

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

**LIMITED REVIEW REPORT
AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2018**

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

**Mansour & Co PricewaterhouseCoopers
Public Accountants & Consultants**

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

Financial statements - For the period ended 30 June 2018

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Limited Review Report for the Interim Financial Statements

To : The President and Board of Directors of National Bank of Kuwait - Egypt "S.A.E."

Introduction

We have performed a limited review for the accompanying balance sheet of the National Bank of Kuwait – Egypt S.A.E as of 30th June 2018 and the related statements of income, changes in shareholders' equity and cash flows for the six months period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations to prepare these interim financial statements, our responsibilities is to express a conclusion on these interim financial statements based on our limited review.

Scope of the limited review

We conducted our limited review in accordance with the Egyptian Standard on Limited Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with the Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.


Conclusion

Based on our limited review, nothing has come to our attention which causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects, the financial position of the bank as at 30 June 2018, and its financial performance, and cash flows for the six months period then ended in accordance with the rules of preparation and presentation of the banks' financial statements issued by the Central bank of Egypt on 16 December 2008 and its subsequent interpretive instructions, and with the related requirements of the applicable Egyptian laws and regulations.


Basma Samra
R.A.A. 6588
F.A.R. 137
Mansour & Co. PricewaterhouseCoopers



Auditors


Dr. Sherif Elsokary
R.A.A 10425
F.A.R. 182
Dr. Abdel Aziz Hegazy & Co. Crowe

2 August 2018
Cairo



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

Balance Sheet – As of 30 June 2018

	<u>Note</u>	<u>30 June 2018</u>	<u>31 December 2017</u>
	<u>No.</u>	<u>LE(000)</u>	<u>L.E(000)</u>
<u>Assets</u>			
Cash and Due from Central Bank	(14)	4,955,941	4,858,201
Due from banks	(15)	3,377,282	4,258,426
Treasury bills	(16)	13,746,005	10,033,366
Loans and Facilities to customers	(17)	38,390,203	33,913,157
Financial Derivative	(18)	2,467	432
Available for sale investments	(19)	842,795	830,864
Held to maturity investments	(19)	2,348,899	3,854,057
Investments in associates	(20)	34,375	31,250
Other assets	(21)	1,081,256	880,615
Intangible assets	(23)	61,469	34,646
Fixed assets	(22)	284,166	311,334
Total assets		65,124,858	59,006,348
<u>Liabilities and Equity</u>			
<u>Liabilities</u>			
Due to banks	(24)	7,512,652	8,613,507
Customers' deposits	(25)	47,535,081	40,857,489
Other loans	(26)	3,799,028	4,022,148
Other liabilities	(27)	650,261	576,228
Retirement benefit obligations	(28)	65,811	59,058
Other provisions	(29)	161,336	166,587
Deferred Tax Liabilities	(30)	8,621	6,594
Current Income Tax Liabilities		60,277	27,760
Total liabilities		59,793,067	54,329,371
<u>Equity</u>			
Issued and Paid-up capital	(31/b)	1,500,000	1,500,000
Reserves	(31/c)	1,087,539	761,728
Retained Earnings	(31/d)	2,744,252	2,415,249
Total Equity		5,331,791	4,676,977
Total Liabilities and Equity		65,124,858	59,006,348



Managing Director
Dr. Yasser Ismail Hassan



Chairman
Isam J. Alsager

- The accompanying notes from (1) to (40) are integral part of these Financial Statements and to be read there with the limited review report attached.

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

Statement of Income – For the period ended 30 June 2018

	Note No	Six Months Ended 30 June 2018 L.E (000)	Six Months Ended 30 June 2017 L.E (000)	Three Months Ended 30 June 2018 L.E (000)	Three Months Ended 30 June 2017 L.E (000)
Interest income from loans and similar revenues	(5)	3,300,875	2,623,765	1,654,188	1,397,475
Cost of deposits and similar costs	(5)	(2,003,667)	(1,426,898)	(1,008,473)	(767,824)
Net interest income		1,297,208	1,196,867	645,715	629,651
Fees and commissions revenues	(6)	344,971	240,605	146,506	141,059
Fees and commissions expenses	(6)	(10,329)	(9,836)	(5,088)	(6,408)
Net income from fees and commissions		334,642	230,769	141,418	134,651
Dividends	(7)	3,662	1,359	3,402	1,315
Net trading income	(8)	41,601	61,010	23,234	17,753
Gains (Losses) from financial investments	(9)	2,025	(76,410)	115	(75,253)
Share of profit from associates	(10)	5,125	2,724	5,125	2,681
Impairment charges for credit losses	(17)	(52,237)	(192,233)	(486)	(124,152)
General and administrative expenses	(11)	(399,234)	(294,202)	(180,757)	(144,318)
Other operating income (expenses)	(12)	46,857	31,560	(952)	75,202
Net profits for the period before tax		1,279,649	961,444	636,814	517,530
Current Income tax	(13)	(290,873)	(234,780)	(144,932)	(120,400)
Net profits for the period		988,776	726,664	491,882	397,130
Earnings per share (EGP/Share)	(40)	6.59	4.84	3.28	1.55



**Managing Director
Dr. Yasser Ismail Hassan**



**Chairman
Isam J. Alsager**

- The accompanying notes from (1) to (40) are integral part of these Financial Statements and to be read there with the limited review report attached.

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

Statement of changes in equity – For the period ended 30 June 2018

	Capital	Legal reserve	General reserve	Special Reserve	Capital reserve	Fair value Reserve	General banking risk reserve	IFRS 9 risk reserve	Retained earnings	Total
	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>	<u>LE (000)</u>
Balance as of 1 January 2017	1,000,000	168,496	356,773	9,205	32,270	(80,709)	34,096	-	1,679,716	3,199,847
Cash Dividends for year 2016	-	-	-	-	-	-	-	-	(83,284)	(83,284)
Transferred to reserves	-	41,405	100,000	-	20,808	-	-	-	(162,213)	-
Balance after Dividends	1,000,000	209,901	456,773	9,205	53,078	(80,709)	34,096	-	1,434,219	3,116,563
Foreign currency translation differences for available for sale investments	-	-	-	-	-	(2)	-	-	-	(2)
Change in the fair value of the available for sale investments	-	-	-	-	-	27,706	-	-	-	27,706
Net profit for the period	-	-	-	-	-	-	-	-	726,664	726,664
Balance as of 30 June 2017	<u>1,000,000</u>	<u>209,901</u>	<u>456,773</u>	<u>9,205</u>	<u>53,078</u>	<u>(53,005)</u>	<u>34,096</u>	<u>-</u>	<u>2,160,883</u>	<u>3,870,931</u>

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

Statement of changes in equity – For the period ended 30 June 2018

	Capital	Legal reserve	General reserve	Special reserve	Capital reserve	Fair value Reserve	General banking risk reserve	Risk Reserve IFRS 9	Retained earnings	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance as of 1 January 2018	1,500,000	209,901	206,773	9,205	53,078	(23,392)	37,817	268,347	2,415,249	4,676,978
Cash Dividends for year 2017	-	-	-	-	-	-	-	-	(339,111)	(339,111)
Transferred to reserves	-	75,144	200,000	-	218	-	-	-	(275,362)	-
Balance after Dividends	<u>1,500,000</u>	<u>285,045</u>	<u>406,773</u>	<u>9,205</u>	<u>53,296</u>	<u>(23,392)</u>	<u>37,817</u>	<u>268,347</u>	<u>1,800,776</u>	<u>4,337,867</u>
Transferred to general banking risk reserve	-	-	-	-	-	-	45,300	-	(45,300)	-
Foreign currency translation differences for available for sale investments	-	-	-	-	-	65	-	-	-	65
Change in the fair value of the available for sale investments	-	-	-	-	-	5,083	-	-	-	5,083
Net profit for the period	-	-	-	-	-	-	-	-	988,776	988,776
Balance as of 30 June 2018	<u>1,500,000</u>	<u>285,045</u>	<u>406,773</u>	<u>9,205</u>	<u>53,296</u>	<u>(18,244)</u>	<u>83,117</u>	<u>268,347</u>	<u>2,744,252</u>	<u>5,331,791</u>

- The accompanying notes from (1) to (40) 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 period ended 30 June 2018

	<u>30 June 2018</u>	<u>30 June 2017</u>
	<u>LE (000)</u>	<u>LE (000)</u>
<u>Cash flows from operating activities</u>		
Net Profits before income tax	1,279,649	961,444
<u>Adjustments to reconcile net profit to net cash provided from operating activities</u>		
Depreciation and amortization	20,141	20,967
Impairment charges for credit losses	52,237	192,233
Provisions no longer required	-	(78,818)
Reversal of Other provisions	(94)	(1,833)
Impairment charges for Financial Investments	-	79,036
Charges for other provisions	10,524	40,791
Foreign currencies revaluation differences of Other provisions	77	81
Foreign currencies revaluation differences of Investments available for sale	(7,430)	1,743
Share of profit from associates	(5,125)	(2,724)
Gains (losses) from sale of Fixed Assets	(63,858)	-
Gains (losses) from sale of Financial Assets available for sale	-	(949)
Used From Other provisions	(15,830)	(37,055)
Amortized Cost	(23,219)	(11,675)
Dividends	(3,662)	(1,359)
Operating profits before changes in assets and liabilities from operating activities	1,243,410	1,161,882
Net (decrease) increase in assets and liabilities		
Due from central banks (within the mandatory reserve percentage)	77,843	113,317
Treasury bills with maturities of more than three months	(2,426,329)	(318,893)
Loans and facilities to customers and banks	(3,565,223)	(1,119,085)
Other assets	(1,152,334)	(5,978)
Due to banks	(1,100,855)	(2,949,261)
Customers' deposits	6,677,592	4,630,163
Financial Derivatives	(2,035)	149
Other liabilities	80,785	59,688
Income tax paid	(256,329)	(242,565)
Net cash flows Provided from (Used in) operating activities (1)	(423,475)	1,329,417
<u>Cash flows from Investing Activities</u>		
Payments to acquire fixed assets and fixtures of branches	(57,997)	(48,059)
Proceeds from sale of fixed assets	102,537	12,872
Proceeds from financial assets held to maturity	1,518,730	-
Proceeds from sale of available for sale investments	-	509,474
Payments to purchase available for sale investments	-	(625,290)
Payments to acquire investment in subsidiaries	-	(103,900)
Payments to acquire intangible assets	(478)	(3,457)
Proceeds from dividends received	3,662	3,359
Net cash flows provided from investing activities (2)	1,566,454	(255,001)

