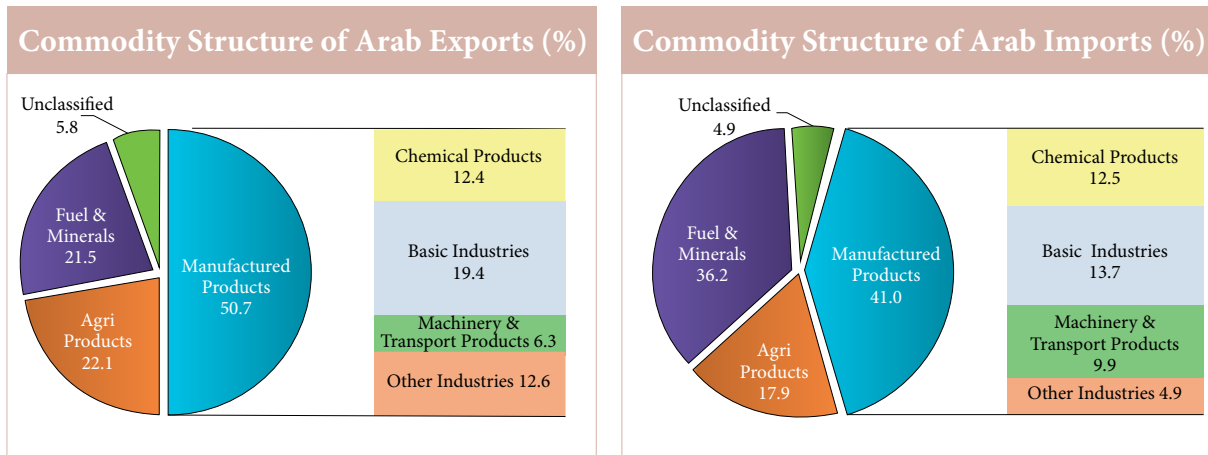
On the import side, the geographical location of a country also plays a major role in determining its inter-Arab trade partners. Therefore, the larger part of inter- Arab imports of Bahrain were from Saudi Arabia with a share of 78%, while 64% of UAE's inter-Arab imports were from Oman, Saudi Arabia and Qatar. Likewise, the bulk of Libya's inter-Arab imports were from Tunisia & Egypt. In this respect, Lebanon and Algeria are considered to be the most diversified in terms of inter-Arab imports.

Commodity Structure of Inter-Arab Trade

Statistics relating to the commodity structure of inter-Arab trade show that manufactured products topped the list of inter-Arab exports at 50.7% of the total in 2014, followed by agricultural products at 22.1% and fuel & minerals with a share of 21.5%. Within the manufactured products category, basic industries, chemical products, and machinery & transport equipment recorded a share of 19.4%, 12.4% and 6.3% of the total respectively.



Commodity Structure of Inter-Arab Trade in 2014



Source: Joint Arab Economic Report 2014

On the import side, manufactured products likewise topped the list with a share of 41% of inter-Arab imports followed by fuel and minerals at 36.2% and agricultural products at 17.9%.



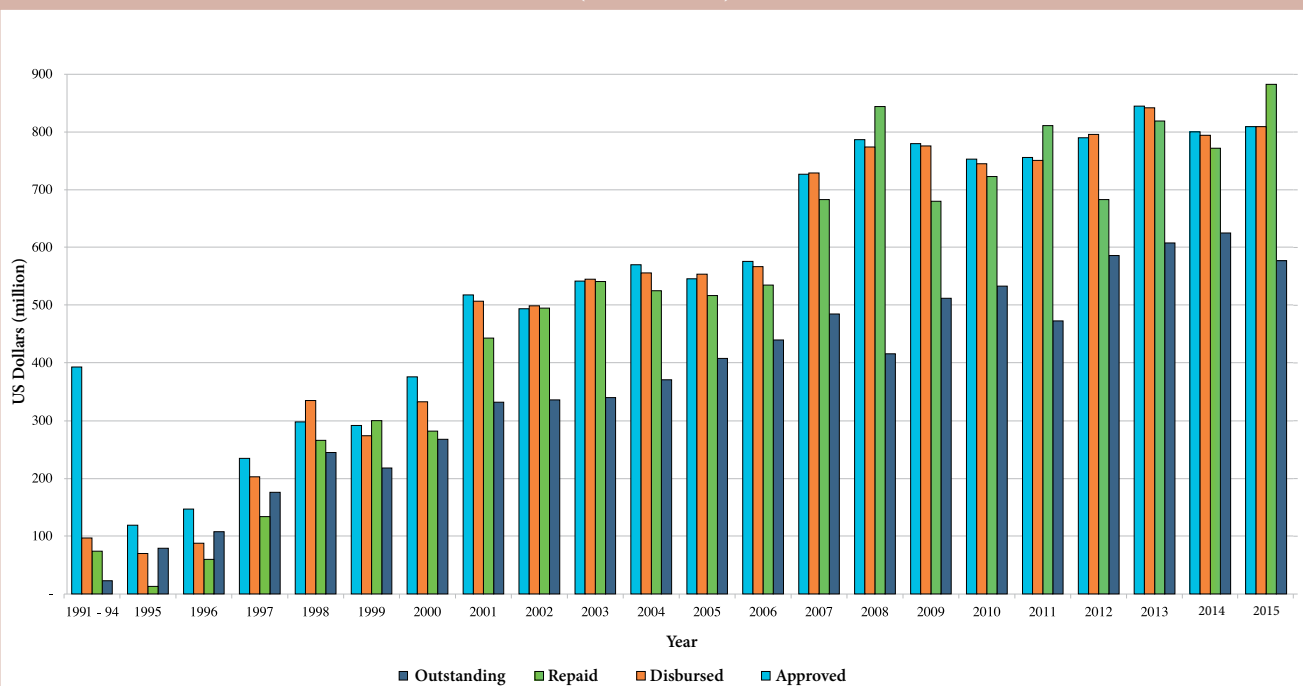
TRADE FINANCE ACTIVITY

Summary of Financing Activities

During 2015, Arab Trade Financing Program (ATFP) received applications for financing from its National Agencies in Arab countries amounting to US\$806 million, compared to US\$802 million at the end of 2014. Meanwhile, disbursements against lines of credit reached US\$808 million, compared to US\$797 million at the end of 2014. As at 31/12/2015, the outstanding balance of credit extended to National Agencies was US\$565 million compared to US\$631 million at year end 2014.

Nine lines of credit agreements were signed, three of which were increased, for a total amount of US\$131 million during 2015, in comparison to twenty nine lines of credit agreements totaling US\$881 million signed during 2014. The decline in the number of agreements and their value is due to the extension of ATFP agreements validity to two years instead of one.

