

National Bank of Kuwait - Egypt (S.A.E)

Allied for Accounting & Auditing EY
Chartered Accountants & Consultants

Crowe Horwath Dr.A.M.Hegazy & Co.
Public Accountants & Consultants

NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2016
TOGETHER WITH AUDITORS' REPORT

Translation of Auditors' report
Originally issued in Arabic

AUDITORS' REPORT

TO THE SHAREHOLDERS OF NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

Report on the Financial Statements

We have audited the accompanying financial statements of **NATIONAL BANK OF KUWAIT – EGYPT(S.A.E)**, represented in the balance sheet as of **31 December 2016**, and the related statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

**Translation of Auditors' report
Originally issued in Arabic**

Opinion

In our opinion, the financial statements referred to above, give a true and fair view, in all material respects, of the financial position of NATIONAL BANK OF KUWAIT - EGYPT (S.A.E) as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of financial statements issued on 16 December 2008, and in light of the Egyptian laws and regulations relating to the preparation of these financial statements.

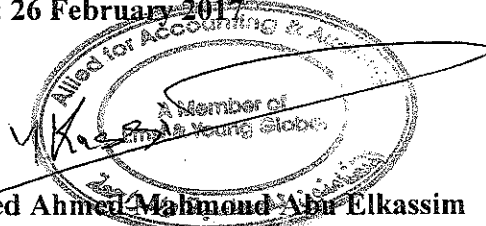
Report on Other Legal and Regulatory Requirements

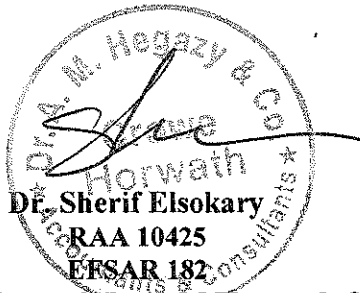
Based on the information and explanation that we obtained from the bank's management , We have not noted during the financial year ended 31 December 2016 any material non-compliance by the Bank in respect of the articles of the Central Bank of Egypt and Banking and Monetary Institution Law No. 88 of 2003.

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

The financial information included in the Board of Directors' Report, prepared in accordance with Law 159 of 1981 and its executive regulation, is in agreement with the books of the Bank insofar as such information is recorded therein.

Cairo: 26 February 2017


Mohamed Ahmed Mahmoud Abu Elkassim
RAA 17553
EFSAR 359
Allied for Accounting & Auditing EY


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National Bank of Kuwait - Egypt (S.A.E)

BALANCE SHEET

As of 31 DECEMBER 2016

	<u>Note No.</u>	31 December 2016 L.E(000)	31 December 2015 L.E(000)
<u>Assets</u>			
Cash and Due from Central Bank	(15)	2,416,591	2,974,811
Due from banks	(16)	5,315,505	6,593,910
Treasury bills	(17)	14,387,468	6,612,335
Loans and Facilities to customers	(18)	24,963,576	13,819,048
Available for sale investments	(20)	1,202,553	6,599,364
Held to maturity investments	(20)	4,566,723	21,750
Investments in associates	(21)	37,008	34,785
Other assets	(22)	792,652	626,321
Fixed assets	(23)	308,236	294,888
Intangible assets	(24)	31,950	1,468
Total assets		54,022,262	37,578,680
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Due to banks	(25)	8,673,190	3,592,789
Customers' deposits	(26)	38,100,096	30,394,299
Financial Derivatives	(19)	1,344	1,059
Other loans	(27)	3,356,469	618,408
Other liabilities	(28)	452,982	295,283
Retirement benefits obligations	(29)	25,148	-
Other provisions	(30)	149,497	151,521
Deferred Tax Liabilities	(31)	5,019	4,094
Current Income Tax Liabilities		58,670	18,782
Total liabilities		50,822,415	35,076,235
<u>Equity</u>			
Issued and Paid-up capital	(32/b)	1,000,000	1,000,000
Reserves	(32/c)	520,131	481,727
Retained Earnings	(32/d)	1,679,716	1,020,718
Total Equity		3,199,847	2,502,445
Total Liabilities and Equity		54,022,262	37,578,680

Managing Director

Chairman

Dr. Yasser Ismail Hassan

Isam J. Alsager

-The accompanying notes from (1) to (41) are integral part of these financial statements and to be read there with.

-Auditors' report attached.

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF INCOME

For the Year ended 31 DECEMBER 2016

	Note No.	31 December 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Interest income from loans and similar revenues	(5)	3,749,984	2,865,105
Cost of deposits and similar costs	(5)	(1,945,878)	(1,655,301)
Net interest Income		1,804,106	1,209,804
Fees and commissions revenues	(6)	352,607	311,638
Fees and commissions expenses	(6)	(12,042)	(9,335)
Net income from fees and commissions		340,565	302,303
Dividends	(7)	2,067	1,909
Net trading income	(8)	39,758	53,767
Gains from financial investments	(9)	848	26,519
Share of profit from associates	(10)	2,718	890
Impairment charges for credit losses	(18)	(509,442)	(252,827)
General and administrative expenses	(11)	(463,194)	(403,806)
Other operating income (expenses)	(12)	4,897	(52,349)
Net profits for the Year before Tax		1,222,323	886,210
Current Income tax	(13)	(373,428)	(310,625)
Net profits for the Year		848,895	575,585
Earnings per share	(14)	7.66	5.18

Managing Director

Chairman

Dr. Yasser Ismail Hassan

Isam J. Alsager

- The accompanying notes from (1) to (41) are integral part of these financial statements and to be read there with.

National Bank of Kuwait - Egypt (S.A.E)
STATEMENT OF CHANGES IN EQUITY
For the Year ended 31 DECEMBER 2016

	Capital	Legal reserve	General reserve	Special reserve	Capital reserve	Fair value Reserve	General banking risk reserve	Retained earnings	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance as of 1 January 2015	1,000,000	120,961	206,773	9,205	31,867	4,573	28,759	553,153	1,955,291
Cash Dividends for year 2014	-	-	-	-	-	-	-	(36,631)	(36,631)
Transferred to reserves	-	18,775	50,000	-	22	-	-	(68,797)	-
Balance after Dividends	1,000,000	139,736	256,773	9,205	31,889	4,573	28,759	447,725	1,918,660
Transferred to General banking risk reserve	-	-	-	-	-	-	2,592	(2,592)	-
Foreign currency translation differences for available for sale investments	-	-	-	-	-	204	-	-	204
Change in the fair value of the available for sale investments	-	-	-	-	-	20,842	-	-	20,842
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(12,846)	-	-	(12,846)
Net profit for the Year	-	-	-	-	-	-	-	575,585	575,585
Balance as of 31 December 2015	1,000,000	139,736	256,773	9,205	31,889	12,773	31,351	1,020,718	2,502,445

National Bank of Kuwait - Egypt (S.A.E)
STATEMENT OF CHANGES IN EQUITY
For the Year ended 31 DECEMBER 2016

	Capital	Legal reserve	General reserve	Special reserve	Capital reserve	Fair value Reserve	General banking risk reserve	Retained earnings	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance as of 1 January 2016	1,000,000	139,736	256,773	9,205	31,889	12,773	31,351	1,020,718	2,502,445
Cash Dividends for year 2015	-	-	-	-	-	-	-	(58,011)	(58,011)
Transferred to reserves	-	28,760	100,000	-	381	-	-	(129,141)	-
Balance after Dividends	1,000,000	168,496	356,773	9,205	32,270	12,773	31,351	833,566	2,444,434
Transferred to General banking risk reserve	-	-	-	-	-	-	2,745	(2,745)	-
Foreign currency translation differences for available for sale investments	-	-	-	-	-	(3,992)	-	-	(3,992)
Change in the fair value of the available for sale investments	-	-	-	-	-	(84,404)	-	-	(84,404)
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	(5,086)	-	-	(5,086)
Net profit for the Year	-	-	-	-	-	-	-	848,895	848,895
Balance as of 31 December 2016	1,000,000	168,496	356,773	9,205	32,270	(80,709)	34,096	1,679,716	3,199,847

- The accompanying notes from (1) to (41) are integral part of these financial statements and to be read there with.

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CASH FLOWS
For the Year ended 31 DECEMBER 2016

	31 DECEMBER 2016	31 DECEMBER 2015
	<u>L.E (000)</u>	<u>L.E (000)</u>
<u>Cash flows from operating activities</u>		
Net Profits before income tax	1,222,323	886,210
<u>Adjustments to reconcile net profit to net cash provided from operating activities</u>		
Depreciation and amortization	37,201	38,238
Impairment charges for credit losses	509,442	252,827
Reversal of Other provisions charges	(10,749)	-
Impairment charges for Financial Investments	-	1,444
Charges for Other provisions	11,000	70,205
Foreign currencies revaluation differences of Other provisions	10,986	478
Foreign currencies revaluation differences of Investments available for sale	(106,929)	(5,991)
Share of profit from associates	(2,718)	(890)
Gains (losses) from sale of fixed assets	(20,808)	(381)
Gains (losses) from sale of investments available for sale	(54)	(21,105)
Used From Other provisions	(11,475)	(56,498)
Amortized Cost	(415)	6,582
Dividends	(2,067)	(1,909)
Operating profits before changes in assets and liabilities from operating activities	<u>1,635,737</u>	<u>1,169,210</u>
Net (decrease) increase in assets and liabilities		
Due from central banks (within the mandatory reserve percentage)	877,706	(287,694)
Treasury bills with maturities of more than three months	(7,856,646)	(2,955,161)
Loans and facilities to customers and banks	(11,658,658)	(3,994,674)
Other assets	(188,371)	(226,402)
Due to banks	5,080,401	895,110
Customers' deposits	7,705,797	8,087,231
Financial Derivatives	285	482
Retirement benefits obligation	25,148	-
Other liabilities	157,699	81,731
Income tax paid	(332,615)	(295,375)
Net cash flows (Used in) / provided from operating activities (1)	<u>(4,553,517)</u>	<u>2,474,458</u>
<u>Cash flows from Investing Activities</u>		
Payments to acquire fixed assets and fixtures of branches	(56,901)	(33,875)
Proceeds from sale of fixed assets	21,600	2,350
Proceeds from sale of available for sale investments	2,117,033	2,109,866
Payments to purchase available for sale investments	(1,251,260)	(3,795,310)
Payments to acquire investments in associates	-	(4,250)
Proceeds from dividends received	2,563	2,629
Net cash flows provided from (used in) investing activities (2)	<u>833,035</u>	<u>(1,718,590)</u>

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF CASH FLOWS
For the Year ended 31 DECEMBER 2016

Cash flows from Financing Activities

Increase in long term loans	2,738,061	225,702
Dividends paid	(58,011)	(36,631)
Net cash flows provided from financing activities (3)	2,680,050	189,071
Net Cash and cash equivalents during the Year (1+2+3)	(1,040,432)	944,939
Cash and cash equivalents at the beginning of the Year	6,987,483	6,042,544
Cash and cash equivalents at the end of the Year	5,947,051	6,987,483

Cash and cash equivalents are represented in :

Cash and due from Central Bank	2,416,591	2,974,811
Due from banks	5,315,505	6,593,910
Treasury bills	14,387,468	6,612,335
Due from central banks (within the mandatory reserve percentage)	(1,785,045)	(2,662,751)
Treasury bills with maturities of more than three months	(14,387,468)	(6,530,822)
Cash and cash equivalents	5,947,051	6,987,483

- The accompanying notes from (1) to (41) are integral part of these financial statements and to be read there with.