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

Statement of Cash Flows - For the period ended 30 June 2018

	30 June 2018	30 June 2017
	<u>LE (000)</u>	<u>LE (000)</u>
<u>Cash flows from Financing Activities</u>		
Decrease in long term loans	(223,120)	1,010,523
Dividends paid	(339,111)	(83,284)
Net cash flows provided from financing activities (3)	(562,231)	927,239
Net Cash and cash equivalents during the period (1+2+3)	<u>580,748</u>	<u>2,001,655</u>
Cash and cash equivalents at the beginning of the period	<u>5,069,688</u>	<u>5,947,051</u>
Cash and cash equivalents at the end of the period	<u>5,650,436</u>	<u>7,948,706</u>
<u>Cash and cash equivalents are represented in :</u>		
Cash and due from Central Bank	4,955,941	2,755,573
Due from banks	3,377,282	5,059,364
Treasury bills	13,746,005	16,511,857
Due from central banks (within the mandatory reserve percentage)	(3,972,841)	(1,671,728)
Treasury bills with maturities of more than three months	(12,455,951)	(14,706,360)
Cash and cash equivalents	<u>5,650,436</u>	<u>7,948,706</u>

- The accompanying notes from (1) to (40) are integral part of these Financial Statements.

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

Notes to the Financial Statements - For the period ended 30 June 2018

1. Background

The bank was established by the name of (Al Watany Bank of Egypt) S.A.E under the investment law No, (43) for 1974 and its amendments.

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

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

National Bank of Kuwait - Egypt provides corporate, retail and investment banking services in the Arab Republic of Egypt through 46 branches, and employs 1383 staff at the date of the Balance sheet.

2. Significant Accounting Policies Applied

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

A. Basis of financial statements preparation

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

B. Associates

B/1) Associates

Associates are companies in which the Bank has, directly or indirectly, significant influence, but it does not reach to the extent of control, and usually the Bank owns from 20% to 50% of the voting rights,

The Bank employ the purchasing method in accounting for the acquiring companies and the acquiring cost is the fair value or the consideration transferred that would include assets/ equity instruments issued or liabilities recognized at the date of transaction in addition to any other directly acquiring costs, and the net assets including estimated liabilities are valued at fair value at the acquiring date disregarding the minority interest, and the excess of the acquiring cost over the fair value of the bank's shareholding is the goodwill, and if the acquiring cost is lower than the fair value of same shareholding mentioned then the difference is recognized directly in the Income Statement in the caption other operating (revenue / expense).

The subsidiaries and 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.

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

Notes to the Financial Statements - For the period ended 30 June 2018

C. Segment reporting

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

D. Foreign currencies translation

D/1 Functional and presentation currency

The Financial Statements are presented in Egyptian pound, which is the Bank's functional and presentation currency,

D/2 Foreign currency transactions and balances

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

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

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

E. Financial assets

The Bank classifies its financial assets in the following categories:

Financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets, Management determines the classification of its investments at initial recognition,

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

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

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

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

- Doing so significantly reduces measurement inconsistencies that would arise if the related derivatives were treated as held for trading at the time at which the underlying financial instruments were carried at amortized cost for loans and facilities to customers and banks and issued debt instruments.
- Certain investments such as equity investments that are managed and evaluated at the fair value basis in accordance with a risk management or investment strategy and reported to top management on that basis are classified as fair value through profit and loss.
- Financial instruments such as debt instrument held containing one or more embedded derivatives that significantly modify the cash flows are classified at fair value through profit and loss.

Gains and losses arising from changes in the fair value of derivatives that are managed in conjunction with designated financial assets or financial liabilities are recorded at initiation with fair value through profit and losses in the income statements.

- It is not permitted to reclassify any derivative out of the financial instrument valued at fair value through profit or loss category during its holding Period, Also, it is not permitted to reclassify any financial instrument valued at fair value through profit or loss category if it is designated at fair value through profit or loss at initial recognition.
- In all cases the Bank should not reclassify any financial instrument into the fair value through profit or loss category or to the held for trading financial assets category of the initial recognition.

E / 2) Loans and receivables

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial assets (continued)

E / 3) Held to maturity financial assets:

Held to maturity financial assets are non-derivative assets which carry fixed or determinable payments and fixed maturities that the Bank's management has the intention and the ability to hold to maturity, If the bank was to sell other than an insignificant amount except for specific situations, the entire category would be reclassified as available for sale,

E / 4) Available for sale financial assets:

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

The following applies to financial assets:

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

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

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

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently measured at fair value, Held-to-maturity assets and loans and receivables are measured at amortized cost,

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

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial assets (continued)

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

1. In case of financial assets with fixed and determinable payments and fixed maturity, gains and losses are amortized over the remaining life of the financial asset held to maturity using the effective interest rate method, The difference between the amortized cost and the maturity value is amortized over the remaining life of the financial asset, using the effective interest rate method, In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement
2. In case of financial assets which does not have fixed or determinable maturity date, gains and losses are held in equity until the asset is sold or disposed, At that time, they will be recognized in the income statement, In case of impairment the profits or losses that have been previously recognized in equity are recognized immediately in the income statement,
 - If the Bank changes its estimates regarding payments or proceeds, then the book value of a financial asset (or group of financial assets) has to be adjusted to reflect the actual cash inflows and the change in this estimate through calculating the present value of estimated future cash flows using the effective interest rate for the financial instrument, This adjustment is recognized as either income or expense in the income statement,
 - In all cases, if the Bank reclassified financial asset as mentioned above and the Bank subsequently increase its future cash proceeds estimates resulted from an increase in the recoverable amount from its cash receipts, this increase is recognized as an adjustment to the effective interest rate not as an adjustment in the book value of the asset at the date of change in estimate,

F. Offsetting financial instruments

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

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

G. Interest income and expense

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Interest income and expense (continued)

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

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

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

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

H. Fees and commission income

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

Commitment fees recognized as revenue when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset, Subsequently it's recognized as adjustments to the effective interest.

Rate of the loan, if the commitment year passed without issuing the loan, commitment fees is recognized as income at the end of the commitment year.

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

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

I. Dividend income

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

J. Impairment of financial assets

J / 1) Financial asset carried at amortized cost:

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

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

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

An objective evidence for impairment loss of the financial assets is the existence of clear information indicating a measurable decline in the expected future cash

Flows of such category since initial recognition though such decline is not identifiable for each individual asset,

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

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Impairment of financial assets (continued)

- If there is evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred,
- For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate,
- For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost,
- For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors, Those characteristics are relevant to the estimation of future cash flows for that group of assets as they are
- Indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study,
- If discounted cash flow method is used for a group of financial assets that are collectively evaluated for impairment, future contractual cash flow will be used by The Bank in future and the historical loss for a group of assets with similar credit risk characteristics are considered, Discounted cash flow are adjusted to reflect the effects of current circumstances that did not affect the year on which the discounted cash flow is based and to remove the effects of circumstances in the historical year that are not currently exist,
- The Bank has to ensure that the estimates of changes in future cash flows for groups of assets are in consistence with changes in relative data from year to Year, such as, changes in unemployment rates, real estate prices, settlement status, or other factors that may affect the probability and magnitude of losses the Bank reviews the basis and methods of estimation of discounted cash flow regularly.

J / 2 Available for sale assets

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

- The decline in value is considered significant for the equity instruments if it reaches 10% of the financial instrument's cost, and it is considered prolonged if it extends for a year of more than 9 months,
- When a decline in the fair value of an available for sale financial asset has been recognized directly in equity under fair value reserve and subsequent objective evidence of impairment emerges, the Bank recognizes the total accumulated loss previously recognized equity will be recognized in profit and loss, Impairment losses recognized on equity instruments on profit or loss are not subsequently reversed, Impairment losses recognized through profit or loss on debt instruments classified as available for sale are reversed through profit and loss if the price subsequently increased and this increase can be objectively related to an event occurring after the recognition of impairment loss in profit or loss.

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

Notes to the Financial Statements - For the period ended 30 June 2018

K. Fixed assets

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

Subsequent costs are included in the asset's carrying amount or are recognized as an asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be reliably measured, Maintenance and repair expenses are charged to other operating expenses during the financial 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	50 years
Furniture and safes	from 10 years to 40 years
Typewriters calculators and air conditions	8 years
Motor vehicles	5 years
Computers and core systems	5 years
Fixtures and fittings	5 years

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

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use, Gains and losses on disposals are determined by comparing proceeds with asset carrying amount, These gain and (losses) are included in other operating income (expenses) in the income statement.