Annual Trade Finance Activity
(1991-2015)

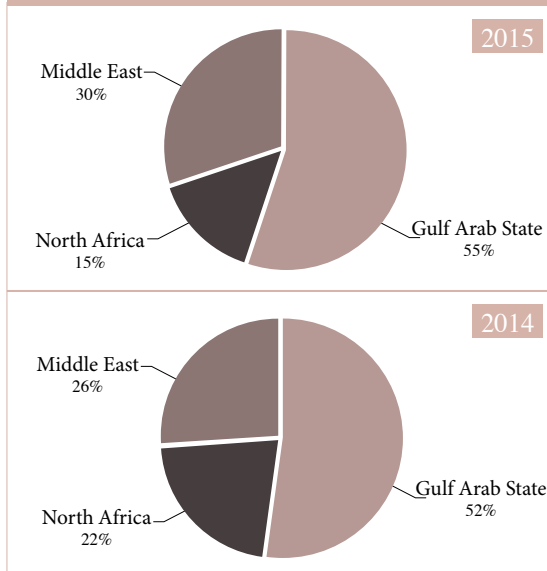


Agreements signed with ATFP National Agencies in 2015:

- **United Arab Emirates:** Arab Bank – U.A.E. Branches, National Bank of Fujairah, Union National Bank
- **Republic of Lebanon:** Bank of Baghdad – Beirut Branch, Banque Libano-Francaise S.A.L., BLC Bank S.A.L., Banque Audi S.A.L. (Increase of Agreement Amount)
- **State of Kuwait:** Gulf Bank (Increase of Agreement Amount)
- **Kingdom of Bahrain:** Ahli United Bank (Increase of Agreement Amount)



Financing Activity Geographical Distribution



A Mudarabah agreement for an amount of US\$5 million was signed between ATFP and International Islamic Trade Financing Corporation to finance the purchase of crude oil and petroleum products in favour of the government of Arab Republic of Egypt, disbursements under this agreement amounted to US\$4.467 million. A risk participation agreement was signed with the European Bank for Reconstruction and Development to issue guarantees in favour of ATFP's National Agencies to cover their obligations stemming from eligible trade transactions.

Trade transactions financed by ATFP included a varied range of commodities and products, but mainly covered:

- **Consumer Goods:**

Petroleum products, foodstuffs, clothes, medicines, medical products, sanitary products, cleaning products, jewelry, home appliances, furniture, stationary, cotton products, electrical meters and paper products;

- **Intermediary Goods:**

Petrochemical products, aluminum, iron and steel products, chemical products, copper bars, cables, electrical wires, ceramic tiles, pipes, building material, wrapping & packaging material, green houses, glass boards, carton boards, glass & plastic bottles and paints;

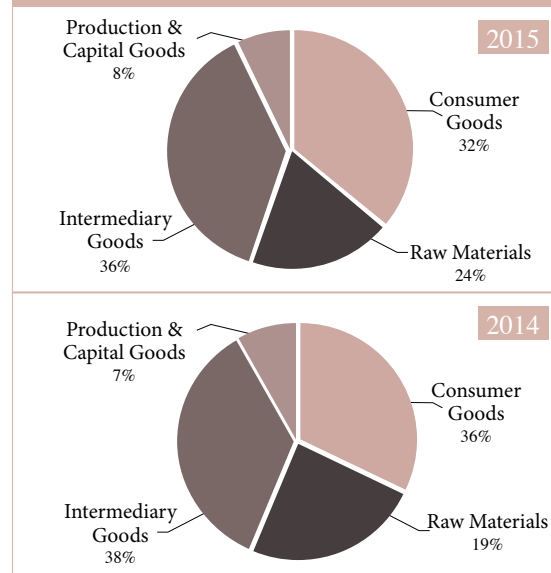
- **Raw Material:**

Cotton, phosphate, fertilizers and crude oil;

- **Production and Capital Goods:**

Elliptical head shearing and flanging machine & accessories, dicalcium phosphate production Line, storage tanks, cement mixers and electrical generators and transformers.

Commodity Structure- Financing Activity





Cumulative Financing

With regard to the cumulative financing figures since commencement of operations in 1991 up to year end 2015, ATFP processed applications totaling US\$12,583 million for eligible trade transactions totaling US\$16,878 million, and approved transactions amounting to US\$12,157 million. ATFP signed (687) lines of credit agreements for a total value of US\$11,571 million, and disbursed US\$11,649 million - out of which US\$11,078 million were settled.

National Agencies

During 2015, ATFP approved the nomination of four new National Agencies, namely:

- *State of Qatar:* Rayan Bank and Barwa Bank
- *Kingdom of Jordan:* Jordan Islamic Bank
- *Republic of Sudan:* Qatar Islamic Bank – Khartoum

These new nominations bring the total number of ATFP National Agencies, as at the end of 2015, to 210 National Agencies in nineteen Arab countries and five non-Arab countries.



OTHER TRADE SERVICE ACTIVITIES

On inception, ATFP set up the Intra Arab Trade Information Network (IATIN) with the objective of providing reliable online information on Arab trade to all parties involved in the market. ATFP completed the process of linking the central core of IATIN headquarters to 30 focal points covering all Arab countries (except Somalia & Iraq) thereby securing delivery of the network's services to the widest possible range of business communities in the Arab region. IATIN provides a wide array of services to Arab traders including country markets profiles, key contacts of companies engaged in commerce, as well as available trade opportunities at the Arab regional level, in addition to other information relating to Arab trade. The services of IATIN are made available through ATFP's web site at www.atfp.org.ae as well as through conventional telecommunication facilities including telephone, e-mail and ordinary mail. ATFP continues to maintain and update IATIN as an online Arab market directory for the benefit of those involved in trading activities in the Arab region. ATFP has also been active in organizing and executing trade promotional activities including buyers/sellers meetings in sectors that demonstrate a potential for trade growth. The meetings are based on a process of matchmaking of exporters and importers dealing in the same products where possibilities of trade exchange, investment, and regional marketing alliances are discussed. The meetings also help informing participants of ATFP's financing capabilities, and the credit facilities made available through its National Agencies. Based on statistical trade flow analysis, a number of key sectors with a potential for trade growth in Arab countries have been identified as the focus of ATFP's buyers/sellers meetings. These sectors include textiles, food industries, metal industries, pharmaceuticals, chemicals & petrochemicals, building materials, furniture, plastic industries and agricultural inputs.

Inter-Arab Trade Information Network

The Arab Trade Financing Program (ATFP) continued in 2015 to update and enhance the database of the Intra-Arab Trade Information Network (IATIN) provided online through its web site on the Internet. In this connection, ATFP updated the contact details of 1150 companies engaged in manufacturing, importing and exporting activities in various Arab countries. During the year, ATFP also added 800 trade leads in the Arab Business Opportunities database for access by potential interested trading partners. Moreover, ATFP included in its trade information database two additional information services published by the WTO for all Arab countries. Those services are foreign trade indicators (country trade profile) and a concise summary of country tariff profile.