National Bank of Kuwait - Egypt (S.A.E)

STATEMENT OF PROPOSED DIVIDENDS
For the Year ended 31 DECEMBER 2016

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2016 L.E (000)
Net profit for the year (from the statement of income)	848,895	575,585
Deduct		
Profit from sale of fixed assets transferred to the capital reserves	(20,808)	(381)
General banking risk reserve	(2,745)	(2,592)
Net profit for the year Available for distribution	825,342	572,612
Beginning retained earnings at the beginning of the year	833,566	447,725
Total	1,658,908	1,020,337
To be distributed as follows		
Legal reserves	41,404	28,760
General reserves	100,000	100,000
Shareholders' Dividends:		
First portion	-	-
Second portion	-	-
Employees' profit share	82,534	57,261
Board of Directors remuneration	750	750
Retained earnings at the end of the year	1,434,220	833,566
Total	1,658,908	1,020,337

- The accompanying notes from (1) to (41) are integral part of these financial statements and to be read there with.

National Bank of Kuwait - Egypt (S.A.E)

**Notes to the financial statements
For the Year ended 31 DECEMBER 2016**

1. Background

National Bank of Kuwait - Egypt (S.A.E) was established by the name of (Alwatany Bank of Egypt) as a commercial bank in Arab Republic of Egypt under the investment law No. (43) For 1974 and its amendments.

The head office is located in First Sector, Part 155, City Center New Cairo, Egypt; the Bank is listed in Cairo and Alexandria stock exchange.

On March 24, 2013 Extraordinary General Assembly decided to amend the name of the bank from Alwatany Bank of Egypt to become National Bank of Kuwait - Egypt, This amendment has been approved and recorded it in the Commercial Register on April 29, 2014.

National Bank of Kuwait - Egypt provides corporate, retail and investment banking services in Arab Republic of Egypt through 40 branches, and employs 1,218 staff at the date of the Balance sheet.

2. Significant Accounting Policies Applied

The following are the significant accounting policies which were adopted in the preparation of these financial statements, these policies have been consistently applied to all the years presented, unless otherwise stated.

A - Basis of financial statements preparation

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

B - Subsidiaries and Associates

B/ 1 Subsidiary

Subsidiaries are all companies (including special purpose entities / SPEs) over which the Bank has owned directly or indirectly the power to govern the financial and operating policies, generally the Bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity.

B/ 2 Associates

- Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights
the bank applying equity method for accounting of the investments in associates, dividends were recognized on approval by deducting it from the fair value of assets .

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

C- Segment reporting

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

D- Foreign currencies translation

D/1 Functional and presentation currency

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

D/2 Foreign currency transactions and balances

The Bank maintains its accounting records in Egyptian pound. Foreign currency transactions are translated and recorded using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each year at the exchange rates then prevailing. Foreign currencies gains and losses resulting from settlement of these transactions in addition to revaluation differences are recognized in the income statement in the following sections:

- Net trading income, if resulting from financial instruments designated as at fair value through profit or loss at initial recognition, for financial assets/liabilities held for trading or designated as at "fair value through profit or loss at initial recognition.
- Owner's equity if resulting from the financial derivatives used as cash flows hedge or net investment hedge.
- Other operating income (expenses) for other items.

The changes in fair value arising from monetary financial instruments classified as available for sale (Debt Instruments) should be analyzed into: differences arising from changes in the instruments amortized cost which is recognized in the income statement in "interest income on loans and similar income" and differences arises from changes in foreign exchange rate which is recorded in the income statement in "other operating revenues (expenses)" and differences arises from change in fair value which is recognized in owners' equity (fair value reserve for available for sale investments)

Translation differences of non-monetary items (equity securities) held at fair value through profit or loss also includes its fair value revaluation difference. Whereas for those classified as available-for-sale are recorded directly in equity in fair value reserve for available for sale investments.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

E- Financial assets

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

E / 1 financial assets at fair value through profit and loss:

This category includes financial assets held for trading and financial assets designated at fair value through profit or loss at initial recognition.

Financial assets are classified as held for trading if they are acquired or incurred principally for the purpose of selling in the near term or it is part of financial instruments portfolio that are managed together and there is evidence resulted from recent actual transaction that profit can be recognized. Derivatives can be classified as held for trading unless they are identified as hedging instruments.

- Financials assets designated at fair value through profit or loss are recognized when:

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading at the time at which the underlying financial instruments were carried at amortized cost for loans and facilities to customers or banks and issued debt instruments.
 - Equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and preparing reports to top management on that basis are classified as fair value through profit and loss.
 - Financial instruments such as debt instrument which contain one or more embedded derivatives which may significantly affect the cash flows are classified at fair value through profit and loss.
- Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded in the "net income from financial instruments classified at fair value through profit and loss"
- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding Year. Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is designated at fair value through profit or loss at initial recognition.
- In all cases the Bank should not reclassify any financial instrument into financial instrument measured at fair value through profit and loss or to the held for trading financial assets.

E / 2 Loans and receivables

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

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

E / 3 Held to maturity financial assets:

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

E / 4 Available for sale financial assets:

Available-for-sale assets are non-derivative financial assets that the bank's management has intention to hold for an indefinite Year of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The following applies to financial assets:

Regular-way purchases and sales of financial assets that recognized at fair value through profit or loss, held to maturity and available for sale, are recognized on trade-date – the date on which the Bank commits to purchase or sell the asset.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement in net income from trading.

Financial assets are derecognized when the contractual rights to receive cash flows have expired or when the bank has transferred substantially all the risk and rewards of ownership. Financial liabilities are disposed upon disposal or cancellation or expiration of its contractual term.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value. Held-to-maturity assets and loans and receivables are measured at amortized cost using the effective interest method.

Gains and losses arising from changes in the fair value of assets at fair value through profit or loss are recognized in the income statement in the Year it occurs. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in equity, until the financial asset is derecognized or impaired. At this time, the cumulative gain or loss previously recognized in equity should be recognized in profit or loss.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Interest income is recognized based on the amortized cost method in the income statement, the foreign currency revaluations differences related to monetary available for sale assets are recognized in the income statements, dividends from available for sale equity instruments are recognized in the income statement when the bank's right to receive the payment is established

Fair value are obtained from quoted market price in active market (bid price), where no active market exists, or quoted price are unobtainable, the fair value is estimated using one of valuation techniques – including discounted cash flow , using recent sale prices, option pricing models or other valuation method used by market participants. When the bank is unable to estimate the fair value of equity available for sale instrument it is measured at cost less any impairment losses.

Debt instruments can be reclassified from the available-for-sale assets” that can be defined as loans, securities and debts” to held-to-maturity at fair value when the Bank has the intention and ability to hold the financial assets to maturity. Any related profits or losses that were previously recognized in equity are treated as follows:-

1. In case of financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest method. The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest method. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.
2. In case of financial assets without fixed or determinable maturity, gains and losses are held in equity until the asset is sold, then removed from equity and recognized in the income statement. In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement.
 - If the Bank changes its estimates regarding payments or proceeds, the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument. This adjustment is recognized as either income or expense in the income statement.
 - In all cases, if the Bank reclassified financial asset in accordance with what is referred to above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

F- Offsetting financial instruments

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

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

G- Interest income and expense

Interest income and expense related to financial instruments except for held for trading assets or designated at fair value through profit and loss at initial recognition under "interest revenue and similar income" or Interest expense and similar charges.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the related instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or, a shorter Year when appropriate to reach the net carrying amount of the financial asset or liability.

When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties of the contract which is considered part of the effective interest rate, transaction costs include all other premiums or discounts.

When loans or debts are classified as non-performing or impaired, related interest income are not recognized but rather, are carried off balance sheet in statistical records and are recognized as revenues according to cash basis as per the following:

- When collected and after recovery of all arrears for retail loans, personal loans, small and medium business loans., mortgage loans for personal housing and small loans for businesses.
- For loans granted to corporate, interest income is recognized on cash basis after the Bank collects 25 % of the scheduling installments and after the installments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

H - Fees and commission income

Fees and commissions related to loan and facilities are recognized as income when the service is rendered. Fees and commission income related to non-performing or impaired loans or debts are suspended and are carried off balance sheet and are recognized under income according to the cash basis, when interest income is recognized in accordance with note (G) above, fees and commissions which represent part of the financial asset effective rate is recognized as adjustment to the effective interest rate.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Commitment fees recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently its recognized as adjustments to the effective interest rate of the loan. If the commitment year passed without issuing the loan, commitment fees is recognized as income at the end of the commitment year.

Fees and commission related to equity debts measured by fair value is recognized as income at initial recognition. Fees and commission related to marketing of syndicated loan is recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commission and fees arising from negotiation, or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed, commission and fees related to management advisory and other service are recognized as income based on the contract terms, usually on a time-appropriation basis. Asset management fees are recognized over the year in which the service is provided.

I- Dividend income

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

J- Impairment of financial assets

J / 1 financial asset carried at amortized cost:

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

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

- Significant financial difficulty of the issuer or obligor.
- Breach of the loan agreement, e.g. default
- It became probable the borrower will enter bankruptcy or other financial reorganization.
- Deterioration of competitive position of borrower.
- Granting privileges or assignments by the Bank to the borrower, due to economic or legal reasons, which are not granted by the Bank in the normal course of business.
- Impairment of guarantee.
- Deterioration of creditworthiness.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

An objective evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash flows of such category since initial recognition though such decline is not identifiable for each individual asset.

The Bank estimates the Year between identifying the loss event and its occurrence and it ranges from three to twelve months.

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

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then this asset will be excluded from group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".

If there is evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred. For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate.

For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they are indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

If discounted cash flow method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by the Bank in future and the historical loss for a group of assets with similar credit risk characteristics are considered. Discounted cash flow are adjusted to reflect the effects of current circumstances that did not affect the year on which the discounted cash flow is based and to remove the effects of circumstances in the historical year that are not currently exist.

The Bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from year to year, such as , changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses. The Bank reviews the basis and methods of estimation of discounted cash flow regularly.

J / 2 Available for sale assets

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

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

When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss. Impairment losses recognized on equity instruments on profit or loss are not subsequently reversed. Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

K- Fixed assets

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

Subsequent costs are included in the asset's carrying amount or are recognized as an asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be reliably measured. Maintenance and repair expenses are charged to other operating expenses during the financial Year in which they are incurred.

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

- Buildings	50 years
- Furniture and safes	from 10 years to 40 years
- Typewriters calculators and air conditions	8 years
- Motor vehicles	5 years
- Computers and core systems	5 years
- Fixtures and fittings	5 years

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

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

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

L- Intangible Assets

L/1- Good will

Good will is the difference between acquisition cost and fair market value represents the banks share in net assets that includes contingent liabilities which is measurable in subsidiary and associate corporations at the acquisition date. Good will that results from the acquisition of associate and subsidiary corporations is classified as investment cost in associate and subsidiary corporations in the bank's financial statements. The impairment is being tested yearly as it will be reduced in profit and loss statement by the amortization of 20% or the impairment cost which is larger. The good will related to associate and subsidiary corporations contributes in determining the profit and loss from selling those corporations.

Good will is allocated over cash generating units for the impairment test. Cash generating units represents the primary segments in the bank (note 2/C).

L/2- Computer programs

Expenses related to computers development and maintenance realized in profit and loss statement. Expenses related directly to specified programs and under the bank's control and expected to generate from it economic benefit over it is cost for more than one year is realized as an intangible asset. Direct cost includes employees cost in IT team and also appropriate share from general costs that's related to it.