L. Intangible Assets

L/1) Computer programs

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

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

L/2- Other intangible assets

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

M. Leases

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

M/1 leasing (lessee)

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

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.

M/2 leasing (lessor)

Assets leased as finance lease are recorded in the fixed assets caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets, The rent income is recognized based on the rate of return on the lease plus an amount equal to the cost of depreciation for the Year, 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 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 caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets, The lease rent income less any discounts granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

N. Cash and cash equivalents

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

O. Other provisions

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

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.

P. 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 recognized, and to be included in employees benefits.

Employees Profit share

The bank pays a percentage of the cash dividends declared as profit sharing to employees, The employees' share is recognized as a dividend distribution through equity and as a liability when approved by the Bank's shareholders 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.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Q. Income tax

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

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

The deferred tax assets of the Bank are recognized when 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.

R. Borrowing

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

S. Capital

S/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.

S/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.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Capital (continued)

- 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.

T. Custodial activities

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

U. Comparative figures

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

3. Financial Risk Management

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

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

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

The bank regularly reviews the risk management policies and systems and amend them to they reflect the changes in market, products and services and the best updated applications. Those risks are managed by risk department in the light of policies approved by Board of Directors, The risk department determines, evaluates and hedges the financial risks, in collaboration with the bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas, such as credit risk, foreign exchange rate risk, interest rate risk, and using the financial derivative and non-derivative instruments, Moreover, the risk department is independently responsible for regular review of risk management and control environment.

A) Credit risk

The bank is exposed to credit risk, which is the risk resulting from failure of one party to meet its contractual obligations, Credit risk is considered the most significant risk for the bank therefore the management is conservative in managing this risk, Credit risks results mainly from lending and investments activities which represents 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.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

A / 1 Credit risk measurement

Loans and facilities to Banks and customers

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

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

The bank's management daily activities involves 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.

Bank's internal ratings scale	Rating
Performing loans	1
Regular watching	2
Watch list	3
Non-performing loans	4

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

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

Debt instruments and treasury bills and other bills

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

A / 2 Limiting and avoiding risks policies

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

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

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

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

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

Collaterals

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

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

Long-term finance and lending to corporate entities are generally secured; revolving individual credit facilities are generally unsecured.

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

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

Derivatives

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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

Credit-related commitments

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

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

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

A/3 Impairment and provisioning policies

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

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

The impairment provision appeared in the balance sheet at the end of the year is derived from the four internal rating grades, However, the majority of the impairment provision comes from the last two ratings, The table below shows the percentage of in-balance sheet items relating to loans, facilities and the related impairment for each rating note that the debts which have been written off amounting **446,839** thousand Egyptian pounds during the Period ended 30 June 2018.

Bank's rating

	30 June 2018		31 December 2017	
	Loans & facilities %	Impairment provision %	Loans & facilities %	Impairment provision %
Performing loans	%85.2	%12.8	%79.9	%10.2
Regular watching	%8.0	%1.7	%10.8	%1
Watch list	%3.9	%10.9	%4.7	%3.2
Non-performing loans	%2.9	%74.6	%4.6	%85.6
	%100	%100	%100	%100

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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

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

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

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

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

A /4 Banking general risk measurement module

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

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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:

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

A /5 Maximum limits for credit risk before collaterals:

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Balance sheet items exposed to credit risks		
Treasury bills	13,746,005	10,033,366
Due from banks	5,157,905	5,907,918
Loans and facilities to customers:		
Retail loans:		
Overdrafts	458,659	504,820
Credit cards	74,941	57,868
Personal loans	2,776,217	2,492,387
Mortgage loans	17,419	12,273
Corporate loans:		
Overdrafts	9,670,253	1,015,756
Direct loans	24,662,769	28,929,282
Syndicated loans	729,945	900,771
Financial investments:		
Debt instruments	3,146,502	4,640,075
Other assets	539,026	566,183
Total	55,821,736	49,152,781
Off-balance sheet items exposed to credit risk		
Acceptance documents	3,292,385	951,674
Letters of guarantee	3,650,279	3,159,499
Letters of credit Import/Export	4,046,071	3,630,858
Guarantees upon other banks request or by their warranty	3,120,555	3,138,130
	14,109,290	10,880,161

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

A / 6 Loans and facilities

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

	30 June 2018	31 December 2017
	<u>LE (000)</u>	<u>LE (000)</u>
	Loans and facilities to customers	Loans and facilities to customers
Neither past due nor impaired	37,271,889	33,361,448
Past due but not impaired	876,834	276,137
Impaired	1,136,640	1,545,397
Total	39,285,363	35,182,982
Less:		
Impairment loss provision	(888,801)	(1,266,221)
Interest in suspense	(6,359)	(3,604)
Net	38,390,203	33,913,157

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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

30 June 2018

Rating	Retail				Corporate				L,E (000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	Total loans and facilities to customers
Performing loans	425,425	51,942	1,973,662	3,498	8,362,773	20,874,861	284,785	-	31,976,946
Regular follow up	28,285	19,546	715,917	13,550	305,424	2,250,616	448,342	-	3,781,680
Watch list	-	-	-	-	698,401	814,862	-	-	1,513,263
	453,710	71,488	2,689,579	17,048	9,366,598	23,940,339	733,127	-	37,271,889

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

31 December 2017

Rating	Retail				Corporate				L,E (000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	Total loans and facilities to customers
Performing loans	521,675	49,874	2,230,993	7,856	1,024,801	24,252,026	-	-	28,087,225
Regular follow up	-	-	-	-	-	3,230,078	451,150	-	3,681,228
Watch list	-	-	-	-	-	1,592,995	-	-	1,592,995
	521,675	49,874	2,230,993	7,856	1,024,801	29,075,099	451,150	-	33,361,448

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

Past due Loans and facilities and not impaired

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

30 June 2018

	Retail				LE (000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	-	2,053	27,621	92	29,766
Past due 30 - 60 days	-	9	9,013	8	9,030
Past due 60-90 days	-	175	3,070	-	3,245
Total	-	2,237	39,704	100	42,041

	Corporate				LE (000)
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	691,740	30,366	-	722,106
Past due 30 - 60 days	-	41,889	-	-	41,889
Past due 60-90 days	-	70,798	-	-	70,798
Total	-	804,427	30,366	-	834,793

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

31 December 2017

	Retail				LE(000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	-	7,445	144,104	4,432	155,981
Past due 30 - 60 days	-	886	113,250	-	114,136
Past due 60-90 days	-	154	5,866	-	6,020
Total	-	8,485	263,220	4,432	276,137

	Corporate				LE(000)
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-
Past due 60-90 days	-	-	-	-	-
Total	-	-	-	-	-

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

Loans and facilities individually subject to impairment

***Loans and facilities to customers**

Loans and facilities individually subject to impairment before taking into consideration cash flows from guarantees amounted to LE 1,136,640 thousands against L,E 1,545,397 thousand at the end of the comparative year according to the central bank regulations,

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

30 June 2018

LE (000)
Valuation

	Over-drafts	Retail			Over-drafts	Corporate		Other loans	Total
		Credit cards	Personal loans	Mortgage		Direct loans	Syndicated loans		
Individual loans subject to impairment	5,499	1,806	80,671	-	644,014	368,624	36,026	-	1,136,640
Fair value of collaterals	-	-	31,723	-	300,804	-	-	-	332,527

31 December 2017

LE (000)

Valuation	Over-drafts	Retail			Over-drafts	Corporate		Other loans	Total
		Credit cards	Personal loans	Mortgage		Direct loans	Syndicated loans		
Individual loans subject to impairment	-	60	10,745	-	1,078,630	-	455,962	-	1,545,397
Fair value of collaterals	-	-	-	-	292,913	-	138,754	-	431,667

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

A /7 Debt instruments and treasury bills

The table below shows an analysis of debt instruments and treasury bills according to the rating agencies at the end of the period, according to the evaluation of (Fitch) Agency at June 2018.

	Treasury bills	Investments securities	Total
	LE (000)	LE (000)	LE (000)
B	13,746,005	3,146,503	16,892,507
Total	13,746,005	3,146,503	16,892,507

B) Market risk

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

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

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

B /1 Market risk measurement techniques

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

Value at Risk

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

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expect to lose using confidence level (99%), Therefore there is statistical probability of (1%) that actual losses could be greater than the VAR estimation, The VAR module assumes that the holding year is 10 days before closing the opening position, It also assumes that market movements.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

During the holding year will be the same as 10-days before, The Bank's assessment of past movements is based on data for the past two years.

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

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

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

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

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

Stress Testing

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

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

B /2 Foreign exchange volatility risk

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

30 June 2018

Equivalent in LE (000)

	LE	USD	Euro	GBP	Other	Total
Financial assets						
Cash and balances with central banks	2,592,927	2,039,913	285,328	4,359	33,414	4,955,941
Due from banks	355,631	2,303,426	528,146	89,780	100,299	3,377,282
Treasury bills	8,792,432	4,953,573	-	-	-	13,746,005
Loans and facilities to customers	21,476,030	15,215,894	1,698,187	85	7	38,390,203
Financial Derivatives	2,467	-	-	-	-	2,467
Financial investments:						
Available for sale	23,041	819,354	400	-	-	842,795
Held to maturity	2,348,899	-	-	-	-	2,348,899
Investments in subsidiaries and associates	34,375	-	-	-	-	34,375
Other assets	1,165,646	80,186	15,828	385	164,846	1,426,891
Total financial assets	36,791,448	25,412,346	2,527,889	94,609	298,566	65,124,858
Financial liabilities						
Due to banks	1,445,489	6,067,163	-	-	-	7,512,652
Customer deposits	29,272,243	15,519,162	2,523,243	94,276	126,157	47,535,081
Other loans	-	3,799,028	-	-	-	3,799,028
Other Provisions	139,612	18,414	3,310	-	-	161,336
Other liabilities	5,893,316	51,435	455	150	171,405	6,116,761
Total financial liabilities	36,750,660	25,455,202	2,527,008	94,426	297,562	65,124,858
Net financial position as of 30 June 2018	40,788	(42,856)	881	183	1,004	-
As of 31 December 2017						
Total financial assets	34,483,535	23,867,878	420,128	104,862	129,945	59,006,348
Total financial liabilities	34,301,092	23,423,465	1,050,274	104,937	126,580	59,006,348
Net financial position as of 31 December 2017	182,443	444,413	(630,146)	(75)	3,365	-

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

B /3 Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates, Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates, The bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks, Interest margins may increase as a result of such changes but profit may decrease in that event that unexpected movements arise, The bank's management sets limits on the level of mismatch of interest rate reprising that may be undertaken which is monitored daily by Risk management department.