As for Arab foreign trade statistics, ATFP's website was updated with the statistical data published by the Arab Monetary Fund (AMF) and the International Trade Centre (ITC), thus expanding the available statistical database to cover the period 2010 – 2014.



Trade Promotion

During 2015, ATFP carried out several activities that aimed at familiarizing the Arab trader with its services with an objective to contribute to the development of Arab trade. In this connection, ATFP participated in several workshops and seminars held in Arab states in cooperation with regional and international institutions engaged in trade finance and trade promotion.



Within this context, ATFP participated in the Trade & Investment Forum, which was held in Casablanca - Morocco and organized by the European Bank for Reconstruction & Development (EBRD). The forum was attended by Moroccan companies, commercial banks and representatives of European banks and chambers of commerce. It is worth noting that ATFP signed an agreement with EBRD to participate in offering guarantee facilities to Arab Banks.

ATFP hosted during October 2015, the ninth annual meeting of the coordination group of trade finance and guarantee institutions, which aims to enhance cooperation in the field of trade, finance and guarantee. The representatives from the coordination group presented working papers on the scope of cooperation between their institutions. The program of the meeting also included a session attended by delegates from banks, financing, economic and trade institutions in the UAE with presentations on the mechanism of operation of the coordination group's institutions and the financing and credit guarantee programs they avail to Arab trader. On the sideline of the event, ATFP signed a Memorandum of Understanding with the Export Program of the Saudi Fund for Development for the cooperation between the two institutions in trade finance operations.





Within the context of its trade promotion activities, ATFP organized during November 2015 a “Seminar on Inter-Arab Trade and the Available Financing Schemes / The Buyers – Sellers Meeting in Pharmaceutical Industries”. The event was held in Amman-Jordan in cooperation with Jordan Chamber of Commerce and the Jordanian Investment Commission. The seminar included sessions on the role of financing institutions in the development of trade, the Jordanian health sector and the Great Arab Free Trade Area (GAFTA). The seminar was attended by representatives from Arab & Jordanian companies engaged in foreign trade, businessmen, several financing institutions in addition to ATFP’s National Agencies. The Buyers / Sellers meeting was attended by 27 companies and establishments dealing in the pharmaceutical sectors of several Arab countries, in addition to African importers of pharmaceuticals who were invited in the context of cooperation with the International Islamic Trade Finance Corporation (ITFC)’s Arab African Trade Bridge initiative. This meeting was the fourth organized by ATFP in the pharmaceutical sector, and the eighteenth in the series of Buyers/Sellers meetings organized by ATFP in the Arab countries. During the event, ATFP signed Memoranda of Understanding with the Jordan Chamber of Commerce and the Jordanian Investment Commission to act as focal points for the Intra-Arab Trade Information Network in Jordan. ATFP also arranged for meetings with its National Agencies to develop existing relationships and initiate new business relationship with other Jordanian banks.



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Independent auditor's report to the shareholders of Arab Trade Financing Program

Report on the financial statements

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

Management's responsibility for the financial statements

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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program'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 Program'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 accompanying financial statements present fairly, in all material respects, the financial position of the Program as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on the other legal and regulatory requirements

We confirm that we have obtained all information and explanations necessary for our audit; that proper financial records have been kept by the Program. We are not aware of any violation of the Articles of Association of the Program having occurred during the year ended 31 December 2015, which may have had a material adverse effect on the financial performance of the Program or its financial position.

PricewaterhouseCoopers
2 March 2016

Jacques E Fakhoury
Registered Auditor Number 379
Abu Dhabi, United Arab Emirates

PricewaterhouseCoopers, (Abu Dhabi Branch), License no. 1001301
Abu Dhabi Trade Centre, 9th Floor, PO Box 45263, Abu Dhabi - United Arab Emirates
T: +971 (0)2 694 6800, F: +971 (0)2 645 6610, www.pwc.com/me

Douglas O'Mahony, Paul Suddaby, Jacques Fakhoury and Mohamed ElBorno are registered as practising auditors with the UAE Ministry of Economy

ARAB TRADE FINANCING PROGRAM

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2015

	Note	2015 US \$ 000	2014 US \$ 000
ASSETS			
Current and call accounts with banks		22,906	2,274
Deposits with banks		156,796	122,038
Financial investments	3	364,050	353,057
Interest receivable and other debtors	4	4,241	6,412
Financing Activity	5	569,720	631,389
Fixed assets		43	48
Total assets		1,117,756	1,115,218
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES			
Accounts payable and accruals		4,952	4,335
SHAREHOLDERS' EQUITY			
Share capital	8	986,605	986,605
Share premium	8	209	209
Reserves	8	118,478	115,503
Retained earnings	8	7,512	8,566
Total shareholders' equity		1,112,804	1,110,883
Total liabilities and shareholders' equity		1,117,756	1,115,218



Abdulrahman A. Al Hamidy
CHIEF EXECUTIVE CHAIRMAN OF THE BOARD

These financial statements were approved by the Board of Directors on 2 March 2016.

The attached notes 1 to 15 form an integral part of these financial statements.
The independent auditor's report is set out on page 1.

ARAB TRADE FINANCING PROGRAM

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 US \$ 000	2014 US \$ 000
INCOME			
Income from financing activity		7,866	7,028
Interest income on deposits with banks		1,036	1,731
Financial investments income	10	4,709	6,119
Other income		10	18
		<u>13,621</u>	<u>14,896</u>
EXPENSES			
Management and staff expenses	11	3,114	3,034
General and administration expenses		462	471
Administrative, investment management and consultancy services fees	11	655	684
		<u>4,231</u>	<u>4,189</u>
NET INCOME FOR THE YEAR		<u>9,390</u>	<u>10,707</u>

The attached notes 1 to 15 form an integral part of these financial statements.
The independent auditor's report is set out on page 1.