Developing expenses that leads to the increase of computer programs performance exceed it is original performance is being realized, and adding it to the programs original cost. Realized computer programs is consumed through its productive life but it shouldn't exceed five years.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

L/3- Other intangible assets

Intangible assets other than good will and computer programs (for example; brands, licenses and rental contract benefits).

Intangible assets is being classified by it is acquisition cost and being consumed by straight line method or based on it is economic benefit, this is during the productive life. Assets have indefinite productive life so it isn't consumed but the impairment cost is being tested yearly and being expensed in profit and loss statement.

M- Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995, if the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset expected useful life, or the present value of the total lease payments represents at least 90% of the value of the asset then this lease is considered finance lease. Other leases are considered operating lease.

M/1 leasing (lessee)

For finance lease contracts rent expense including maintenance cost related to the leased assets is recognized in the income statement in the Year in which it occurred.

If the bank decides to exercise the rights to purchase the leased assets, the cost of this right will be capitalized as fixed asset and depreciated over the assets' expected remaining useful life using the same method used for similar assets.

Operating lease payments less any discounts granted to lessee is recognized as expenses in the income statement using the straight line method over the contract term.

M/2 leasing (lessor)

Assets leased as finance lease are recorded in the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The rent income is recognized based on the rate of return on the lease plus an amount equal to the cost of depreciation for the Year, and the difference between the rental income will be recognized in the income statement using the straight line method over the contract term and the total customer accounts and leasing it until the end of the lease where it is used to offset with a net book value of the leased asset. The maintenance expenses and insurance will be charged on the income statement when incurred to the extent they are not charged to the tenant.

And when there is objective evidence that the Bank will not be able to collect all balances of debtors a financial lease, be reduced to its recoverable amount.

Operating lease assets are accounted for at the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The lease rent income less any discount granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

N- Cash and cash equivalents

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

O- Other provisions

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

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required totally or partially are reversed in other operating income (expense). Provisions are measured at the present value of the expected required expenditures to settle obligations after one year from financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year the provision is booked using the present value unless time consideration has a significant effect.

P. Employees benefits

Social Insurance

The bank committed to pay the subscriptions to the general social insurance Authority and there are no additional liabilities on the bank when paying such subscription which will be charged to the income statement for the appropriate Year, and to be included in employees benefits.

Employees Profit share

The bank pays a percentage of the cash dividends declared as profit sharing to employees. The employees' share is recognized as a dividend distribution through equity and as a liability when approved by the Bank's shareholders generally assembly meeting. No liability is recognized for profit sharing relating to undistributed profit.

Collective employee insurance policy

The Bank and employees pay contribution to the collective insurance policy as a percentage of the employees' wages on a monthly basis. Once the contributions have been paid, the bank has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and as such are included in staff costs. The contributions paid in advance are recognized within the assets to the extent that it is reduce the future payments or cash refund.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Other Retirement benefit obligations policy

The bank offers health care for retired people after end of service and usually this benefit is earned when the employee works till retirement age and completes the minimum time of service period, and this expected benefit is earned during the employment period by using an accounting method same as the one used in specific benefits process.

Q- Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners' equity which are recognized directly in equity.

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced

R- Borrowing

Loans obtained by the Bank are initially recognized at fair value less the cost of obtaining the loan, the loan is measured subsequently at amortized cost, and the difference between net proceeds and the value that will be paid are charged in the income statement over the Year of the borrowings using the effective interest method.

S- Capital

S/1 Capital cost

Issuance cost directly related to issuing new shares or issuing shares related to acquisition or share options is charged to share holders' equity of total proceeds net of tax.

S/2 Dividends

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

Bank's net profits are distributed annually after deducting all general expenses and other costs as follows:

- 1 - Deducting an amount equivalent to 5% of the profits to form the legal reserve and stop such deduction when the total reserve amount equivalent to 100% of paid-up capital, and when lack of reserves the deduction returns.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

- 2 - And then deduct the amount needed for the distribution of the first share of the profits of 5% paid to shareholders for the value of their shares if that did not allow the profit for one of the years, The distribution of this share is not permissible to claim the profits from the years following.
- 3 - After that allocate 10% of the profits to staff and workers in the bank and are distributed according to the rules proposed by the Board of Directors and adopted by the General Assembly and no more than the sum of annual wages for workers in the bank.
- 4 - After the above a rate not exceeding 10% of the rest is allocated to the reward the Board of Directors.
- 5 - Distributing the rest of the profits to shareholders after the additional share in profits or go on a proposal to the Board of Directors next year.

T- Custodial activities

The bank performs custodial activities that results in custody or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the bank's financial statements, since these assets are not owned by the bank.

U- Comparative figures

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

3. Financial Risk Management:

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

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

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

The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and hedges the financial risks, in

collaboration with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, such as credit risk, foreign exchange rate risk, interest rate risk, and using

National Bank of Kuwait - Egypt (S.A.E)

the financial derivative and non-derivative instruments. Moreover, the risk department is independently responsible for annual review of risk management and control environment.

A - Credit risk

The bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations. Credit risk is considered the most significant risk for the bank therefore the management is conservative in managing this risk. Credit risks results mainly from lending activities that result in loans and facilities and from investment activities which results in obtaining debt instruments. Credit risk is also included in off balance sheet financial instruments, such as loan commitments. Managing and monitoring process of credit risk is represented in credit risk team management in risk management department who prepare reports to the Board of Directors and Head of operating units on regular basis.

A / 1 Credit risk measurement

Loans and facilities to Banks and customers

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

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

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

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

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

Bank's internal ratings scale

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

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

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

Debt instruments and treasury bills and other bills

For debt instruments and bills, the Bank is using the external classifications such as Standard & Poor's or equivalent to manage credit risk, in case such ratings are not available, methods similar to those applied to credit customers are used.

Investments in securities and treasury bills are regarded as a way to get better credit quality at the same time provide a source available to meet funding requirements.

A / 2 Limiting and avoiding risks policies

The Bank manages and controls credit concentrations at the borrower's level, groups of borrowers' level, industries level and countries level.

The Bank manage the credit risk it undertakes by placing limits on the amount of risk accepted in relation to single borrower, or groups of borrowers, and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. The top management reviews on quarterly basis the borrower, or groups of borrowers, geographical and industry segments and country credit concentration.

The lines of credit are divided, to any borrower including banks, into sub limits include amounts inside and outside the balance sheet, the daily limit risk on trading items such as forward foreign exchange contracts, the actual amounts are compared with the limit every day.

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

The following are other controls used by the bank to limit the credit risk:

Collaterals

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

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

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

In addition, to minimize the credit loss the bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

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

Derivatives

The bank maintains strict control limits over amounts and terms for the net value of opened derivative positions i.e., the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e., assets that have positive fair value), which represent small value of the contract, or the notional value. The Bank manages this credit risk which is considered part of the total customer limit with market changes risk all together. Generally no collateral obtained for credit risk related to these instruments, except for marginal deposits required by the bank from other parties.

Settlement risk arises when cash, equity instruments or other financial securities is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial securities. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Credit-related commitments

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

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

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

A /3 Impairment and provisioning policies

The internal rating systems described in Note (A/1) focus more on credit-quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment as will be mentioned below.

Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the expected amount determined from the expected loss models used.

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the impairment provision comes from the last two ratings. The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating Note that the debts which have been written off amounting 384,809 thousand Egyptian pounds during the year ended 31 DECEMBER 2016.

Bank's rating	31 December 2016		31 December 2015	
	Loans & facilities %	Impairment provision %	Loans & facilities %	Impairment provision %
Performing loans	%78.6	%15.5	72.9%	16.9%
Regular watching	%10.5	%5.6	13.2%	4.9%
Watch list	%3.5	%2.8	3.5%	2.2%
Non-performing loans	%7.4	%76.1	10.4%	76%
	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>	<u>% 100</u>

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

- Financial deterioration and difficulties of debtors and borrowers.
- Breach of loan conditions
- Expectation of bankruptcy or entering a liquidation or finance restructure.
- Deterioration of the borrower's competitive position.
- For economical or legal reasons, the bank granted the borrower additional benefits that will not be done in normal circumstances.
- Impairment in the value of collateral.
- Deterioration of customer credit status.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

The Bank policies require review of all financial assets (that exceed specific materiality) at least once a year or more when required, the impairment loss is determined on individual basis by determining case by case actual losses. These policies applied on all accounts have specific materiality on individual basis.

Valuation usually includes the existing collateral, the related enforcements on these collaterals and the expected collections from those accounts.

Impairment loss provision is formed based on group of similar assets using the historical experience available, personal judgment and statistical methods.

A /4 Banking general risk measurement module

In addition to the four categories of credit rating indicated in note (A/1) the management makes more detailed groups in accordance with the CBE requirements,

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

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes according to the Egyptian Accounting Standards, this increase shall be debited from the retained earnings to and credited to the "general Banking risk reserve" under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable.

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

CBE Ratings	Rating indications	Provision percentage required for Corporate	Provision percentage required for retail	Internal Ratings	Internal Ratings Granting
1	Low risk	Zero	Zero	1	Performing loans
2	Moderate risk	1 %	1 %	1	Performing loans
3	Satisfactory risk	1 %	3 %	1	Performing loans
4	Appropriate risk	2 %	3 %	1	Performing loans
5	Acceptable risk	2 %	3 %	1	Performing loans
6	Marginally Acceptable risk	3 %	3 %	2	Regular watching
7	Risks that need special care	5 %	3 %	3	Watch list
8	Below the level	20 %	20 %	4	Non-performing loans
9	Doubtful	50 %	50 %	4	Non-performing loans
10	Bad debt	100 %	100 %	4	Non-performing loans

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

A /5 Maximum limits for credit risk before collaterals and after deducting the provision

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Balance sheet items exposed to credit risks		
Treasury bills	14,387,468	6,612,335
Loans and facilities to customers:		
Retail loans:		
Overdrafts	568,107	449,835
Credit cards	43,007	30,526
Personal loans	1,810,309	1,421,647
Mortgage loans	13,850	10,955
Corporate loans:		
Overdrafts	2,198,320	531,800
Direct loans	19,467,364	10,584,356
Syndicated loans	862,619	789,929
Financial investments:		
Debt instruments	5,707,922	6,549,001
Other assets	473,555	386,240
Total	45,532,521	27,366,624
Off-balance sheet items exposed to credit risk		
Acceptance documents	482,576	376,012
Letters of guarantee	2,839,803	2,249,487
Letters of credit Import/Export	1,461,556	616,889
Guarantees upon other banks request or by their warranty	2,517,656	1,039,573
	7,301,591	4,281,961

A / 6 Loans and facilities

Loans and facilities status based on credit rating are summarized as follows:

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
	Loans and facilities to customers	Loans and facilities to customers
Neither past due nor impaired	24,109,186	13,075,688
Past due but not impaired	389,581	432,767
Impaired	1,845,592	1,442,250
Total	26,344,359	14,950,705
Less:		
Impairment loss provision	(1,370,045)	(1,121,152)
Interest in suspense	(10,738)	(10,505)
Net	24,963,576	13,819,048

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Loans and facilities to banks and customers (past neither due nor impaired)