The below table summarizes the Bank's exposure to interest rate risks, It includes the bank's financial instruments at carrying amounts distributed on the basis of the rate of reprising dates or maturity dates whichever is earlier.

	Up to 1 month	1-3 Months	3-12 Months	1-5 years	Over 5 years	Without return	<u>L,E (000)</u> Total
30 June 2018							
<u>Financial Assets</u>							
Cash and balances with Central banks	-	1,780,623	-	-	-	3,175,318	4,955,941
Due from banks	3,093,482	160,990	-	-	-	122,810	3,377,282
Treasury bills	-	1,290,055	12,455,950	-	-	-	13,746,005
Loans and facilities to customers gross (before deducting provisions)	6,059,708	3,268,004	7,808,923	20,963,393	1,185,335	-	39,285,363
Financial Derivatives	2,467	-	-	-	-	-	2,467
Financial investments:							
Available for sale	-	-	-	181,654	661,141	-	842,795
Held to maturity	-	-	-	1,509,050	839,849	-	2,348,899
Investments in subsidiaries and associates	-	-	-	-	34,375	-	34,375
Total financial assets	9,155,657	6,499,672	20,264,873	22,654,097	2,720,700	3,298,128	64,593,127
<u>Financial liabilities</u>							
Due to banks	1,612,733	5,899,919	-	-	-	-	7,512,652
Customer deposits	20,190,177	8,022,956	4,639,941	14,055,934	626,073	-	47,535,081
Other Loans	-	-	-	1,920,809	1,878,219	-	3,799,028
Total financial liabilities	21,802,910	13,922,875	4,639,941	15,976,743	2,504,292	-	58,846,761
Interest Re-pricing gap as of 30 June 2018	(12,647,253)	(7,423,203)	15,624,932	6,677,354	216,408	3,298,128	5,746,366
31 December 2017							
Total financial assets	7,796,892	6,100,878	12,232,414	16,059,742	13,524,395	3,335,257	59,049,578
Total financial liabilities	17,813,715	12,179,059	7,900,670	12,979,839	2,619,861	-	53,493,144
Interest re-pricing gap as of 31 December 2017	(10,016,823)	(6,078,181)	4,331,744	3,079,903	10,904,534	3,335,257	5,556,434

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

C) Liquidity risk

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

Liquidity Risk Management System

Risks are identified and measured by the Treasury Department while the risk is assessed and corrective action is 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 Treasury (Secretary of the Commission).

The necessary procedures determined by the Asset Liability Management Committee to correct gaps are implemented by the Treasury and / or business segments, Reports on the evolution of the situation are presented 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 them of the progress in the implementation of those decisions.
- 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 centers.
- Responsibility for managing liquidity in the short term.
- Prepare periodic reports on any market developments and to consider any bottleneck in liquidity.
- Implementation of the recommendations of the Asset and Liabilities Management Committee,
- Inform the Treasury Department of funding needs to address the liquidity gap,

The Bank's goal of 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, 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.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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 current 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 regularly reviewed by a committee comprising the bank treasury to maintain a wide diversification of currency geography resources products and terms.

Cash flows underived

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

30 June 2018

	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	<u>L,E (000)</u> Total
Financial liabilities						
Due to banks	6,621,318	891,334	-	-	-	7,512,652
Customers' deposits	20,190,177	8,022,956	4,639,941	14,055,934	626,073	47,535,081
Other loans	-	-	-	1,920,809	1,878,219	3,799,028
Total of financial liabilities	26,811,495	8,914,290	4,639,941	15,976,743	2,504,292	58,846,761
Total of financial assets	14,186,800	6,012,188	19,472,455	23,656,783	1,264,901	64,593,127

31 December 2017

	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	<u>L,E (000)</u> Total
Financial liabilities						
Due to banks	5,013,972	3,365,394	234,141	-	-	8,613,507
Customers' deposits	17,061,257	6,768,181	5,450,500	10,956,981	620,570	40,857,489
Other loans	-	-	-	2,160,739	1,861,409	4,022,148
Total of financial liabilities	22,075,229	10,133,575	5,684,641	13,117,720	2,481,979	53,493,144
Total of financial assets	12,369,565	13,445,570	3,607,571	16,245,551	13,406,404	59,074,661

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

Cash Flow Derivatives

Derivatives are settled in Gross amounts

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

Derivatives at the rate of return Swaps:

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

30 June 2018						<u>LE (000)</u>
	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	Total
IRS derivatives:						
Outflows	-	-	-	178,878	-	178,878
Inflows	-	-	-	178,878	-	178,878
Total outflows	-	-	-	178,878	-	178,878
Total inflows	-	-	-	178,878	-	178,878

31 December 2017						<u>LE (000)</u>
	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	Total
IRS derivatives:						
Outflows	-	-	-	177,277	-	177,277
Inflows	-	-	-	177,277	-	177,277
Total outflows	-	-	-	177,277	-	177,277
Total inflows	-	-	-	177,277	-	177,277

Off balance sheet items

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

30 June 2018				<u>LE (000)</u>
	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total
Financial guarantees, and acceptable bills and other financial facilities	14,109,290	-	-	14,109,290
Operating lease commitments	11,901	52,545	19,543	83,989
Capital commitments arising from the acquisition of fixed assets	253,370	-	-	253,370
Total	14,374,561	52,545	19,543	14,446,649

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

31 December 2017

	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total LE (000)
Financial guarantees, and acceptable bills and other financial facilities	10,880,161	-	-	10,880,161
Operating lease commitments	9,105	53,364	24,638	87,107
Capital commitments arising from the acquisition of fixed assets	75,278	-	-	75,278
Total	10,964,544	53,364	24,638	11,042,546

D) Fair value of financial assets and liabilities

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

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

D/2 financial instruments not measured at fair value

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

	Carrying value		Fair value	
	LE (000) 30 June 2018	LE (000) 31 December 2017	LE (000) 30 June 2018	LE (000) 31 December 2017
Financial assets				
Due from banks	4,955,941	4,258,426	4,955,941	4,258,426
Loans and facilities to customers	39,285,363	35,182,982	38,106,802	34,479,322
Financial investments:				
<u>Available for sale:</u>				
Equity instruments available for sale unquoted	17,523	17,523	17,253	17,523
<u>Held to maturity:</u>				
Debit instruments quoted	2,327,149	3,832,307	2,254,929	3,540,047
Debit instruments unquoted	21,750	21,750	55,963	52,214
Financial liabilities:				
Due to banks	7,512,652	8,613,507	7,512,652	8,613,623
Customers' deposits	47,535,081	40,857,489	49,563,017	42,600,547
Other loans	3,799,028	4,022,148	3,377,282	4,113,910

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

Due from banks

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

Loans and facilities to customers

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

Financial Investments

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

Due to banks and customers

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

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

Debt instruments issued

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

E) Capital management

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

- Compliance with capital legal requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.
- Capital adequacy and uses are reviewed on a daily basis according to the regulatory authority's requirements (CBE) by the Bank's management through models based Basel committee for banking control instructions, these data are submitted to CBE on quarterly basis.
CBE requires the following from the Bank:
- Maintaining LE 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It consists of two parts, the continuous capital and the basic additional capital,

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

- 45% of the value of the positive foreign currency translation differences reserve.
- 45% of the value of the Special Reserve.
- 45% of the increase in the fair value over its carrying value of financial investments (if positive).
- 45% of the value of balance of the fair value reserve of financial investments available for sale.
- 45% of the increase in the fair value of financial investments held to maturity over its' book value.
- 45% of the increase in the fair value of financial investments in subsidiaries and affiliates over its book value.
- Hybrid Financial instruments.
- Loans (deposits) subordinated with the consumption of 20% of its value each year of the last five years created.
- Provision for impairment of loans and advances and contingent liabilities (must not exceed 1,25% of the total credit risk of the assets and liabilities of regular risk-weighted, also the impairment loss provision for loans and credit facilities and contingent liabilities should be enough to meet the obligations provided for it.
- Disposals of 50% of the first tranche and 50% of the second tranche.
- With respect to the value of assets reverted to the Bank for the settlement.
- Of debts general banking risk reserve.
- When calculating the total numerator of the capital adequacy ratio, taking in consideration not exceeding subordinated loans (deposits) for 50% of the first tranche after exclusions.
- Assets and liabilities are weighted by credit risk, market risk, and operational risk.