ARAB TRADE FINANCING PROGRAM

STATEMENTS OF COMPREHENSIVE INCOME AND CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	No. of issued shares	Issued and fully paid capital	Share premium	Special reserve	General reserve	Revaluation reserve of available for sale investments	Retained earnings	Total
	US\$ 000							
2014								
Comprehensive Income								
Net income for the year	-	-	-	-	-	-	10,707	10,707
Unrealized valuation Changes in available for sale investments	-	-	-	-	-	(556)	-	(556)
	-	-	-	-	-	(556)	10,707	10,151
Changes in Shareholders' equity								
Balance at 1 January 2014	183297	916,485	-	73,681	31,711	(396)	8,922	1,030,403
Capital Increase - New Issue	14024	70,120	209	-	-	-	-	70,329
Transfer to general reserve related to 2013	-	-	-	-	8,922	-	(8,922)	-
Transfer to special reserve	-	-	-	1,070	-	-	(1,070)	-
Transfer to general reserve	-	-	-	-	1,071	-	(1,071)	-
Balance at 31 December 2014	197321	986,605	209	74,751	41,704	(952)	8,566	1,110,883
2015								
Comprehensive Income								
Net income for the year	-	-	-	-	-	-	9,390	9,390
Unrealized valuation Changes in available for sale investments	-	-	-	-	-	(1,045)	-	(1,045)
	-	-	-	-	-	(1,045)	9,390	8,345
Changes in Shareholders' equity								
Balance at 1 January 2015	197321	986,605	209	74,751	41,704	(952)	8,566	1,110,883
cash dividend distribution related to 2014	-	-	-	-	-	-	(6,424)	(6,424)
Transfer to general reserve related to 2014	-	-	-	-	2,142	-	(2,142)	-
Transfer to special reserve	-	-	-	939	-	-	(939)	-
Transfer to general reserve	-	-	-	-	939	-	(939)	-
Balance at 31 December 2015	197321	986,605	209	75,690	44,785	(1,997)	7,512	1,112,804

The attached notes 1 to 15 form an integral part of these financial statements.

The independent auditor's report is set out on page 1.

ARAB TRADE FINANCING PROGRAM

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 US \$ 000	2014 US \$ 000
Operating Activities			
Net income for the year		9,390	10,707
Adjustments for:			
Depreciation		21	17
Interest income on financial investments		(3,585)	(3,439)
Income from sale of financial investments		(1,139)	(2,817)
Operating income before changes in assets and liabilities used in operations		4,687	4,468
Draw-downs on lines of credit		(811,924)	(797,005)
Repayment of lines of credit		873,593	773,837
Decrease in deposits with banks maturing after 3 months from date of placement		4,294	78,633
Decrease in interest accrued and other receivables		1,943	18,366
Increase (Decrease) in accounts payable and accruals		603	(10,462)
Net cash provided by operations		73,196	67,837
Investing Activities			
Interest received from financial investments		3,813	3,440
Net payments dealing in financial investments		(10,898)	(148,341)
Purchase of fixed assets		(16)	(36)
Net proceeds from sale of fixed assets		-	2
Net cash used in investing activities		(7,101)	(144,935)
Financing Activities			
Funds received for capital increase		-	71,134
Cash dividends distribution		(6,411)	-
Net cash (used in) provided by financing activities		(6,411)	71,134
Net increase (decrease) in cash and cash equivalents		59,684	(5,964)
Cash and cash equivalents at the beginning of the year		53,194	59,158
Cash and cash equivalents at the end of the year	9	112,878	53,194

The attached notes 1 to 15 form an integral part of these financial statements.
The independent auditor's report is set out on page 1.

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1 ESTABLISHMENT, OBJECTIVE AND ACTIVITY

The Arab Trade Financing Program was established in accordance with resolution No. 4/1989 by the Board of Governors of the Arab Monetary Fund. The Arab Monetary Fund and the Arab Fund for Economic and Social Development hold 56% and 22% respectively, of the issued and fully paid up capital. The Program aims to promote and develop Arab trade and to enhance the competitive ability of Arab exporters. This is achieved by providing financing in the form of lines of credit to exporters and importers in member countries through national agencies appointed by the Central Bank or other concerned authorities in Arab countries. The Program has its headquarter in Abu Dhabi, United Arab Emirates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied for preparing these financial statements are shown below. These policies have been applied consistent with prior years except when otherwise indicated.

2.1 Basis of preparation

The Program's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention except for:

- Foreign exchange forward contracts are measured at fair value.
- Financial assets at fair value through Income Statement which are measured at fair value;
- Available-for-sale investments which are measured at fair value;

The financial statements include estimates by management that are reflected through the application of accounting policies and the amounts included within the assets, liabilities, income and expenses. These estimates and assumptions are subject to periodic assessment, the results are recognized in the same period.

2.2 Changes in accounting policies and disclosures

(a) Significant new standards and amendments applied by the Program:

The Program has applied the following standard and improvements for the first time for the financial year beginning 1 January 2015:

Annual improvements for the year 2012:

These annual improvements amends the standards for the financial reporting periods 2010 – 2012, and it includes changes to:

- IAS 24 "Related Party Disclosures".

Annual improvements for the year 2013:

- IFRS 13 "Fair Value Measurement".

These amendments and improvements are only to explain the current requirements, it does not impact the accounting policies nor the disclosures of the Program. There are no other IFRSs that were effective for the first time for the financial year beginning 1 January 2015 that had a material impact on the Program's financial statements.

(b) New standards and interpretations not yet adopted by the Program:

The published IFRS 9 "Financial Instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The Program has not early adopted this standard on its financial statements for the year ended 31 December 2015. The Program intends to apply it when it becomes effective as of 1st January 2018.

There are no other standards not applied as of date and expected to have a material effect on the Program's current and future reporting periods or on its future expected transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Financial investments****2.3.1 Classification**

The Program classifies its financial assets in one of the following categories: Available for sale investments, Financial assets at fair value through Income Statement, Held to maturity investments, Lines of credit and other receivables . The classification is based on the intention for which the financial assets have been acquired. The management determines the classification of its financial assets upon initial recognition.

2.3.2 Recognition and measurement

Purchase and sale of financial investments are recognised and categorized on different classes using trade date accounting, such a date in which the Program is committed to sell or purchase the asset. Investments initial recognition is at cost plus other directly attributable transaction costs. Subsequent to initial recognition, financial assets are measured at fair value as follows:

(a) Available-for-sale financial investments

Available-for-sale financial assets are valued to their market value, arising valuation differences are recognised in "Reserve for Changes in Valuation of Available-For-Sale Investments" as a component of Shareholders' Equity. Gains or Losses from the sale of such investments or from any permanent decline in its value, are recognized in the Income Statement. The interest income from the Available-for-sale investments is recognised using the "effective interest rate method" in the Income Statement.

(b) Financial investments at fair value through Income Statement

Financial Investments at fair value through Income Statement is valued according to the net assets' value, which represents the fair value. Changes therein, are recognised in the Income Statement.

(c) Held to maturity investments

Held to maturity investments are stated at cost adjusted for any premium or discount on their purchase and less provision for any impairment. Premiums and discounts are amortised from date of purchase to date of maturity using the "effective interest rate method".

(d) Financing Activity, deposits with banks and other financial assets

Financing Activity represent the outstanding balance of funds disbursed to national agencies to finance eligible trade transactions governed by rules & procedures and the line of credit agreement. These are valued at historical cost at the date of disbursement, repayments by instalments are according to agreed set dates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Financial investments (continued)****2.3.3 Impairment of financial assets**

The Program assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated. This loss is recognized in the statement of income.