31 DECEMBER 2016

Rating	Retail				Corporate			Other loans	Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans		
Performing loans	569,707	33,991	1,487,538	12,692	1,911,952	16,601,710	-	-	20,617,590
Regular follow up	-	109	684	-	-	2,572,355	49,716	-	2,622,864
Watch list	-	72	1,399	-	-	538,428	328,833	-	868,732
	<u>569,707</u>	<u>34,172</u>	<u>1,489,621</u>	<u>12,692</u>	<u>1,911,952</u>	<u>19,712,493</u>	<u>378,549</u>	<u>-</u>	<u>24,109,186</u>

L.E (000)

Loans and facilities to banks and customers (neither past due nor impaired)

31 December 2015

Rating	Retail				Corporate			Other loans	Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans		
Performing loans	453,835	25,576	1,246,538	10,149	209,285	8,716,402	102,915	-	10,764,700
Regular follow up	-	60	1,739	-	-	1,347,682	482,267	-	1,831,748
Watch list	-	56	1,120	-	-	456,503	21,561	-	479,240
	<u>453,835</u>	<u>25,692</u>	<u>1,249,397</u>	<u>10,149</u>	<u>209,285</u>	<u>10,520,587</u>	<u>606,743</u>	<u>-</u>	<u>13,075,688</u>

L.E (000)

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Past due Loans and facilities and not impaired

They are loans and facilities having past due up to 90 days and not considered impaired, unless there is information to the contrary. Loans and facilities having past due and not subject to impairment and the fair value of guarantees related to it are as follows:

31 DECEMBER 2016	<u>Retail</u>				L.E (000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	-	7,425	301,735	1,284	310,444
Past due 30 - 60 days	-	1,478	35,243	-	36,721
Past due 60-90 days	-	267	3,987	-	4,254
Total	-	9,170	340,965	1,284	351,419

	<u>Corporate</u>			L.E (000)	
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-
Past due 60-90 days	-	38,162	-	-	38,162
Total	-	38,162	-	-	38,162

- At the initial recording of loans and facilities, the fair value of guarantees is assessed based on valuation methods commonly used for similar assets. In subsequent Years, fair value is updated according to the regulations of the Central Bank of Egypt.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

31 December 2015	<u>Retail</u>				L.E(000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	-	4,091	162,286	625	167,002
Past due 30 - 60 days	-	870	23,642	-	24,512
Past due 60-90 days	-	322	12,611	-	12,933
Total	-	5,283	198,539	625	204,447
	<u>Corporate</u>				L.E(000)
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-
Past due 60-90 days	-	228,320	-	-	228,320
Total	-	228,320	-	-	228,320
Fair value of collaterals	-	313,619	-	-	313,619

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016
Loans and facilities individually subject to impairment

***Loans and facilities to customers**

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to L.E 1,845,592 thousand against L.E 1,442,250 thousand at the end of the comparative year according to the central bank regulations.

The breakdown of the total loans and facilities individually subject to impairment including fair value of collateral obtained by the bank against those loans are as follows:

31 DECEMBER 2016 L.E (000)	Retail		Corporate				Total		
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans		Syndicated loans	
Individual loans subject to impairment	-	35	12,072	-	1,315,648	-	517,837	-	1,845,592
Fair value of collaterals	-	-	-	-	137,508	-	146,575	-	284,083
31 December 2015 L.E (000)	Retail		Corporate				Total		
Valuation	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Individual loans subject to impairment	-	57	9,018	300	1,233,260	-	199,615	-	1,442,250
Fair value of collaterals	-	-	-	-	149,660	-	35,402	-	185,062

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

A /7 Debt instruments and treasury bills and other governmental securities

The table below shows an analysis of debt instruments and treasury bills and other governmental securities according to the rating agencies at the end of the year , according to the evaluation of (Standard and Poors) Agency at December 2016.

	Treasury bills	Investments securities	Total
	L.E (000)	L.E (000)	L.E (000)
B	14,387,468	222,367	14,609,835
B-	-	5,469,285	5,469,285
Unrated	-	16,270	16,270
Total	14,387,468	5,707,922	20,095,390

B - Market risk

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

Bank treasury is responsible for managing the market risks arising from trading and non-trading activities of which monitored by two teams. Regular reports of market risk are submitted to The Audit Committee subset from the Board of Directors and each business unit head periodically.

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

B /1 Market risk measurement techniques

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

Value at Risk

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

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (98%). Therefore there is statistical probability of (2%) that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding year is 10 days before closing the opening position. It also assumes that market movements during the holding year will be the same as 10-days before. The Bank's assessment of past movements is based on data for the past five years.

The Bank applies these historical changes in rates, prices and indicators directly to its current positions this approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits if there are significant market movements.

As VAR considered a primary part of the Bank's market risk control technique VAR limits are established by the Board annually for all trading and non-trading

transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the bank and reviewed daily by the Risk Management department in the bank.

The quality of the VAR model is continuously monitored through examining the VAR results for trading portfolio and results are reported to the top management and Board of Directors.

Stress Testing

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

The results of the stress testing are reviewed by top management and Board of directors and the summary of the risks committee meetings presents to the Board of Directors.

B/2 Foreign exchange volatility risk

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

Equivalent in L.E (000)

	L.E	USD	Euro	GBP	Other	Total
31 DECEMBER 2016						
Financial assets						
Cash and balances with Central banks	671,037	1,554,780	131,564	23,065	36,145	2,416,591
Due from banks	4,566,265	418,518	140,027	72,045	98,650	5,315,505
Treasury bills	8,155,859	6,231,609	-	-	-	14,387,468
Loans and facilities to customers	9,683,658	14,698,432	667,633	3,841	12	24,393,576
Financial investments:						
Available for sale	1,017,464	184,720	369	-	-	1,202,553
Held to maturity	4,566,723	-	-	-	-	4,566,723
Investments in subsidiaries and associates	37,008	-	-	-	-	37,008
Other assets	1,087,135	45,100	603	-	-	1,132,838
Total financial assets	29,805,149	23,043,159	940,196	98,951	134,807	54,022,262
Financial liabilities						
Due to banks	17,891	8,572,395	82,902	-	2	8,673,190
Customer deposits	25,967,948	11,052,613	850,733	99,287	129,515	38,100,096
Financial Derivatives	1,344	-	-	-	-	1,344
Other loans	-	3,356,469	-	-	-	3,356,469
Other Provisions	130,362	16,082	3,053	-	-	149,497
Other liabilities	3,648,523	89,983	2,343	126	691	3,741,666
Total financial liabilities	29,766,068	23,087,542	939,031	99,413	130,208	54,022,262
Net financial position as of 31 DECEMBER 2016	39,081	(44,383)	1,165	(462)	4,599	-
As of 31 December 2015						
Total financial assets	27,808,831	9,173,134	493,420	36,910	66,385	37,578,680
Total financial liabilities	27,806,486	9,186,331	481,352	36,341	68,170	37,578,680
Net financial position as of 31 December 2015	2,345	(13,197)	12,068	569	(1,785)	-

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

B /3 Interest rate risk

The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may profit decrease in the event that unexpected movements arise. The Alco committee sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored weekly by the bank's Risk department. The table below summarizes the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorized by the earlier of re-pricing or maturity dates.

	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Without return	Total
31 DECEMBER 2016							
Financial Assets							
Cash and balances with Central banks	-	1,299,314	-	-	-	1,117,277	2,416,591
Due from banks	3,225,066	-	2,000,000	-	-	90,439	5,315,505
Treasury bills	-	317	14,387,151	-	-	-	14,387,468
Loans and facilities to customers gross (before deducting provisions)	5,388,917	2,799,860	4,124,641	12,797,041	1,233,900	-	26,344,359
Financial investments:	-	-	-	814,089	388,464	-	1,202,553
Available for sale	-	-	-	2,902,259	1,864,464	-	4,566,723
Field to maturity	-	-	-	-	37,008	-	37,008
Investments in subsidiaries and associates	8,613,983	4,099,491	20,511,792	16,513,389	3,323,836	1,207,716	54,270,207
Total financial assets							
Financial liabilities							
Due to banks	2,170,424	4,465,785	2,036,981	-	-	-	8,673,190
Customer deposits	18,683,730	6,334,544	5,008,187	8,073,248	387	-	38,100,096
Financial Derivatives	1,344	-	-	-	-	-	1,344
Other Loans	-	-	-	1,895,149	1,461,320	-	3,356,469
Total financial liabilities	20,855,498	10,800,329	7,045,168	9,968,397	1,461,707	-	50,131,099
Interest re-pricing gapes of	(12,241,515)	(6,700,838)	13,466,624	6,544,992	1,862,129	1,207,716	4,139,108
31 DECEMBER 2016							
31 December 2015							
Total financial assets	6,605,979	3,631,523	12,750,153	10,043,471	2,290,327	2,466,208	27,787,661
Total financial liabilities	16,406,035	6,190,219	4,886,295	6,273,735	425,593	424,678	34,606,555
Interest re-pricing gap as of	(9,800,056)	(2,558,696)	7,863,858	3,769,736	1,864,734	2,041,530	3,181,106
31 December 2015							

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

C- Liquidity risk

Liquidity risk represents difficulty encountering the Bank in meeting its financial commitments when they fall due and replace funds when they are withdrawn. This may result in failure of the settlement of the bank's obligations to repay to the depositors and fulfilling lending commitments.

Liquidity risk management process

The Bank's liquidity management process carried out by the Bank liquidity management department includes:

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

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

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

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

Funding approach

Sources of liquidity are regularly reviewed by a separate committee through the bank treasury to maintain a wide diversification of currency geography resources products and terms.

Cash flows derived

The following table presents cash flows paid by the bank in a financial obligations underived distributed on the basis of the remaining contractual entitlements at the balance sheet date.

	L.E (000)					Total
	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	
Financial liabilities						
Due to banks	6,219,005	1,505,790	948,395	-	-	8,673,190
Customers' deposits	18,683,730	6,334,544	5,008,187	8,073,248	387	38,100,096
Other loans	-	-	-	2,899,807	456,662	3,356,469
Total of financial liabilities	24,902,735	7,840,334	5,956,582	10,973,055	457,049	50,129,755
Total of financial assets	11,156,768	12,460,724	12,546,348	16,774,106	1,332,261	54,270,207

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

31 December 2015	L.E (000)					Total
	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	
Financial liabilities						
Due to banks	2,467,185	762,617	362,987	-	-	3,592,789
Customers' deposits	14,429,775	6,036,233	3,847,370	6,080,484	437	30,394,299
Other loans	-	-	-	193,253	425,155	618,408
Total of financial liabilities	<u>16,896,960</u>	<u>6,798,850</u>	<u>4,210,357</u>	<u>6,273,737</u>	<u>425,592</u>	<u>34,605,496</u>
Total of financial assets	<u>10,887,006</u>	<u>3,904,794</u>	<u>13,767,855</u>	<u>8,206,602</u>	<u>1,021,404</u>	<u>37,787,661</u>

Cash Flow Derivatives

Derivatives are settled in Gross amounts

Include the bank's derivatives which settled in gross amounts are as the following:

* Derivatives at the rate of return: return swaps and currencies together

The following table shows derivative financial obligations that will be settled in gross, distributed on the basis of the remainder of the contractual entitlements at the date of the balance sheet, the amounts listed in the table represent the undiscounted cash flows:

31 DECEMBER 2016

Financial liabilities	L.E (000)					Total
	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	
IRS derivatives:						
Outflows	-	-	-	182,665	-	182,665
Inflows	-	-	-	182,665	-	182,665
Total outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,665</u>	<u>-</u>	<u>182,665</u>
Total inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>182,665</u>	<u>-</u>	<u>182,665</u>

31 December 2015

Financial liabilities	L.E (000)					Total
	Up to 1 month	Over than 1 month to 3 months	Over than 3 months to 1 year	Over than 1 year to 5 years	More than 5 years	
IRS derivatives:						
Outflows	-	-	-	77,301	-	77,301
Inflows	-	-	-	77,301	-	77,301
Total outflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,301</u>	<u>-</u>	<u>77,301</u>
Total inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,301</u>	<u>-</u>	<u>77,301</u>

Off balance sheet items

According to the following table as referred to in note (35):

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

31 DECEMBER 2016	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	L.E (000) Total
Financial guarantees, and acceptable bills and other financial facilities	7,301,591	-	-	7,301,591
Operating lease commitments	10,607	31,674	8,728	51,009
Capital commitments arising from the acquisition of fixed assets	91,872	-	-	91,872
Total	7,404,070	31,674	8,728	7,444,472

31 December 2015	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	L.E (000) Total
Financial guarantees, and acceptable bills and other financial facilities	4,281,961	-	-	4,281,961
Operating lease commitments	5,498	5,687	-	11,185
Capital commitments arising from the acquisition of fixed assets	16,949	-	-	16,949
Total	4,304,408	5,687	-	4,310,095

D- Fair value of financial assets and liabilities

D/1 financial instruments measured at fair value using a valuation method.

