

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**AUDITORS' REPORT  
AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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

**Pricewaterhouse Coopers Ezzeldeen, Diab & Co.  
Public Accountants & Consultants**

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**  
**Interim financial statements - for the year ended 31 December 2024**  
**(All amounts in disclosures are in thousand Egyptian pound except mentioned otherwise)**

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## **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. “the bank”, which comprise the statement of financial position as of 31 December 2024 and the statements of income, comprehensive income, changes in owners' equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other notes.

### **Management's responsibility for the financial statements**

These financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the rules of preparation and presentation of the Banks' financial statements, basis of recognition and measurement issued by the board of directors of Central Bank of Egypt on 16 December 2008 as amended by the regulations issued on 26 February 2019 and in light of the prevailing Egyptian laws and regulations. Management's responsibility includes designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management's 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 the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

To: The Shareholders of National Bank of Kuwait – Egypt “S.A.E”

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### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Bank of Kuwait – Egypt S.A.E as of 31 December 2024 and of its financial performance and its cash flows for the year then ended, in accordance with the rules of preparation and presentation of the bank’s financial statements, basis of recognition and measurement issued by the Central Bank of Egypt on 16 December 2008 as amended by the regulations issued on 26 February 2019 and in light of the prevailing Egyptian laws and regulations relating to the preparation of these financial statements.

### Report on legal and other regulatory requirements

We did not note material contravention, during the financial year ended 31 December 2024, of the provisions of Central Bank of Egypt and the Banking Sector Law no. 194 of 2020 in the light of our audit of the financial statements.


The Bank maintains proper financial records, which include all that is required by the law and the Bank’s statutes, and the accompanying financial statements are in agreement therewith.

The financial information included in the Board of Directors’ report that is prepared in accordance with law No. 159 of 1981 and its executive regulations, is in agreement with Bank’s accounting records, within the limits that such information recorded therein.

### Auditors’



**Tamer Abdel Tawab**  
Accountants And Auditors Register No. (17996)  
Financial Regulatory Authority Register No. (388)  
CBE Register No. (501)  
Fellow of Egyptian Society of Accountants and  
Auditors  
PricewaterhouseCoopers, Ezzeldeen, Diab &  
Co.  
Public Accountants



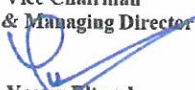
**Dr. Mohamed Abdel Aziz Hegazy**  
Accountants and Auditors Register No. (9542)  
Financial Regulatory Authority Register No. (60)  
CBE Register No. (123)  
Fellow of Egyptian Society of Accountants and  
Auditors (143)  
Crowe Dr. Abdel Aziz Hegazy & Co.  
Public Accountants & Consultants

3 February 2025  
Cairo

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Statement of Financial position  
As at 31 December 2024**

	<u>Note No.</u>	31 December 2024 <u>000' EGP</u>	31 December 2023 <u>000' EGP</u>
<b><u>Assets</u></b>			
Cash and Due from Central Bank	(13)	22,361,660	10,625,725
Due from banks	(14)	24,078,091	6,173,217
Loans and facilities to customers	(15)	102,993,934	75,193,218
Financial investments at fair value through profits and losses	(17)	95,620	71,649
Financial investments at fair value through other comprehensive income	(17)	40,298,997	34,048,080
Investments in subsidiaries	(18)	52,207	52,207
Other assets	(19)	4,682,804	3,645,162
Intangible assets	(21)	200,132	149,439
Investment properties	(22)	671	698
Fixed assets	(20)	801,551	600,468
Deferred Tax assets	(29)	90,788	49,853
<b>Total assets</b>		<b>195,656,455</b>	<b>130,609,716</b>
<b><u>Liabilities and owners' equity</u></b>			
<b><u>Liabilities</u></b>			
Due to banks	(23)	306,877	693,229
Customers' deposits	(24)	159,754,809	105,930,669
Other loans	(25)	7,791,500	5,647,645
Other liabilities	(26)	2,861,457	1,869,268
Retirement benefits obligations	(27)	329,139	244,740
Other provisions	(28)	316,627	209,156
Current income tax liabilities		2,123,055	1,119,502
<b>Total liabilities</b>		<b>173,483,464</b>	<b>115,714,209</b>
<b><u>Owners' equity</u></b>			
Issued and paid-up capital	(30/b)	5,512,500	5,250,000
Reserves	(30/c)	2,906,266	2,195,025
Retained Earnings	(30/d)	13,754,225	7,450,482
<b>Total Owners' equity</b>		<b>22,172,991</b>	<b>14,895,507</b>
<b>Total liabilities and Owners' equity</b>		<b>195,656,455</b>	<b>130,609,716</b>

Vice Chairman  
CEO & Managing Director  
  
Yasser Eltayeb


Chairman  
  
Shaikha Khaled Al Bahar

- The accompanying notes from (1) to (39) 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 financial year ended 31 December 2024**

	Note No	31 December 2024 000' EGP	31 December 2023 000' EGP
Interest income from loans and similar revenues	(5)	27,113,314	14,885,462
Cost of deposits and similar costs	(5)	(15,515,724)	(7,897,209)
<b>Net interest Income</b>		<b>11,597,590</b>	<b>6,988,253</b>
Fees and commissions income	(6)	1,891,457	1,546,603
Fees and commissions expenses	(6)	(313,739)	(183,022)
<b>Net income from fees and commissions</b>		<b>1,577,718</b>	<b>1,363,581</b>
Dividends	(7)	6,409	5,094
Net trading income	(8)	329,089	288,232
Gains from financial investments	(9)	31,105	9,985
<b>Net Operating Income</b>		<b>13,541,911</b>	<b>8,655,145</b>
<b>Less</b>			
Impairment charges on credit losses	(15)	(446,494)	(434,665)
General and administrative expenses	(10)	(2,746,951)	(2,325,671)
Other operating expenses	(11)	(117,016)	(90,201)
<b>Net profits for the period before income tax</b>		<b>10,231,450</b>	<b>5,804,608</b>
Income tax expenses	(12)	(2,961,507)	(1,783,666)
<b>Net profits for the period</b>		<b>7,269,943</b>	<b>4,020,942</b>
<b>Earnings per share (EGP/Share)</b>	(39)	<b>11.82</b>	<b>6.87</b>

Vice Chairman  
CEO & Managing Director  
  
Yasser Eltayeb

Chairman  
  
Shaikha Khaled Al Bahar

- The accompanying notes from (1) to (39) are integral part of these financial Statements and to be read there with.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Statement of Comprehensive income  
For the financial year ended 31 December 2024**

	<b>Note No</b>	<b>31 December 2024 <u>000' EGP</u></b>	<b>31 December 2023 <u>000' EGP</u></b>
<b>Net profits for the period</b>		<b>7,269,943</b>	4,020,942
<b>Other comprehensive income items</b>			
Net changes in fair value through other comprehensive income	(30/c)	<b>461,101</b>	(187,708)
Revaluation differences of financial instruments at fair value through OCI with foreign currency	(30/c)	<b>(2,798)</b>	(4,435)
<b>Total other comprehensive items</b>	<b>17</b>	<b>458,303</b>	(192,143)
<b>Total Other comprehensive income</b>		<b>7,728,246</b>	3,828,799

- The accompanying notes from (1) to (39) 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 owners` equity  
For the financial year ended 31 December 2024**

	Capital	Legal reserve	General reserve	Capital reserve	Fair value Reserve	Banking risk reserve	General risk reserve	Retained earnings	Total
	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>	<u>000` EGP</u>
Balance as at 1 January 2023	5,000,000	631,103	1,206,773	186,075	(615,239)	491,476	173,285	4,196,902	11,270,375
Revaluation differences of financial investments at fair value through other comprehensive income with foreign currencies	-	-	-	-	(4,435)	-	-	-	(4,435)
Cash dividends of 2022	-	-	-	-	-	-	-	(187,082)	(187,082)
Transferred to reserves	-	90,346	200,000	18,893	-	-	-	(309,239)	-
Transferred to Capital increase	250,000	-	-	-	-	-	-	(250,000)	-
Transferred from banking risk reserve to retained earnings	-	-	-	-	-	4,456	-	(4,456)	-
Transferred to CBE fund for development & support of banking sector	-	-	-	-	-	-	-	(16,585)	(16,585)
Changes in the fair value of the financial investments through other comprehensive income	-	-	-	-	(187,708)	-	-	-	(187,708)
Net profit for the year	-	-	-	-	-	-	-	4,020,942	4,020,942
Balance as at 31 December 2023	<u>5,250,000</u>	<u>721,449</u>	<u>1,406,773</u>	<u>204,968</u>	<u>(807,382)</u>	<u>495,932</u>	<u>173,285</u>	<u>7,450,482</u>	<u>14,895,507</u>

The accompanying notes from (1) to (39) 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 owners` equity (Cont.)  
For the financial year ended 31 December 2024**

	Capital	Legal reserve	General reserve	Capital reserve	Fair value Reserve	Banking risk reserve	General risk reserve	Retained earnings	Total
	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>
Balance as at 1 January 2024	5,250,000	721,449	1,406,773	204,968	(807,382)	495,932	173,285	7,450,482	14,895,507
Revaluation differences of financial investments at fair value through other comprehensive income with foreign currencies	-	-	-	-	(2,798)	-	-	-	(2,798)
Cash dividends of 2023	-	-	-	-	-	-	-	(412,594)	(412,594)
Transferred to reserves	-	200,953	200,000	1,885	-	-	-	(402,838)	-
Transferred to Capital increase	262,500	-	-	-	-	-	-	(262,500)	-
Transferred from banking risk reserve to retained earnings	-	-	-	-	-	(149,900)	-	149,900	-
Transferred to CBE fund for development & support of banking sector	-	-	-	-	-	-	-	(40,146)	(40,146)
Changes in the fair value of the financial investments through other comprehensive income	-	-	-	-	461,101	-	-	-	461,101
Reversal of the fair value reserve of the financial investments through other comprehensive income	-	-	-	-	-	-	-	1,978	1,978
Net profit for the year	-	-	-	-	-	-	-	7,269,943	7,269,943
Balance as at 31 December 2024	<u>5,512,500</u>	<u>922,402</u>	<u>1,606,773</u>	<u>206,853</u>	<u>(349,079)</u>	<u>346,032</u>	<u>173,285</u>	<u>13,754,225</u>	<u>22,172,991</u>

The accompanying notes from (1) to (39) 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 financial year ended 31 December 2024**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b><u>Cash flows from operating activities</u></b>		
Net Profits before income tax	<b>10,231,450</b>	5,804,608
<b>Adjustments to reconcile net profit to net cash provided by operating activities</b>		
Depreciation and amortization	(21/20) <b>198,618</b>	154,971
Impairment charges on credit losses	(15) <b>446,494</b>	363,903
Reversal of other provisions	<b>(1,585)</b>	(376)
Revaluation differences of financial investments at fair value through profits and losses	<b>(23,971)</b>	(17,619)
Other provisions charges	<b>3,663</b>	379
Revaluation differences of other provisions in foreign currencies	<b>19,022</b>	5,765
Revaluation differences of financial investments at fair value through other comprehensive income in foreign currencies	<b>(2,874,801)</b>	(419,074)
Profits / losses from sale of fixed assets	<b>(8,293)</b>	(1,885)
Profits on sale of financial investments at fair value through other comprehensive income	(9) <b>(31,105)</b>	(9,985)
Utilization of other provisions	<b>(1,780)</b>	(8,305)
Amortised cost	<b>(5,432,029)</b>	(3,357,068)
Dividends	(7) <b>(6,409)</b>	(5,094)
<b>Operating profits/losses before changes in assets and liabilities provided from operating activities</b>	<b><u>2,519,274</u></b>	<b><u>2,510,220</u></b>
<b>Net (decrease) increase in assets and liabilities</b>		
Due from central banks (within the mandatory reserve percentage)	<b>(11,691,682)</b>	777,024
Loans and facilities to customers	<b>(28,223,043)</b>	(21,236,041)
Other assets	<b>(712,296)</b>	(1,041,463)
Due to banks	<b>(386,352)</b>	(2,163,750)
Customers' deposits	<b>53,824,140</b>	21,472,876
Other liabilities	<b>1,076,588</b>	754,212
Income tax paid	<b>(1,957,954)</b>	(1,237,825)
<b>Net cash flows provided from (used in) operating activities (1)</b>	<b><u>14,448,675</u></b>	<b><u>(164,747)</u></b>
<b><u>Cash flows from investing activities</u></b>		
Payments for purchase of fixed assets and fixtures of branches	<b>(930,460)</b>	(1,012,173)
Proceeds from sale of fixed assets	<b>9,951</b>	2,861
Proceeds from sale of financial investments at fair value through other comprehensive income	<b>75,953,432</b>	44,771,712
Payments to purchase financial investments at fair value through other comprehensive income.	<b>(70,202,826)</b>	(40,464,139)
Payments to purchase intangible assets	<b>(91,962)</b>	(49,524)
Dividends	<b>6,409</b>	5,094
<b>Net cash flows provided from investing activities (2)</b>	<b><u>4,744,544</u></b>	<b><u>3,253,831</u></b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Statement of cash flows (Cont.)**

**For the financial year ended 31 December 2024**

**Cash flows from Financing Activities**

Increase in long term loans	(1,201,966)	(248,998)
Dividends paid	(412,594)	(187,082)
<b>Net cash flows used in financing activities (3)</b>	<b>(1,614,560)</b>	<b>(436,080)</b>
<b>Net Cash and cash equivalents during the period (1+2+3)</b>	<b>17,578,659</b>	<b>2,653,004</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,263,219</b>	<b>4,610,215</b>
<b>Cash and cash equivalents at the end of the period (31)</b>	<b>24,841,878</b>	<b>7,263,219</b>

**Cash and cash equivalents are represented in :**

Cash and due from Central Bank	22,361,660	10,625,725
Due from banks	24,078,092	6,173,217
Treasury bills and other governmental securities	35,109,162	26,982,714
Due from central banks (within the mandatory reserve percentage)	(24,078,092)	(9,535,821)
Treasury bills with maturities of more than three months	(32,628,944)	(26,982,616)
<b>Cash and cash equivalents (31)</b>	<b>24,841,878</b>	<b>7,263,219</b>

- The accompanying notes from (1) to (39) are integral part of these financial Statements and to be read there with.

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Proposed Profit appropriation statement For the year ended 31 December 2024

	<b>31 December 2024</b> <b><u>000' EGP</u></b>	31 December 2023 <b><u>000' EGP</u></b>
Net profit for the year (As per Statement of income)	7,269,943	4,020,942
<b><u>Deduct:</u></b>		
Profit from sale of fixed assets transferred to capital reserve	(8,293)	(1,885)
General banking risk reserve	149,900	(4,456)
<b>Net profit for the year available for distribution</b>	<b>7,411,550</b>	4,014,601
Retained earnings at the beginning of the year	6,332,403	3,433,995
Reversal of the fair value reserve of the financial investments through other comprehensive income	1,978	-
<b>Total</b>	<b><u>13,745,931</u></b>	<b><u>7,448,596</u></b>
<b><u>To be distributed as follows:</u></b>		
Legal reserves	363,082	200,953
General reserves	363,497	200,000
Employees' profit share	741,155	402,094
<b>Shareholders` dividends</b>		
Free shares	275,625	262,500
Board of directors remuneration	12,750	10,500
Development & support of banking sector fund *	74,115	40,146
Retained earnings at the end of the year	11,915,707	6,332,403
<b>Total</b>	<b><u>13,745,931</u></b>	<b><u>7,448,596</u></b>

- \* According to article no. 178 of the Central bank of Egypt and banking sector law no. 194 for year 2020, An amount should be deducted that does not exceed 1 % of net income available for distribution for development & support of banking sector fund.

## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

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### **Notes to the Financial Statements - For the year ended 31 December 2024**

#### **1. General information**

The bank was established under the name of (Al Watany Bank of Egypt), an Egyptian Joint Stock Company according to the decision of the Ministry of Economy, Foreign Trade and Economic Cooperation No. 137 of 1980 under the Investment Law No (43) for 1974, and its amendments as the bank now is under the Investment law No (72) for 2017, The Bank's head office is located in First Sector, Plot 155, City Centre, New Cairo. The Egyptian Stock Exchange's Listing Committee approved the voluntary final delisting of the shares of National Bank of Kuwait - Egypt in February 2022.

On 18/3/2004, The extension of the period specified for the bank was approved by the extraordinary general assembly and on 24 March 2013, the Extraordinary General Assembly resolved that the Bank's name to be amended from Al Watany Bank of Egypt to become National Bank of Kuwait - Egypt. Such amendment has been approved and published in the Commercial Register on 29 April 2014.

National Bank of Kuwait - Egypt provides corporate and retail banking services and investment in the Arab Republic of Egypt through 53 branches, and 2,049 employees at the date of the Balance sheet as of 31 December 2024 compared to 31 December 2023, which were 53 branches, and 2,050 employees.

These Financial Statements have been approved from the Board of Director on 3<sup>rd</sup> of February 2025.

#### **2. Summary of accounting policies**

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

##### **A) Basis of financial statements preparation**

The financial statements are prepared in accordance with rules of preparation and presentation of banks' financial statements, basis of recognition and measurement approved by the Board of Directors of the Central Bank of Egypt on 16 December 2008, along with the requirements of IFRS 9 "Financial Instruments" according to the instructions issued by the Central Bank of Egypt on January 28, 2018, and as amended on 26 February 2019, in light of the Egyptian Accounting Standards issued, And what is not mentioned in the instructions of the Central Bank of Egypt shall be referred to the Egyptian Accounting Standards.