A significant or prolonged decline in the fair value of commercial papers below its cost is an evidence that the assets are impaired. As for available-for-sale financial assets, 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 Income Statement – is removed from statement of changes equity and recognised in Income Statement.

2.4 Foreign currencies**(a) Functional and presentation currency**

The financial statements are prepared and presented in USD, which is the Program's functional and presentation currency and all values are rounded to the nearest thousand (USD'000) except when otherwise indicated.

(b) Transactions and balances

Foreign currency transactions are recorded at rates of exchange ruling at the dates of the transactions. Monetary Financial assets and liabilities denominated in foreign currencies are translated into US Dollars at the exchange rates ruling at the year end. Forward foreign exchange contracts entered into to hedge assets denominated in foreign currencies are valued at market rates applicable to their respective maturities. Any resulting gains or losses are taken to the income statement. Fixed assets are recorded at historical rates of exchange.

2.5 Repurchase agreements of financial investments

In accordance with the repurchase agreements, sold investments continue to be recognized within assets as initially classified, and valued according to the applicable accounting policy. Proceeds received are included in liabilities. The agreement sets up the applicable interest rate, and interest is recognised on accrual basis taking account of the period to maturity of the deal.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Employees' terminal benefits

Provision for employees terminal benefits is made for amounts payable under the Program's policy applicable to employees' accumulated periods of service.

2.7 Derivative financial instruments

Initial and subsequent measurement

In the normal course of business, the fair value of a derivative on initial recognition is the transaction price. Subsequent to their initial recognition, derivative financial instruments are stated at fair values. Fair values are generally obtained by reference to quoted market prices in active markets, or by using valuation techniques when an active market does not exist.

Derivative financial instruments with positive market values (unrealised gains) are included in assets and derivative financial instruments with negative market values (unrealised losses) are included in liabilities.

Gains and losses on subsequent measurement

The gains or losses from derivative financial instruments classified as held for trading are taken to the income statement.

2.8 Recognition of revenues from Financing Activity and banks' deposits

Interest income from lines of credit and banks' deposits is recognised on accrual basis taking into account the effective interest rate of the assets. No interest income is recognised when the principle amount is doubtful to collect.

2.9 Financial investments income

Financial investments income consists of gains and losses related to the financial investments, and it includes interest income and realised and unrealised changes in the fair value and dividends distribution income.

2.10 Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of current and call accounts with banks and deposits with banks maturing within three months from placement date. Banks' deposits are stated at amortised cost in the statement of financial position.

2.11 Depreciation

Recognition and measurement

Fixed assets items initially recognised at cost. Subsequent to their initial recognition, they stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation

Fixed assets are depreciated on monthly equal instalments over their expected useful lives.

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3 FINANCIAL INVESTMENTS

	2015 US \$ 000	2014 US \$ 000
Available For Sale	181,916	198,440
Fair Value through profit or loss	128,117	140,003
Held to Maturity	54,017	14,614
	<u>364,050</u>	<u>353,057</u>

- Available for sale investments comprises of debt securities and money market instruments. These are valued to their market value, arising valuation differences are recognised in "changes in fair value of available for sale investments" as a component of shareholders' equity. Gains or losses arising from the sale of such investments or from any permanent impairment are recognized in the statement of income.
- Financial investments at fair value through profit or loss comprises of investments in alternative strategies and property funds, are valued based on net assets value. The change in the net assets value is recognised in the statement of income. Also, dividends received, gains and losses arising from the sale of such investments or from any permanent impairment are recognized in the statement of income.
- Held to maturity investments comprises of debt securities and money market instruments that are held till maturity date. These are valued at cost adjusted for any premium or discount less provision for any impairment. Premiums and discounts are amortised from date of purchase to date of maturity using the "effective interest rate method".

4 INTEREST RECEIVABLE AND OTHER DEBTORS

	2015 US \$ 000	2014 US \$ 000
Interest receivable	3,080	2,627
Prepaid expenses and other receivables	1,161	3,785
	<u>4,241</u>	<u>6,412</u>

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5 LINES OF CREDIT

	2015 US \$ 000	2014 US \$ 000
Balance at the beginning of the year	631,389	608,221
Draw-downs	<u>811,924</u>	<u>797,005</u>
	1,443,313	1,405,226
Repayments	<u>(873,593)</u>	<u>(773,837)</u>
Balance at the end of the year	<u>569,720</u>	<u>631,389</u>

All instalments were paid on due date without delay, and there are no doubtful balances included under the year-end balance that require to raise a provision for.

The undrawn allocations on Financing Activity as at 31 December 2015 amounted to US\$ 1.5 million (2014: US\$ 4.7 million).

6 Related Parties

The Program in its ordinary course of business receives specialised services from the Arab Monetary Fund (Note 1) in investment and administrative management. Notes (7 and 11) discloses the value of these transactions and the related balances, the amounts of remuneration and expenses of key management personnel.

7 MANAGED FUNDS

Funds managed by external portfolio managers are distributed as follows:

	2015 US \$ million	2014 US \$ million
Current and call accounts	2	2
Financial Investments	58	140
Investments in mutual funds and properties	148	57
Interest receivable and other balances	-	1
	<u>208</u>	<u>200</u>

In addition to monitoring the performance of external fund managers of the Program, the Arab Monetary Fund manages surplus funds arising from trade financing activities, which amounted to US\$ 337 million at 31 December 2015 (2014: US\$ 281 million).

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

8 SHAREHOLDERS' EQUITY

In Accordance with the resolution (7/2013) issued on 30 June 2013 by the Annual General Assembly in its Twenty Fourth meeting, the authorized capital was increased from US\$ 500 million to US\$ 1,000 million, and the authorised number of shares increased from 100,000 to 200,000 shares with a par value of US\$ 5,000 per share, through the following:

- Capitalization of 41,485 shares by distrusting it on 30 June 2013 to shareholders on record as at 31 December 2012.
- The existing shareholders were called on to increase their share by subscribing in the new issue of 60,000 shares. The price is set to be at par value for settlement before 2013 year end, this has been extended for settlement before end of June 2014 according to the General Assembly resolution (5/2014) in its twenty fifth meeting held on 23 April 2014, and at book value for settlement thereafter that may not exceed 8 semi-annual instalments.

Issued and paid up capital amounted to 986,605 USD thousand as at 31 December 2015 (2014: 986,605 USD thousand).

Share premium represents the difference between the par value and the price per share determined on the basis of net assets book value as at the date of issue.

In accordance with article number 15 of the Program's article of association, not less than 10% of the annual net income is transferred to a General Reserve.

In accordance with the Annual General Assembly resolution number 3/1996, dated 17 April 1996, allocation to the Special Reserve will be 10% of the annual net income, after allocating the minimum annual transfer required to the General Reserve. Allocation will cease when the Special Reserve balance reaches 25% of the paid up capital. This reserve is not available for distribution.