The bank does not have financial instruments measured at estimated fair value using a valuation method.

D/2 financial instruments not measured at fair value

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

	Carrying value		Fair value	
	<u>L.E (000)</u>	<u>L.E (000)</u>	<u>L.E (000)</u>	<u>L.E (000)</u>
	31 DECEMBER 2016	31 December 2015	31 DECEMBER 2016	31 December 2015
Financial assets				
Due from banks	5,315,505	6,593,910	5,221,161	6,605,479
Loans and facilities to customers	26,344,359	14,950,705	26,073,421	14,920,092
Financial investments:				
Available for sale				
Equity instruments available for sale unquoted	24,524	31,937	24,524	31,937
Held to maturity				
Debit instruments unquoted	4,566,723	21,750	4,387,528	31,228
Financial liabilities				
Due to banks	8,673,190	3,592,789	8,610,662	3,592,314
Customers' deposits	38,100,096	30,394,299	38,849,339	30,758,747
Other loans	3,356,469	618,408	3,381,859	618,519

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value. The expected fair value for deposits bearing variable interest is based on the discounted cash flow using rate of financial credit markets of similar credit risk and due dates.

Loans and facilities to customers

Loans and facilities are net of provisions for impairment losses. Fair value expected for loans and facilities represents the discounted value of future cash flows expected to be collected and cash flows are discounted using the current market interest rate to determine fair value.

Financial Investments

Financial investments shown in the above schedule includes only held to maturity assets investments; as available for sale investments are measured at fair value except for equity instruments that its market value can't be reliably determined. Fair value of held-to-maturity investments is based on market prices or broker/ prices. Fair value is estimated using quoted market prices for financial paper with similar credit maturity and yield characteristics where information is not available.

Due to banks and customers

The estimated fair value of deposits of indefinite maturity which includes interest-free deposits is the amount paid on call.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

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

Debt instruments issued

The fair value is calculated based on market prices of current financial Markets. For securities that do not have active markets, the cash flows discounted at the current rate is used for the first time that is appropriate for the remaining period until the maturity date.

E- Capital management

First: The Bank's objectives behind managing capital include elements other than equity shown in the balance sheet are represented in the following:

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

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

CBE requires the following from the Bank:

- Maintaining L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

Second: According to the new standards issued on 18 December 2012

The numerator in capital adequacy comprises the following two tiers:

- **Tier 1:** It consists of two parts, the continuous capital and the basic additional capital. is the basic capital comprising of paid up capital (after deducting the carrying amount of the treasury stocks) retained earnings and reserves resulting from profit appropriations except the general reserve for banking risks less any goodwill previously recognized and any carried forward losses.

Tier 2: It is the subordinated capital, and consists of the following: -

- 45% of the value of the positive foreign currency translation differences reserve.
- 45% of the value of the Special Reserve.
- 45% of the increase in the fair value over its carrying value of financial investments (if positive).
- 45% of the value of balance of the fair value reserve of financial investments available for sale.
- 45% of the increase in the fair value of financial investments held to maturity over its' book value.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

- 45% of the increase in the fair value of financial investments in subsidiaries and affiliates over it's` book value.
- Hybrid Financial instruments.
- Loans (deposits) subordinated with the consumption of 20% of its value each year of the last five years created.

- Provision for impairment of loans and advances and contingent liabilities (must not exceed 1.25% of the total credit risk of the assets and liabilities of regular risk-weighted, also the impairment loss provision for loans and credit facilities and contingent liabilities should be enough to meet the obligations provided for it.

- Disposals of 50% of the first tranche and 50% of the second tranche
- With respect to the value of assets reverted to the Bank for the settlement of debts general banking risk reserve.
 - When calculating the total numerator of the capital adequacy ratio, taking in consideration not exceeding subordinated loans (deposits) for 50% of the first tranche after exclusions.
 - Assets and liabilities are weighted by credit risk, market risk, operational risk.

The denominator of the capital adequacy ratio consists of the following:

- Credit risk
- Market Risk
- Operational risk

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

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

The tables below summarizes the compositions of tier 1, tier 2 and the capital adequacy ratio according to Basel 2 in the end of the current Year & prior year.

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Capital		
Tier 1 (basic capital)		
Share capital	1,000,000	1,000,000
General reserve	356,773	256,773
Legal reserve	168,496	139,736
Capital reserve	32,270	31,889
Retained earnings	830,821	445,133
Disposals	(117,382)	(22,186)
Total basic capital	2,270,978	1,851,345
Tier 2 (subordinated capital)		
Equivalent to general risk provision	282,705	135,252
Loans/subordinated deposits	803,726	425,156
45% of the available for sale , held to maturity and investments in associates and subsidiaries increase FV	9,529	10,012
45% of the special reserve	4,142	4,142
Total subordinated capital	1,100,102	574,562
Total capital	3,371,080	2,425,907
Assets and contingent liabilities risk weighted	22,616,631	11,464,552
	2,410,292	1,767,292
Total credit risk	25,026,923	13,231,844
Capital adequacy ratio (%)	% 13.47	% 18.33

*Note capital was going to be 11.2% if we considered the Value of over limits determined for the largest 50 client that represents 5,066,132 EGP in 31 December 2016.

Risk Management:

Ratio Components

A. Numerator components

The numerator of the ratio consists of Tier 1 capital (after disposals) which is used in the numerator of the capital adequacy ratio currently applied according to the central bank of Egypt instructions.

B. Denominator components :

The denominator of the ratio consists of all the assets of the bank in and off balance sheet according to the financial statements which is mentioned (bank exposures) which includes the following:

- 1- Exposure of items in the balance sheet after capital base disposals.
- 2- Exposures from financing securities operations.
- 3- Exposure of off balance sheet (weighted conversion factors)

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

-The following table summarizes the financial leverage ratio (as a guidance till 2016) and as control ratio mandatory as of 2017

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
	2,270,978	1,851,345
Tier I of Capital after disposals (1)		
Cash and Due from Central Bank	6,998,591	8,681,764
Due from banks	733,505	886,957
Treasury bills and other governmental securities	14,387,468	6,612,335
Available for sale investments	1,202,553	6,599,364
Held to maturity investments	4,566,722	21,750
Investments in associates and subsidiaries	37,008	34,785
Loans and facilities to customers	25,331,772	13,993,025
Fixed assets (after deducting impairment provisions and accumulated depreciation)	308,236	296,356
Other assets	824,602	626,321
Deductible exposures (some of capital base Tier I deductions)	(36,673)	(22,186)
Total exposures of in-balance sheet items after Tier 1 deductions	54,353,784	37,730,471
Replacement cost	572	55
The future expected value	913	387
Total exposures resulted from derivatives contracts	1,485	442
Total exposures resulted from financing securities operations	28,672	33,063
Total exposures of in-balance sheet items, derivatives contracts and financing securities operations.	54,383,941	37,763,976
Letters of credit – Importing	281,099	119,423
Letters of credit – Exporting	11,212	3,954
Letters of Guarantee	1,419,902	1,124,744
Letters of Guarantee upon other banks' request or by their warranties	1,258,828	519,787
Accepted Bills	482,622	376,012
Total contingent liabilities	3,453,663	2,143,920
Capital Commitments	91,871	16,949
Legal claims	15,586	15,284
Commitments for operating lease contracts	51,009	11,185
Commitments for loans, guarantees and facilities (unused limits)		
irrevocable more than year	26,250	53,349
irrevocable one year or less	29,696	-
Unconditional revocable at any time by the bank and without	326,731	655,133

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

prior notice , or that include the texts of self- cancel because of the deterioration of the creditworthiness of the borrower

Total commitments	541,143	751,900
Total Off-balance sheet exposures	3,994,806	2,895,820
Total in-balance sheet and off-balance sheet exposures (2)	58,378,747	40,659,796
Financial leverage ratio (1/2)	% 3.89	% 4.55

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements

For the Year ended 31 DECEMBER 2016

4. Significant accounting estimates and assumptions

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and assumptions are continually evaluated based on historical experience and other factors including the expectations of future events that are believed to be reasonable.

A - Impairment losses for loans and facilities

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

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

B - Impairment of available for sale equity investments

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

C - Held-to-maturity investments

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

D - Income tax

The income tax of the year on the profit or loss includes current tax and deferred tax and is recognized in the income statement except for income tax relating to items of owners' equity which are recognized directly in equity.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

The income taxes recognized on the basis of net taxable profit using the tax rates enacted at the date of the Balance Sheet in addition to the tax adjustments related to previous years, and commitments in accordance with the principles of accounting and its value according to the tax regulations, The value of deferred tax is recognized based on the expected manner of realization or settlement of the values of the asset values and liabilities, using tax rates enacted at the date of the balance sheet.

The deferred tax assets of the Bank are recognized when that it is probable that taxable profit will be available against which the deferred tax asset can be utilized, The value of deferred tax assets is reduced by the portion that will result in expected tax benefit during the following years, however in the case of the increase of expected tax benefit, the deferred tax assets will increase to the extent previously reduced.