##### **B) Subsidiaries and Associates**

###### **B / 1 Subsidiaries**

Subsidiaries are all companies (including special purpose entities) 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 entities in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank holds from 20% to 50% of the voting rights.

The purchase accounting method is used for the Bank's acquisition of companies. The cost of acquisition is measured at the fair value of the assets, or the consideration provided by the Bank for the assets of purchase, and/ or issued equity instruments and/ or liabilities incurred by the Bank, and/or liabilities accepted on behalf

## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

### **Notes to the Financial Statements - For the year ended 31 December 2024**

of the acquiree at the transaction date, plus any costs directly attributable to the acquisition. Net assets including identifiable contingent liabilities are measured at their fair value at the date of acquisition, irrespective of the minority interest. The excess in acquisition cost over the fair value of the Bank's share in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the statement of profits and losses under other operating income (expenses).

The associates are accounted for in the financial statement using the equity method and accordingly, the Investment are recognized at cost including any goodwill and excluding any impairment losses in that value and the dividends income is recognized in the income statement on approval of those dividends' income on entitlement of the bank to collection.

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

#### **D) Consolidation of subsidiaries**

Consolidated financial statements are not prepared for the Bank and its subsidiary, as the assets and liabilities of the subsidiary represent are less than 1% of the Bank's assets and liabilities, and therefore these financial statements are considered to reflect the consolidated financial position of the Bank.

#### **E) Foreign currency Translation**

##### **D/1 Functional and presentation currency**

The Bank's financial statements are presented in Egyptian Pound (EGP), which is the Bank's functional and presentation currency.

##### **D/2 Transactions and balances in foreign currencies**

The Bank keeps its accounting records in Egyptian pound. Foreign currency transactions during the financial year are translated using the exchange rates prevailing at the date of the transaction. All monetary assets and liabilities balances in foreign currencies at the financial position date are revaluated based on the exchange rates prevailing at that date. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the statement of profits and losses under the following sections:

- Net income on financial instruments at fair value through profits and losses for assets/ liabilities initially designated at fair value through profits and losses according to the type.
- Other operating income (expenses) for the remaining items.
- Among other comprehensive income items of owners' equity with regard to financial derivatives as qualifying hedge (eligible) for cash flows or as qualifying hedge for net investment.
- Among other comprehensive income items of owners' equity with regard to financial investments from equity instruments at fair value through other comprehensive income.
- Changes in the fair value of monetary financial instruments in foreign currency classified as investments at fair value are analyzed within the other comprehensive income through differences from changes in amortized costs of the instrument, differences from changes in the prevailing

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

exchange rates, and differences from changes in the fair value of the instrument. Differences related to changes in the amortized cost are recognized into statement of profits and losses under interest income from loans and similar revenues, and those related to the changes in the exchange rates under other operating income (expenses). Differences from changes in the fair value (fair value reserve/ financial investments at fair value through other comprehensive income) are recognized within owners' equity of comprehensive income items.

- Valuation differences resulting from non-cash items include profits and losses from change in fair value such as equity instruments at fair value through profits and losses. Valuation differences result from equity instruments classified as financial investments at fair value through other comprehensive income statement are recognized in statement of other comprehensive income.

### F) Financial assets and liabilities

#### E-1 Initial recognition and measurement

The Bank conducts initial recognition of financial assets and liabilities on the date on which the bank becomes a party in the contractual conditions of financial instrument.

The financial asset or liability is initially measured at fair value. With regard to assets or liabilities that are not subsequently measured at fair value through profits and losses, it would be measured at fair value plus cost of transaction that is connected directly with acquisition or issuance.

#### Business model valuation

- 1) Debt instruments and equity instruments are classified and measured as follows:

Financial Instrument	Method of measurement as per the business model		
	Amortized cost	Fair value	
		Through other comprehensive income	Through profit or loss
Equity Instrument	-	One-time option upon initial recognition Irrevocable	Normal transaction for equity instruments
Debt instruments	Business model of assets held to collect contractual cash flows	Business model of assets held to collect contractual cash flows and sale	Business model of assets held for trading

- 2) The Bank shall prepare, document and approve Business Model in compliance with IFRS 9 requirements to reflect the bank's strategy made for managing financial assets and its cash flows as follows:

Financial asset	Business model	Main characteristics
Financial assets at amortized cost	Business model for Financial Assets Held to collect contractual cash flows	<ul style="list-style-type: none"> <li>The objective of the business model is to retain financial assets to collect the contractual cash flows represented in the principal amount of the investment and the interests.</li> <li>A sale is an exceptional contingent event for the purpose of this model and under the terms of the Standard comprising deterioration in the creditworthiness of the issuer of the financial instrument.</li> <li>Lowest sales in terms of periodic and value.</li> </ul>

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		<ul style="list-style-type: none"> <li>▪ A clear and reliable documentation process for the justifications of each sale and its conformity with the requirements of the Standard shall be conducted by the bank.</li> </ul>
<b>Financial assets at fair value through other comprehensive income</b>	Business model for financial assets held to collect contractual cash flows and sale	<ul style="list-style-type: none"> <li>▪ Both the collection of contractual cash flows and sale are complementary to the objective of the model.</li> <li>▪ High sales (in terms of turnover and value) compared to the business model held for the collection of contractual cash flows.</li> </ul>
<b>Financial assets at fair value through profits and losses</b>	Other business models, which include (trading - management of financial assets based on fair value - maximising cash flows through sale)	<ul style="list-style-type: none"> <li>▪ The objective of the business model is not to hold the financial asset for the collection of contractual cash flows or hold the financial asset to collect contractual cash flows and sale.</li> <li>▪ The collection of contractual cash flows is a contingent event for the objective of the model.</li> <li>▪ Management of financial assets by the management at fair value through profits and losses to avoid accounting inconsistencies.</li> </ul>

- The Bank shall evaluate the purpose of business model at the level of portfolio in which the financial asset is held to reflect the method of management and supplying information. Such information taken into consideration when evaluating the business model shall include the following:
  - Documented approved policies and portfolio's objectives and application of such policies in practice. In particular, whether the management's strategy focuses only upon collection of contractual cash flows and holding a definite interest rate to compare maturity dates of financial assets with maturity dates of liabilities that finance such assets or generates cash flows from sale of assets.
  - Way of evaluating and reporting on portfolio's performance to senior management.
  - Risks that affect business model performance including nature of financial assets held in such model and the way of managing such risks.
  - Way of evaluating the performance of business managers (fair value and/or interest on portfolio, or both).
  - Periodic, value and date of sale transactions in previous periods, reasons of such transactions, and forecasts regarding future sale activities. However, information regarding sale activities is not taken into consideration separately but as a part of a whole comprehensive valuation of how to achieve the bank's objective from managing the financial assets and how to generate cash flows.
  - The financial assets held for trading, or managed and its performance valued on basis of fair value are measured at fair value through profits and losses since they are not held to collect contractual cash flows or to collect contractual cash flows and sell financial assets together.
- **Assessment of whether the contractual cash flows of an asset represent payments restricted upon principal amount of instrument and interest**



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For purpose of this valuation, the bank identifies the principal amount of financial instrument as the fair value of financial asset upon initial recognition. Further, the bank identifies the interest as time value of money and credit risks related to the principal amount during specific period and other main loan risks and costs (such as liquidity risks and administrative costs) in addition to profit margin.

In order to evaluate whether the contractual cash flows of the asset are represented in payments restricted upon the principal of financial instrument and interest, the bank takes into its consideration the contractual conditions of the instrument. This includes valuation of whether the financial asset includes contractual conditions that may change date or amount of contractual cash flows which result in breach of this condition. In order to carry out such valuation, the bank takes into consideration the following matters:

- Potential events that may change the amount or date of cash flows.
- Specifications of financial leverage (interest rate, terms, currency type ...).
- Terms of accelerated payment and term extension.
- Terms that may limit the bank's ability to claim cash flows from certain assets.
- Specifications that may be amended for time value of cash (periodically repricing interest rate).

#### **Reclassification**

- The financial assets are reclassified upon initial recognition only if the bank changes business model of managing such assets.
- In all cases, reclassification between financial liabilities at fair value through profits and losses and financial liabilities at amortized cost are not conducted.

#### **E/2 De-recognition**

##### **1- Financial assets**

- The financial asset is excluded when the effective period of contractual right to obtain cash flows from financial asset expires or the bank transfers the right to receive contractual cash flows in a transaction whereby the risks and benefits associated materially with ownership are transferred to another party.
- When a financial asset is excluded, difference between asset's book value (or book value allocated to part of the excluded principal) and total of received consideration (including any new asset obtained less any new commitment incurred) and any consolidated profits or losses has been previously recognized in the fair value reserve of financial investments at fair value through statement of other comprehensive income is recognized in statement of profits and losses.
- Any accumulated profit or loss recognized in statement of other comprehensive income related to investing in equity instruments allocated as investments at fair value through statement of other comprehensive income are not recognized in profits and losses upon disposal of such asset. Any share resulted or held from the asset qualified for disposal (eligible for disposal) shall be recognized as separate asset or liability.
- When the bank makes transactions whereby it transfers assets that have been previously recognized in statement of financial position, but materially held most of risks and benefits associated with the transferred asset or part of it. In such cases, the transferred asset shall not be excluded.

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- In respect of transactions in which the bank does not materially hold or transfer all risks and benefits associated with asset ownership and hold control over the asset, the bank continues to recognize the asset within the limitation of its continuous commitment to financial asset. The continuous commitment of the bank to the financial asset shall be determined based on the bank's exposure to changes in value of transferred asset.
- In some transactions, the bank holds the commitment to provide transferred asset in return for commission. Thereupon, the transferred asset shall be excluded if it meets the exclusion conditions. An asset or liability to provide service is recognized if the service commission is higher than the appropriate amount (asset) or less than the appropriate amount (liability) to perform the service.

#### **2- Financial liabilities**

- The bank shall exclude financial liabilities when the financial liability is excluded or cancelled or its term set forth in the contract expires.

### **E/3 Adjustments to financial assets and liabilities**

#### **1- Financial assets**

- If the terms of a financial asset are amended, the bank shall evaluate whether the cash flows of adjusted asset are materially different. If the cash flows materially differ, the contractual rights of cash flows from the principal financial asset shall be considered expired and hence the principal financial asset shall be excluded and the new financial asset shall be recognized at fair value and the value resulted from adjusting aggregate book value shall be recognized as profits or losses under profits and losses. On the other hand, if such adjustment has occurred due to financial difficulties of the borrower, the profits have to be deferred and presented with aggregate impairment losses whilst losses have to be recognized in the statement of profits and losses.
- If the cash flows of adjusted asset recognized at amortized cost do not materially differ, the adjustment shall not result in exclusion of financial asset.

#### **2- Financial liabilities**

- The Bank may adjust a financial liability when its terms are amended and the cash flows of adjusted liability will materially differ. In such case, a new financial liability is recognized according to the amended terms at fair value. The difference between book value of old financial liability and new financial liability shall be recognized in accordance with amended terms in the profits and losses.

### **Offsetting financial assets and liabilities**

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

An offset between only revenues and expenses shall be made, if permitted in accordance with Egyptian Accounting Standards, or profit or loss results from similar groups because of trading or transfer differences of balance of foreign currency cash assets and liabilities or profits (losses) result from foreign currency operations.

### **G) Fair value measurement**

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- The Bank sets the fair value on basis that it is the price that will be obtained for the sale of an asset or will be paid for transfer of a liability in a transaction made between the participants in the market on measurement date taking specifications of the asset or liability into consideration when measuring the fair value if the participants in the market took such specifications into consideration when pricing the asset and/or liability on measurement date as such specifications include status and position of the asset and restrictions upon sale or use of the asset as per the perspective of participants in the market.
- The Bank uses market methodology to determine fair value of financial assets and liabilities as such methodology uses other relevant prices and information result from market transactions that include assets or liabilities or set of assets and liabilities and are typical or comparable. Accordingly, the Bank uses valuation methods that are in consistent with market methodology such as market multiples derived from comparable sets. Thereupon, it is required to opt for the appropriate multiplier within range using personal judgement taking into consideration both quantitative and qualitative factors of the measurement.
- When it can not be relied upon the market approach to determine the fair value of a financial asset or financial liability, the Bank uses the income approach to determine fair value whereby future payments such as cash flow or income and expenses are transferred to current amount (discounted) so that the fair value measurement reflects current market expectations about future payments.
- When it can not be relied upon market approach or income approach to determine the fair value of a financial asset or financial liability, the Bank uses the cost method to determine fair value in order to reflect the amount currently claimed to replace the asset in its current state (the current replacement cost) so that the fair value reflects the cost incurred by the participant in the market as a buyer of acquiring an alternative asset of similar benefits since the participant in the market as a buyer will not pay for an asset more than the amount that replaces benefit of the asset.

#### **F/1) Fair value hierarchy:**

Fair values of financial assets and liabilities are determined according to the following hierarchy:

Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the bank can access at the measurement date.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where All significant inputs are observable.

Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

#### **Specific valuation techniques used to determine fair values of financial instruments include:**

- Quoted prices for similar assets or liabilities in active markets.
- Interest rate swaps by calculating the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using the current value of the expected cash flows by using the future foreign exchange of the currency of contract.
- Analysis of deducted cash flows to determine fair values of other financial instruments.

#### **H) Financial derivatives instruments and hedge accounting**

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Derivatives are recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair value is obtained from market prices quoted in active markets, recent market transactions or valuation techniques such as discounted cash flow models and options pricing models, as the case may be. All derivatives are presented within the assets if the fair value is positive, or within obligations if the fair value is negative.

Embedded derivatives contracts are not separated when the derivative is associated with a financial asset and therefore all embedded derivatives contract are classified with the financial asset associated therewith.

The method of recognition of profits and losses arising from changes in fair value is based on whether the derivative is designated as a hedging instrument and the nature of the hedged item. The Bank allocates certain derivatives as any of the following:

1. Fair value risk hedges for assets and liabilities recognized or confirmed commitments (fair value hedges).
2. Hedges of future cash flows risks expected to be substantially attributable to a recognized asset or liability, or attributable to a forecasted transaction (cash flows hedges).
3. Hedges of net investment in foreign operations (net investment hedges).

Hedge accounting is used for derivatives allocated for such purpose if they meet requirements eligible for accounting as hedge instruments.

At the inception of the transaction, the Bank documents the relationship between hedged items and hedging instruments as well as the objectives of risk management and strategy of entering into various hedge transactions. The Bank also documents, at the inception of the hedge and on an ongoing basis, the estimate of whether the derivatives used in hedge transactions are effective against the changes in the fair value or cash flows of the hedged item.

#### **G/1 Fair value hedges**

Changes in the fair value of derivatives that are designated and qualify as hedges of changes in fair value risks are recognized in the statement of profits and losses, together with any changes in the fair value that are attributable to the risk of hedged asset or liability.

The effective changes in fair value for interest rate swaps and relevant hedged items is retrospectively recognized in "net interest income" item. Whilst the effective changes in fair value for future currency contracts is recognized in "net income of financial investments at fair value through profits and losses" item.

Non-effective in all contracts and relevant hedged items included in the previous paragraph is recognized in "Net income of financial investments at fair value through profits and losses" item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to book value of a hedged item that is accounted for using the amortized cost method should be amortized by charging it to profit or loss over the period to maturity. Adjustments made to the book value of the hedged equity instrument are included within equity until they are disposed of.

#### **G/2 Cash flow hedges**

The effective portion of changes in the fair value of designated derivatives qualified for cash flow hedges are recognized in statement of other comprehensive income. Profits and losses related to non-effective portion

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are immediately recognized in "Net income of financial investments at fair value through profits and losses" item.

Amounts accumulated in statement of other comprehensive income are carried to statement of profits and losses in the same periods in which the hedged item has an impact on profit or loss. Profits or losses relating to the effective portion of the currency swaps and options are taken to the "net income of financial investments at fair value through profits and losses".

When a hedging instrument matures or is sold, or if hedging no longer meets the conditions for hedge accounting, profits or losses accumulated in other comprehensive income at that time is retained in other comprehensive income items and recognized in the statement of profits and losses when the forecasted transaction is finally recognized. When a forecast transaction is no longer expected to occur, profits or losses accumulated in other comprehensive income are immediately transferred to the statement of profits and losses.

#### **G/3 Hedges of net investment**

Profits or losses on the hedging instrument relating to the effective portion of the hedge are recognized in statement of other comprehensive income while any profits or losses relating to the ineffective portion are immediately recognized in the statement of profits and losses. On disposal of the foreign operation, the cumulative value of any such profits or losses recognized in the statement of other comprehensive income is carried to the statement of profits and losses.

#### **G/4 Derivatives that do not qualify for hedge accounting**

Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognized in the statement of profits and losses under "net income of financial investments at fair value through profits and losses". However, profits and losses arising from changes in the fair value of derivatives that are managed in conjunction with financial assets and liabilities at fair value through profits and losses are included in statement of profits and losses under 'Net income from financial instruments at fair value through profits and losses'.