According to the General Assembly resolution (3/2015) in its twenty sixth meeting held on 2 April 2015, The Board of Directors resolved the distribution of 60% of Net Income cash dividend to the shareholders listed in the records At 31 December 2014, amounting to US\$ 6,424 thousand equivalent to US\$ 32.56 per share transferred to the shareholders' accounts on 30 June 2015, and to transfer the remaining retained earning balance of 2014 to the General Reserve.

9 CASH AND CASH EQUIVALENTS

	2015 US \$ 000	2014 US \$ 000
Current and call accounts with banks	22,906	2,274
Deposits with banks	156,796	122,038
Deposits with banks maturing after three months from placement date	(66,824)	(71,118)
	<u>112,878</u>	<u>53,194</u>

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

10 FINANCIAL INVESTMENTS INCOME

	2015 US \$ 000	2014 US \$ 000
Available for sale investments	2,249	3,767
Fair Value through profit or loss	2,236	2,340
Held to maturity	224	12
	<u>4,709</u>	<u>6,119</u>

11 ADMINISTRATIVE, INVESTMENT MANAGEMENT AND CONSULTANCY SERVICES FEES

In addition to the work handled by the Program's personnel, 25 employees (2014: 24 employees), the Program in its ordinary course of business receives specialised services from the Arab Monetary Fund and external fund managers. Expenses, in the income statement for the Year Ended 31 December 2015, include an amount of US\$ 322 thousand being remuneration and expenses of key management personnel (2014: US\$ 304 thousand).

The cost of administrative and investment management services provided by the Arab Monetary Fund amounted to US\$ 552 thousand (2014: US\$ 555 thousand). The fees and terms of payment relating to these services have been approved by the Board of Directors. Included in Accounts Payable is an amount due to Arab Monetary Fund of US\$ 277 thousand as at 31 December 2015 (2014: US\$ 203 thousand).

12 DERIVATIVE FINANCIAL INSTRUMENTS

As specified in the investment guidelines, the external fund managers use forward foreign exchange contracts, to hedge the risks associated with foreign currency fluctuations relating to deposits and financial investments, within the limits illustrated in the investment policy.

Forward foreign exchange contracts entered into to hedge investments and deposits denominated in foreign currencies at 31 December 2015 amounted to US\$ 108.50 million (2014: US\$ 87.70 million).

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT

13.1 FINANCIAL RISKS FACTORS

The Program in its ordinary course of business exposed to different financial risks such as: (1) Market risks, includes currency risks and Interest rate risks, (2) credit risks, (3) Liquidity risks. The Program's risk management concentrates generally to reduce the potential negative effect of these risks on the Programs' financial performance.

1) Market risks

(a) *Currency and price risk*

The Program manages its currency risk by lending in US dollars. External fund managers, in accordance with investment guidelines, hedge for deposits and financial investments denominated in foreign currency, within the set limits in the Investment Policy, through the use of forward foreign exchange contracts.

(b) *Cash flow and fair value Interest rate risk*

The Program is not excessively exposed to interest rate risk and it seeks to limit its exposures by regular re-pricing of its lines of credit and the use of duration management techniques for it's available for sale and held to maturity investment portfolios.

The following sensitivity test table demonstrates the extent of the impact on the shareholders' equity and the income statement, for a change of 25 basis points (bps) in the interest rate with all other variables held constant.

	Change in bps	2015	2014
		US\$ 000	
<u>Impact on Shareholders' Equity</u>	25+	(823)	(898)
	25-	823	898
<u>Impact on the income statement</u>	25+	2,137	2,234
	25-	(2,137)	(2,234)

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT (continued)

13.1 FINANCIAL RISKS FACTORS (continued)

2) Credit risk

For all classes of financial instruments, the maximum credit risk exposure to the Program is the carrying value as disclosed in the financial statements.

Investments of the Program comprise of deposits with banks, highly rated government and corporate securities and investments in alternative strategies funds. The geographical distribution of these investments is as follows:

	2015 US \$ 000	2014 US \$ 000
Arab Countries	128,238	141,312
Europe	122,748	119,976
North America	136,622	127,595
Far East and Pacific	143,643	85,417
Supranational organizations	12,501	3,069
	<u>543,752</u>	<u>477,369</u>

Lines of credit are extended by the program to provide financing to Arab exporters and importers with a view to promoting and developing intra Arab trade in line with the Program's mandate.

The Program seeks to contain its exposure to credit risk relating to its trade financing activities through the implementation of policies and procedures that are designed to maintain the exposures within pre-defined limits. These limits have been set on the basis of the types of risks and the credit rating of the counter party, and hence the Program is in the opinion that the possibility of a credit loss is remote.

3) Liquidity Risk

There is no material obligation associated with financial liabilities. Therefore, there is no risk that could arise from the need of funds to meet such obligation. Also, the management has diversified the components and the duration of the assets, taking into consideration the liquidity requirements and maintaining a sufficient balance of cash, cash equivalent and marketable securities.

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT (continued)

13.1 FINANCIAL RISKS FACTORS (continued)

3) Liquidity Risk (continued)

The table below summarises the maturities of the Program's financial assets and liabilities:

At 31 December 2015

	Total	Less than one month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
	US\$ 000						
Assets							
Current and call accounts with banks	22,906	22,906	-	-	-	-	-
Deposits with banks	156,796	69,662	87,134	-	-	-	-
Financial investments	364,050	330,814	28,264	4,972	-	-	-
Interest receivable and other debtors	4,241	987	2,573	500	-	-	181
Lines of credit	569,720	159,093	327,270	62,966	20,183	-	208
Fixed assets	43	-	-	-	-	-	43
	<u>1,117,756</u>	<u>583,462</u>	<u>445,241</u>	<u>68,438</u>	<u>20,183</u>	<u>-</u>	<u>432</u>
Liabilities & shareholders' equity							
Accounts payable and accruals	4,952	69	928	13	-	-	3,942
Shareholders' equity	<u>1,112,804</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,804</u>
	<u>1,117,756</u>	<u>69</u>	<u>928</u>	<u>13</u>	<u>-</u>	<u>-</u>	<u>1,116,746</u>

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT (continued)

13.1 FINANCIAL RISKS FACTORS (continued)

At 31 December 2014

	Total	Less than one month	1 to 6 months	6 to 12 months	1 to 5 years	Over 5 years	Unspecified maturity
	<i>US\$ 000</i>						
Assets							
Current and call accounts with banks	2,274	2,274	-	-	-	-	-
Deposits with banks	122,038	21,431	100,607	-	-	-	-
Financial investments	353,057	341,443	11,614	-	-	-	-
Interest receivable and other her debtors	6,412	1,559	2,286	180	-	-	2,387
Lines of credit	631,389	49,093	424,156	124,667	33,265	-	208
Fixed assets	48	-	-	-	-	-	48
	<u>1,115,218</u>	<u>415,800</u>	<u>538,663</u>	<u>124,847</u>	<u>33,265</u>	<u>-</u>	<u>2,643</u>
Liabilities & shareholders' equity							
Accounts payable and accruals	4,335	501	-	-	-	-	3,834
Shareholders' equity	<u>1,110,883</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,110,883</u>
	<u>1,115,218</u>	<u>501</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,114,717</u>

13.2 Capital management

Capital is managed in a manner that will achieve the Program's main objective, as stipulated in the Articles of Association. The process involves diversification in the assets composition that will generate revenues, that will provide support to the financial position through allocations to reserves, thus to expand on the activity, and distribute the remaining balance to shareholders in the form of cash dividends. The capital base is composed of share capital, reserves and retained earnings, the details of which are shown on page (2) within the statement of financial position.