5. Net interest income

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Interest from loans and similar revenues:		
Loans and facilities :		
Customers	1,588,801	961,847
Treasury bills	1,030,288	766,468
Deposits and current accounts	301,928	325,549
Investments in debt instruments held to maturity and available for sale	828,967	811,241
Total	3,749,984	2,865,105
Costs of Deposits and similar costs:		
Deposits and current accounts:		
Banks	115,848	42,888
Customers	1,774,244	1,601,506
	1,890,092	1,644,394
Other Loans	55,786	10,907
Total	1,945,878	1,655,301
Net	1,804,106	1,209,804

6. Net fees and commission income

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Fees and commission income:		
Fees and commissions related to credit	301,241	273,750
Custody fees	1,789	2,359
Other fees	49,577	35,529
	352,607	311,638
Fees and commission expenses:		
Other fees paid	(12,042)	(9,335)
Net	340,565	302,303

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

7. Dividends

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Securities available for sale	2,067	1,909
	<u>2,067</u>	<u>1,909</u>

8. Net trading income

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Foreign exchange operations :		
Forex gains	40,043	54,249
Loss of revaluation interest rate swap contract	(285)	(482)
	<u>39,758</u>	<u>53,767</u>

9. Gains from financial investments

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Gains from sale of investments available for sale	54	21,105
Gains from sale of treasury bills	794	6,858
Losses from impairment of securities available for sale	-	(1,444)
	<u>848</u>	<u>26,519</u>

10. Share of profit from associates

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
International company for postal services	3,185	168
Al-Watany capital for assets management	(467)	722
	<u>2,718</u>	<u>890</u>

11. Administrative expenses

	31 DECEMBER 2016 L.E (000)	31 DECEMBER 2015 L.E (000)
Staff costs		
Wages and salaries	198,132	178,046
Social insurance	11,066	9,254
Pension and other benefits cost		
Defined contribution plan	43,249	25,479
	<u>252,447</u>	<u>212,779</u>
Other administrative expenses	210,747	191,027
Total	<u>463,194</u>	<u>403,806</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

12. Other operating income (expenses)

	31 DECEMBER 2016	31 DECEMBER 2015
	L.E (000)	L.E (000)
Gains(losses) from revaluation of monetary assets & liabilities balances in foreign currencies other than trading	22,331	207
Gains from Assets transferred to the bank	12,054	16,873
Assets transferred to the bank expenses	10,749	-
Gains (losses) from sale of fixed assets	(2,439)	(421)
Operating and finance lease expenses	20,808	381
Other provisions	(22,458)	(21,096)
	(11,000)	(70,205)
	(25,148)	21,912
	<u>4,897</u>	<u>(52,349)</u>

13. Income tax expenses

	31 DECEMBER 2016	31 DECEMBER 2015
	L.E (000)	L.E (000)
Current income taxes	372,503	314,156
Deferred tax	925	(3,531)
	<u>373,428</u>	<u>310,625</u>

(Note 28) shows additional information about deferred income tax: the taxes on bank profits differ when current applicable tax rates used as follows:

Settlement to calculate the effective tax rate :-	31 DECEMBER 2016		31 DECEMBER 2015	
	L.E (000)		L.E (000)	
	<u>Tax pool</u>	<u>Tax</u>	<u>Tax pool</u>	<u>Tax</u>
Accounting profit before tax	1,222,323		886,210	
Income tax calculated on accounting profit		275,023		199,397
Total Income tax calculated on accounting profit		<u>275,023</u>		<u>199,397</u>
Add / (Deduct)				
Non-deductible expenses		(374)		425
Non-taxable revenues		(5,252)		(890)
Provisions and Interest in suspense		154,134		83,712
Other deductions		(28,125)		(41,243)
Net tax pool		<u>1,342,706</u>		<u>928,214</u>
Income tax according to the tax return		302,109		208,848
Tax of Treasury Bills and Treasury bonds		70,394		105,308
Income tax		<u>372,503</u>		<u>314,156</u>
Effective tax rate		<u>%30.48</u>		<u>%35.45</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

14. Earnings per share

	31 December 2016	31 December 2015
	L.E (000)	L.E (000)
Net income	848,895	575,585
Rewards to the board of directors	(750)	(750)
Employee share from Net income	(82,534)	(57,261)
Shareholders	765,611	517,574
Average number of shares	100,000	100,000
Earnings per (share/L.E)	<u>7.66</u>	<u>5.18</u>

15. Cash and Due from Central Bank (CBE)

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Cash	631,546	312,060
Due from central bank (within the required reserve percentage)	1,785,045	2,662,751
	<u>2,416,591</u>	<u>2,974,811</u>
Non-interest bearing balances	1,117,277	2,428,533
Interest bearing balances	1,299,314	546,278
	<u>2,416,591</u>	<u>2,974,811</u>

16. Due from banks

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Current accounts	384,453	127,693
Deposits	349,052	759,264
	<u>733,505</u>	<u>886,957</u>
Due from central bank (other than the required reserve percentage)	4,582,000	5,706,953
	<u>5,315,505</u>	<u>6,593,910</u>
Non-interest bearing balances	90,439	37,675
Interest bearing balances	5,225,066	6,556,235
	<u>5,315,505</u>	<u>6,593,910</u>
Current balances	5,315,505	6,593,910
	<u>5,315,505</u>	<u>6,593,910</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

17. Treasury bills

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Treasury bills	14,387,468	6,612,335
Treasury bills represent the following:		
91 days maturity	8,965,391	82,100
182 days maturity	4,074,965	459,000
273 days maturity	1,741,750	1,235,500
364 days maturity	-	5,109,056
	14,782,106	6,885,656
Unearned interest	(394,638)	(273,321)
Total	14,387,468	6,612,335

18. Loans and facilities to customers

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Loans to Customers	25,188,863	14,081,436
Murabhat	1,155,496	869,269
Total loans and facilities to customers	26,344,359	14,950,705
Less		
Provision for impairment losses	(1,370,045)	(1,121,152)
Interest in suspense	(10,738)	(10,505)
Net	24,963,576	13,819,048

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Retail:		
Overdrafts	569,707	453,835
Credit cards	43,377	31,032
Personal loans	1,842,658	1,456,954
Mortgage loans	13,976	11,074
Total (1)	2,469,718	1,952,895
Corporate loans including small loans:		
Overdrafts	3,227,600	1,442,545
Direct loans	19,750,655	10,748,907
Syndicated loans	896,386	806,358
Total (2)	23,874,641	12,997,810
Total loans and advances to customers (1+2)	26,344,359	14,950,705
Less		
provision for impairment losses	(1,370,045)	(1,121,152)
Interest in suspense	(10,738)	(10,505)
Net	24,963,576	13,819,048

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Provision for impairment losses:

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

	<u>Retail</u> L.E (000)	<u>Corporate</u> L.E (000)	<u>Total</u> L.E (000)
31 DECEMBER 2016			
Beginning balance	35,932	1,085,220	1,121,152
Impairment charged during the Year	165	509,277	509,442
Proceeds from loans previously written off	-	6,869	6,869
Foreign currency translation differences	-	115,203	115,203
Transferred to operational risk provisions	294	(294)	-
Transferred to legal provisions	-	(505)	(505)
Transferred to contingent liabilities provisions	-	3,179	3,179
Transferred to operational risk for bank provisions	(486)	-	(486)
	<u>35,905</u>	<u>1,718,949</u>	<u>1,754,854</u>
Used during the Year	<u>(1,017)</u>	<u>(383,792)</u>	<u>(384,809)</u>
Ending balance	<u>34,888</u>	<u>1,335,157</u>	<u>1,370,045</u>

-The amount of bad debts, which was written off reached L.E 384,809 thousand for the Year ended 31 DECEMBER 2016.

	<u>Retail</u> L.E (000)	<u>Corporate</u> L.E (000)	<u>Total</u> L.E (000)
31 December 2015			
Beginning balance	31,674	887,668	919,342
Impairment charged during the year	-	252,827	252,827
Proceeds from loans previously written off	-	1,625	1,625
Foreign currency translation differences	-	5,043	5,043
Transferred from corporate to retail	8,750	(8,750)	-
Transferred to contingent liabilities provisions	-	(20,761)	(20,761)
	<u>40,424</u>	<u>1,117,652</u>	<u>1,158,076</u>
Used during the year	<u>(4,492)</u>	<u>(32,432)</u>	<u>(36,924)</u>
Ending balance	<u>35,932</u>	<u>1,085,220</u>	<u>1,121,152</u>

19. Derivatives financial instruments

Derivatives

The bank uses the following derivatives for hedging and non-hedging purposes:

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions. Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market.

The Bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value).

- Currency and/or interest rate swaps represent commitments to exchange cash flows. As a result of these contracts, currencies or interest rates (e.g.; fixed rate verses variable rate) or both (interest rate and currency swaps) are exchanged. Contractual amounts are not actually exchanged except for some currency swaps.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments. This risk is continuously monitored through comparisons of fair value and contractual amount, and to monitor the existing credit risk, the Bank evaluates counter parties using the same methods used in lending activities.

- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy(call option) or to sell (put option) on a certain day or within a certain Year , a certain amount of foreign currency or financial instrument at a predetermined price . The seller receives commissions in compensation for his acceptance of the foreign currency risk of interest rate risk. Options contracts are either traded in the market or negotiated between the bank and one of its clients. The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value.
- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flow or the fair value of the instruments, thus, those amounts doesn't reflect the credit risk or interest rate risk.
- Derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these derivatives. Contractual /estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative.

Derivatives held for trading:

(Amounts in L.E 000)

	31 DECEMBER 2016			31 December 2015		
	<u>Contractual notional amount</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Contractual notional amount</u>	<u>Assets</u>	<u>Liabilities</u>
Derivatives held for trading						
Interest rate swaps	182,665	-	1,344	77,301	-	1,059
Total derivatives	<u>182,665</u>	<u>-</u>	<u>1,344</u>	<u>77,301</u>	<u>-</u>	<u>1,059</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

20. Financial investments

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Available for sale investments		
Debt Instruments – Fair value:		
Quoted	1,162,949	6,549,001
Debt instruments –unquoted :		
NBK-Fund		
Ishraq Fund	12,165	16,611
Namaa Fund	2,915	1,815
Equity Instruments – Fair value:		
Unquoted	32,682	40,095
Less: Impairment loss	(8,158)	(8,158)
Total available for sale investments (1)	1,202,553	6,599,364
Held to maturity investments		
Debt instruments – Amortized Cost:		
Debt instruments-quoted	4,544,973	-
Unquoted:		
National Bank of Kuwait - Egypt Fund	6,750	6,750
Ishraq Fund	5,000	5,000
Alhayah Fund	5,000	5,000
Namaa Fund	5,000	5,000
Total Held to maturity investments (2)	4,566,723	21,750
Total financial investments (1+2)	5,769,276	6,621,114
Current Balances	5,723,002	6,567,428
Non-Current Balances	46,274	53,686
	5,769,276	6,621,114
Fixed interest debt instruments	5,691,653	6,510,061
Variable interest debt instruments	77,623	111,053
	5,769,276	6,621,114

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

	Available for Sale investments L.E (000)	Held to maturity investments L.E (000)	Total L.E (000)
Balance as of 1 January 2016	6,599,364	21,750	6,621,114
Additions	1,251,259	-	1,251,259
Disposals (Sale / Redemption)	(2,178,955)	-	(2,178,955)
Transfer from investment available for sale to held to maturity	(4,540,527)	4,540,527	-
Monetary assets revaluation differences	102,936	-	102,936
Gain/loss from change in FMV for available for sale investments (Note 29)	(22,408)	-	(22,408)
Reverse Of change in FMV for available for sale investments	(5,086)	-	(5,086)
Amortized cost during the Year	(4,030)	4,446	416
Deduct provisions for credit losses	-	-	-
Balance as of 31 DECEMBER 2016	1,202,553	4,566,723	5,769,276
Balance as of 1 January 2015	4,886,650	21,750	4,908,400
Additions	3,795,310	-	3,795,310
Disposals (Sale / Redemption)	(2,088,761)	-	(2,088,761)
Monetary assets revaluation differences	6,195	-	6,195
Gain/loss from change in FMV for available for sale investments (Note 29)	20,842	-	20,842
Reverse Of change in FMV for available for sale investments (Note 29)	(12,846)	-	(12,846)
Amortized cost during the year	(6,582)	-	(6,582)
Deduct provisions for credit losses	(1,444)	-	(1,444)
Balance as of 31 December 2015	6,599,364	21,750	6,621,114

-The bank's management decided to reclassify debt instruments amounting L.E 4,540,527 thousand from Available for sale portfolio to Held to maturity portfolio using the last trading price at the date of reclassification during October 2016, Forex revaluation reached L.E 61,996 thousand at the date of the financial statements to be amortized over the remaining period of those bonds using the effective interest rate method.