#### **I) Embedded derivatives**

Embedded Derivatives are defined when derivatives are included with other contractual arrangement (original contract) and the bank accounts for embedded derivative as separate derivative when:

- The original contract is not originally fall within IFRS (9) Financial Instruments
- Measuring the original contract itself in a way other than fair value through profits and losses.
- The embedded derivative satisfies the conditions of defined derivatives if evaluated as a separate instrument.
- Economic characteristics and risks of the embedded derivatives differ from those properties and risks related to the original contract.

Embedded derivatives separated at fair value are measured at fair value and changes in fair value are recognized in profits and losses unless it is a part qualified for accounting as cash flow hedge or net investment. These separate embedded derivatives are presented within the statement of financial position together with the original contract.

#### **J) Interest income and expenses**

Interest income and expense for all interest-bearing financial instruments, except for those classified as held for trading or designated initially at fair value through profits and losses, are recognized in a statement within

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“interest of similar loans and revenues” or “cost of similar deposits and costs” using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of distributing the interest income or interest expense over the relevant instrument's life. The effective interest rate is the rate that exactly discounts future cash flows expected to be paid or received through the expected life of the financial instrument or, when appropriate, a shorter period to accurately determine the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, early payment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are considered as part of the effective interest rate. Also, the transaction cost includes any premiums or discounts.

When loans or receivables are classified as non-performing or impaired as the case may be, the related interest income is not recognized but is rather carried off the financial statements in marginal records and is recognized under revenues according to cash basis as per the following:

- When they are collected, after receiving all past due installments for consumption and real estate loans for personal housing and small loans for economic activities.
- For corporate loans, cash basis is also applied, where the interest subsequently calculated is given in accordance with the loan scheduling contract, until 25% of the scheduling instalments are repaid and with a minimum of one year of regular repayment. In case the customer continues to make payments on a regular basis, the interest calculated on the loan outstanding is recognized in revenues (interest on regular scheduling balance) without marginal interest before scheduling which is not recognized as revenues except after paying all the loan balance in the balance sheet before scheduling.

### K) Fees and commission income

Fees that are due for a loan service or a facility are recognized as revenues when the service is rendered. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried at off-balance sheet in marginal records and are recognized under revenues according to the cash basis when interest income is recognized in accordance with item (I). Fees that generally represent a complementing part of the financial asset effective rate are recognized as adjustment to the effective interest rate.

Commitment fees on loans are deferred when there is probability that loans will be used, as commitment fees the Bank receives represent compensation for the continuous interference to own the financial instrument. Subsequently, it is recognized as adjustment to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment period.

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

Fees and commissions arising from negotiation or participating in negotiation over a transaction in favor of another party -such as arrangement to buy shares or other financial instruments or acquire or sell entities, are recognized in statement of profits and losses upon completion of concerned transaction. Fees of management consultation and other services are usually recognized on a time-apportion basis over the period of performing the service. Financial planning and custody services fees provided on long periods are recognized over the period in which the service is provided.

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#### L) Dividends income

Dividends are recognized in the statement of profits and losses when the right to receive those dividends is established.

#### M) Purchase and resale & Sale and re-purchase agreements

Financial instruments sold according to Sale and re-purchase agreements are presented in the assets in Treasury bills & other governmental instruments in the financial position. Difference between sale value & re-purchase amount is recorded as interest realized over the contractual period using effective interest method.

#### N) Impairment of financial assets

- Impairment losses from expected credit loss of subsequent financial instruments that are not measured at fair value are recognized through profits and losses, which are:
  - 1) Financial assets represent debt instruments.
  - 2) Outstanding debts.
  - 3) Financial guarantee contracts.
  - 4) Commitments of loans and similar debt instruments.
- Impairment losses are not recognized in investments value of equity instruments.

#### 1. Expected credit losses

- Recognition and measurement of Expected Credit Loss Valuation

Financial assets are classified into three stages of credit rating as follows:

Staging	Stage 1	Stage 2	Stage 3
Characteristics	For a financial instruments to be classified as a Stage 1 instrument, the instrument must be compliant with the terms and conditions of the disbursement of the instruments, in addition to complying with the agreed upon payment schedule, and the absence of high risk.	For a financial instrument to be classified a Stage 2 instrument, the instrument in question must experience a large increase in credit risk from the initial recognition or disbursement of the instrument.	For a financial instrument to be classified as a Stage 3 instrument, it must be considered credit impaired.
Effect on the calculation of the Expected Credit Loss	The Expected Credit Loss for instruments classified as Stage 1 instruments are	The Expected Credit Loss for instruments classified as Stage 2 instruments are	The Expected Credit Loss for instruments classified as Stage 3 instruments are

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	calculated over a 12-month period.	calculated over the lifetime of the financial instrument.	calculated over the lifetime of the financial instrument on the basis of the difference between the carrying value of the instrument & the present value of expected future cash flows.
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▪ **Significant Increase in Credit Risk**

**That requires the financial asset to be listed within Stage 2 and the expected credit loss to be calculated according to the methodology mentioned hereinafter**

**First: (Quantitative Factors):**

○ **Backstop – Days of Past Dues**

Loans and facilities for corporates, SMEs and retail banking are listed within Stage 2, if the default period exceeds 30 days.

○ **Probability of Default (PD):**

Upon increase of the PD over the remaining life of the financial asset since the date of the financial position, compared to the PD over the expected remaining life upon the initial recognition in accordance with the risk structure accepted by the Bank.

**Second: (Qualitative Factors):**

- Huge increase in interest rate due to increase in credit risks
- Significant adverse changes in the activity and financial or economic conditions in which the borrower operates
- Requesting scheduling as a result of difficulties facing the borrower
- Significant adverse changes in actual or expected operating results or cash flows.
- Future adverse economic changes affecting the borrower's future cash flows
- Early signs of cash flow/ liquidity problems such as delays in servicing creditors/ commercial loans.
- The cancellation of a direct facility by the bank due to the borrower's high credit risk.
- In addition to any other factors the bank deems fit when studying the case resulting in significant increase in credit risk.

▪ **Definition of Default and Impairment**

**First: Quantitative criteria:**

- If the borrower defaults more than 90 days to repay the contractual instalments, he is considered to be in default.
- If the Probability of Default results from valuation of credit worthiness degree proves default and impairment of financial asset.

**Second: Qualitative criteria:**

- The borrower's financial default.
- Non-compliance with financial obligations - the disappearance of the active market of the financial asset or financial instrument of the borrower due to financial difficulties.



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- Granting lenders privileges related to the borrower's financial difficulty, which would not have been granted under normal circumstances.
- The borrower may be in bankruptcy or restructuring due to financial difficulties.
- Any other factors the bank thinks that it may result in default of impairment of financial asset as per the bank's internal policy.

#### ▪ **Transition between Credit Rating Stages:**

##### **First: Transition from Stage 2 to Stage 1**

The financial asset should be transferred from Stage 2 to Stage 1 only after all the quantitative and qualitative elements of Stage 1 have been met and the full past due amounts of the financial asset and the returns have been paid.

##### **Second: Transition from Stage 3 to Stage 2**

Transfer of the financial asset from Stage 3 to Stage 2 shall not be made unless all the following conditions have been met:

- Fulfilling all quantitative and qualitative elements of Stage 2.
- Payment of 25% of financial asset outstanding balances after payment of due interest (marginalized/set aside)
- Regularity of payment for at least 12 months.

#### ▪ **Mechanism of Expected Credit Loss Calculation:**

##### **First: Regarding all financial assets except for retail:**

###### ○ **Probability of Default (PD):**

- For customers whose credit worthiness level are evaluated by using internal worthiness valuation of the bank, probability of default is calculated according to the used model considering the historical effective impact of probability of default related to our bank according to the client rating whether in portfolios of large, small and medium companies (PD Calibration)
- Regarding financial assets that are externally valued by external rating entities, the probability of default concerning international valuation entities is applied.
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###### ○ **Loss Given Default (LGD):**

- Loss Given Default (LGD) of large companies and corporates is calculated according to LGD developed by Moody's.
- Regarding small and medium companies, LGD is calculated according to historical data of their default as well as historical collections and executions of our bank.
- With regard to financial institutions and governmental debt instruments, LGD is calculated according to the Central Bank of Egypt's instructions.

###### ○ **Exposure at Default (EAD):**

- Value at default equals current balance plus unused value of the authorized limits (cancellable and non-cancellable) weighted with Credit Conversion Factor (CCF) according to Basel's instructions plus the amount of accrued interest as per the payment schedule and applicable interest rate.

###### ○ **The Impact of future looking for economic factors upon Probability of Default and Loss Given Default:**

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- Economic indicators issued by the international valuation corporation, Moody's, are applied
- It is relied upon many economic indicators that have historical correspondence with default rates of geographical range in accordance with the indicators of the international valuation corporation, Moody's
- Regarding the financial assets granted within the geographical range of Egypt, it is relied upon the economic indicators of trading volume in the Egyptian Stock Exchange as well as growth rate Gross Domestic Product (GDP) of Egypt.
- Regarding other financial assets located outside the geographical range of Egypt, it is relied upon the economic indicators of these areas such as Arab Gulf, United States of America, United Kingdom and Europe.
- Effect of such indicators on Probability of Default and Loss Given Default is calculated according to three different scenarios which are: normal, optimistic and reserved scenarios.
- Weighted average of these scenarios is calculated on basis of 40% normal scenario, 30% optimistic scenario and 30% reserved scenario.

### Second: Financial Assets of Retail Portfolio:

#### o **Probability of Default (PD):**

Markov Chain mechanism is used. It includes the following:

- Historical conversion ratios of a group of customers from performing into non-performing and vice versa at the beginning of the period and comparing such ratios to the same group of customers at the end of the period.
- Annual conversion ratios of DPD Buckets for customers.
- The aforementioned conversion ratios will be used to make change average matrix for each year to establish an approach for expected changes according to the difference between annual changes average and the real matrix of portfolio named Credit Index. Accordingly, examine the effect of change by using regression model considering the national economic indicators expected upon future probability of default for each product.

#### o **Loss Given Default (LGD):**

- Loss Given Default is calculated according to Discounted Cash Flow (DCF) approach based on the historical default data and by using Effective Interest Rate in DCF account and hence conducting adjustment for default ratios as per each product.

#### o **Exposure at default (EAD):**

- The value of the current balance plus the unused value of the authorized limit (cancellable or non-cancellable) is weighted by the CCF conversion factor in accordance with the Basel instructions plus the Accrued Interest according to the repayment schedule and the applicable interest rate , In addition, the Bank calculates the provisions required for impairment of assets at risk of credit, including credit commitments, on the basis of percentages determined by the Central Bank of Egypt. If the provision for impairment losses required in accordance with the rules of the Central Bank of Egypt is required for the purpose of preparing the financial statements in accordance with the Egyptian Accounting Standards, the general bank risk reserve shall be deducted from equity in respect of retained earnings. This reserve is periodically adjusted to increase and decrease so that the amount of increase between the two allocations is always equal. This reserve is not available for distribution.

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#### O) 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 Period in which they are incurred,
- Land is not depreciated, Depreciation of other assets is calculated using the straight-line method to allocate their cost to until it reaches the residual values over their estimated useful lives, as follows:

Buildings & Constructions	50 years
IT – ATM's and computers	5 years
Motor vehicles	5 years
Fixtures and fittings	5 years
Typewriters calculators and air conditions	8 years
Furniture and safes	From 10 years to 40 years
Others – Communications and connections and Operative machines	8 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.

#### P) Intangible assets

##### O/1) Computer programs

Expenses related to computers development and maintenance realized in profits and losses statement, Expenses related directly to specified programs and under the bank's control and expected to generate from it economic benefit over its 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 ten years.

##### O/2) Other intangible assets

Intangible asset other than goodwill and computer programs (for example; brands, licenses and rental contract benefits).

Intangible assets are being recorded at its acquisition cost and being amortized by the straight line method or based on the expected future economic benefit over the expected life of the assets which have indefinite productive life are not amortized but the impairment cost is being tested annually and the charged in profits and losses statement.

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### Q) Commitments and contracts of financial guarantees

- Financial guarantees represent contracts in which the bank is a guarantor or guarantor of funds or current accounts against other parties, and thus requires the bank to make certain payments to compensate the beneficiary from a loss incurred due to the failure of a debtor to pay when due in accordance with the terms of the loan. These financial guarantees are provided to banks, financial institutions and others on behalf of the bank's customers.

- Funding commitments are commitments by which the bank is obligated to grant credit in accordance with pre-defined conditions and thus includes unused portions of the credit limits granted within the amounts that the bank expects to use in the future. Initial recognition of contracts for financial guarantees and commitments to grant financing at interest rates below the market price in the financial statements at fair value at the date of granting the guarantee / commitment. Initially recognized fair value is amortized over the life of the guarantee / commitment.

- On subsequent measurement, the measurement of the bank's commitment under the guarantee / commitment is measured through the amortized cost or the amount of impairment losses, whichever is greater.

During the year, the bank did not issue any commitments for funds that are measured at fair value through profit and loss.

Regarding other commitments for financing:

Starting from January 1, 2019: The bank recognizes expected credit losses.

. Up to 31 December 2018: The Bank recognizes provisions if those contracts are deemed to be onerous.

- The obligations resulting from the financial guarantee contracts are recognized within the provisions, and any increase in the obligations resulting from the financial guarantee is recognized within other operating income (expenses) in the profit and loss statement.

The calculated provisions for commitments for funds is recognized within the provision for loans for each individual loan to the extent that is equal to the value of the used from the loan. Any increase in the provision for commitments from financing over the value of the used is recognized in the provisions item in the statement of financial position.

#### R) Investment properties

Investment properties represent land and buildings owned by the Bank and used to earn rental income or capital increase. Accordingly, investment properties do not include real estate assets through which the Bank carries out its business or which transferred to the bank to meet debts. The accounting policy for investment properties are the same as for fixed assets.

#### S) 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.

#### R/1 leasing (lessee)

For finance lease, lease costs including maintenance expenses for leased assets are recognized in the statement of income in the Period incurred.

## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

### **Notes to the Financial Statements - For the year ended 31 December 2024**

If the bank decides to exercise the right to purchase the leased assets, the cost of the right to purchase is capitalized as fixed asset which is depreciated over the useful life of the expected remaining life of the assets in the same method followed with similar assets.

Payments for the operating leases, less any discounts obtained from the lessor, are recognized as expenses in the profit and loss statement on a straight line method over the contract period.

#### **R/2 leasing (lessor)**

Assets leased as finance lease are recorded in the fixed assets 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, The difference between the rental income recognized in the income statement and the total leasing contracts will be recognized in the balance sheet until the contract is terminated as it is deducted from the net book value of the leasing asset to offset with a net book value of the leased asset, the maintenance expenses and insurance expenses will be recognized in 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 the financial lease debtors, they are to be reduced to their recoverable amount.

Operating lease assets are recorded in the fixed assets 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 discounts granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

#### **T) Cash and cash equivalents**

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from the date of acquisition. It also includes, 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.

#### **U) Other provisions**

Other provisions 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.

If 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, Reversal of Provisions no longer required totally or partially are presented 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, provisions will be measured by the contractual value if there is no material variance, Otherwise, it will be measured at the present value.

#### **V) Employees benefits**

##### **Social Insurance**

The bank is committed to pay the subscriptions to the Social Insurance Authority and there are no additional liabilities on the bank when paying such subscription, these periodical subscriptions will be charged to the income statement in the period it is recognized, and to be included in employees' benefits.

## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

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### **Notes to the Financial Statements - For the year ended 31 December 2024**

#### **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' general assembly meeting, no liability is recognized for profit sharing relating to undistributed profit to employees.

#### **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 subscriptions are recognized as expenses on employees' benefits until it is redeemed, the contribution paid in advance are recognized within the assets to the extent that it reduces the future payments or cash refund.

#### **Other retirement benefit obligations**

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.

#### **W) Income tax**

The income tax of the period 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 other comprehensive income.

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 it is probable that future taxable profit will be available against which the temporary difference can be utilized, Deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered, Reversal is subsequently permitted when there is a probable from its economic benefit limited to the extent reduced previously.

#### **X) 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 loan period using the effective interest method.

#### **Y) Capital**

##### **X/1 Capital cost**

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

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### X/2 Dividends

Dividends are recognized when declared by the Shareholders' General Assembly, 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 until the total reserve amount is equivalent to 100% of paid-up capital, and when lack of reserves the deduction returns.
- 2) And then, deduct the amount required for distributing the first share of profits of 5% paid to shareholders based on 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) Then, 10% of the profits are allocated to the 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 which should not exceed the sum of annual wages of workers in the bank.
- 4) After the above, a rate which does not exceed 10% of the remaining profit is allocated as a remuneration for the Board of Directors.
- 5) The remaining profit is distributed to shareholders as an additional share from profits or transferred to the following year based on the Board of Directors approval.

#### Z) Custodial activities

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

### 3. Financial risk management

The Bank's activities expose it to a variety of financial risks. Taking risk is core to the financial business. The Bank's processes involve the analysis, evaluation and management of some degree of risk or combination of risks. The Bank's aim is, therefore, to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance. The most significant types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk comprises foreign exchange risks, interest rate risk and other price risks.

The risk management policies and strategies are designed to identify and analyze these risks, monitor the risks and comply with appropriate risk limits using reliable techniques as well as updated information systems. The Bank regularly reviews its risk management policies and systems and modifies them to reflect changes in markets, products and services and the best modern applications.