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

- Credit risk
- Market Risk
- Operational risk

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

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

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Capital		
Tier 1 (basic capital)		
Share capital	1,500,000	1,500,000
General reserve	406,773	206,773
Legal reserve	285,045	209,901
Capital reserve	53,296	53,078
Risk Reserve IFRS 9	268,347	-
Retained earnings	1,755,476	1,180,498
Quarterly profit and loss	988,776	1,503,096
Disposals	(81,509)	(112,486)
Total basic capital	5,176,204	4,540,860
Tier 2 (subordinated capital)		
Equivalent to general risk provision	268,977	255,173
Loans/subordinated deposits	983,829	975,024
45% of the available for sale , held to maturity and investments in associates and subsidiaries increase FV	16,987	13,709
45% of the special reserve	4,142	4,142
Disposals	-	-
Total subordinated capital	1,273,935	1,248,048
Total Capital adequacy after disposals	6,449,848	5,788,908
Assets and contingent liabilities risk weighted		
Total credit risk	26,051,382	22,904,671
Capital requirements for operational risk	3,411,614	3,411,614
Value of waive border assessments for the 50 largest client	12,015,414	3,930,008
Total risk weighted assets and contingent liabilities	41,478,410	30,246,293
Capital adequacy ratio (%)	15.55%	19.14%

Risk Management:

Financial Leverage ratio:

Ratio Components

A. Numerator components

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

B. Denominator components :

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

Financial Risk Management (continued)

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Tier 1 of Capital after disposals (1)	5,176,204	4,540,860
Cash and Due from Central Bank	5,305,941	6,064,201
Due from bank	3,027,282	3,052,426
Treasury bills and other governmental securities	13,746,005	10,033,366
Available for sale investments	842,795	830,864
Held to maturity investments	2,348,899	3,854,057
Investments in associates and subsidiaries	34,375	31,249
Loans and facilities to customers	38,716,175	34,095,308
Fixed assets (after deducting impairment provisions and accumulated depreciation)	284,166	311,334
Other assets	1,145,192	915,693
Deductible exposures (some of capital base Tier 1 deductions)	(59,112)	(55,784)
Total exposures of in-balance sheet items after Tier 1 deductions	65,391,718	59,132,714
Replacement cost	2,861	4,287
The future expected value	894,395	7,177
Total exposures resulted from derivatives contracts	897,256	11,464
Total exposures resulted from financing securities operations	-	-
Total exposures of in-balance sheet items, derivatives contracts and financing securities operations,	66,288,974	59,144,178
Letters of credit – Importing	807,256	722,449
Letters of credit – Exporting	1,957	3,723
Letters of Guarantee	1,825,140	1,579,749
Letters of Guarantee upon other banks' request or by their warranties	1,560,278	1,569,065
Accepted Bills	3,292,385	951,674
Total contingent liabilities	7,487,016	4,826,660
Capital Commitments	253,370	75,278
Legal claims	9,646	4,167
Commitments for operating lease contracts	83,989	87,107
Commitments for loans, guarantees and facilities (unused limits) with original due date		
irrevocable more than year	112,295	971,063
irrevocable one year or less	-	-
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	954,810	988,252
Total commitments	1,414,110	2,125,867
Total Off-balance sheet exposures	8,901,126	6,952,527
Total in-balance sheet and off-balance sheet exposures (2)	75,190,100	66,096,705
Financial leverage ratio (1/2)	6.88%	6,87%

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

Notes to the Financial Statements - For the period ended 30 June 2018

4. Significant accounting estimates and assumptions

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

A - Impairment losses for loans and facilities

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

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

B - Impairment of available for sale equity investments

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

C - Held-to-maturity investments

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

D - Income tax

The income tax of the 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 equity.

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

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

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

Notes to the Financial Statements - For the period ended 30 June 2018

5. Net interest income

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Interest from loans and similar revenues from:				
Loans and facilities :				
Customers	2,333,446	1,293,023	1,152,983	699,559
Treasury bills	589,353	741,426	337,967	416,077
Deposits and current accounts	159,378	224,195	63,642	98,773
Investments in debt instruments held to maturity and available for sale	218,698	365,121	99,596	183,066
Total	3,300,875	2,623,765	1,654,188	1,397,475
Costs of Deposits and similar costs from:				
Deposits and current accounts				
Banks	(222,190)	(108,696)	(92,294)	(57,077)
Customers	(1,687,768)	(1,248,899)	(867,299)	(670,058)
	(1,909,958)	(1,357,595)	(959,593)	(727,135)
Other Loans	(93,709)	(69,303)	(48,880)	(40,689)
Total	(2,003,667)	(1,426,898)	(1,008,473)	(767,824)
Net	1,297,208	1,196,867	645,715	629,651

6. Net Fees and Commission Income

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Fees and commission income:				
Fees and commissions related to credit	267,833	209,676	126,952	125,697
Custody fees	2,789	1,876	604	375
Other fees	74,349	29,053	18,950	14,987
	344,971	240,605	146,506	141,059
Fees and commission expenses:				
Other fees paid	(10,329)	(9,836)	(5,088)	(6,408)
Net	334,642	230,769	141,418	134,651

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

Notes to the Financial Statements - For the period ended 30 June 2018

7. Dividends

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Securities available for sale	3,662	1,359	3,402	1,315
	3,662	1,359	3,402	1,315

8. Net Trading Income

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Foreign exchange operations :				
Forex gains	39,566	61,160	22,819	18,292
Gain/(Loss) of revaluation interest rate swap contract	2,035	(150)	415	(539)
	41,601	61,010	23,234	17,753

9. Gains from financial investments

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Gain from sale of investments available for sale	-	949	-	(404)
Gain/(loss) from sale of treasury bills	2,025	1,677	115	4,187
Impairment losses of investment in Subsidiaries	-	(78,818)	-	(78,818)
Impairment losses of equity instruments available for sale	-	(218)	-	(218)
	2,025	(76,410)	115	(75,253)

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Notes to the Financial Statements - For the period ended 30 June 2018

10. Share of profit from associates

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
International company for postal services	14,708	2,347	14,708	2,768
Al-Watany capital for assets management	(9,583)	377	(9,583)	(87)
	5,125	2,724	5,125	2,681

The bank's share of result in associate companies includes amounts related to financial year ended 31 December 2017 which are considered immaterial.

11. General and administrative expenses

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Staff Costs				
Wages and salaries	163,507	132,893	67,336	70,830
Social insurance	8,242	6,581	4,187	3,313
Pension and Other Benefits Cost:				
Defined Contribution Plan	24,799	26,865	13,693	14,003
	196,548	166,339	85,216	88,146
Other administrative expenses	202,686	127,863	95,541	56,172
Total	399,234	294,202	180,757	144,318

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Notes to the Financial Statements - For the period ended 30 June 2018

12. Other operating income (expenses)

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Gains/(losses) from revaluation of monetary assets & liabilities balances in foreign currencies other than trading	7,325	(357)	7,536	(88)
Gains from Assets transferred to the bank	2,884	4,225	2,065	2,687
Reverse of provisions no longer required	-	80,651	-	80,651
Assets transferred to the bank expenses	(217)	(198)	(155)	(116)
Gains/(losses) from sale of fixed assets	63,858	-	-	-
Operating and finance lease expenses	(16,469)	(11,969)	(10,374)	(5,940)
Other provisions	(10,524)	(40,792)	(24)	(1,992)
	46,857	31,560	(952)	75,202

13. Income Tax Expenses

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	L,E (000)	L,E (000)	L,E (000)	L,E (000)
Current income taxes	288,846	235,121	143,031	120,851
Deferred tax	2,027	(341)	1,901	(451)
	290,873	234,780	144,932	120,400

(Note 30) shows additional information about deferred income tax; the taxes on bank profits differ when current applicable tax rates used as follows:

Reconciliation of the effective tax rate:

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Net profit before tax	1,279,649	961,444
Tax rate	22.5%	22.5%
Income tax according to tax rate 22.5%	287,921	216,325
Non deductible expense	(20,120)	(3,191)
Tax exemption	(5,662)	-
Provisions effect	38,904	78,155
Net tax pool	1,292,771	1,036,408
Tax of treasury bills and treasury bonds	-	1,588
Income tax	290,873	234,780

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

Notes to the Financial Statements - For the period ended 30 June 2018

14. Cash and Due from Central Bank (CBE):

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Cash	983,100	807,516
Due from central bank (within the required reserve percentage)	3,972,841	4,050,685
	4,955,941	4,858,201
Non-interest bearing balances	3,175,318	3,208,709
Interest bearing balances	1,780,623	1,649,492
	4,955,941	4,858,201

15. Due from banks

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Current accounts	596,310	261,111
Deposits	2,430,972	2,791,315
	3,027,282	3,052,426
Due from central bank (other than the required reserve percentage)	350,000	1,206,000
	3,377,282	4,258,426
Non-interest bearing balances	122,810	126,547
Interest bearing balances	3,254,742	4,131,879
	3,377,282	4,258,426
Current balances	3,377,282	4,258,426
	3,377,282	4,258,426

16. Treasury bills

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Treasury bills	13,746,005	10,033,366
<u>Treasury bills represent the following:</u>		
91 days maturity	2,533,400	8,678,643
182 days maturity	2,795,225	1,388,925
273 days maturity	7,783,669	192,425
364 days maturity	1,373,650	-
	14,485,944	10,259,993
Unearned interest	(784,405)	(226,627)
Total	13,701,539	10,033,366
<u>Purchase with Resell Commitment</u>		
Treasury Bills	45,625	-
Unearned interest	(1,159)	-
	44,466	-
	13,746,005	10,033,366