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT (continued)

13.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- 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) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The Program's financial investments at fair value allocated into the following levels at 31 December.

	Total	Level 1	Level 2	Level 3
	US \$ 000			
31 December 2015				
Available for sale investments	181,916	181,916	-	-
Fair value through Income Statement	128,117	-	128,117	-
Held to maturity	53,984	53,984	-	-
	<u>364,017</u>	<u>235,900</u>	<u>128,117</u>	<u>-</u>
	Total	Level 1	Level 2	Level 3
	US \$ 000			
31 December 2014				
Available for sale investments	198,440	198,440	-	-
Fair value through Income Statement	140,003	-	140,003	-
Held to maturity	14,614	14,614	-	-
	<u>353,057</u>	<u>213,054</u>	<u>140,003</u>	<u>-</u>

During the year, there were no transfers between or into Level 1, Level 2 and Level 3 fair value measurements.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, activity sectors, pricing service, or regulatory agency. These investments included under level 1 and include Available for sale investments and Held to maturity investments are valued at fair value.

ARAB TRADE FINANCING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13 FINANCIAL RISKS MANAGEMENT (continued)

13.3 Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. These investments included under level 2 and include Fair Value through Income Statement investments and valued in a fair value.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments; and
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

14 FINANCIAL INSTRUMENTS

The accounting policies related to the financial instruments applied on the below items:

	2015 US \$ 000	2014 US \$ 000
Financial Assets		
Current and call accounts with banks	22,906	2,274
Deposits with banks	156,796	122,038
Financial investments	364,050	353,057
Interest receivable and other her debtors	4,241	6,412
Lines of credit	569,720	631,389
	<u>1,117,713</u>	<u>1,115,170</u>
Financial Liabilities		
Accounts payable and accruals	<u>4,952</u>	<u>4,335</u>

15 SUBSEQUENT EVENTS

The Board of Directors resolved in its meeting held on 2 March 2016 to propose to the twenty seventh General Assembly, scheduled to be held on 31 March 2016, the distribution of a cash dividend of US\$ 27.50 per share to the shareholders of record at 31 December 2015, and to transfer the retained earning remaining balance as at 31 December 2015, amounting to US\$ 2,085 thousand, to the General Reserve.



SHAREHOLDERS

Arab Monetary Fund	Abu Dhabi
Arab Fund for Economic and Social Development	Kuwait
Banque d'Algerie	Algiers
Arab Banking Corporation (BSC)	Manama
Central Bank of Libya	Tripoli
Central Bank of Egypt (On behalf of Egyptian banks)	Cairo
Gulf International Bank	Manama
Arab Authority for Agricultural Investment and Development	Khartoum
The Arab Investment Company	Riyadh
Central Bank of Yemen	Sana'a
The Inter-Arab Investment Guarantee Corporation	Kuwait
Commercial Bank of Syria	Damascus
Banque Centrale de Tunisie	Tunis
Bank Almaghrib	Rabat
Libyan Foreign Bank	Tripoli
El Nilein Bank Group for Industrial Development	Khartoum
Banque de L'Agriculture et du Developement Rural	Algiers
Banque Nationale d'Algerie	Algiers
Banque Exterieur d'Algerie	Algiers
Credit Populaire d'Algerie	Algiers
Banque de Developpment Local	Algiers
Rasheed Bank	Baghdad
Rafidain Bank	Baghdad
Riyad Bank	Riyadh
Union National Bank	Abu Dhabi
Arab International Bank	Cairo
Jordan Dubai Islamic Bank	Amman
Samba Financial Group	Riyadh
Tunis International Bank	Tunis
Arab Bank Limited (Abu Dhabi Branch)	Abu Dhabi
National Commercial Bank	Jeddah
Al Ahli Bank of Kuwait KSC	Kuwait
Banque Marocaine du Commerce Exterieur	Casablanca
Commercial Bank of Kuwait	Kuwait
National Bank of Kuwait	Kuwait
Al Ahli United Bank	Manama
Arab African International Bank	Cairo
Banque Centrale Populaire	Casablanca
Emirates National Bank of Dubai	Dubai
Byblos Bank S.A.L.	Beirut
Credit Libanaise S.A.L.	Beirut
Arab Investment Bank	Cairo
Qatar National Bank	Doha
Bank of Beirut	Beirut
Fransabank	Beirut
Banque Audi	Beirut
Capital Bank of Jordan	Amman
Banque Libanese pour le Commerce	Beirut
Banque Libano-Francaise S.A.L.	Beirut
BLOM Bank S.A.L.	Beirut
BankMed S.A.L.	Beirut
First National Bank S.A.L.	Beirut
Union de Banques Arabes et Françaises (UBAF)	Paris - France



NATIONAL AGENCIES

JORDAN

Jordan Dubai Islamic Bank
Arab Bank P.L.C.
Arab Banking Corporation (Jordan)
Central Bank of Jordan
The Housing Bank for Trade & Finance
Bank of Jordan
Capital Bank of Jordan
Investbank
Jordan Ahli Bank
Jordan Kuwait Bank
Egyptian Arab Land Bank
Jordan Commercial Bank
Cairo Amman Bank
Ministry of Finance
Jordan Islamic Bank

U.A.E.