Risk management is conducted through the Department of Risk Management in view of the policies approved by the Board of Directors. The Department of Risk Management identifies and evaluates financial risks in close collaboration with the various operational units of the Bank. The Board provides written principles for risk management as a whole, in addition to written policies covering specific risk areas such as credit risk, foreign currency exchange risk, risk of interest rates and the use of derivative and non-derivative financial instruments. In addition, the Department of Risk Management is responsible for the periodic review of risk management and the control environment independently.

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### 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 result mainly from lending and investments activities which represent the bank's assets, contain 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 centralized 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 (including commitments and financial guarantees).**

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 bank's management daily activities involve measuring the credit risk that reflects the expected loss 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 techniques to determine the rating for the different customers' categories, these techniques were developed taking into consideration statistical analysis and the professional judgment of the credit officers to reach the appropriate rating, and 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 default 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.

<b>Bank's internal ratings scale</b>	<b>Rating</b>
Performing loans	1
Regular follow up	2
Watch list	3
Non-performing loans	4

#### **General banking risk measurement model:**

- The Bank calculates the provisions required to meet the impairment of assets at risk, including commitments relating to credit, on the basis of ratios determined by the Central Bank of Egypt. In the case of the increase in the provision for impairment required in accordance with the creditworthiness rules of the Central Bank of Egypt over the required provision using the expected credit losses. The excess of the provision is provided as a general bank risk reserve in equity deducted from retained earnings by that amount.



**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

- 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 2024**

**Summary of the results of the calculation of expected credit losses on the position of December 2024:**

First: Expected credit loss according to Credit Rating Stages of IFRS 9 in accordance with items exposed to risk

All amounts are in `000 EGP

Items exposed to credit risk		Credit rating stages in accordance with IFRS 9			
		Stage 1	Stage 2	Stage 3	Total
<b>Retail customers</b>	Exposure at Default	16,648,047	864,379	198,822	17,711,248
	Expected Credit Loss	(256,735)	(20,405)	(116,428)	(393,568)
	<b>Net carrying value</b>	<b>16,391,312</b>	<b>843,974</b>	<b>82,394</b>	<b>17,317,680</b>
<b>Corporates and institutional clients</b>	Exposure at Default	84,483,539	1,347,386	669,596	86,500,521
	Expected Credit Loss	(193,793)	(64,292)	(566,182)	(824,267)
	<b>Net carrying value</b>	<b>84,289,746</b>	<b>1,283,094</b>	<b>103,414</b>	<b>85,676,254</b>
<b>Banks</b>	Exposure at Default	15,077,560	6,750,532	-	21,828,092
	Expected Credit Loss	-	-	-	-
	<b>Net carrying value</b>	<b>15,077,560</b>	<b>6,750,532</b>	<b>-</b>	<b>21,828,092</b>
<b>Current accounts &amp; Time deposits with CBE</b>	Exposure at Default	23,499,557	-	-	23,499,557
	Expected Credit Loss	(22,053)	-	-	(22,053)
	<b>Net carrying value</b>	<b>23,477,504</b>	<b>-</b>	<b>-</b>	<b>23,477,504</b>
<b>Financial Instruments with CBE</b>	Exposure at Default	40,496,690	-	-	40,496,690
	Expected Credit Loss	(323,610)	-	-	(323,610)
	<b>Net carrying value</b>	<b>40,173,080</b>	<b>-</b>	<b>-</b>	<b>40,173,080</b>
<b>Total</b>	Exposure at Default	180,205,393	8,962,297	868,418	190,036,108
	Expected Credit Loss	(796,191)	(84,697)	(682,610)	(1,563,498)
	<b>Net carrying value</b>	<b>179,409,202</b>	<b>8,877,600</b>	<b>185,808</b>	<b>188,472,610</b>

The following table illustrates changes in outstanding balances during the year according to the following factors:

All amounts are in `000 EGP

<b>Individual Loans &amp; Facilities</b>	Stage 1	Stage 2	Stage 3	Grand Total
Exposure at Default Balances as of 01/01/2024	12,713,327	458,307	279,386	13,451,020
Decrease in EAD	(2,350,049)	(129,576)	(61,186)	(2,540,811)
Transferred to Stage 1	160,223	(130,538)	(29,685)	-
Transferred to Stage 2	(522,173)	537,655	(15,482)	-
Transferred to Stage 3	(75,304)	(26,056)	101,360	-
Granted/ Settled Facilities	6,740,785	163,155	(55,398)	6,848,542
Write Offs	(18,762)	(8,567)	(20,174)	(47,503)
<b>Balance as of 31/12/2024</b>	<b>16,648,047</b>	<b>864,380</b>	<b>198,821</b>	<b>17,711,248</b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

All amounts are in `000 EGP

<b>Corporate Loans &amp; Facilities</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Grand Total</b>
Exposure at Default Balances as of 01/01/2024	60,692,946	1,516,282	395,460	62,604,688
Increase in EAD	6,711,255	305,985	186,497	7,203,737
Transferred to Stage 1	28,698	(28,698)	-	-
Transferred to Stage 2	(65,586)	65,586	-	-
Transferred to Stage 3	(1)	(369,609)	369,610	-
Granted/ Settled Facilities	17,116,228	(142,160)	(195,305)	16,778,763
Write Offs	-	-	(86,667)	(86,667)
<b>Balance as of 31/12/2024</b>	<b>84,483,540</b>	<b>1,347,386</b>	<b>669,595</b>	<b>86,500,521</b>

All amounts are in `000 EGP

<b>Due from Banks</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Grand Total</b>
Exposure at Default Balances as of 01/01/2024	4,797,744	1,375,473	-	6,173,217
Decrease in EAD	(1,761,036)	(739,864)	0	(2,500,900)
Transferred to Stage 1	0	0	0	0
Transferred to Stage 2	(254,194)	254,194	0	0
Transferred to Stage 3	0	0	0	0
New financials instruments / Settled / Disposed	12,295,046	5,860,729	0	18,155,775
<b>Balance as of 31/12/2024</b>	<b>15,077,560</b>	<b>6,750,532</b>	<b>-</b>	<b>21,828,092</b>

All amounts are in `000 EGP

<b>Current accounts &amp; Time deposits with CBE</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Grand Total</b>
Exposure at Default Balances as of 01/01/2024	9,548,590	-	-	9,548,590
Decrease in EAD	-	-	-	-
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	-	-	-	-
Transferred to Stage 3	-	-	-	-
New financials instruments / Settled / Disposed	13,950,967	-	-	13,950,967
<b>Balance as of 31/12/2024</b>	<b>23,499,557</b>	<b>-</b>	<b>-</b>	<b>23,499,557</b>

All amounts are in `000 EGP

<b>Financial Investments</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Grand Total</b>
Exposure at Default Balances as of 01/01/2024	34,178,259	-	-	34,178,259
Increases in EAD	6,573,551	-	-	6,573,551
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	-	-	-	-
Transferred to Stage 3	-	-	-	-
New financial instruments / Settled / Disposed	(255,120)	-	-	(255,120)
<b>Balance as of 31/12/2024</b>	<b>40,496,690</b>	<b>-</b>	<b>-</b>	<b>40,496,690</b>

- The figures illustrated above represent the outstanding balances as of 31 December 2024.

**Second: Loans and facilities**

Below is the position of Loans and facilities relative to credit rating:

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

	<b>31 December 2024</b> <b><u>000' EGP</u></b> <b>Loans and facilities</b> <b>to customers</b>	31 December 2023 <b><u>000' EGP</u></b> Loans and facilities to customers
Neither past due nor impaired	<b>102,763,108</b>	74,975,372
Past due but not impaired	<b>580,240</b>	405,489
Impaired	<b>868,421</b>	674,847
Total	<b><u>104,211,769</u></b>	<u>76,055,708</u>
<b>Less:</b>		
Provisions for Expected credit losses	<b><u>(1,217,835)</u></b>	<u>(862,490)</u>
<b>Net</b>	<b><u><u>102,993,934</u></u></b>	<u><u>75,193,218</u></u>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**Loans and facilities to customers (Neither past due nor impaired)**

**31 December 2024 (000' EGP)**

Stages of credit classification	Retail				Corporate		Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	
Stage 1	315,091	651,466	13,799,731	1,755,886	9,979,800	74,203,456	100,705,430
Stage 2	-	2,936	742,587	13,781	184,212	1,114,162	2,057,678
	<u>315,091</u>	<u>654,402</u>	<u>14,542,318</u>	<u>1,769,667</u>	<u>10,164,012</u>	<u>75,317,618</u>	<u>102,763,108</u>

**Loans and facilities to customers (Neither past due nor impaired)**

**31 December 2023 (000' EGP)**

Stages of credit classification	Retail				Corporate		Total loans and facilities to customers
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	
Stage 1	324,527	424,170	10,754,962	1,125,186	4,834,703	55,730,317	73,193,865
Stage 2	-	3,616	398,067	4,608	146,843	1,228,373	1,781,507
	<u>324,527</u>	<u>427,786</u>	<u>11,153,029</u>	<u>1,129,794</u>	<u>4,981,546</u>	<u>56,958,690</u>	<u>74,975,372</u>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**Loans and facilities Past due and not impaired**

Loans and facilities that have past dues less than 90 days is objective evidence of impairment unless data revealed otherwise. Loans and facilities to customers with past dues and not impaired, and the fair value of the related collaterals are as follows:

**31 December 2024 (000' EGP)**

	Retail				Total
	Over-drafts	Credit cards	Personal loans	Mortgage	
Past due up to 30 days	-	89,681	41,083	527	131,291
Past due more than 30 to 60 days	-	24,585	30,139	16	54,740
Past due more than 60 to 90 days	-	15,641	29,276	-	44,917
<b>Total</b>	<b>-</b>	<b>129,907</b>	<b>100,498</b>	<b>543</b>	<b>230,948</b>

	Corporate				Total
	Over-drafts	Direct loans	Syndicated loans	Other loans	
Past due up to 30 days	676	306,685	-	-	307,361
Past due more than 30 to 60 days	-	25,581	-	-	25,581
Past due more than 60 to 90 days	-	16,350	-	-	16,350
<b>Total</b>	<b>676</b>	<b>348,616</b>	<b>-</b>	<b>-</b>	<b>349,292</b>

Upon the initial recognition of Loans and facilities, the fair value of collaterals is assessed based on valuation methods commonly used for similar assets. In the subsequent periods, the fair value would be updated in accordance with the Central Bank of Egypt's regulations.

**31 December 2023 (000' EGP)**

	Retail				Total
	Over-drafts	Credit cards	Personal loans	Mortgage	
Past due up to 30 days	-	61,906	29,648	318	91,872
Past due more than 30 to 60 days	-	12,023	14,999	-	27,022
Past due more than 60 to 90 days	-	8,318	9,286	-	17,604
<b>Total</b>	<b>-</b>	<b>82,247</b>	<b>53,933</b>	<b>318</b>	<b>136,498</b>

	Corporate				Total
	Over-drafts	Direct loans	Syndicated loans	Other loans	
Past due up to 30 days	9,318	140,207	-	-	149,525
Past due more than 30 to 60 days	-	58,899	-	-	58,899
Past due more than 60 to 90 days	-	60,567	-	-	60,567
<b>Total</b>	<b>9,318</b>	<b>259,673</b>	<b>-</b>	<b>-</b>	<b>268,991</b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**Loans and facilities individually subject to impairment**

**Loans and facilities to customers**

Loans and facilities individually assessed without taking into consideration cash flows from guarantees amounted to EGP **868,421** thousand against EGP 674,847 thousand at the end of the comparative year according to the Central Bank's regulations.

The following table illustrates Loans and facilities subject to individual impairment, including the collaterals fair valuation obtained by the Bank in exchange for the loans according to regulations of the Central Bank:

**31 December 2024 (000' EGP)**

Valuation	Over-drafts	Credit cards	Retail		Mortgage	Over-drafts	Corporate		Other loans	Total
			Personal loans				Direct loans	Syndicated loans		
<b>Individual loans subject to impairment</b>	<b>6,330</b>	<b>8,684</b>	<b>178,869</b>		<b>4,939</b>	<b>170,438</b>	<b>499,160</b>	<b>-</b>	<b>1</b>	<b>868,421</b>
<b>Fair value of collaterals</b>	<b>-</b>	<b>3,336</b>	<b>79,058</b>		<b>-</b>	<b>3,514</b>	<b>79,667</b>	<b>-</b>	<b>-</b>	<b>165,575</b>

**31 December 2023 (000' EGP)**

Valuation	Over-drafts	Credit cards	Retail		Mortgage	Over-drafts	Corporate		Other loans	Total
			Personal loans				Direct loans	Syndicated loans		
<b>Individual loans subject to impairment</b>	<b>6,344</b>	<b>13,581</b>	<b>256,948</b>		<b>2,514</b>	<b>115,631</b>	<b>279,829</b>	<b>-</b>	<b>-</b>	<b>674,847</b>
<b>Fair value of collaterals</b>	<b>-</b>	<b>11,092</b>	<b>178,814</b>		<b>627</b>	<b>4,128</b>	<b>17,744</b>	<b>-</b>	<b>-</b>	<b>212,405</b>

**A/1 Impairment of non-financial assets**

Assets that do not have definite life time are not depreciated and its impairment is reviewed annually. Impairment of depreciated assets has to be examined when there are events or changes in circumstances indicate that the carrying value may be non-recoverable.

An impairment loss is recognized for the amount by which the assets' carrying amounts exceeds its' recoverable amounts. The recoverable amount represents the higher of the asset's net selling amount and value in use. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each financial statement preparation date, non-financial assets with impairment have to be reviewed to determine if there is impairment reversal made to the statement of profits and losses.

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### Notes to the Financial Statements - For the year ended 31 December 2024

- The position exposed to impairment depends on the amounts that the bank expects to be outstanding at the time of the default, for example, for the loan, this position is the nominal value, and for the commitments, the bank lists all the amounts actually withdrawn in addition to the other amounts that are expected to be withdrawn until the date of default, if occurred.
- The estimated default or acute loss represents the bank's expectation of the extent of the loss when claiming the loan if the default occurs, and this is expressed in terms of the loss of the loan and certainly this varies according to the type of debtor, the priority of the claim, the availability of guarantees or other credit coverage.
- **Debt instruments issued from Egyptian Government & Central bank of Egypt**

#### Debt instruments, treasury bills and other bills

- As for debt instruments and bills, the Bank uses external ratings for credit risk management. If these are not available, techniques similar to those applied to the credit customers are used. Investments in securities and bills are considered a method to obtain a better credit quality. Such investments also provide an available source to meet the funding requirements.

#### A/2 Policies of limiting and preventing risks

The Bank manages, limits and controls concentrations of credit risk at the level of debtor, groups industries and countries.

The Bank structures the levels of credit risk it accepts by placing limits on the extent of risk accepted in relation to one borrower, groups of borrowers, and economic activities and geographical segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, if required. The limits of credit risk at the level of borrower/ group, producer, sector and country are periodically approved by Risk Committee and Credit Committee of the Board. A summary of these meetings shall be presented to the Board.

Limits of credit to any borrower, including banks, are divided into sub limits that include the amount on and off-the balance sheet, and the daily risk limit related to trading items such as forward foreign exchange contracts. Actual amounts against limits are compared daily.

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. Below are some ways to reduce the risk:

#### Collaterals

- The Bank develops several policies and measures to minimize the credit risk. One of these methods is to obtain collateral in exchange for funds provided. The Bank develops guidelines for specific categories of acceptable collateral. The main types of collaterals for loans and facilities are as follows:
  - Real estate mortgage.
  - Activity assets mortgage.
  - Financial instruments mortgage, such as debt and equity instruments.



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### Notes to the Financial Statements - For the year ended 31 December 2024

- Long-term finance and lending to corporate entities are generally secured, while retail credit facilities are unsecured. To minimize the credit loss, the Bank seeks additional collaterals from the relevant parties as soon as impairment indicators are identified for the relevant loans or facilities.
- The Bank determines the collaterals held to secure assets other than loans and facilities according to the nature of the instrument. Generally, debt instruments are unsecured except for asset-backed securities and similar instruments that are secured by a financial instruments portfolio.

### Derivatives

- The Bank maintains strict control procedures over net value of opened derivative positions, i.e. the difference between purchase and sale contracts at both the value and duration levels. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in from which the Bank could gain benefits, i.e. assets that have positive fair value which represent a small value of the contractual amount or the notional value used to express outstanding instruments. The Bank manages this credit risk, which is considered part of the total lending limit granted to customers with expected market changes risk all together. Generally, no collateral is 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 securities are used in the settlement process or if there is expectation to receive cash, equity instruments or other securities. Daily settlement limits are established for other parties to cover the aggregate settlement risk arising from the daily transactions of the Bank.

### Credit related commitments

- The main purpose of the credit related commitments is to ensure that funds are available to the customer upon request. Guarantees and standby letters of credit bear credit risk related to loans. Documentary and commercial letters of credit issued by the Bank on behalf of the customer to give a third party the right of withdrawal from the Bank within the limits of certain amounts and other specific conditions are often secured with the goods shipped and therefore carry a lesser degree of direct loan risks.
- Credit-related commitments represent the unused portion of credit limit authorized to grant loans, guarantees or letters of credit. The Bank is exposed to a possible loss of an amount that equals the total unused commitments as for the credit risk resulting from credit-related commitments. However, the probable amount of loss is less than the unused commitments as most commitments related to granting credit represent contingent liabilities to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of a higher credit risk than short-term commitments.