21. Investments in associates

The bank contribution was as follow:

	31 DECEMBER 2016		31 December 2015	
	Amount L.E (000)	Holding Percentage %	Amount L.E (000)	Holding Percentage %
International company for postal services	6,158	20.00	3,469	20.00
Al-Watany capital assets management	30,850	49.99	31,316	49.99
	37,008		34,785	

- The main financial data and the share of the bank in the Associates are from the financial statements as of 30 September 2016 are as follows :-

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Description	Nature of relation	Region	Assets of company	Total Liabilities without Equity	Revenues of company	Net Income of company	L.E (000)	
							Share of the bank	Share %
International company for postal services	Associate	Egypt	44,568	11,110	86,302	19,597	6,158	20,00
Al Watany Capital assets management	Associate	Egypt	62,461	761	3,090	(155)	30,850	99,49

All investments in associates are unquoted.

22. Other assets

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Accrued revenues	390,985	276,227
Advances to purchase fixed assets	14,901	39,843
Assets transferred to the bank (after deducting the impairment)	67,669	70,170
Collective insurance policy	140,823	154,697
Prepaid expenses	35,390	13,206
Insurance & petty cash	17,971	10,302
Prepaid interest expense	16,861	20,273
Other	108,052	41,603
	<u>792,652</u>	<u>626,321</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

23. Fixed Assets

	Land*	Buildings*	Core Systems	Vehicles	Fitting out	Machines and equipment's	Furniture	Others	Total
	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Balance as of 1 January 2015									
Cost	22,928	212,252	53,964	5,255	109,220	25,150	27,687	12,416	468,872
Accumulated depreciation	-	(30,377)	(40,300)	(4,620)	(45,901)	(8,170)	(11,696)	(9,267)	(150,331)
Net book value as of 1 January 2015	22,928	181,875	13,664	635	63,319	16,980	15,991	3,149	318,541
Additions	-	33	10,563	656	3,459	700	637	506	16,554
Disposals	-	-	(727)	(1,008)	-	(91)	(39)	(104)	(1,969)
Depreciation for disposals	-	-	727	1,008	-	74	27	99	1,935
Depreciation for the year	-	(4,234)	(8,105)	(395)	(21,698)	(2,867)	(2,058)	(816)	(40,173)
Net book value as of 31 December 2015	22,928	177,674	16,122	896	45,080	14,796	14,558	2,834	294,888
Balance as of 31 December 2015									
Cost	22,928	212,285	63,800	4,903	112,679	25,759	28,285	12,818	483,457
Accumulated depreciation	-	(34,611)	(47,678)	(4,007)	(67,599)	(10,963)	(13,727)	(9,984)	(188,569)
Net book value as of 31 December 2015	22,928	177,674	16,122	896	45,080	14,796	14,558	2,834	294,888
Balance as of 1 January 2016									
Additions	-	9,570	17,637	-	20,255	2,418	5,921	2,282	58,083
Disposals	-	(264)	(4,699)	(9)	(643)	(377)	(2,716)	(222)	(8,930)
Depreciation for disposals	-	35	49	9	10	2	19	10	134
Depreciation for the Year	-	(4,090)	(6,347)	(377)	(19,005)	(3,099)	(2,139)	(882)	(35,939)
Net book value as at 31 DECEMBER 2016	22,928	182,925	22,762	519	45,697	13,740	15,643	4,022	308,236
Balance as of 31 DECEMBER 2016									
Cost	22,928	221,591	76,738	4,894	132,291	27,800	31,490	14,878	532,610
Accumulated depreciation	-	(38,666)	(53,976)	(4,375)	(86,594)	(14,060)	(15,847)	(10,856)	(224,374)
Net book value as at 31 DECEMBER 2016	22,928	182,925	22,762	519	45,697	13,740	15,643	4,022	308,236

*Fixed assets (net of accumulated depreciation) at Balance Sheet date include L.E (108,647) K representing lands and buildings are not registered yet in the Bank's name as the legal procedures are currently being undertaken to register those assets.

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

24-Intangible assets

	Computer programs L.E (000)	Other assets L.E (000)	Total L.E (000)
Cost at the beginning of the year	3,708	-	3,708
Addition	19,825	12,050	31,875
Deduction	-	-	-
Cost at the end of the year	23,533	12,050	35,583
Depreciation at the beginning of the year	(2,240)	-	(2,240)
Depreciation of the year	(1,132)	(261)	(1,393)
Depreciation of Disposals	-	-	-
Depreciation at the end of the year	(3,372)	(261)	(3,633)
Total at the end of the year	20,161	11,789	31,950

25. Due to banks

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
A- Local Banks		
Deposits	821,992	389,921
	821,992	389,921
B- Foreign Banks		
Current Accounts	215,909	42,198
Deposits	7,635,289	3,160,670
	7,851,198	3,202,868
	8,673,190	3,592,789
Non-interest bearing balances	215,851	42,067
Interest bearing balances	8,457,339	3,550,722
	8,673,190	3,592,789
Current balances	8,673,190	3,592,789
	8,673,190	3,592,789

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

26. Customers' deposits

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Demand deposits	14,130,623	10,268,039
Time and call deposits	11,372,244	10,305,095
Certificates of deposits	8,115,167	6,427,984
Saving deposits	3,461,408	2,968,503
Other deposits	1,020,654	424,678
Total	38,100,096	30,394,299
Financial Institutions deposits	24,602,745	18,672,852
Individual and Corporate deposits	13,497,351	11,721,447
	38,100,096	30,394,299
Non-interest bearing balances	1,020,654	424,677
Interest bearing balances	37,079,442	29,969,622
	38,100,096	30,394,299
Current balances	30,026,461	24,313,378
Non-current balances	8,073,635	6,080,921
	38,100,096	30,394,299

27. Other Loans

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
European bank for reconstruction and development loan	913,325	193,252
IFC loan	799,159	-
The Arab Fund for Economic Development Loan and social	456,663	-
Sanad for financing of small and micro enterprises loan	182,665	-
Subordinated loan (National Bank of Kuwait- Kuwait)*	1,004,657	425,156
	3,356,469	618,408

* According to the note (31-B "Transactions with related parties") Other Loans represent loans from the National Bank of Kuwait.

28. Other liabilities

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Accrued interest	228,456	164,922
Creditors	71,540	53,207
Accrued expenses	29,968	22,444
Unearned revenue	62,977	25,540
Other credit balances	60,041	29,170
	452,982	295,283

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

29- Retirement benefits obligations

	31 December 2016	31 December 2015
	L.E (000)	L.E (000)
<u>Retirement benefits obligation:</u>		
Medical benefit after retirement	25,148	-
	<u>25,148</u>	<u>-</u>
<u>Realized amounts in income statement:</u>		
Medical benefit after retirement	25,148	-
	<u>25,148</u>	<u>-</u>
 <u>Balances in balance sheet</u>		
	31 December 2016	31 December 2015
	L.E (000)	L.E (000)
Book value of financed liabilities	-	-
Fair value of for employee benefit	-	-
Book value for non-financed liabilities	48,178	-
Cost of employee benefits unrecognized	(23,030)	-
Unrealized actuarial losses	-	-
Liabilities in balance sheet	<u>25,148</u>	<u>-</u>
 <u>Liabilities during the year</u>		
Amount at the beginning of the year	-	-
Cost of current services	25,148	-
Cost of return	-	-
Contributions in employee benefits gain(loss)	-	-
Actuarial gain(loss)	-	-
Foreign exchange	-	-
Paid benefits	-	-
Benefits from changing the benefit plan	-	-
Reconciliations	-	-
Ending balances	<u>25,148</u>	<u>-</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

30. Other Provisions

L.E (000)

	Potential claims Provision	Contingent liabilities provision	Legal Provision	Early retirement Provision	Bank Operation Risk Provision	Total
As of 31 DECEMBER 2016						
Balance at the beginning of the Year	72,433	70,801	3,669	-	4,618	151,521
Charged to the income statement	11,000	-	-	-	-	11,000
	-	907	-	-	-	907
Transferred from Loans provision	-	(3,179)	-	-	486	(2,693)
Foreign currency valuation difference	-	6,385	1,346	-	3,254	10,985
Reversal of no longer required provisions		(10,343)	-		(406)	(10,749)
Used during the Year	(2,000)	(7,318)	(1,603)	-	(553)	(11,474)
Balance at the end of the Year	81,433	57,253	3,412	-	7,399	149,497

L.E (000)

	Potential claims Provision	Contingent liabilities provision	Legal Provision	Early retirement Provision	Bank Operation Risk Provision	Total
As of 31 December 2015						
Balance at the beginning of the year	49,243	49,820	1,853	11,224	4,435	116,575
Charged to the income statement	23,190	-	3,885	43,130	-	70,205
Foreign currency valuation difference	-	220	75	-	183	478
Used during the year	-	-	(2,144)	(54,354)	-	(56,498)
Transferred from Loans provision	-	20,761	-	-	-	20,761
Balance at the end of the year	72,433	70,801	3,669	-	4,618	151,521

31. Deferred tax

Deferred income taxes calculated entirely on the temporary differences in accordance with liabilities method using the enacted tax rate for the current financial year.

Deferred tax assets and liabilities can be offset where legally enforceable right to offset current tax assets against current tax liabilities, and deferred tax assets and liabilities are in the same tax jurisdiction.

Deferred tax assets and liabilities

The movement of deferred tax assets and liabilities is as follows:

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Fixed assets depreciation	-	-	(14,505)	(13,580)
Provisions (other than loans provision)	9,486	9,486	-	-
Total tax assets (liabilities)	9,486	9,486	(14,505)	(13,580)
Net tax assets (liabilities)	(5,019)	(4,094)	-	-

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Deferred tax assets and liabilities movement :

	Deferred tax assets		Deferred tax liabilities	
	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Balance at the beginning of the Year /year	9,486	9,689	(13,580)	(17,314)
Disposal	-	(203)	(925)	3,734
Balance at the end of the Year /year	<u>9,486</u>	<u>9,486</u>	<u>(14,505)</u>	<u>(13,580)</u>

32. Stockholders' Equity

(a) Authorized Capital

The authorized capital amounts to one billion Egyptian pounds.

(b) Issued and Paid up Capital

The issued and paid capital is one billion Egyptian pound divided on 100 million shares the par value per share is L.E 10

(c) Reserves

- According to the Bank's articles of association, 5% of the net profits of the year are transferred to the legal reserve until this reserve reaches 100% of the issued capital.
- According to Central Bank instructions, the bank cannot use the balance of the special reserve without the approval of the Central Bank.