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

Notes to the Financial Statements - For the period ended 30 June 2018

17. Loans and facilities to customers

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Loans to Customers	37,838,627	33,958,329
Murabhat	1,446,736	1,224,653
Total loans and facilities to customers	39,285,363	35,182,982
Less		
Provision for impairment losses	(888,801)	(1,266,221)
Interest in suspense	(6,359)	(3,604)
Net	38,390,203	33,913,157
	30 June 2018	31 December 2017
	LE (000)	LE (000)
Retail:		
Overdrafts	459,209	521,675
Credit cards	75,531	58,419
Personal loans	2,809,954	2,504,957
Mortgage loans	17,148	12,289
Total (1)	3,361,842	3,097,340
Corporate loans including small loans:		
Overdrafts	10,010,612	2,103,431
Direct loans	25,113,390	29,075,098
Syndicated loans	799,519	907,113
Total (2)	35,923,521	32,085,642
Total loans and advances to customers (1+2)	39,285,363	35,182,982
Less		
Provision for impairment losses	(888,801)	(1,266,221)
Interest in suspense	(6,359)	(3,604)
Net	38,390,203	33,913,157

Provision for impairment losses:

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

	Retail	Corporate	Total
30 June 2018	LE (000)	LE (000)	LE (000)
Beginning balance	28,374	1,237,847	1,266,221
Impairment charged during the period	8,400	43,837	52,237
Proceeds from previously written off	-	8,750	8,750
Foreign currency translation differences	-	8,432	8,432
Used during the period	(2,176)	(444,663)	(446,839)
Ending balance	34,598	854,203	888,801

-The amount of bad debts, which was written off reached LE 446,839 thousand for the period ended 30 June 2018.

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Notes to the Financial Statements - For the period ended 30 June 2018

Loans and facilities to customers (continued)

	Retail	Corporate	Total
31 December 2017	LE (000)	LE (000)	LE (000)
Beginning balance	34,888	1,335,157	1,370,045
Impairment charged during the year	2,415	406,650	409,065
Provisions No Longer Required	-	(94,298)	(94,298)
Proceeds from loans previously written off	-	11,647	11,647
Foreign currency translation differences	-	(12,669)	(12,669)
	37,303	1,646,487	1,683,790
Used during the year	(8,929)	(408,640)	(417,569)
Ending balance	28,374	1,237,847	1,266,221

18. Derivatives financial instruments

Derivatives

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

- The forward currency contracts represent commitments to buy foreign and local currencies, including unexecuted spot transactions, Foreign currency and /or interest rates future contracts are contractual obligations to receive or pay net amount based on the change in foreign exchange or interest rates, and/or buy or sell foreign currency or financial instrument in a future date at a contractual determined price in an active financial market,
The Bank's credit risk is considered minimal, forward interest rate contracts represent future interest rate contracts negotiated on case by case, these contracts require settlements in a future date of the difference between agreed interest rates and prevailing market interest rate based on agreed contractual amount (nominal value),
- Currency and/or interest rate swaps represent commitments to exchange cash flows, As a result of these contracts, currencies or interest rates (e.g., fixed rate versus variable rate) or both (Interest rate and currency swaps) are exchanged, Contractual amounts are not actually exchanged except for some currency swaps,
Credit risks are represented in the contingent cost to change swap contracts in case the counter parties failed to perform their commitments, This risk is continuously monitored through comparisons of fair value and contractual amount, and to monitor the existing credit risk, the Bank evaluates counter parties using the same methods used in lending activities,
- Foreign currency options and/or interest rates options represent contractual agreements whereby the seller (issuer) gives the buyer (holders) a right not an obligations , to buy(call option) or to sell (put option) on a certain day or within a certain Year , a certain amount of foreign currency or financial instrument at a predetermined price , The seller receives commissions in compensation for his acceptance of the foreign currency risk of interest rate risk, Options Contracts are either traded in the market or negotiated between the bank and one of its clients, The bank is exposed to credit risk for purchased options contracts only and to extent of its carrying values which represent its fair value,
- The contractual value of some financial instruments are considered a base to compare with the recognized financial instruments on the balance sheet, however it does not necessarily provide an indicator for future cash flow or the fair value of the instruments, thus, those amounts doesn't reflect the credit risk or interest rate risk,

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Notes to the Financial Statements - For the period ended 30 June 2018

Derivatives financial instruments (continued)

Derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) as a result of changes in foreign exchange rates or interest rates related to these derivatives, Contractual /estimated amounts of financial derivatives can fluctuate from time to time, as well as, the range through which derivatives are considered in the favor of the bank (assets) or not in its favor (liabilities) and the total fair value of the financial assets and liabilities from derivative,

Derivatives held for trading:

	30 June 2018			(Amounts in LE 000) 31 December 2017		
	Contractual Default amount	Assets	Liabilities	Contractual Default amount	Assets	Liabilities
Derivatives held for trading						
Interest rate swaps	178,878	2,467	-	177,277	432	-
Total derivatives	178,878	2,467	-	177,277	432	-

19. Financial investments

	30 June 2018 LE (000)	31 December 2017 LE (000)
Available for sale investments		
Debt Instruments – Fair value:		
Quoted	819,353	807,768
Debt instruments –Unquoted :		
Ishraq Fund	2,229	2,089
Namaa Fund	3,700	3,484
Equity Instruments – Fair value:		
Unquoted	26,952	26,962
Less: Impairment loss	(9,439)	(9,439)
Total available for sale investments (1)	842,795	830,864
Held to maturity investments		
Debt instruments – Amortized Cost:		
Debt instruments-quoted - Traded with fixed interest	2,327,149	3,832,307
Unquoted:		
National Bank of Kuwait - Egypt Fund	6,750	6,750
Ishraq Fund	5,000	5,000
Alhayah Fund	5,000	5,000
Namaa Fund	5,000	5,000
Total Held to maturity investments (2)	2,348,899	3,854,057
Total financial investments (1+2)	3,191,694	4,684,921
Current Balances	1,104,229	1,590,501
Non-Current Balances	2,087,465	3,094,420
	3,191,694	4,684,921
Fixed interest debt instruments	3,146,503	4,640,075
Variable interest debt instruments	45,191	44,846
	3,191,694	4,684,921

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Notes to the Financial Statements - For the period ended 30 June 2018

Financial investments (continued)

	Available for Sale Investments	Held to maturity investments	Total
	LE (000)	LE (000)	LE (000)
Balance as of 1 January 2018	830,864	3,854,057	4,684,921
Disposals (Sale / Redemption)	-	(1,518,730)	(1,518,730)
Foreign currency translation difference for financial assets	7,495	-	7,495
Gain/loss from change in FMV for available for sale investments	(5,211)	-	(5,211)
Amortized cost during the Period	9,647	13,572	23,219
Balance as of 30 June 2018	842,795	2,348,899	3,191,694
Balance as of 1 January 2017	1,202,553	4,566,723	5,769,276
Additions	624,040	-	624,040
Disposals (Sale / Redemption)	(1,015,886)	(740,000)	(1,755,886)
Foreign currency translation differences for financial assets	(5,407)	-	(5,407)
Gain/loss from change in FMV for available for sale investments	28,020	-	28,020
Amortized cost during the Year	(1,175)	27,334	26,159
Deduct provisions for credit losses	(1,281)	-	(1,281)
Balance as of 31 December 2017	830,864	3,854,057	4,684,921

20. Investments in Associates

The bank contribution is as follows:

	30 June 2018		31 December 2017	
	Amount	Share	Amount	Share
	LE (000)	%	LE (000)	%
International Company for Postal Services	14,708	20,00	2,000	20,00
Al-Watany Capital Assets Management	19,667	49,99	29,250	49,99
	34,375		31,250	

The main financial data and the share of the bank in the Associates are from the Financial Statements as of 31 March 2018:

Description	Nature of Relation	Region	Assets of company	Total liabilities	Revenues of	Net Income of the	Share of the Bank	Share %
				without Equity	company	company		
International company for postal services	Associate	Egypt	111,924	35,814	56,247	24,837	14,708	20.00
Al Watany Capital assets management	Associate	Egypt	40,174	838	2,387	806	19,667	49.99

- All investments in associates are unquoted,

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Notes to the Financial Statements - For the period ended 30 June 2018

21. Other assets

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Accrued revenues	383,563	422,126
Advances to purchase fixed assets	90,933	78,563
Assets transferred to the bank (after deducting the impairment)	64,530	65,494
Other assets held for sale*	35,616	25,082
Collective insurance policy	101,401	101,401
Prepaid expenses	183,192	34,259
Insurance & petty cash	41,535	30,081
Prepaid interest expense	3,281	8,372
Other	177,205	115,237
	1,081,256	880,615

* This item represents the bank's share in associate held for sale and its book value is expected to be recovered from the sale agreement not for continuation of using it, It was classified in this item due to the fulfillment of classification conditions which includes that it is available for immediate sale for its current condition and management's has plan and active program for selling it , it is being marketed actively for sale and it is expected to be sold within a year from its classification date.