### A/3 Impairment and provisioning policies

- The internal rating systems described in (Note A/1) focus more on credit quality planning from the beginning of lending and investment activities. Otherwise, impairment losses that occurred at the balance sheet date only are recognized for financial reports purposes based on objective evidence indicating impairment according to what will be mentioned in this note. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial statements are usually lower than the loss amount determined using the expected loss model used in preparing the financial statements. For the purposes of the Central Bank of Egypt's rules, impairment losses

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provision included in the balance sheet at the end of the year is derived from the four internal rating grades. However, the majority of the provision comes from the last two ratings.

- The table below shows the percentage of on-financial position items related to loans and facilities, and the relevant impairment for each internal rating category of the bank noting that written off during the year ended 31 December 2024 amounted to EGP 134,169 K against EGP 179,628 K in the comparative year.
- The following table illustrates the proportional distribution of loans and advances reported in the balance sheet for each of the 3 stages and their relevant impairment losses.

#### Bank's ratings

	31 December 2024		31 December 2023	
	Loans & facilities %	Impairment provision %	Loans & facilities %	Impairment provision %
Stage 1	85.84%	15.66%	96.72%	21.69%
Stage 2	12.63%	15.59%	2.47%	26.27%
Stage 3	1.53%	68.75%	0.81%	52.04%
	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

- Internal rating tools help management to determine whether there is objective evidence to indicate the existence of impairment based on the following indicators identified by the Bank:
  - Significant financial difficulty of the borrower or obligor.
  - Breach of the loan agreement conditions such as default.
  - Expected bankruptcy of the borrower, entering a liquidation lawsuit, or restructuring the finance granted to the borrower.
  - Deterioration of the competitive position of the borrower.
  - Granting privileges or assignments by the Bank to the borrower due to economic or legal reasons related to the financial difficulties of the borrower, which are not granted by the Bank in the normal course of business.
  - Impairment of the guarantee.
  - Deterioration of creditworthiness.
- The Bank's policies require reviewing all financial assets that exceed specific materiality at least once a year or more, when required. The impairment loss is determined for accounts evaluated on an individual basis by determining case-by-case actual losses at the balance sheet date. These policies are applied on all accounts, which have specific materiality on an individual basis. The 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 a group of similar assets using the historical experience available, personal judgement and statistical methods.

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**Notes to the Financial Statements - For the year ended 31 December 2024**

**A /4 Maximum limits for credit risk before collaterals:**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
<b>Balance sheet items exposed to credit risks</b>		
Due from banks	24,078,091	6,173,217
Loans and facilities to banks and customers		
<u>Retail loans:</u>		
- Overdrafts	321,421	330,871
- Credit cards	792,993	523,614
- Personal loans	14,821,685	11,463,910
- Mortgage loans	1,775,149	1,132,625
<u>Corporate loans:</u>		
- Overdrafts	10,335,126	5,106,496
- Direct loans	76,165,395	57,498,192
<u>Financial investments:</u>		
Debt instruments - Treasury bills	35,109,162	26,982,714
Debt instruments - Treasury bonds	5,387,528	7,195,545
Other assets	1,593,612	1,275,411
<b>Total</b>	<b><u>170,380,162</u></b>	<u>117,682,595</u>
<b>Off-balance sheet items exposed to credit risk</b>		
Acceptance documents	815,062	922,421
Letters of guarantee	18,081,905	11,544,405
Letters of credit Import/Export	1,237,734	3,332,351
Guarantees upon other banks request or by their warranty	7,975,256	8,662,805
	<b><u>28,109,957</u></b>	<u>24,461,982</u>

**A /5 Debt instruments and treasury bills**

The table below shows an analysis of debt instruments and treasury bills according to the external ratings agencies at the end of the year at 31 December 2024.

	<b>Treasury Bills</b>	<b>Investments in securities</b>	<b>Total</b>
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
B	35,109,162	5,387,528	40,496,690
<b>Total</b>	<b><u>35,109,162</u></b>	<b><u>5,387,528</u></b>	<b><u>40,496,690</u></b>

**B) Market risk**

The Bank is exposed to market risk, which is the risk of fair value or future cash flow fluctuations from changes in market price. Market risks arise from open market related to interest rate, currency where each is exposed to general and specific market movements and changes in sensitivity levels of market rates or

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

prices, such as interest rates and foreign exchange rates. The Bank divides its exposure to market risk into trading and non-trading portfolios.

Management of market risks arising from trading or non-trading activities focuses on risk management in the Bank which is monitored by the market risk department. Regular reports about market risk are submitted to the Risk Committee of the Board of Directors and each business unit head periodically.

Portfolios of financial investments at fair value through profits and losses include positions resulting from the bank dealing directly with customers or with the market, while non-trading portfolios primarily arise from managing assets and liabilities interest price. Such portfolios include foreign exchange risk and equity instruments risks arising from financial investments at amortized cost and financial investments at fair value through other comprehensive income.

#### B/ 1 Market risk measurement techniques

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

#### Value at risk

- The Bank applies a 'value at risk for the interest rate risk' methodology (VAR) for trading and non-trading portfolios and market price risk to estimate the market risk on positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Market risk department separate limits for the value of risk to be approved from the board of directors that may be accepted by the Bank for interest rate risk and market price risk and are monitored weekly by the Bank's risk management.
- VAR is a statistical estimation of the expected losses on the current portfolio resulting from adverse market movements, which represent the maximum amount the Bank expects to lose using a confidence level of (99%). Therefore, there is a statistical probability of (1%) that actual losses could be greater than the VAR estimation. The VAR model assumes that the holding period is ten days before closing the open positions. It also assumes that market movements during the holding period will be similar to the movement pattern which occurred during the previous ten days. The bank shall assess the previous movement based on information regarding two previous years and by using Decay Rate 99. The Bank applies these historical changes in rates, prices, indicators, etc., 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 is considered a primary part of the Bank's market risk control technique, VAR limits are established by the Board of Directors annually. Actual VAR are compared to the limits set by the Bank and reviewed weekly by the Bank's risk management.

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

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### Notes to the Financial Statements - For the year ended 31 December 2024

#### Stress testing

- Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. Stress testing is designed to match the business using standard analysis for specific scenarios. The stress testing carried out by the Bank Risk Management includes risk factors stress testing where a set of sharp movements are applied to each risk category. The results of stress testing are reviewed by Senior Management and Board of Directors and a summary of the Risks Committee meetings is submitted to the Board of Directors.

#### B/2 Foreign exchange volatility risk

- The Bank is exposed to the effects of volatility in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits for foreign exchange with the aggregate value for each position at the end of the day as well as during the day. The following table summarizes the Bank's exposure to foreign exchange volatility risk at the end of financial year. The following table includes the carrying amounts of the financial instruments in their currencies:

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**Notes to the Financial Statements - For the year ended 31 December 2024**

**31 December 2024.**

**Equivalent in EGP (000)**

<b>31 December 2024</b>	<b>EGP</b>	<b>USD</b>	<b>EUR</b>	<b>GBP</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>						
Cash and Due from Central Bank	16,248,830	5,932,454	159,250	4,162	16,964	22,361,660
Due from banks	2,258,289	18,553,300	2,828,518	187,304	250,680	24,078,091
Loans and facilities to customers	80,235,761	21,553,155	1,204,993	2	23	102,993,934
<u>Financial investments:</u>						
- At fair value through other comprehensive income,	24,484,461	15,812,124	2,412	-	-	40,298,997
- Investments in subsidiaries	52,207	-	-	-	-	52,207
- At fair value through profit or loss	95,620	-	-	-	-	95,620
<b>Total financial assets</b>	<b>123,375,168</b>	<b>61,851,033</b>	<b>4,195,173</b>	<b>191,468</b>	<b>267,667</b>	<b>189,880,509</b>
<b>Financial liabilities</b>						
Due to banks	95,241	199,901	11,735	-	-	306,877
Customers' deposits	101,434,307	53,481,967	4,288,864	198,630	351,041	159,754,809
Other loans	-	7,791,500	-	-	-	7,791,500
<b>Total financial liabilities</b>	<b>101,529,548</b>	<b>61,473,368</b>	<b>4,300,599</b>	<b>198,630</b>	<b>351,041</b>	<b>167,853,186</b>
Net financial position 31 December 2024	<b>21,845,620</b>	<b>377,665</b>	<b>(105,426)</b>	<b>(7,162)</b>	<b>(83,374)</b>	<b>22,027,323</b>
As of 31 December 2023	86,642,272	35,818,356	3,445,672	131,878	125,918	126,164,096
Total financial assets	72,783,592	35,750,672	3,478,073	131,704	127,502	112,271,543
Total financial liabilities	13,858,680	67,684	(32,401)	174	(1,584)	13,892,553
Net of financial position for the balance sheet - as of 31 December 2023						

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**B /3 Interest rate risk**

- The Bank is exposed to the effects of fluctuations in the interest rates prevailing in the market, which results from cash flow risk of the interest rate represented in fluctuation of future cash flows for a financial instrument due to changes in the interest rate of the instrument. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The interest margin may increase due to these changes; however, revenues may decrease in case unexpected movements arise. The ALCO Committee sets limits for the effect of changes on the level of mismatch of interest rate repricing that the Bank may maintain based on a study from the Capital Markets Department and the treasury department approved by the Risk Committee and the Board of Directors, This is monitored on a weekly basis by the Bank's Market Risk Department. which is monitored weekly by the Bank's market risk.
- The table below summarizes the Bank's exposure to interest rate volatility risk. It includes the financial instruments' carrying amounts categorized by the earlier repricing or maturity dates:

	(000" EGP)						
31 December 2024	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Without return	Total
<b>Financial assets</b>							
Cash and Due from central Banks	16,999,743	5,361,917	-	-	-	-	22,361,660
Due from banks	24,078,091	-	-	-	-	-	24,078,091
Financial investments at fair value through profit or loss	-	-	95,620	-	-	-	95,620
Loans and facilities to customers gross (before deducting provisions)	6,669,631	15,286,046	29,312,086	43,440,721	9,503,285	-	104,211,769
Financial investments: At fair value through other comprehensive income.	2,630,003	25,992,591	8,063,283	3,613,120	-	-	40,298,997
Investments in subsidiaries	-	-	-	-	-	52,207	52,207
<b>Total financial assets</b>	<b>50,377,468</b>	<b>46,640,554</b>	<b>37,470,989</b>	<b>47,053,841</b>	<b>9,503,285</b>	<b>52,207</b>	<b>191,098,344</b>
<b>Financial liabilities</b>							
Due to banks	306,877	-	-	-	-	-	306,877
Customer deposits	50,296,423	25,659,482	32,148,006	51,650,898	-	-	159,754,809
Other Loans	-	-	-	5,519,641	2,271,859	-	7,791,500
<b>Total financial liabilities</b>	<b>50,603,300</b>	<b>25,659,482</b>	<b>32,148,006</b>	<b>57,170,539</b>	<b>2,271,859</b>	<b>-</b>	<b>167,853,186</b>
<b>Interest re-pricing gap</b>	<b>(225,831)</b>	<b>20,981,072</b>	<b>5,322,983</b>	<b>(10,116,698)</b>	<b>7,231,426</b>	<b>52,207</b>	<b>23,245,158</b>
<b>31 December 2023</b>							
Total financial assets	24,638,921	26,314,114	29,076,589	40,159,994	6,784,761	52,207	127,026,586
Total financial liabilities	26,231,305	18,475,088	25,813,352	40,120,256	1,631,542	-	112,271,543
Interest re-pricing gap as of	(1,592,384)	7,839,026	3,263,237	39,738	5,153,219	52,207	14,755,043
31 December 2023							

## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

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### **Notes to the Financial Statements - For the year ended 31 December 2024**

#### **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 the depositors and fulfil lending commitments.

#### **Liquidity Risk Management System**

Risks are identified and measured by the market risk department while the risks are assessed and corrective actions are determined by the (ALCO) under the chairmanship of the Managing Director, the membership of the Executive Directors, the Chief Financial Officer and the Head of market risk (Secretary of the Committee).

The necessary procedures determined by the Asset and Liability Management Committee to correct gaps are implemented by the Treasury Department and/or business segments. Reports on the situation progress are submitted to the Treasury Department as well as to the Asset and Liability Management Committee.

#### **Function of the Assets and Liabilities Committee:**

- Review, verify and approve scenarios and assumptions used to identify and measure liquidity risk.
- Review reports issued by the Treasury Department on the liquidity structure gap.
- Evaluate, amend and approve any recommendations to amend the financing strategy or financial position structure.

#### **Function of the Treasury management**

- Documenting and maintaining a risk reduction policy as approved by the Asset Liability Management Committee.
- Preparation of models used to identify and measure risks and work to develop them constantly.
- Prepare reports on values exposed to risk, develop these values over time, and present them to the Asset and Liability Management Committee.
- Follow up the implementation of the decisions of the Assets and Liabilities Committee and notify it of the progress in the implementation thereof.
- Coordinate with multiple lines of work to meet funding needs and report on the potential impact on the liquidity gap.
- Test and advise on the potential impact of the introduction of any new product on liquidity structure positions.
- Responsibility for managing liquidity in the short term.
- Prepare periodic reports on any market developments and to consider any bottleneck in liquidity.
- Implement the approved recommendations of the Asset and Liabilities Management Committee. Submit reports on progress regarding implementation of such recommendations.
- Inform the Treasury Department of funding needs to address the liquidity gap.



## **NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

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### **Notes to the Financial Statements - For the year ended 31 December 2024**

#### **The Bank's objective from Liquidity Management**

The Bank aims to finance its activities based on the best possible prices under normal conditions and to ensure that it can meet its obligations in the event of a crisis occurs. To this end, the Bank adopts the following key principles of liquidity management:

- Liquidity management in the short term according to the regulatory framework.
- Diversifying sources of funding.
- Maintaining a group of assets with high liquidity.

#### **Measurement and Follow-up of Liquidity Risks**

The Bank's liquidity management framework consists of the following operations:

- Regular assessment of the Bank's liquidity structure and its development over time.
- Follow-up diversification of sources of funding.
- The Bank's assessment of the funding needs based on the projections in the estimated budget for planning suitable financing solutions.

The expected liquidity gaps are determined by listing the items appearing on the statement of financial position of the Bank and by the type of currency and maturities remaining for those items.

The maturity dates of assets and liabilities are determined based on the contractual terms of the transactions and models of the customer's historical behavior as in the case of savings accounts as well as the traditional assumptions related to certain items in the statement of financial position (as in the case of equity).

#### **Funding Approach**

Sources of liquidity are reviewed by the Asset and Liabilities Committee of the Bank to provide a wide diversity in the currency, resources, products and maturities.

#### **Cash flows underived**

The table below presents the cash flows payable by the Bank under non-derivative financial liabilities on the basis of remaining contractual maturities at the date of balance sheet.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

31 December 2024	(000' EGP)					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	
<b>Financial liabilities</b>						
Due to banks	306,877	-	-	-	-	306,877
Customers' deposits	51,357,225	27,335,019	39,740,048	59,183,587	-	177,615,879
Other loans	100,359	248,910	-	7,791,500	-	8,140,769
<b>Total of financial liabilities</b>	<b>51,764,461</b>	<b>27,583,929</b>	<b>39,740,048</b>	<b>66,975,087</b>	<b>-</b>	<b>186,063,525</b>
<b>Total of financial Assets</b>	<b>51,038,980</b>	<b>47,869,964</b>	<b>49,223,656</b>	<b>68,047,888</b>	<b>11,292,373</b>	<b>227,472,861</b>

- The table above represents undiscounted cash flows which includes principle and interest, so it can't be compared to related items in the financial position.

31 December 2023	(000' EGP)					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	
<b>Financial liabilities</b>						
Due to banks	693,229	-	-	-	-	693,229
Customers' deposits	26,023,591	19,379,364	29,579,188	40,534,191	-	115,516,334
Other loans	85,283	139,251	-	5,647,645	-	5,872,179
<b>Total of financial liabilities</b>	<b>26,802,103</b>	<b>19,518,615</b>	<b>29,579,188</b>	<b>46,181,836</b>	<b>-</b>	<b>122,081,742</b>
<b>Total of financial Assets</b>	<b>25,082,136</b>	<b>27,201,332</b>	<b>32,623,960</b>	<b>55,353,916</b>	<b>8,184,569</b>	<b>148,445,913</b>

**Cash flows derivatives**

**Derivatives settled in Gross Amounts**

The bank's derivatives settled in gross amounts includes the interest rate derivatives on swaps interest. The table below shows derivatives of financial liabilities 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

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**Off balance sheet items**

According to the following table as referred to in note (34):

<b>31 December 2024 (000' EGP)</b>		<b>Over 1 year and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>Up to 1 year</b>			
<b>Financial collaterals, accepted bills and other financial facilities</b>	1,557,542	<b>495,328</b>	<b>26,057,087</b>	<b>28,109,957</b>
<b>Operating lease commitments</b>	98,162	<b>281,516</b>	<b>19,828</b>	<b>399,506</b>
<b>Capital commitments resulting from the acquisition of fixed assets</b>	776,766	<b>4,358,035</b>	-	<b>5,134,801</b>
<b>Total</b>	<u>2,432,470</u>	<u><b>5,134,879</b></u>	<u><b>26,076,915</b></u>	<u><b>33,644,264</b></u>
<b>31 December 2023 (000' EGP)</b>		<b>Over 1 year and less than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
	<b>Up to 1 year</b>			
Financial collaterals, accepted bills and other financial facilities	4,163,411	91,436	20,207,135	24,461,982
Operating lease commitments	67,720	247,262	42,457	357,439
Capital commitments resulting from the acquisition of fixed assets	1,326,018	2,416,262	-	3,742,280
<b>Total</b>	<u>5,557,149</u>	<u>2,754,960</u>	<u>20,249,592</u>	<u>28,561,701</u>

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### D) 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 legal requirements of capital inside Egypt
- To protect the Bank's ability to continue as a going concern and enabling it to generate return for shareholders and other parties dealing with the Bank.
- To maintain a strong capital base to enhance business growth.
- Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE in Egypt) daily by the Bank's management through models based on the instructions of Basel committee for banking supervision. The required data is submitted to CBE on a quarterly basis. CBE requires the following from the Bank:
- Maintaining EGP 5 Billion as a minimum limit of paid and issued capital.
- Maintaining a ratio that is equal or more than 12.5 % between the capital base items and risk-weighted assets and contingent liabilities components including conservation buffer of 2.5%.