Emirates NBD Bank
First Gulf Bank
El-Nilein Bank – Abu Dhabi
Banque Misr (Gulf Branches Regional Office)
Mashreq Bank
Union National Bank
Arab Bank – Abu Dhabi
Abu Dhabi Commercial Bank
Citibank – Dubai
Al Ahli Bank of Kuwait KSC - Dubai
National Bank of Abu Dhabi
Abu Dhabi Islamic Bank
National Bank of Fujairah P.S.C.
Bank of Baroda
Bank of Sharjah
Commercial Bank of Dubai
Noor Islamic Bank
Standard Chartered Bank
National Bank of Kuwait S.A.K. - Dubai Branch

BAHRAIN

National Bank of Bahrain BSC
Bahrain Development Bank B.S.C.
Arab Banking Corporation (B.S.C.)
The Arab Investment Company (S.A.A.)
Bank of Bahrain And Kuwait (B.S.C.)
Al-Ahli United Bank (B.S.C.)
Gulf International Bank (B.S.C.)
United Gulf Bank B.S.C.
Al Baraka Banking Group
Bahrain Islamic Bank
ICICI Bank Limited (Bahrain Branch)
Al-Baraka Islamic Bank



NATIONAL AGENCIES

TUNISIA

Banque Centrale de Tunisie
Societe Tunisienne de Banque
Banque Internationale Arabe de Tunisie
Banque Nationale Agricole
Arab Tunisian Bank
Amen Bank
Attijari Bank
Arab Banking Corporation (Tunisie)
Al Baraka Bank - Tunisia

ALGERIA

Banque de l'Agriculture et du Developpement Rural
Banque Nationale d'Algerie
Banque Exterieur d'Algerie
Credit Populaire d'Algerie
Banque de Developpement Local
Arab Banking Corporation (Algeria)

SAUDI ARABIA

The Saudi Investment Bank
Riyad Bank
The National Commercial Bank
Arab Petroleum Investment Corporation (APICORP)
Bank Al-Jazira
International Islamic Trade Finance Corporation (ITFC)

SUDAN

El Nilein Bank
Omdurman National Bank
Animal Resources Bank
Sudanese French Bank
Saving & Social Development Bank
Financial Investment Bank
Workers National Bank
Islamic Co-operative Development Bank
Al Baraka Bank Sudan
Byblos Bank Africa
Arab Authority for Agriculture Investment and Development
United Capital Bank
National Agency for Insurance & Finance of Exports
Al Salam Bank – Sudan
Al Jazeera Sudanese Jordanian Bank
Bank of Khartoum
The Central Bank of Sudan
Al Shamal Islamic Bank
Saudi Sudanese Bank
Arab Sudanese Bank
Export Development Bank
Qatar Islamic Bank - Khartoum



NATIONAL AGENCIES

SYRIA

Commercial Bank of Syria
International Bank for Trade and Finance
Byblos Bank Syria S.A.
Arab Bank Syria S.A.
Audi Bank – Syria S.A.

IRAQ

Rafidain Bank
Rasheed Bank
Trade Bank of Iraq
Commercial Bank of Iraq
Kurdistan International Bank for Investment and Development
National Bank of Iraq

OMAN

National Bank of Oman (S.A.O.G.)
Oman Development Bank (S.A.O.G.)
Bank Muscat (S.A.O.G.)
Bank Dhofar (S.A.O.G.)
Oman International Bank (S.A.O.G.)
Oman Arab Bank (S.A.O.G.)
Bank Sohar (S.A.O.G.)
Ahli Bank (S.A.O.G.)

QATAR

Al Ahli Bank Q.S.C.
The Commercial Bank of Qatar Q.S.C.
Doha Bank Q.S.C.
Qatar Development Bank
Qatar National Bank Q.S.C.
Qatar Islamic Bank
Qatar International Islamic Bank
Rayan Bank
Barwa Bank

KUWAIT

The Gulf Bank
National Bank of Kuwait
Commercial Bank of Kuwait
Al-Ahli United Bank - Kuwait
Burgan Bank
Al Ahli Bank of Kuwait
Boubyan Bank
Kuwait International Bank
The Arab Investment & Export Credit Guarantee Corporation



NATIONAL AGENCIES

LEBANON

Credit Libanais S.A.L.
Banque du Liban et d'Outre-Mer S.A.L.
Byblos Bank S.A.L.
Fransabank S.A.L.
Bank of Beirut S.A.L.
Banque Libano-Francaise S.A.L.
Banque Audi S.A.L.
Lebanon & Gulf Bank S.A.L.
First National Bank S.A.L.
Jamal Trust Bank S.A.L.
Syrian Lebanese Commercial Bank S.A.L.
Banque du Liban
Ministry of Finance
IBL Bank S.A.L.
Bank Bemo S.A.L.
Societe Generale de Banque au Liban
Bank of Beirut & the Arab Countries S.A.L.
BLC Bank S.A.L.
Credit Bank S.A.L.
Bank Med S.A.L.
Arab Finance House S.A.L.
Lebanese Islamic Bank S.A.L.
Middle East & Africa Bank S.A.L.
Citibank, N.A.- Lebanon
Al-Baraka Bank S.A.L.
Emirates Lebanon Bank S.A.L
Banque de Credit National S.A.L.
Bank of Baghdad – Lebanon Branch

LIBYA

Libyan Foreign Bank
Bank of Commerce & Development
The Agricultural Bank
Gumhouria Bank



NATIONAL AGENCIES

EGYPT

Export Development Bank of Egypt
Banque Misr
National Bank of Egypt
Bank of Alexandria
Misr Iran Development Bank
Commercial International Bank (Egypt)
Arab Banking Corporation – Egypt
Qatar National Bank Al Ahli (Egypt),
(formerly National Societe Generale Bank)
Arab Investment Bank
Ahli United Bank (Egypt)
Abu Dhabi Islamic Bank (Egypt),
(formerly National Bank for Development)
Suez Canal Bank
Banque du Caire
Societe Arabe International de Banque
Arab African International Bank
National Bank of Kuwait, (formerly Al Watany Bank of Egypt)
Central Bank of Egypt
Al Baraka Bank – Egypt
Banque Audi S.A.E.
Union National Bank-Egypt
Arab International Bank

MOROCCO

Banque Marocaine du Commerce Exterieur
Banque Centrale Populaire
Attijariwafa Bank
Ministry of Economy and Finance
Societe Generale Marocaine de Banques

MAURITANIA

Banque Mauritanienne pour le Commerce International
Bank Nationale de Mauritanie
Generale de Banque de Mauritanie pour l'Investissement et le
Commerce
Banque pour le Commerce et l'Industrie
Banque Al-Wava Mauritanienne Islamique
Banque Al Amana pour le Developpement et le Logement
Banque Centrale de Mauritanie



NATIONAL AGENCIES

YEMEN

The Yemen Bank for Reconstruction And Development
Yemen Commercial Bank
International Bank of Yemen
Arab Bank P.L.C.
The Yemen & Kuwait Bank for Trade & Investment
Tadhamon International Islamic Bank
National Bank of Yemen
Cooperative and Agricultural Credit Bank

PALESTINE

Palestine Investment Bank
Al-Quds Bank for Investment & Development
The Arab Bank P.L.C.
Palestinian Banking Corporation

FRANCE

Union de Banques Arabes et Francaises – U.B.A.F.

MALTA

First International Merchant Bank P.L.C.

UNITED KINGDOM

British Arab Commercial Bank
Jordan International Bank P.L.C.
National Bank of Egypt (UK) Limited

BRAZIL

Banco ABC Brasil S.A.

BELGIUM

Byblos Bank Europe S.A.





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