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22. Fixed Assets

	Land*	Buildings*	Core Systems	Vehicles	Fitting out	Machines and equipment's	Furniture	Others	Total
	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)	LE (000)
Balance as of 1 January 2017									
Cost	22,928	221,591	76,871	4,894	132,291	27,800	31,490	14,878	532,743
Accumulated depreciation	-	(38,666)	(53,976)	(4,375)	(86,594)	(14,060)	(15,847)	(10,856)	(224,374)
Net book value as of 1 January 2017	22,928	182,925	22,895	519	45,697	13,740	15,643	4,022	308,369
Additions	-	-	25,892	240	14,495	3,441	3,981	5,412	53,461
Disposals	-	-	(8,492)	-	(564)	(476)	(1,109)	(5,289)	(15,930)
Depreciation for disposals	-	-	4,857	-	(2,483)	(711)	574	2,110	4,347
Depreciation for the year	-	(4,444)	(9,401)	(218)	(18,461)	(3,097)	(2,297)	(995)	(38,913)
Net book value as of 31 December 2017	22,928	178,481	35,751	541	38,684	12,897	16,792	5,260	311,334
Balance as of 31 December 2017									
Cost	22,928	221,591	94,271	5,134	146,222	30,765	34,362	15,001	570,274
Accumulated depreciation	-	(43,110)	(58,520)	(4,593)	(107,538)	(17,868)	(17,570)	(9,741)	(258,940)
Net book value as of 31 December 2017	22,928	178,481	35,751	541	38,684	12,897	16,792	5,260	311,334
Balance as of 1 January 2018	22,928	178,481	35,751	541	38,684	12,897	16,792	5,260	311,334
Additions	-	-	6,824	4,760	12,365	1,646	1,784	1,909	29,288
Disposals	(15,545)	(22,335)	(978)	-	(305)	(287)	(392)	(586)	(40,428)
Depreciation for disposals	-	4,981	47	-	301	31	105	255	5,720
Depreciation for the Period	-	(2,011)	(5,807)	(330)	(10,175)	(1,550)	(1,233)	(642)	(21,748)
Net book value as at 30 June 2018	7,383	159,116	35,837	4,971	40,870	12,737	17,056	6,196	284,166
Balance as of 30 June 2018									
Cost	7,383	199,256	100,117	9,894	158,282	32,124	35,754	16,324	559,134
Accumulated depreciation	-	(40,140)	(64,280)	(4,923)	(117,412)	(19,387)	(18,698)	(10,128)	(274,968)
Net book value as of 30 June 2018	7,383	159,116	35,837	4,971	40,870	12,737	17,056	6,196	284,166

*Fixed assets (net of accumulated depreciation) at Balance Sheet date include LE 108,828K representing lands and buildings are not registered yet in the Bank's name as the legal procedures are currently been undertaken to register those assets,

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Notes to the Financial Statements - For the period ended 30 June 2018

23. Intangible assets

	Computer programs	Other Assets	Total
	LE (000)	LE (000)	LE (000)
Cost as of 1 January 2018	34,205	12,050	46,255
Addition	30,936	-	30,936
Cost as of 30 June 2018	65,141	12,050	77,191
Amortization as of 1 January 2018	(10,144)	(1,465)	(11,609)
Amortization of the Period	(3,511)	(602)	(4,113)
Amortization as of 30 June 2018	(13,655)	(2,067)	(15,722)
Net book value as of 30 June 2018	51,486	9,983	61,469
Net book value as of 31 December 2017	24,061	10,585	34,646

24. Due to banks

	30 June 2018	31 December 2017
	LE (000)	LE (000)
A- Local Banks		
Current Accounts	114,716	-
Deposits	1,364,370	2,979,000
	1,479,086	2,979,000
B- Foreign Banks		
Current Accounts	111,367	214,947
Deposits	5,922,199	5,419,560
	6,033,566	5,634,507
	7,512,652	8,613,507
Non-interest bearing balances	111,240	214,876
Interest bearing balances	7,401,412	8,398,631
	7,512,652	8,613,507
Current balances	7,512,652	8,613,507
	7,512,652	8,613,507

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Notes to the Financial Statements - For the period ended 30 June 2018

25. Customers' deposits

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Demand deposits	14,018,115	12,420,913
Time and call deposits	14,158,297	12,190,969
Certificates of deposits	13,885,008	11,649,958
Saving deposits	4,435,973	3,774,801
Other deposits	1,037,688	820,848
Total	47,535,081	40,857,489
Financial Institutions and corporate deposits	24,497,976	21,197,793
Individual deposits	23,037,105	19,659,696
	47,535,081	40,857,489
Non-interest bearing balances	1,037,688	820,848
Interest bearing balances	46,497,393	40,036,641
	47,535,081	40,857,489
Current balances	32,853,074	29,279,937
Non-current balances	14,682,007	11,577,552
	47,535,081	40,857,489

26. Other Loans

	30 June 2018	31 December 2017
	LE (000)	LE (000)
European bank for reconstruction and development loan	1,001,972	1,119,631
IFC loan	447,195	553,991
The Arab Fund for Economic Development Loan and social	894,390	886,385
Sanad for financing of small and micro enterprises loan	119,252	137,882
France's Development Organization Loan	352,390	349,235
Subordinated loan (National Bank of Kuwait- Kuwait)*	983,829	975,024
	3,799,028	4,022,148

* According to the note (33-B "Transactions with related parties") Other Loans represent loans from the National Bank of Kuwait,

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

Notes to the Financial Statements - For the period ended 30 June 2018

27. Other liabilities

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Accrued interest	376,646	372,977
Unearned revenue	31,967	43,546
Accrued Expense	84,449	41,615
Creditors	157,199	118,090
	650,261	576,228

28. Retirement benefit obligation

	30 June 2018	31 December 2017
	LE (000)	LE (000)
<u>Retirement benefits obligation in balance sheet:</u>	65,811	59,058
Medical benefit after retirement	65,811	59,058
<u>Realized amounts in income statement:</u>		
Medical benefit after retirement	6,753	33,910
	6,753	33,910

Movement of liabilities during the Period / financial year as follows:

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Beginning Balance for the period / financial year	59,058	25,148
Cost of current services	2,841	4,485
Interest expense	3,912	8,083
Actuarial gains / (losses)	-	73
Paid benefits	-	(1,761)
Prior year services benefit expense	-	23,030
Ending balances	65,811	59,058

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Notes to the Financial Statements - For the period ended 30 June 2018

29. Other Provisions

As of 30 June 2018	Potential claims Provision	Contingent liabilities provision	Legal Provision	Bank Operation Risk Provision	Total
Balance at the beginning of the Period	85,178	70,991	3,154	7,264	166,587
Charged to the income statement	10,500	13	-	11	10,524
Foreign currency valuation differences	-	23	5	121	149
Reverse of provisions no longer required	-	-	-	(94)	(94)
Used during the Period	(13,424)	(1,033)	(428)	(945)	(15,830)
Balance at the end of the Period	82,254	69,994	2,731	6,357	161,336

As of 31 December 2017	Potential claims Provision	Contingent liabilities provision	Legal Provision	Bank Operation Risk Provision	Total
Balance at the beginning of the Year	81,433	57,253	3,412	7,399	149,497
Charged to the income statement	40,800	-	1,991	31	42,822
Transferred (to)/from Loans provision	-	13,705	1,774	-	15,479
Foreign currency valuation difference	-	105	(35)	(166)	(96)
Reversal of no longer required provisions	-	-	(3,605)	-	(3,605)
Used during the Year	(37,055)	(72)	(383)	-	(37,510)
Balance at the end of the Year	85,178	70,991	3,154	7,264	166,587

30. Deferred tax

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

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

Deferred tax assets and liabilities

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

Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Fixed assets depreciation	-	-	(18,107)	(16,080)
Provisions (other than loans provision)	9,486	9,486	-	-
Total tax assets (liabilities)	9,486	9,486	(18,107)	(16,080)
Net tax assets (liabilities)	-	-	(8,621)	(6,594)

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

Notes to the Financial Statements - For the period ended 30 June 2018

Deferred tax (continued)

Deferred tax assets and liabilities movement:

	Deferred tax assets		Deferred tax liabilities	
	30 June 2018	31 December 2017	30 June 2018	31 December 2015
	LE (000)	LE (000)	LE (000)	LE (000)
Balance at the beginning of the Period /Year	9,486	9,486	(16,080)	(14,505)
Disposal	-	-	(2,027)	(1,575)
Balance at the end of the Period / Year	9,486	9,486	(18,107)	(16,080)

31. Stockholders' Equity

(a) Authorized Capital

The authorized capital is LE 2.5 billion.

(b) Issued and Paid up Capital

The issued and paid up capital is LE 1.5 billion distributed over 150 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 Period 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.

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Legal reserve	285,045	209,900
General reserve	406,773	206,773
Special reserve	9,205	9,205
Capital reserve	53,296	53,078
General banking risk reserve	83,117	37,817
Transferred to IFRS9 Risk Reserve	268,347	268,347
Fair value reserve – available for sale investments	(18,244)	(23,392)
Total Reserves	1,087,539	761,728
Fair value reserve – available for sale investments		
Balance at the beginning of the Period / Year	(23,392)	(80,709)
Net Gains (losses) from change in fair value	5,083	57,323
Foreign currencies exchange differences of available for sale investments	65	(6)
	(18,244)	(23,392)

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

Notes to the Financial Statements - For the period ended 30 June 2018

Stockholders' Equity (continued)

(d) Retained Earnings

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Retained Earnings' movement		
Balance at the beginning of the Period / Year	2,415,249	1,679,716
Transferred from profits of the Period / Year	988,776	1,503,097
Dividends	(339,111)	(83,284)
Transferred to Capital Increase	-	(250,000)
Transferred to IFRS9 Risk Reserve	-	(268,347)
Transferred to reserves	(320,662)	(165,933)
Balance at the end of the Period/ Year	2,744,252	2,415,249

32. Cash and cash equivalents

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

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Cash and due from Central Bank of Egypt	4,955,941	4,858,201
Due from banks	3,377,282	4,258,426
Treasury bills	13,746,005	10,033,366
Due from central bank (within the mandatory reserve percentage)	(3,972,841)	(4,050,685)
Treasury bills with maturities of more than three months	(12,455,951)	(10,029,620)
Cash and cash equivalents	5,650,436	5,069,688

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

Notes to the Financial Statements - For the period ended 30 June 2018

33. Related party transactions

The Bank is a subsidiary of parent National bank of Kuwait, which owns 94,93% of ordinary shares, The remaining percentage (5,07%) is owned by other shareholders, Apparently exceeding 2000 shareholders and no one of them acquire 5% or more.