**Second: According to the restrictions issued on December 18, 2012, the numerator of capital adequacy ratio consists of the following two tiers:**

**Tier 1:**

First tier consists of two parts which are ongoing capital and supplementary capital.

**Tier 2:**

**Which is subordinate capital and consists of the following: -**

- 45% of reverse amount of required foreign currency transfer differences.
- 45% of special reserve amount.
- 45% of increase in fair value over book value of financial investments (if required).
- 45 % of the fair value reserve of FVOCI financial investments.
- 45% of increase in fair value over book value of financial investments at amortized cost
- 45 % of the increase of fair value over the carrying amount of financial investments in affiliates and subsidiaries.
- Mixed financial instrument.
- subordinate loans (deposits) with amortization of 20% of their value over each year of the last five years of their terms.
- Expected credit losses of financial instruments classified as stage one (it shall not exceed 1.25% of total credit risks of risk weighted performing assets and contingent liabilities. Also, the expected credit losses of non-performing loans, credit facilities and contingent liabilities shall be sufficient to meet the liabilities for which the provision is made.
- Disposals of 50% from Tier 1 and 50% of Tier 2.
- With respect to the value of assets reverted to the Bank for the settlement of debts in general banking risk reserve.
- When calculating the total numerator of the capital adequacy ratio, subordinated loans (deposits) shall not exceed 50% of the first tranche after exclusions.
- Assets and contingent liabilities are weighted by credit risk, market risk, and operational risk.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

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

- Credit risk.
- Market risk.
- Operational risk.

Assets are risk weighted classified according to the nature of each debtor of an asset to reflect the credit risk associated therewith and taking into consideration the cash collateral.

The same treatment is used for the off-balance amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The below tables summarizes capital adequacy ratio according to Basel 2.

	<b>31 December 2024</b>	31 December 2023
	<b>000' EGP</b>	000' EGP
<b>Tier 1 (basic capital)</b>		
Share capital	<b>5,512,500</b>	5,250,000
General reserve	<b>1,606,773</b>	1,406,773
Legal reserve	<b>922,402</b>	721,449
Capital reserve	<b>206,853</b>	204,968
General risk reserve	<b>173,285</b>	173,285
Retained earnings	<b>6,484,282</b>	3,437,670
Interim profit	<b>6,441,923</b>	3,560,071
Total balance of the accumulative other comprehensive income in the balance sheet	<b>458,303</b>	(192,143)
Disposals	<b>(435,864)</b>	(317,026)
<b>Total basic capital</b>	<b>21,370,457</b>	14,245,047
<b>Tier 2 (subordinated capital)</b>		
Equivalent to general risk provision	<b>1,001,701</b>	532,453
Loans/subordinated deposits	<b>1,258,260</b>	1,104,428
<b>Total subordinated capital</b>	<b>2,259,961</b>	1,636,881
<b>Total Capital adequacy after disposals</b>	<b>23,630,418</b>	15,881,928
<b>Assets and contingent liabilities risk weighted</b>		
Total credit risk	<b>96,087,163</b>	67,607,963
Capital Requirements for Market Risk	<b>346,466</b>	232,397
Capital requirements for operational risk	<b>4,859,190</b>	3,318,184
Top 50 Client's Overdrafts value	<b>12,303,547</b>	8,566,378
<b>Total risk weighted assets and contingent liabilities</b>	<b>113,596,366</b>	79,724,922
<b>Capital adequacy ratio (%)</b>	<b>20.80%</b>	19.92%

**Financial risk management**

**Financial leverage**

Ratio components

**a. Numerator elements**

- The numerator consists of tier 1 of capital (after exclusions) that is used in capital adequacy standard currently applied in accordance with the instructions 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 2024**

**b. Denominator elements**

- The denominator consists of all the Bank's assets on and off-financial position items according to the financial statements, called "Bank Exposures" including the following totals:

- On Balance Sheet exposure items after deducting Tier 1 exclusions for capital base.
- Exposures resulting from financing securities operations.
- Off-financial position exposures "weighted exchange transactions".

	<b>31 December 2024</b>	31 December 2023
	<b>000' EGP</b>	000' EGP
<b>Tier 1 of Capital after disposals (1)</b>	<b>21,370,457</b>	14,245,047
Cash and Due from Central Bank	<b>22,383,713</b>	10,638,494
Due from banks	<b>24,078,091</b>	6,173,217
Financial investments at fair value through profits and losses	<b>95,620</b>	71,649
Financial investments at fair value through other comprehensive income	<b>40,596,358</b>	34,194,682
Investments in subsidiaries	<b>52,207</b>	52,207
Loans and facilities to customers	<b>104,211,769</b>	76,055,708
Fixed assets (after deducting impairment provisions and accumulated depreciation)	<b>801,551</b>	600,468
Other assets	<b>4,974,395</b>	3,845,152
Deductible exposures (some of capital base Tier 1 deductions)	<b>(1,203,172)</b>	(992,453)
<b>Total exposures of on-balance sheet items after Tier 1 deductions</b>	<b>195,990,532</b>	130,639,124
<b>Total exposures resulted from financing securities operations</b>	<b>2,828</b>	6,499
<b>Total exposures of on-balance sheet items, financial derivatives contracts and financing securities operations</b>	<b>195,993,360</b>	130,645,623
Letters of credit – Importing	<b>247,547</b>	666,442
Letters of Guarantee	<b>9,001,058</b>	5,750,314
Letters of Guarantee upon foreign banks' request or with their guarantee	<b>3,975,867</b>	4,329,664
Accepted Bills	<b>815,063</b>	922,421
<b>Total contingent liabilities</b>	<b>14,039,535</b>	11,668,841
Capital Commitments	<b>5,134,801</b>	3,742,280
Legal claims	<b>671,830</b>	633,863
Commitments for operating lease contracts	<b>399,506</b>	357,439
<b>Commitments for loans to banks / customers and facilities (unutilized limits) with original due date</b>		
Irrevocable more than year	<b>665,179</b>	172,304
Irrevocable less/equal than year	<b>428,715</b>	489,599
Unconditional revocable at any time by the bank and without prior notice , or that include the texts of self- cancel because of the deterioration of the creditworthiness of the borrower	<b>4,429,703</b>	2,507,455
<b>Total commitments</b>	<b>11,729,734</b>	7,902,940
<b>Total Off-balance sheet exposures</b>	<b>25,769,269</b>	19,571,781
<b>Total on-balance sheet and off-balance sheet exposures (2)</b>	<b>221,762,629</b>	150,217,404
<b>Financial leverage ratio (1/2)</b>	<b>9.64%</b>	9.48%

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### 4- Significant accounting estimates and assumptions

The Bank uses estimates and assumptions affecting the reported amounts of assets and liabilities that are disclosed during the next financial year. Estimates and assumptions are constantly evaluated on the basis of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and information available.

##### A) Estimates:

Information on estimates used in applying accounting policies that have a significant impact  
Amounts recognized in the financial statements:

- **Classification of financial assets:** Evaluate the business model in which the assets are held and assess whether the contractual terms of the financial assets will generate cash flow in the form of payment of returns and installments on the outstanding balances of those assets.

##### B) Uncertainty associated with assumptions and estimations:

The uncertainty associated with the assumptions and estimates with high risk that result in material changes in the year ended 31 December 2024 are reflected in the following notes:

- Impairment of financial instruments: assessing if there is a significant increase in the credit risk on the financial assets since the first recognition , taking into consideration the effect result of measuring future credit risk .
- Estimation of fair value of financial instruments using unobservable inputs in the measurement.
- Measurement of defined benefit obligations: key actuarial assumptions.
- Recognition of deferred tax assets: the existence of future taxable profits from which to benefit from the tax losses carried forward.

##### C) Income taxes

The income tax on profit or loss for the year includes both the current and deferred taxes. Income tax is recognized in the statement of income, except for income taxes related to equity items that are recognized directly in equity.

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

The Bank's deferred tax assets are recognized if it is probable that sufficient taxable profits will be realized in the future whereby the asset can be utilized. The value of deferred tax assets will be reduced by the value of the portion not yielding the expected tax benefit during the following years. However, in case the expected tax benefit increases, the deferred tax assets will increase to the extent of previous reduction.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**5- Net interest income**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Interest from loans and similar revenues from:</b>		
<b>Loans and facilities:</b>		
Customers	18,397,082	9,242,256
Treasury bills	5,381,408	3,226,004
Deposits and current accounts	2,222,822	1,093,757
Investments in debt instruments held to maturity and available for sale	1,112,002	1,323,445
<b>Total</b>	<b>27,113,314</b>	<b>14,885,462</b>
<b>Costs of Deposits and similar costs from:</b>		
<b>Deposits and current accounts</b>		
Banks	(93,954)	(189,826)
Customers	(14,852,934)	(7,295,962)
	(14,946,888)	(7,485,788)
Other Loans	(568,836)	(411,421)
<b>Total</b>	<b>(15,515,724)</b>	<b>(7,897,209)</b>
<b>Net</b>	<b>11,597,590</b>	<b>6,988,253</b>

**6- Net Fees and Commission Income**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Fees and commission revenues:</b>		
Fees and commissions related to credit	1,437,892	1,320,112
Custody fees	8,473	6,101
Other fees	445,092	220,390
	1,891,457	1,546,603
<b>Fees and commission expenses:</b>		
Other fees paid	(313,739)	(183,022)
<b>Net</b>	<b>1,577,718</b>	<b>1,363,581</b>



**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**7- Dividends**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Financial investments at fair value through other comprehensive income.	6,409	5,094
	<b><u>6,409</u></b>	<b><u>5,094</u></b>

**8- Net trading income**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Foreign exchange operations:</b>		
Profits on foreign currency operations	305,118	270,613
Valuation of equity instruments through profits and losses	23,971	17,619
	<b><u>329,089</u></b>	<b><u>288,232</u></b>

**9- Gains from financial investments**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Gain from sale of treasury bills	31,105	9,985
	<b><u>31,105</u></b>	<b><u>9,985</u></b>

**10- General and administrative expenses**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Staff cost</b>		
Wages and salaries	893,768	761,371
Social insurance	53,891	43,908
<b>Pension &amp; other benefits cost:</b>		
Defined contribution plan	203,507	147,006
	<b><u>1,151,166</u></b>	<b><u>952,285</u></b>
Other administrative expenses	1,595,785	1,373,386
<b>Total</b>	<b><u>2,746,951</u></b>	<b><u>2,325,671</u></b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**11- Other operating expenses**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Valuation Losses of assets and liabilities balances in monetary foreign currencies other than trading	(7,880)	1,465
Assets' revenues reverted to the Bank in settlement of debts	-	3,084
Reversal of no longer required provisions	1,585	376
Other operational expenses	(476)	(466)
Gains / loss on sale of fixed assets	8,293	1,885
Finance and operating lease expenses	(122,204)	(102,598)
Other provisions	(3,663)	(379)
Depreciation of real estate investments (Depreciation of investment buildings)	(27)	(27)
Others	7,356	6,459
	<b><u>(117,016)</u></b>	<b><u>(90,201)</u></b>

**12- Income Tax Expenses**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Current income taxes	3,002,442	1,778,355
Deferred tax	(40,935)	5,311
	<b><u>2,961,507</u></b>	<b><u>1,783,666</u></b>

Additional information on deferred income tax was presented in Note (29).

**13- Cash and Due from Central Bank**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Cash	1,134,156	1,089,904
Due from central bank (within the required reserve percentage)	21,249,557	9,548,590
Less: Provision for expected credit losses	(22,053)	(12,769)
	<b><u>22,361,660</u></b>	<b><u>10,625,725</u></b>
Non-interest bearing balances	16,999,743	7,391,434
Interest bearing balances	5,361,917	3,234,291
	<b><u>22,361,660</u></b>	<b><u>10,625,725</u></b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**14- Due from banks**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Current accounts	583,232	539,269
Deposits	21,244,859	5,633,948
	<u>21,828,091</u>	<u>6,173,217</u>
Due from central banks (other than the required reserve percentage)	2,250,000	-
	<u>24,078,091</u>	<u>6,173,217</u>
Non-interest bearing balances	388,714	224,324
Interest bearing balances	23,689,377	5,948,893
	<u>24,078,091</u>	<u>6,173,217</u>
Current balances	24,078,091	6,173,217
	<u>24,078,091</u>	<u>6,173,217</u>

**15- Loans and facilities to customers**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Loans to Customers	100,153,953	72,434,951
Murabhat	4,057,816	3,620,757
<b>Total loans and facilities to customers</b>	<u>104,211,769</u>	<u>76,055,708</u>
<b>Less</b>		
Provision for expected credit losses	(1,217,835)	(862,490)
<b>Net</b>	<u>102,993,934</u>	<u>75,193,218</u>
	<b><u>31 December 2024</u></b>	<b>31 December 2023</b>
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
<b>Retail:</b>		
Overdrafts	321,421	330,871
Credit cards	792,993	523,614
Personal loans	14,821,685	11,463,910
Mortgage loans	1,775,149	1,132,625
<b>Total (1)</b>	<u>17,711,248</u>	<u>13,451,020</u>
<b>Corporate loans including small loans to economic activities:</b>		
Overdrafts	10,335,126	5,106,496
Direct loans	76,165,395	57,498,192
<b>Total (2)</b>	<u>86,500,521</u>	<u>62,604,688</u>
<b>Total loans and facilities to customers (1+2)</b>	<u>104,211,769</u>	<u>76,055,708</u>
<b>Less</b>		
Provision for expected credit losses	(1,217,835)	(862,490)
<b>Net</b>	<u>102,993,934</u>	<u>75,193,218</u>

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### Provision for expected credit losses:

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

<b>31 December 2024</b>	<b>Retail 000' EGP</b>	<b>Corporate 000' EGP</b>	<b>Total 000' EGP</b>
Beginning Balance	198,754	663,736	862,490
Provision for expected credit losses	209,242	(362,049)	(152,807)
Charged during the year	19,087	521,046	540,133
Proceeds from previously written off loans	13,982	127,498	141,480
Foreign currency translation differences	5	54,342	54,347
Provisions no longer required	-	(93,639)	(93,639)
Written off loans during the year	(47,502)	(86,667)	(134,169)
<b>Ending balance</b>	<b>393,568</b>	<b>824,267</b>	<b>1,217,835</b>

31 December 2023	Retail 000' EGP	Corporate 000' EGP	Total 000' EGP
Beginning Balance	151,884	488,181	640,065
Provision for expected credit losses	89,318	(218,505)	(129,187)
Charged during the year	-	486,161	486,161
Proceeds from previously written off loans	14,491	56,977	71,468
Foreign currency translation differences	-	25,107	25,107
Provisions no longer required	-	(51,496)	(51,496)
Written off loans during the year	(56,939)	(122,689)	(179,628)
Ending balance	198,754	663,736	862,490

## 16- Financial derivatives

### Derivatives

The Bank uses the following derivative instruments for hedging and non-hedging purposes:

- Currency forward contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Future foreign currency exchange contracts and/or interest rates are contractual obligations to receive or pay a net amount based on changes in currency rates, interest rates and/or to buy or sell foreign currency or a financial instrument on a future date at a specified price, established in an active financial market.

Credit risk at the Bank is considered low. Future interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These agreements require financial settlements on a future date for the difference between the contractual interest rate and the interest rate prevailing in the market on the basis of an agreed contractual amount/ nominal value.

- Currency and/or interest rate swap contracts are commitments to exchange one set of cash flows for another. These contracts result in the exchange of currencies or interest rates (i.e. fixed rate for floating rate) or a combination of all these (i.e. Interest and currency swap contracts). Actual exchange of contractual amounts is not performed unless in some currency swap contracts.