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Legal reserve	168,496	139,736
General reserve	356,773	256,773
Specific reserve	9,205	9,205
Capital reserve	32,270	31,889
General banking risk reserve	34,096	31,351
Fair value reserve – available for sale investments	(80,709)	12,773
Total Reserves	<u>520,131</u>	<u>481,727</u>
Fair value reserve – available for sale investments		
Balance at the beginning of the Year / year	12,773	4,573
Net Gains (losses) from change in fair value	(84,404)	20,842
Foreign currencies exchange differences of available for sale investments	(3,992)	204
Reversal of Available for sale financial investments fair value reserve transferred to the income statement during the Year / year due to sale	(5,086)	(12,846)
	<u>(80,709)</u>	<u>12,773</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

(d) Retained Earnings

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Retained Earnings` movement		
Balance at the beginning of the Year / year	1,020,718	553,153
Transferred from profits of the Year / year	848,895	575,585
Dividends	(58,011)	(36,631)
Transferred to reserves and retained earnings	(131,886)	(71,389)
Balance at the end of the Year/ year	1,679,716	1,020,718

33. Cash and cash equivalents

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

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Cash and due from Central Bank of Egypt	2,416,591	2,974,811
Due from banks	5,315,505	6,593,910
Treasury bills	14,387,468	6,612,335
Due from central bank (within the mandatory reserve percentage)	(1,785,045)	(2,662,751)
Treasury bills with maturities of more than three months	(14,387,468)	(6,530,822)
Cash and cash equivalents	5,947,051	6,987,483

34. Related party transactions

The Bank is a subsidiary of parent National bank of Kuwait, which owns 94.93% of ordinary shares. The remaining percentage (5.07%) is owned by other shareholders. Apparently exceeding 2000 shareholders and no one of them acquire 5% or more

Number of banking transactions with related parties has been conducted in the normal course of the business including loans deposits and foreign currency swaps. There is no related party transaction with the parent company other than the payment of dividends on ordinary shares.

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

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

A- Balances of related parties

	<u>Associates Companies</u>	
	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Due to customers		
Current accounts	2,931	2,791
Deposits	4,450	-
	7,381	2,791
Due from customers		
Bank overdraft	3,137	26,010
Other debit balances	33	81
Balance at the end of the Year / year	3,170	26,091

	<u>National Bank of Kuwait</u>	
	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Due from banks	41,571	41,542
Due to banks	4,866,545	1,821,571

B- Subordinated loan from National Bank of Kuwait

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Nominal amount at the end of the Year / year	1,004,657	425,156
	1,004,657	425,156

- The Bank obtained a subordinated loan amounting to U.S. Dollars 55 million , equivalent to L.E 1,004,657K using exchange rate as of 31 DECEMBER 2016 18.2665 L.E per USD from National Bank of Kuwait, for a Year of 10 years starting from 31 May 2011 until 31 May 2021, the loan agreement include the acceptance and commitment of National Bank of Kuwait to receive a subordinated priority following the depositors and creditors in case of liquidation, and the loan is at the disposal of National Bank of Kuwait - Egypt who is committed to pay the full amount of the loan at maturity date with interest rate 1.7 %annually .

C- Transactions with Al Watany Capital Assets Managements Company (S.A.E) :

Transactions with Al Watany Capital Assets Managements Company as follows:

	31 DECEMBER 2016 L.E (000)	31 December 2015 L.E (000)
Mutual funds managements fess	3,206	3,041
Interest expenses	41	172

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

D- The total amount of salaries and wages paid for the top 20 banks employees is L.E 20,505 K with a monthly average salary L.E 1,709K for the Year ended 31 DECEMBER 2016.

35. Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the Bank as at 31 DECEMBER 2016 amounted to 15,586 K, provisions were charged for some of these lawsuits, while no provisions were charged for the others since it is not expected that these lawsuits will result in loss.

B- Capital Commitment

The Bank's total capital commitments related to building and core systems purchase amounted to L.E 91,872K as at 31 DECEMBER 2016, compared to L.E 16,949 K as at 31 December 2015 related to building and core system purchase. The management is confident that net revenues will be generated and provides the sufficient finance to pay these commitments.

C- Commitments for loans, guarantees and facilities

Bank Commitments for loans guarantees and facilities are represented as follows:

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Acceptances securities	482,576	376,012
Letters of guarantee	2,839,803	2,249,487
Letters of credit (import and export)	1,461,556	616,889
Guarantees upon other banks' request or by their warranties	2,517,656	1,039,573
Total	7,301,591	4,281,961

D- Commitments for operating lease contracts

The total minimum lease payments for irrevocable operating leases are as follows:

	31 DECEMBER 2016	31 December 2015
	L.E (000)	L.E (000)
Less than one year	10,607	5,498
More than one year and less than five years	31,674	5,687
More than five years	8,728	-
	51,009	11,185

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

36. Finance Lease Liabilities

The bank entered into sale agreement with International Company for Leasing (INCOLEASE), according to the agreements the bank sold real estate (lands) which had been transferred to the bank, in addition to some branches and the intangible assets and leased it back. The bank granted loans to the leasing company with the same sale amounts as follows:

Description	Selling Amount		Finance Lease installment		Year
	Amount	Currency	Amount	Currency	
Shoubra Branch	2,515	Egyptian Pounds	39	Egyptian Pounds	Monthly
Smouha Branch	2,970	Egyptian Pounds	46	Egyptian Pounds	Monthly
Nozha Branch	4,208	Egyptian Pounds	51	Egyptian Pounds	Monthly
El Hegaz Branch	5,076	Egyptian Pounds	61	Egyptian Pounds	Monthly
El Nasr Branch	8,262	Egyptian Pounds	81	Egyptian Pounds	Monthly
Mesadak Branch	11,573	Egyptian Pounds	114	Egyptian Pounds	Monthly
IT Improvement – 4	6,766	Egyptian Pounds	150	Egyptian Pounds	Monthly

37. Distribution of Assets, Liabilities, Contingent Liabilities and Commitments:

	Local Currency L.E (000)	Foreign Currency L.E (000)
First: Assets:		
A- Due from banks	4,807,543	507,962
	4,807,543	507,962
B- Loans to Customer and Banks		
Agriculture Sector	412,931	84,173
Industrial Sector	4,615,097	12,656,782
Commercial Sector	1,819,442	1,197,578
Services Sector	1,740,628	1,260,224
Family Sector	2,297,114	180,998
Other Sectors	41,678	37,714
	10,926,890	15,417,469
Loans Provision	(1,239,337)	(130,708)
Interest in suspense	(9,227)	(1,511)
Net Loans	9,678,326	15,285,250

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

Second: Liabilities:

A- Due to banks	239,169	8,434,021
	<u>239,169</u>	<u>8,434,021</u>
B- Customer Deposits		
Agriculture Sector	104,717	64,863
Industrial Sector	7,246,017	2,273,506
Commercial Sector	1,583,506	862,542
Services Sector	1,443,629	1,532,972
Family Sector	12,539,335	5,082,340
Other Sectors	3,050,765	2,315,904
	<u>25,967,969</u>	<u>12,132,127</u>
C- Contingent Liabilities		
Letter of guarantees	2,157,513	682,289
Acceptance papers for credit facilities	122,989	2,394,667
Letter of credit (Import & Export)	9,634	1,451,922
Accepted bills for suppliers facilities	-	482,577
	<u>2,290,136</u>	<u>5,011,455</u>

38. Geographical distribution of loans balances:

	Local Currency L.E (000)	Foreign Currency L.E (000)
Cairo	4,007,322	3,314,158
6th of October	688,810	399,027
Alexandria	1,166,301	634,874
Gharbya	86,677	44,248
Damitta	15,087	-
Shrquia	205,099	495,851
Dakahlia	248,817	390,445
Giza	140,574	417,491
Kalubaia	4,194,349	9,713,997
Asuit	46,023	438
Sohaj	89,981	179
Red sea	44,119	-
South Sinai	492	-
	<u>10,933,651</u>	<u>15,410,708</u>
Less		
Loans Provision of impairment losses	(1,239,337)	(130,708)
Interest in suspense	(9,227)	(1,511)
Net Loans	<u>9,685,087</u>	<u>15,278,489</u>

National Bank of Kuwait - Egypt (S.A.E)

Notes to the Financial Statements
For the Year ended 31 DECEMBER 2016

39. Geographical distribution of Deposits

	Local Currency L.E (000)	Foreign Currency L.E (000)
Cairo	12,110,385	6,844,280
6th of October	1,647,911	833,921
Alexandria	2,529,531	1,583,210
Gharbya	239,522	89,475
Damitta	83,226	16,808
Sharquia	339,403	131,650
Dakahlia	340,557	201,960
Kalubaia	255,798	116,045
Giza	7,924,376	2,223,726
Asuit	163,772	25,157
Sohaj	254,806	20,796
Red sea	69,492	23,884
South Sinai	9,169	21,236
	<u>25,967,948</u>	<u>12,132,148</u>

40. Mutual Funds

(A) National Bank of Kuwait - Egypt Mutual Fund (with the Yearic return and capital growth):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Hermes for Asset Management.

The certificates of the fund has reached 1,350,000 certificates amounted to L.E 135,000 K of which 67,500 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 6,750 K.

The redeemable value of the certificate as of 31 DECEMBER 2016 amounted to L.E 253,52043 and the outstanding of the fund certificates at that date reached 215,886 certificates while the net assets value of the mutual fund was L.E 54732K as of 31 DECEMBER 2016.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.0035 as fee and commission for supervision on the fund and other managerial services rendered by the bank.

Total commissions amounted to L.E 154 K for the Year ended 31 DECEMBER 2016 included in fees and commissions' income caption in the Income Statement.

(B) National Bank of Kuwait - Egypt Mutual Fund (with the cumulative daily return "Ishraq"):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached

National Bank of Kuwait - Egypt (S.A.E)

14,898,379 certificates amounted to LE 148,984 K of which 500,000 certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of L.E 5,000 K

The Bank purchased a number of 665,600 certificates (AFS) of total amount of LE 9,775 K and with a redeemable value amounted to L.E 12156 K as of 31 DECEMBER 2016.

The redeemable value of the certificate as of 31 DECEMBER 2016 amounted to L.E **18.27601** and the outstanding of the fund certificates at that date reached **25,547,527** certificates while the net assets value of the mutual fund was L.E 466,907K as of 31 DECEMBER 2016.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.0045 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 3260K for the Year ended 31 DECEMBER 2016 included in fees and commissions' income caption in the Income Statement.

(C) Al Hayat Mutual Fund (with the cumulative daily return and the Yearic distribution – works according to Islamic Shariah):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 5,000,000 certificates amounted to L.E 50,000 K of which 500,000 certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of L.E 5,000 K

The redeemable value of the certificate as of 31 DECEMBER 2016 amounted to L.E 17.62307 and the outstanding of the fund certificates at that date reached **1,071,217** certificates while the net assets value of the mutual fund was L.E 18,861 K as of 31 DECEMBER 2016.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.006 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 82 K for the Year ended 31 DECEMBER 2016 included in fees and commissions' income caption in the Income Statement.

(D) Namaa Mutual Fund (with the cumulative daily return and the Yearic distribution):

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No. 95/ 1992 and its Executive Regulation. The fund is managed by Al Watany Capital for Asset Management. The certificates of the fund has reached 6,081,969 certificates amounted to L.E 60,820 K of which 500,000 certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of L.E 5,000 K

National Bank of Kuwait - Egypt (S.A.E)

The bank purchased a number of 185,334 certificates (AFS) of total amount of LE 2,050 K and with a redeemable value amounted to L.E 2,914 K as of 31 DECEMBER 2016.

The redeemable value of the certificate as of 31 DECEMBER 2016 amounted to L.E **15.72594** and the outstanding of the fund certificates at that date reached **714,011** certificates while the net assets value of the mutual fund was L.E **11,228** K as of 31 DECEMBER 2016.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains 0.006 as fees and commissions for supervising the fund and other managerial services rendered by the Bank. Total commissions amounted to L.E 47 K for the Year ended 31 DECEMBER 2016 included in fees and commissions' income caption in the Income Statement.

41. Comparative figures

The comparative figures for year 2015 had been reclassified to comply with the classification of financial statement for the current Year.