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

Related parties transactions and balances at the end of the financial Period / Year are as follows:

A- Balances of related parties

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Due to customers		
Current accounts	531	154
	531	154
Due from customers		
Other debit balances	40	-
Balance at the end of the Period / Year	40	-

	30 June 2018	31 December 2017
	LE(000)	LE(000)
Due from banks	32,174	90,428
Due to banks	5,105,876	2,990,269

B- Subordinated loan from National Bank of Kuwait

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Nominal amount at the end of the Period / Year	983, 829	975,024
	983, 829	975,024

- National Bank Of Kuwait obtain, the loan paid in the amount of **55** million US dollars equivalent to **983, 829** thousand Egyptian pounds denominated in the dollar when preparing the Financial Statement sat **17.8878** Egyptian pounds For a period of **10** years from **March 29, 2017** to **March 29, 2027** to be re-priced annually.

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 at a rate of **5.67138%** annually.

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

Notes to the Financial Statements - For the period ended 30 June 2018

Related party transactions (continued)

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

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Mutual funds managements Fess	753	3,253
Interest expenses	6	99

D- The total amount of salaries and wages paid for the top 20 banks employees is **LE 17,733K** with a monthly average salary **LE 2,955 K** for the period ended at the preparation of the financial statements.

34. Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the Bank for the period ended at the preparation of the financial statements amounted to **9,646K** 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 building and core systems purchase amounted to **LE 253,370k** for the period ended at the preparation of the financial statements, compared to **LE 75,278K** as at 31 December 2017 related to building and core system purchase, the management is confident that net revenues will be generated and provides the sufficient finance to pay these commitments.

C- Commitments for loans, guarantees and facilities

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

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Acceptances securities	3,292,385	951,674
Letters of guarantee	3,650,279	3,159,499
Letters of credit (import and export)	4,046,071	3,630,858
Guarantees upon other banks' request or by their warranties	3,120,555	3,138,130
Total	14,109,290	10,880,161

D- Commitments for operating lease contracts

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

	30 June 2018	31 December 2017
	LE (000)	LE (000)
Less than one year	11,901	9,105
More than one year and less than five years	52,545	53,364
More than five years	19,543	24,638
	83,989	87,107

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Notes to the Financial Statements - For the period ended 30 June 2018

35. Finance Lease Liabilities

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

Description	Selling Amount		Finance Lease installment		Period
	Amount LE (000)	Currency	Amount LE (000)	Currency	
Nozha Branch	4,208	Egyptian Pounds	51	Egyptian Pounds	Monthly
El Hegaz Branch	5,076	Egyptian Pounds	61	Egyptian Pounds	Monthly
El Nasr Branch	8,262	Egyptian Pounds	81	Egyptian Pounds	Monthly
Mesadak Branch	11,573	Egyptian Pounds	114	Egyptian Pounds	Monthly

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

	Local Currency LE (000)	Foreign Currency LE (000)
First: Assets:		
A. Due from banks	355,631	3,021,650
	355,631	3,021,650
B. Loans to Customer and Banks		
Agriculture Sector	838,060	24,599
Industrial Sector	14,499,133	12,274,977
Commercial Sector	2,587,853	676,268
Services Sector	915,407	4,091,140
Family Sector	2,946,956	430,970
	21,787,409	17,497,954
Loans Provision	(304,960)	(583,841)
Interest in suspense	(3,883)	(2,476)
Net Loans	21,478,566	16,911,637

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Notes to the Financial Statements - For the period ended 30 June 2018

Distribution of Assets, Liabilities, Contingent Liabilities and Commitments (continued)

	<u>Local Currency</u> LE (000)	<u>Foreign Currency</u> LE (000)
Second: Liabilities:		
A. Due to banks	1,445,489	6,067,163
	<u>1,445,489</u>	<u>6,067,163</u>
B. Customer Deposits		
Agriculture Sector	111,849	70,968
Industrial Sector	5,813,323	4,979,687
Commercial Sector	1,129,082	432,139
Services Sector	1,378,235	3,254,109
Family Sector	18,089,142	7,009,848
Other Sectors	2,750,612	2,516,087
	<u>29,272,243</u>	<u>18,262,838</u>
C. Contingent Liabilities		
Letter of guarantees	2,625,816	1,024,463
Guarantees upon other banks' request or by their warranties	184,891	2,935,664
Letter of credit (Import & Export)	49,161	3,996,910
Accepted bills for suppliers facilities	6,852	3,285,533
	<u>2,866,720</u>	<u>11,242,570</u>

37. Geographical distribution of loans balances

	<u>Local Currency</u> LE (000)	<u>Foreign Currency</u> LE (000)
Cairo	5,665,277	6,411,442
6th of October	1,037,482	691,116
Alexandria	1,044,210	1,335,372
Gharbya	72,917	49,736
Damitta	24,848	626
Sharquia	386,951	186,093
Dakahlia	431,627	371,816
Kalubaia	52,614	311,684
Giza	12,900,114	8,129,594
Asuit	41,397	2,543
Sohaj	75,910	5,023
Red sea	52,793	2,909
South Sinai	1,269	-
	<u>21,787,409</u>	<u>17,497,954</u>
Less		
Loans Provision of impairment losses	(304,960)	(583,841)
Interest in suspense	(3,883)	(2,476)
Net Loans	<u>21,478,566</u>	<u>16,911,637</u>

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Notes to the Financial Statements - For the period ended 30 June 2018

38. Geographical distribution of Deposits

	<u>Local Currency</u> LE (000)	<u>Foreign Currency</u> LE (000)
Cairo	13,806,526	9,885,291
6th of October	916,784	1,528,250
Alexandria	2,851,907	3,548,891
Gharbya	305,419	137,655
Damitta	150,021	24,781
Sharquia	176,146	158,094
Dakahlia	531,575	304,737
Kalubaia	282,214	144,723
Giza	9,435,420	2,373,683
Asuit	264,067	34,228
Sohaj	384,982	53,134
Red sea	138,053	59,601
South Sinai	29,130	9,769
Total	29,272,244	18,262,837

39. Mutual Funds:

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

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

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

The redeemable value of the certificate as of 30 June 2018 amounted to **LE 338.35134** and the outstanding of the fund certificates at that date reached **71,532** certificates while the net assets value of the mutual fund was **LE 24,199K** as of 30 June 2018.

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

Total commissions amounted to **LE 41K** for the Period ended 30 June 2018 included in fees and commissions' income caption in the Income Statement.

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

The mutual fund is a banking activity authorized for the bank by virtue of Capital Market Law No, 95/ 1992 and its Executive Regulation, The fund is managed by Al Watany Capital for Asset Management, The certificates of the fund has reached **14,898,379** certificates amounted to **LE 148,983K** of which **500,000** certificates (Held) were allocated to the bank to undertake the fund's activity with a nominal value of **LE 5,000K**.

The bank purchased a number of 100,000 certificates (AFS) of total amount of **LE 2,079 K** and with a redeemable value amounted to **LE 2,229K** as of 30 June 2018.

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Notes to the Financial Statements - For the period ended 30 June 2018

Mutual Funds (continued)

The redeemable value of the certificate as of 30 June 2018 amounted to **LE 22.29253** and the outstanding of the fund certificates at that date reached 19,281,801 certificates while the net assets value of the mutual fund was **LE 429,840K** as of 30 June 2018.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains **0.0045** as fees and commissions for supervising the fund and other managerial services rendered by the Bank, Total commissions amounted to **LE 962K** for the Period ended 30 June 2018 included in fees and commissions' income caption in the Income Statement.

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

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

The redeemable value of the certificate as of 30 June 2018 amounted to **LE 23.99384** and the outstanding of the fund certificates at that date reached **526,659** certificates while the net assets value of the mutual fund was **LE 12,636K** as of 30 June 2018.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains **0.006** as fees and commissions for supervising the fund and other managerial services rendered by the Bank, Total commissions amounted to **LE 37K** for the Period ended 30 June 2018 included in fees and commissions' income caption in the Income Statement.

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

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

The bank purchased a number of **185,334** certificates (AFS) of total amount of **LE 2,050K** and with a redeemable value amounted to **LE 3,699K** as of 30 June 2018.

The redeemable value of the certificate as of 30 June 2018 amounted to **LE 19.96186** and the outstanding of the fund certificates at that date reached **712,111** certificates while the net assets value of the mutual fund was **LE 14,215K** as of 30 June 2018.

According to the Fund's management contract and Fund's prospectus, National Bank of Kuwait - Egypt obtains **0.006** as fees and commissions for supervising the fund and other managerial services rendered by the Bank, Total commissions amounted to **LE 42K** for the Period ended 30 June 2018 included in fees and commissions' income caption in the Income Statement.

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Notes to the Financial Statements - For the period ended 30 June 2018

40. Earnings per share:

	Six Months Ended 30 June 2018	Six Months Ended 30 June 2017	Three Months Ended 30 June 2018	Three Months Ended 30 June 2017
	LE (000)	LE (000)	LE (000)	LE (000)
Net profit for the period	988,776	726,664	491,882	397,130
Shareholders share in net profit for the period	988,776	726,664	491,882	397,130
Average number of shares	150,000	150,000	150,000	150,000
Earnings per share (share/LE)	6.59	4.84	3.28	2.65