The Bank's credit risk is represented in the potential cost to replace the swap contracts if other parties fail to fulfil their obligations. This risk is monitored on an ongoing basis in comparison with

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

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### Notes to the Financial Statements - For the year ended 31 December 2024

the fair value a percentage of the contractual amount. For the purpose of monitoring the existing credit risk The bank evaluates other parties by the same approach used in lending activities

- Foreign currency/ interest rates option contracts represent contractual arrangements in which the seller (issuer) grants the buyer (holder), the right not the obligation, either to buy (buy option) or to sell (sell option) at a certain date or within a certain period by a certain amount of foreign currency or a financial instrument at a predefined price. The vendor receives a commission from the buyer in return for accepting the risk of the foreign currency or the interest rate. Option contracts are either traded in the market or negotiable between the Bank and one of its customers (off the counter). The Bank is exposed to credit risk for the purchased option contracts only within its book value which represents its fair value.
- The contractual amounts of certain types of financial instruments are used as a basis for comparison with financial instruments recognized in the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and therefore, do not indicate the Bank's exposure to credit or price risks.

Derivatives in favor of the Bank become (assets), otherwise they become (liabilities) as a result of fluctuations in foreign exchange rates or interest rates related to them. The aggregate contractual/notional amounts of the existing financial derivative instruments, the duration to which the instruments are favorable or unfavorable to the Bank, and the aggregate fair value of financial assets and liabilities from financial derivatives can fluctuate from time to time.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**17- Financial investments**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
<b>Financial investments at fair value through profits and losses</b>		
<b>Mutual Funds at Fair Value:</b>		
Mizan Fund	39,320	28,785
Ishraq Fund	26,110	21,508
Alhayah Fund	13,033	9,307
Namaa Fund	17,157	12,049
<b>Total of financial investments at fair value through profits and losses (1)</b>	<b><u>95,620</u></b>	<u>71,649</u>
<b>Financial investments at fair value through other comprehensive income</b>		
Debt Instruments – unquoted– treasury bills	35,109,162	26,982,714
Debt instruments –quoted	5,387,528	7,195,545
<b>Mutual Funds at Fair Value:</b>		
Mizan Fund	13,762	10,075
Ishraq Fund	11,273	9,286
Namaa Fund	13,357	9,380
Alhayah Fund	13,033	9,307
Equity Instruments:		
Unquoted	74,492	7,465
Less: Provision for expected credit losses during the year	(323,610)	(175,692)
<b>Total Financial investments at fair value through other comprehensive income (2)</b>	<b><u>40,298,997</u></b>	<u>34,048,080</u>
<b>Total financial investments (1+2)</b>	<b><u>40,394,617</u></b>	<u>34,119,729</u>
Current Balances	36,707,005	29,593,335
Non-Current Balances	3,687,612	4,526,394
	<b><u>40,394,617</u></b>	<u>34,119,729</u>
Fixed interest debt instruments	40,173,079	34,002,567
	<b><u>40,173,079</u></b>	<u>34,002,567</u>

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

	Financial investments at fair value through OCI <u>000' EGP</u>	Financial Investment at fair value through profits and losses <u>000' EGP</u>	Total <u>000' EGP</u>
<b>Balance at January 1, 2024 (Net)</b>	34,048,080	71,649	34,119,729
Additions	70,202,826	-	70,202,826
Disposals (sales/ redemption)	(75,924,283)	-	(75,924,283)
Differences from valuation of monetary assets in foreign currencies	6,229,960	-	6,229,960
Changes in fair value	458,303	23,971	482,274
Amortized cost during the year	5,432,029	-	5,432,029
Provision for expected credit losses	(147,918)	-	(147,918)
<b>Balance as of 31 December 2024 (Net)</b>	<u>40,298,997</u>	<u>95,620</u>	<u>40,394,617</u>
Balance at 1 January 2023	33,408,059	54,030	33,462,089
Additions	40,464,139	-	40,464,139
Disposals (sales/ redemption)	(44,761,727)	-	(44,761,727)
Differences from valuation of monetary assets in foreign currencies	1,847,009	-	1,847,009
Changes in fair value	(192,143)	17,619	(174,524)
Amortized cost during the year	3,357,068	-	3,357,068
Provision for expected credit losses	(74,325)	-	(74,325)
Balance at 31 December 2023	<u>34,048,080</u>	<u>71,649</u>	<u>34,119,729</u>

### 18- Investments in Subsidiaries

The Bank's shareholding in subsidiaries is as follows:

	31 December 2024		31 December 2023	
	<u>000' EGP</u>	<u>Share %</u>	<u>000' EGP</u>	<u>Share %</u>
NBK Egypt Financial Investments	<u>52,207</u>	99.99	<u>52,207</u>	99.99
	<u>52,207</u>		<u>52,207</u>	

Most important financial information and bank's shareholding to subsidiaries in accordance with financial statements as at September 30, 2024

Description	Nature of Relation	Region	Assets of company	Total liabilities without Equity	Revenues/ (Expenses) of the company		
					Revenues of company	(Expenses) of the company	Share %
NBK Egypt Financial Investments	Subsidiary	Egypt	75,981	5,728	17,805	7,934	99.99

- All investments in subsidiaries are unquoted.
- The bank acquired NBK Egypt Financial Investments (S.A.E) in December.2022, by acquiring Watany company of investment (SAK) which represents (49.9998%) of the capital shares of NBK Capital, taking into consideration the addition of another shareholder to the ownership structure in line with Article No. 8 of the Companies Law 159 of 1981 in addition to the existing shares owned by the NBK – Egypt classified as investments in subsidiaries, Accordingly the bank's share in the company's capital will increase from (49.9998%) to (99.9992%) noting that such acquisition does not lead to significant changes in the assets and liabilities of the Bank.as the acquired assets and liabilities of the company represent less than 1% of the assets and liabilities of the bank, therefore no need to issue consolidated financials as these financials aren't different from the current financial position.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**19- Other assets**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Accrued revenues	<b>1,593,612</b>	1,275,411
Advances to purchase fixed assets	<b>2,248,073</b>	1,677,676
Assets reverted to the bank (after deducting the impairment)	<b>52,819</b>	17,819
Collective insurance policy	<b>17,972</b>	19,009
Prepaid expenses	<b>156,937</b>	118,795
Insurance & petty cash	<b>101,203</b>	87,675
Prepaid interest expense	<b>25,584</b>	30,517
Other	<b>486,604</b>	418,260
	<b><u>4,682,804</u></b>	<u>3,645,162</u>



**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**20- Fixed Assets**

	<b>Lands*</b>	<b>Buildings*</b>	<b>Core</b>	<b>Vehicles</b>	<b>Fittings</b>	<b>Machines and</b>	<b>Furniture</b>	<b>Others</b>	<b>Total</b>
	<b>000'</b>	<b>000'</b>	<b>systems</b>	<b>000'</b>	<b>and</b>	<b>Equipment</b>	<b>000'</b>	<b>000'</b>	<b>000'</b>
	<b>EGP</b>	<b>EGP</b>	<b>000'</b>	<b>EGP</b>	<b>fixtures</b>	<b>000'</b>	<b>EGP</b>	<b>EGP</b>	<b>EGP</b>
			<b>EGP</b>		<b>000'</b>	<b>EGP</b>			<b>EGP</b>
<b>Balance as of 1 January 2023</b>									
Cost	4,771	237,747	222,363	10,716	421,770	108,238	68,417	22,111	1,096,133
Accumulated depreciation	-	(53,087)	(138,380)	(9,259)	(273,531)	(44,457)	(22,834)	(12,176)	(553,724)
<b>Net book value as of 1 January 2023</b>	<b>4,771</b>	<b>184,660</b>	<b>83,983</b>	<b>1,457</b>	<b>148,239</b>	<b>63,781</b>	<b>45,583</b>	<b>9,935</b>	<b>542,409</b>
Additions	-	-	60,610	-	77,481	18,228	17,779	4,226	178,324
Disposals	-	(332)	(18,999)	-	-	(2,036)	(2,768)	(640)	(24,775)
Depreciation for disposals	-	159	18,841	-	-	1,583	2,595	621	23,799
Depreciation for the year	-	(4,726)	(30,694)	(595)	(62,631)	(12,082)	(6,099)	(2,462)	(119,289)
<b>Net book value as of 31 December 2023</b>	<b>4,771</b>	<b>179,761</b>	<b>113,741</b>	<b>862</b>	<b>163,089</b>	<b>69,474</b>	<b>57,090</b>	<b>11,680</b>	<b>600,468</b>
<b>Balance as of 31 December 2023</b>									
Cost	4,771	237,574	282,815	10,716	499,251	126,013	86,023	26,318	1,273,481
Accumulated depreciation	-	(57,813)	(169,074)	(9,854)	(336,162)	(56,539)	(28,933)	(14,638)	(673,013)
<b>Net book value as of 31 December 2023</b>	<b>4,771</b>	<b>179,761</b>	<b>113,741</b>	<b>862</b>	<b>163,089</b>	<b>69,474</b>	<b>57,090</b>	<b>11,680</b>	<b>600,468</b>
<b>Balance as of 1 January 2024</b>	<b>4,771</b>	<b>179,761</b>	<b>113,741</b>	<b>862</b>	<b>163,089</b>	<b>69,474</b>	<b>57,090</b>	<b>11,680</b>	<b>600,468</b>
Additions	-	-	221,343	24,831	75,365	24,792	8,629	5,102	360,062
Disposals	-	(1,917)	(2,832)	-	-	(501)	(9)	-	(5,259)
Depreciation for disposals	-	667	2,619	-	-	354	2	-	3,642
Depreciation for the year	-	(4,671)	(63,057)	(2,766)	(62,524)	(14,392)	(6,973)	(2,979)	(157,362)
<b>Net book value as at 31 December 2024</b>	<b>4,771</b>	<b>173,840</b>	<b>271,814</b>	<b>22,927</b>	<b>175,930</b>	<b>79,727</b>	<b>58,739</b>	<b>13,803</b>	<b>801,551</b>
<b>Balance as of 31 December 2024</b>									
Cost	4,771	236,324	503,945	35,547	574,616	150,658	94,645	31,420	1,631,926
Accumulated depreciation	-	(62,484)	(232,131)	(12,620)	(398,686)	(70,931)	(35,906)	(17,617)	(830,375)
<b>Net book value as of 31 December 2024</b>	<b>4,771</b>	<b>173,840</b>	<b>271,814</b>	<b>22,927</b>	<b>175,930</b>	<b>79,727</b>	<b>58,739</b>	<b>13,803</b>	<b>801,551</b>

\* The fixed assets on the date of balance sheet includes EGP 90,153 K represents a net value of lands and buildings that have not registered yet under the name of the bank and the necessary legal procedures are now made to register such assets.

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**21- Intangible assets**

	<u>Computers programs</u>	<u>Other assets</u>	<u>Total</u>
	<u>000' EGP</u>	<u>000' EGP</u>	<u>000' EGP</u>
Cost at 1 January 2024	290,487	12,050	302,537
Additions	91,963	-	91,963
Disposals of assets	(669)	-	(669)
<b>Cost at 31 December 2024</b>	<b>381,781</b>	<b>12,050</b>	<b>393,831</b>
Accumulated amortization at 1 January 2024	(144,403)	(8,695)	(153,098)
Amortization of the year	(40,024)	(1,205)	(41,229)
Disposals of assets	628	-	628
<b>Accumulated amortization at 31 December 2024</b>	<b>(183,799)</b>	<b>(9,900)</b>	<b>(193,699)</b>
<b>Net book value at 31 December 2024</b>	<b>197,982</b>	<b>2,150</b>	<b>200,132</b>
<b>Net book value at 31 December 2023</b>	<b>146,084</b>	<b>3,355</b>	<b>149,439</b>

**22- Investment properties**

	<u>000' EGP</u>
Cost at 1 January 2024	1,378
Additions	-
<b>Cost at 31 December 2024</b>	<b>1,378</b>
Accumulated depreciation at 1 January 2024	(680)
depreciation of the year	(27)
<b>Accumulated depreciation at 31 December 2024</b>	<b>(707)</b>
<b>Net book value at 31 December 2024</b>	<b>671</b>
<b>Net book value at 31 December 2023</b>	<b>698</b>

**23- Due to banks**

	<u>31 December 2024</u>	<u>31 December 2023</u>
	<u>000' EGP</u>	<u>000' EGP</u>
<b>A- Local Banks</b>		
Sale of treasury bills with commitment to repurchase	26,249	29,090
	<b>26,249</b>	<b>29,090</b>
<b>B- Foreign Banks</b>		
Current Accounts	280,628	664,139
	<b>280,628</b>	<b>664,139</b>
<b>Total</b>	<b>306,877</b>	<b>693,229</b>
Non-interest bearing balances	304,650	691,529
Interest bearing balances	2,227	1,700
	<b>306,877</b>	<b>693,229</b>
Current balances	306,877	693,229
<b>Total</b>	<b>306,877</b>	<b>693,229</b>

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### 24- Customers' deposits

	31 December 2024	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Demand deposits	40,092,610	29,582,780
Time and call deposits	65,965,278	38,853,502
Certificates of deposits	40,641,982	27,147,514
Saving deposits	10,304,501	8,784,370
Other deposits	2,750,438	1,562,503
<b>Total</b>	<b>159,754,809</b>	<b>105,930,669</b>
Corporate deposits and financial institutions	93,953,935	59,092,620
Retail deposits	65,800,874	46,838,049
	<b>159,754,809</b>	<b>105,930,669</b>
Non-interest bearing balances	2,750,438	1,562,503
Interest bearing balances	157,004,371	104,368,166
	<b>159,754,809</b>	<b>105,930,669</b>
Current balances	108,103,911	69,826,516
Non-current balances	51,650,898	36,104,153
	<b>159,754,809</b>	<b>105,930,669</b>

#### 25- Other Loans

	31 December 2024	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
EBRD	2,723,507	2,316,983
Subordinated loan (National Bank of Kuwait- Kuwait)*	2,796,134	1,699,120
National Bank of Kuwait – Bahrain **	2,271,859	1,631,542
	<b>7,791,500</b>	<b>5,647,645</b>

\*According to Note No (32 - B) Transactions with related parties) the item represents subordinated loan from National Bank of Kuwait.

\*\*According to Note No (32 - C) Transactions with related parties) the item represents Long-Term loan from National Bank of Kuwait – Bahrain.

#### 26- Other liabilities

	31 December 2024	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Accrued interest	1,616,008	907,976
Unearned revenue	54,994	49,351
Accrued Expenses	520,201	363,902
Creditors	319,530	270,617
Other credit balances	350,724	277,422
	<b>2,861,457</b>	<b>1,869,268</b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**27- Retirement benefits obligation**

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
<b><u>Retirement benefits obligation in balance sheet:</u></b>	<b>329,139</b>	244,740
Medical benefit after retirement	<u>329,139</u>	<u>244,740</u>
<b><u>Realized amounts in income statement:</u></b>		
Medical benefit after retirement	<u>96,000</u>	82,200
	<u>96,000</u>	<u>82,200</u>

**Liabilities during the Year**

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Beginning Balance for the year	<b>244,740</b>	166,392
Cost of current services	<b>75,296</b>	50,995
Interest expense	<b>20,704</b>	31,205
Paid benefits	<b>(11,601)</b>	(3,852)
<b>Balance at the end of the financial year</b>	<u><b>329,139</b></u>	<u>244,740</u>

The main actuarial principles and assumptions used to determine benefit liabilities and net cost are the averages of the discount rate, price inflation and compensation increase according to the actuary's study, in addition to the following:

1. The currency used in the valuation is the Egyptian pound.
2. Administrative expenses: To be bared by the bank in full.
3. Life scale used: A49 / 52 ult scale averages the cost of both life and total disability.
4. User withdrawals schedule: (Projected unit credit method).

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**28- Other Provisions**

<b>31 December 2024 (EGP 000,)</b>	<b>*Contingent Liabilities Provision</b>	<b>Legal Provision</b>	<b>Bank Operation Risk Provision</b>	<b>Total</b>
Balance at the beginning of the year	207,892	1,191	73	209,156
Less : Provision for expected credit losses	88,088	-	-	88,088
Charged for the year	-	1,510	2,153	3,663
Proceeds from written off loans	62	-	-	62
Foreign exchange valuation differences	19,022	-	-	19,022
Reversal of no longer required provisions	-	-	(1,585)	(1,585)
Utilized during the year	(1,663)	(116)	-	(1,779)
<b>Balance at the end of the year</b>	<b>313,401</b>	<b>2,585</b>	<b>641</b>	<b>316,627</b>

\*The Contingent liabilities provision balance contains 27,163 thousand EGP that represents provision for impairment losses for some banks within the balance year.

<b>31 December 2023 (EGP 000,)</b>	<b>Contingent Liabilities Provision</b>	<b>Legal Provision</b>	<b>Bank Operation Risk Provision</b>	<b>Total</b>
Balance at the beginning of the year	126,344	8,593	889	135,826
Less : Provision for expected credit losses	75,804	-	-	75,804
Charged for the year	-	6	373	379
Proceeds from written off loans	63	-	-	63
Foreign exchange valuation differences	5,681	-	84	5,765
Reversal of no longer required provisions	-	-	(376)	(376)
Utilized during the year	-	(7,408)	(897)	(8,305)
<b>Balance at the end of the year</b>	<b>207,892</b>	<b>1,191</b>	<b>73</b>	<b>209,156</b>

**29- Deferred tax**

Deferred tax was calculated on all temporary tax differences using the liabilities method and using the effective tax rate for the current financial year.

Deferred tax assets and liabilities can be offset when there is a legal reason to offset between the current taxes on assets versus the current tax on liabilities, in addition, when the deferred tax is following the same tax authority.

**Deferred tax assets and liabilities**

Below is the movement of deferred tax assets and liabilities:

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**Deferred tax assets and liabilities balances**

	Deferred tax assets		Deferred tax liabilities	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	000' EGP	000' EGP	000' EGP	000' EGP
Fixed assets depreciation	-	-	(55,471)	(37,459)
Provisions (other than loans provision)	146,259	87,312	-	-
<b>Total tax assets (liabilities)</b>	<b>146,259</b>	<b>87,312</b>	<b>(55,471)</b>	<b>(37,459)</b>
<b>Net tax assets</b>	<b>90,788</b>	<b>49,853</b>	<b>-</b>	<b>-</b>

**Deferred tax assets and liabilities movement:**

	Deferred tax assets		Deferred tax liabilities	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	000' EGP	000' EGP	000' EGP	000' EGP
Balance at the beginning of the year	87,312	87,312	(37,459)	(32,148)
Additions	58,947	-	(18,626)	(13,605)
Disposal	-	-	614	8,294
Balance at the end of the year	<b>146,259</b>	<b>87,312</b>	<b>(55,471)</b>	<b>(37,459)</b>

**30- Stockholders' Equity:**

**(a) Authorized Capital**

The authorized capital is EGP 10 billion.

**(b) Issued and Paid up Capital**

The issued and paid up capital is EGP 5 Billion and 512 Million distributed over 551.250 million shares, the nominal value of the share is 10 Egyptian pounds.

**(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 2024	31 December 2023
	000' EGP	000' EGP
Legal reserve	922,402	721,449
General reserve	1,606,773	1,406,773
Capital reserve	206,853	204,968
Banking risk reserve	346,032	495,932
Fair value reserve – investments at fair value through other comprehensive income	(349,079)	(807,382)
General risk reserve	173,285	173,285
<b>Total Reserves</b>	<b>2,906,266</b>	<b>2,195,025</b>

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>Legal reserve</b>		
Balance at the beginning of the year	721,449	631,103
Transferred to legal reserve	200,953	90,346
Balance at the end of the year	<b>922,402</b>	721,449
	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>General reserve</b>		
Balance at the beginning of the year	1,406,773	1,206,773
Transferred to general reserve	200,000	200,000
Balance at the end of the year	<b>1,606,773</b>	1,406,773
	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>Capital reserve</b>		
Balance at the beginning of the year	204,968	186,075
Transferred to Capital reserve	1,885	18,893
Balance at the end of the year	<b>206,853</b>	204,968
	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>Banking risk reserve</b>		
Balance at the beginning of the year	495,932	491,476
Transferred to Banking risk reserve	(149,900)	4,456
Balance at the end of the year	<b>346,032</b>	495,932
	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>Fair value reserve – Financial Investments at fair value through other comprehensive income</b>		
Balance at the beginning of the year	(807,382)	(615,239)
Changes in fair value of financial instruments at fair value through OCI	461,101	(187,708)
Revaluation differences of financial investments at fair value through Other comprehensive income with foreign currencies	(2,798)	(4,435)
Balance at the end of the year	<b>(349,079)</b>	(807,382)
	<b>31 December 2024</b> <b>000' EGP</b>	31 December 2023 000' EGP
<b>Banking risk reserve</b>		
Balance at the beginning of the year	173,285	173,285
Balance at the end of the year	<b>173,285</b>	173,285

**NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)**

**Notes to the Financial Statements - For the year ended 31 December 2024**

**(D) Retained Earnings**

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
<b>Retained Earnings` movement</b>		
Balance at the beginning of the year	7,450,482	4,196,902
Transferred from profits of the year	7,269,943	4,020,942
Transferred to Capital increase	(262,500)	(250,000)
Cash Dividends	(412,594)	(187,082)
Transferred to / from Banking risk reserve	149,900	(4,456)
Transferred to CBE fund for development & support of banking sector	(40,146)	(16,585)
Changes in retained earnings	1,978	-
Transferred to reserves	(402,838)	(309,239)
<b>Balance at the end of the year</b>	<u><u>13,754,225</u></u>	<u><u>7,450,482</u></u>

**31- Cash and cash equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include the following balances with original maturities not exceeding three months from the date of acquisition:

**Cash and cash equivalents are represented in:**

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Cash and due from Central Bank	22,361,660	10,625,725
Due from banks	24,078,092	6,173,217
Treasury bills and other governmental securities	35,109,162	26,982,714
Due from central banks (within the mandatory reserve percentage)	(24,078,092)	(9,535,821)
Treasury bills with maturities of more than three months	(32,628,944)	(26,982,616)
<b>Cash and cash equivalents</b>	<u><u>24,841,878</u></u>	<u><u>7,263,219</u></u>

**32- Related party transactions**

The Bank is a subsidiary of National bank of Kuwait, which owns 99.14% of ordinary shares, The remaining percentage (0.86%) is owned by other shareholders within 2000 shareholders and no one of them acquire 1% or more.

A number of transactions with related parties has been entered into in the normal course of the Bank's business, including loans, deposits, and foreign currency swaps. There are no transactions with the Parent Company except for the payment of the ordinary shares dividends. All transactions with related parties are made under conditions similar to those prevailing in the free transactions.

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 2024**

**A- Balances of related parties**

	<b>Subsidiaries</b>	
	<b>31 December 2024</b>	<b>31 December 2023</b>
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Due To Customers</b>		
Current accounts	284	323
Deposits	1,750	700
	<u>2,034</u>	<u>1,023</u>
	<b>National Bank of Kuwait</b>	
	<b>31 December 2024</b>	<b>31 December 2023</b>
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Due from banks</b>	694,109	382,671
<b>Due to banks</b>	111,212	67,250
	<b>Mutual Funds</b>	
	<b>31 December 2024</b>	<b>31 December 2023</b>
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
<b>Al-Mizan:</b>		
Current accounts	2	2
Deposits	184	242
<b>Ishraq:</b>		
Current accounts	1	2
Deposits	30,085	17,570
<b>Al-Hayah:</b>		
Current accounts	1	1
Deposits	2,408	2,647
<b>Namaa:</b>		
Current accounts	1	1
Deposits	2,246	333

Total commissions for mutual funds amounted to **EGP 4,941 K** for the year ended 31 December 2024 included in fees and commissions' in commission income caption in the Income Statement.

**B- Subordinated loan from National Bank of Kuwait - Kuwait**

	<b>31 December 2024</b>	<b>31 December 2023</b>
	<b><u>000' EGP</u></b>	<b><u>000' EGP</u></b>
Nominal amount at the end of the year	<u>2,796,134</u>	<u>1,699,120</u>
	<u>2,796,134</u>	<u>1,699,120</u>

- National Bank of Kuwait obtained a loan amounted **55** million USD equivalent to **2,796,134 K** Egyptian pounds denominated in the dollar when preparing the Financial Statement **50.8388** Egyptian pounds For a period of **10** years from March 29, 2017 to March 29, 2027 to be re-priced

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

annually at a rate of **8.73214 %** in March 2024, The loan contract included the acceptance and undertaking of NBK that the arrangement of repayment of the loan to the bank in the event of liquidation is after the rights of depositors and creditors, and the Bank undertakes to pay the full amount of the loan on the maturity date.

#### C- Long Term Loan from National Bank of Kuwait – Bahrain:

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Nominal amount at the end of the year	<u>2,271,859</u>	<u>1,631,542</u>
	<u>2,271,859</u>	<u>1,631,542</u>

- National Bank of Kuwait obtained a long term loan from National bank of Kuwait – Bahrain amounted **USD 65 million** for a period of **8 years** from April 26, 2022 to March 25, 2030 to reach **USD 44.69 million** when preparing the Financial Statement equivalent to **2,271,859 K** Egyptian pounds at a variable rate of **6.37587%**.

#### D- Transactions with NBK Egypt Financial Investments (S.A.E) :

	<b>31 December 2024</b>	31 December 2023
	<u>000' EGP</u>	<u>000' EGP</u>
Mutual funds managements fees	7,117	6,816
Interest expenses	69	135

- E- The total amount of salaries and wages paid for the top 20 employees in the bank is **EGP 63,316 k** in 31 December 2024 against EGP 46,838 K for the year ended 31 December 2023 with a monthly average salary **EGP 5,276 K** against EGP 3,903 K for the year ended 31 December 2023.

### 33- Commitment and contingent liabilities

#### A- Legal claims

There are lawsuits filed against the Bank in 31 December 2024 amounted to **EGP 671,830 K** Egyptian pound, 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 purchasing of buildings and computer systems amounted to **EGP 5,134,801 K** as at 31 December 2024 compared to EGP 3,742,280 K as at 31 December 2023 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

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

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	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Acceptances securities	815,062	922,421
Letters of guarantee	18,081,905	11,544,405
Letters of credit (import and export)	1,237,734	3,332,351
Collaterals upon other banks' request or by their warranties	7,975,256	8,662,805
	<b><u>28,109,957</u></b>	<u>24,461,982</u>

**D- Commitments for operating lease contracts**

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

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Less than one year	98,162	67,720
More than one year and less than five years	281,516	247,262
Over 5 years	19,828	42,457
	<b><u>399,506</u></b>	<u>357,439</u>

**34- 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 back, The bank granted loans to the leasing company with the same sale amounts as follows:

Description	Selling Amount		Finance Lease installment		
	Amount	Currency	Amount	Currency	Period
El Nasr Branch	8,262	000' EGP	81	000' EGP	Monthly
Mesadak Branch	11,573	000' EGP	114	000' EGP	Monthly

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**Notes to the Financial Statements - For the year ended 31 December 2024**

**35- Distribution of Assets, Liabilities, Contingent Liabilities and Commitments:**

	31 December 2024	
	Local Currency <u>000' EGP</u>	Foreign Currency <u>000' EGP</u>
<b>First: Assets:</b>		
<b>A- Due from banks</b>	<u>2,258,290</u>	<u>21,819,802</u>
	<u>2,258,290</u>	<u>21,819,802</u>
<b>B- Loans for customers</b>		
Agriculture Sector	1	5
Industrial Sector	25,895,196	3,531,644
Commercial Sector	4,940,220	1,463,217
Services Sector	33,397,681	17,263,382
Family Sector	16,280,359	599,298
Other Sectors	813,720	27,046
	<u>81,327,177</u>	<u>22,884,592</u>
Provision for expected credit losses	<u>(1,091,415)</u>	<u>(126,420)</u>
<b>Net Loans</b>	<u><u>80,235,762</u></u>	<u><u>22,758,172</u></u>

	31 December 2024	
	Local Currency <u>000' EGP</u>	Foreign Currency <u>000' EGP</u>
<b>Second: Liabilities:</b>		
<b>A- Due to banks</b>	<u>95,241</u>	<u>211,636</u>
	<u>95,241</u>	<u>211,636</u>
<b>B- Customer Deposits</b>		
Agriculture Sector	392,340	159,184
Industrial Sector	7,168,917	8,882,267
Commercial Sector	5,800,920	7,667,574
Services Sector	7,154,408	14,541,809
Family Sector	45,278,789	25,228,466
Other Sectors	35,638,933	1,841,202
	<u>101,434,307</u>	<u>58,320,502</u>
<b>C- Contingent Liabilities</b>		
Letter of guarantees	15,074,338	3,007,567
Collaterals upon other banks' request or by their warranties	267,887	7,707,369
Letter of credit (Import & Export)	331,590	906,144
Accepted bills for suppliers facilities	7,519	807,543
	<u>15,681,334</u>	<u>12,428,623</u>

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**36- Geographical distribution of loans balances**

	31 December 2024	
	Local Currency <u>000' EGP</u>	Foreign Currency <u>000' EGP</u>
Cairo	57,514,048	17,449,135
6th of October	4,074,475	300,680
Alexandria	3,890,256	1,610,792
Gharbeya	473,429	5,036
Damietta	2,066,079	2,271,878
Sharquia	1,586,694	198,866
Dakahlia	512,270	7,360
Kalubaia	1,069,211	81,828
Giza	8,925,339	958,291
Minya	49,063	-
Asyut	284,781	1
Sohag	376,156	6
Port Said	164,664	22
Red sea	340,712	697
	<u>81,327,177</u>	<u>22,884,592</u>
Less		
Provision of expected credit losses	<u>(1,091,415)</u>	<u>(126,420)</u>
<b>Net Loans</b>	<u><b>80,235,762</b></u>	<u><b>22,758,172</b></u>

**37- Geographical distribution of Customers` Deposits**

	31 December 2024	
	Local Currency <u>000' EGP</u>	Foreign Currency <u>000' EGP</u>
Cairo	69,012,698	35,556,097
6th of October	4,062,715	2,532,133
Alexandria	5,837,052	7,867,717
Gharbeya	828,577	460,185
Damietta	743,094	991,285
Sharquia	718,875	710,355
Dakahlia	2,372,927	1,008,656
Kalubaia	990,118	658,045
Giza	13,780,825	6,861,115
Minya	95,356	45,163
Asyut	933,453	394,889
Sohag	1,112,234	205,955
Port Said	245,134	194,280
Red sea	701,249	834,627
	<u>101,434,307</u>	<u>58,320,502</u>

## NATIONAL BANK OF KUWAIT - EGYPT (S.A.E)

### Notes to the Financial Statements - For the year ended 31 December 2024

#### 38- Mutual Funds

##### (A) National Bank of Kuwait - Egypt Mutual Fund (with periodic return and capital growth

###### "Al-Mizan):

The fund is one of the banking activity authorized for the bank by virtue of Capital Market Law No, 95/ 1992 and its Executive Regulation, the fund is managed by El Watany capital for Asset Management.

The certificates of the fund have reached **1,350,000** certificates amounted to **EGP 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 **EGP 6,750 K**.

The bank has a number of **17,500** certificates with the fair value of **EGP 13,762 K** through OCI.

The bank has a number of **50,000** certificates with the fair value of **EGP 39,320 K** through income statement.

The redeemable value of the certificate as of 31 December 2024 amounted to **EGP 786.40** and the outstanding of the fund certificates at that date reached **68,923** certificates while the net assets value of the mutual fund was **EGP 54,201 K**.

In accordance with 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 **EGP 167 K** for the year ended 31 December 2024 included in fees and commissions' income caption in the Income Statement.

##### (B) National Bank of Kuwait - Egypt Mutual Fund (Liquidity fund with the cumulative daily return

###### "Ishraq"):

The fund is one of the 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 **14,898,379** certificates amounted to **EGP 148,983 K** of which **762,768** certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of **EGP 12,783 K**.

The bank has a number of **220,000** certificates with the fair value of **EGP 11,273 K** through OCI.

The bank has a number of **509,568** certificates with the fair value of **EGP 26,110 K** through income statement.

The redeemable value of the certificate as of 31 December 2024 amounted to **EGP 51.24** and the outstanding of the fund certificates at that date reached **17,092** certificates while the net assets value of the mutual fund was **EGP 875,791 K**.

In accordance with 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 **EGP 4,456 K** the year ended 31 December 2024 included in fees and commissions' income caption in the Income Statement.

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### Notes to the Financial Statements - For the year ended 31 December 2024

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

The fund is one of the 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 **EGP 50,000K** of which **500,000** certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of **EGP 5,000 K**.

The bank has a number of **250,000** certificates with the fair value of **EGP 13,033 K** through OCI.

The bank has a number of **250,000** certificates with the fair value of **EGP 13,033 K** through income statement.

The redeemable value of the certificate as of 31 December 2024 amounted to **EGP 52.13** and the outstanding of the fund certificates at that date reached **515,200** certificates while the net assets value of the mutual fund was **EGP 26,857 K**.

In accordance with 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 **EGP 143 K** for the year ended 31 December 2024 included in fees and commissions' income caption in the Income Statement.

#### **(D) Namaa Mutual Fund (with the cumulative daily return and the periodic distribution):**

The fund is one of the 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 **EGP 60,820 K** of which **685,334** certificates (Held) were allocated to the Bank to undertake the fund's activity with a nominal value of **EGP 7,050 K**.

The bank has a number of **300,000** certificates with the fair value of **EGP 13,357 K** through OCI.

The bank has a number of **385,334** certificates with the fair value of **EGP 17,157 K** through income statement.

The redeemable value of the certificate as of 31 December 2024 amounted to **EGP 44.52** and the outstanding of the fund certificates at that date reached **807,660** certificates while the net assets value of the mutual fund was **EGP 35,961 K**.

In accordance with 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 **EGP 176 K** for the year ended 31 December 2024 included in fees and commissions' income caption in the Income Statement.

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**Notes to the Financial Statements - For the year ended 31 December 2024**

**39- Earnings per share Basic / Diluted**

	<b>31 December 2024</b>	31 December 2023
	<b><u>000' EGP</u></b>	<u>000' EGP</u>
Net profit for the year	<b>7,269,943</b>	4,020,942
	<b>7,269,943</b>	4,020,942
Board of directors' bonus	<b>(12,750)</b>	(10,500)
Employees' share in net profit for the year	<b>(741,155)</b>	(402,094)
Shareholder's share (1)	<b>6,516,038</b>	3,608,348
Average number of shares (2)	<b>551,250</b>	525,000
Earnings per share Basic / Diluted (share/ EGP) (1/2)	<b>11.82</b>	6.87