

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

**LIMITED REVIEW REPORT
AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2018**

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

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

Financial statements - For the period ended 31 March 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 31st March 2018 and the related statements of income, changes in shareholders' equity and cash flows for the three 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 31 March 2018, and its financial performance, and cash flows for the three 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
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Auditors

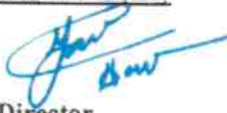

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14 May 2018
Cairo

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

Balance sheet -- As of 31 March 2018

	Note No.	31 March 2018 <u>L.E(000)</u>	31 December 2017 <u>L.E(000)</u>
Assets			
Cash and Due from Central Bank	(14)	3,489,992	4,858,201
Due from banks	(15)	6,508,208	4,258,426
Treasury bills	(16)	8,913,823	10,033,366
Loans and Facilities to customers	(17)	35,769,446	33,913,157
Financial Derivative	(18)	1,620	432
Available for sale investments	(19)	828,500	830,864
Held to maturity investments	(19)	2,795,045	3,854,057
Investments in associates	(20)	31,250	31,250
Other assets	(21)	859,733	880,615
Intangible assets	(23)	33,327	34,646
Fixed assets	(22)	278,754	311,334
Total assets		59,509,698	59,006,348
Liabilities and Equity			
Liabilities			
Due to banks	(24)	5,420,202	8,613,507
Customers' deposits	(25)	44,016,136	40,857,489
Other loans	(26)	4,003,180	4,022,148
Other liabilities	(27)	597,528	576,228
Retirement benefit obligations	(28)	62,059	59,058
Other provisions	(29)	175,722	166,587
Deferred Tax Liabilities	(30)	6,720	6,594
Current Income Tax Liabilities		51,269	27,760
Total liabilities		54,332,816	54,329,371
Equity			
Issued and Paid-up capital	(31/b)	1,500,000	1,500,000
Reserves	(31/c)	810,038	761,728
Retained Earnings	(31/d)	2,866,844	2,415,249
Total Equity		5,176,882	4,676,977
Total Liabilities and Equity		59,509,698	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 is attached.

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

Statement of income – For the period ended 31 March 2018

	Note No.	31 March 2018 L.E (000)	31 March 2017 L.E (000)
Interest income from loans and similar revenues	(5)	1,646,687	1,226,290
Cost of deposits and similar costs	(5)	(995,194)	(659,074)
Net interest Income		651,493	567,216
Fees and commissions revenues	(6)	198,465	99,546
Fees and commissions expenses	(6)	(5,241)	(3,428)
Net income from fees and commissions		193,224	96,118
Dividends	(7)	260	44
Net trading income	(8)	18,367	43,257
Gains (Losses) from financial investments	(9)	1,910	(1,157)
Share of profit from associates	(10)	-	43
Impairment charges for credit losses	(17)	(51,750)	(68,081)
General and administrative expenses	(11)	(218,477)	(149,884)
Other operating income (expenses)	(12)	47,809	(43,642)
Net profits for the period before tax		642,836	443,914
Current Income tax	(13)	(145,941)	(114,380)
Net profits for the period		496,895	329,534
Earnings per share (EGP/Share)	(40)	3.31	3.30



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.

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

Statement of changes in equity – For the period ended 31 March 2018

	Capital	Legal reserve	General Special reserve	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	-	-	-	-	-	(1)	-	-	-	(1)
Change in the fair value of the available for sale investments	-	-	-	-	-	19.530	-	-	-	19.530
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	329.534	329.534
Balance as of 31 March 2017	<u>1.000.000</u>	<u>209.901</u>	<u>456.773</u>	<u>9.205</u>	<u>53.078</u>	<u>(61.180)</u>	<u>34.096</u>	<u>-</u>	<u>1.763.753</u>	<u>3.465.626</u>

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

Statement of changes in equity – For the period ended 31 March 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	1.5000.000	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	-	-	-	-	-	-	-	-	-	-
Transferred to reserves	-	-	-	-	-	-	-	-	-	-
Balance after Dividends	1.5000.000	209.901	206.773	9.205	53.078	(23.392)	37.817	268.347	2.415.249	4.676.978
Transferred to general banking risk reserve	-	-	-	-	-	-	45.300	-	(45.300)	-
Foreign currency translation differences for available for sale investments	-	-	-	-	-	(34)	-	-	-	(34)
Change in the fair value of the available for sale investments	-	-	-	-	-	3.043	-	-	-	3.043
Reversal of portion of fair value reserve for available for sale investments	-	-	-	-	-	-	-	-	-	-
Net profit for the period	-	-	-	-	-	-	-	-	496.895	496.895
Balance as of 31 March 2018	1.5000.000	209.901	206.773	9.205	53.078	(20.383)	83.117	268.347	2.866.844	176.882

- 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 31 March 2018

	31 March 2018	31 March 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
<u>Cash flows from operating activities</u>		
Net Profits before income tax	642.836	443,914
<u>Adjustments to reconcile net profit to net cash provided from operating activities</u>		
Depreciation and amortization	6.091	10,506
Impairment charges for credit losses	51.750	68,081
Impairment charges for Financial Investments	-	2,510
Charges for other provisions	10.500	38,800
Foreign currencies revaluation differences of Other provisions	(12)	(54)
Foreign currencies revaluation differences of Investments available for sale	3.878	1,276
Share of profit from associates	-	(43)
Gains (losses) from sale of Fixed Assets	(63.858)	-
Used From Other provisions	(1.424)	(37,055)
Amortized Cost	(13.332)	(5,673)
Dividends	(260)	(44)
Operating profits before changes in assets and liabilities from operating activities	636.169	522.218
Net (decrease) increase in assets and liabilities		
Due from central banks (within the mandatory reserve percentage)	1.589.345	(1,548,590)
Treasury bills with maturities of more than three months	2.878.203	1,476,817
Loans and facilities to customers and banks	(1.908.038)	(137,683)
Other assets	27.431	(56,525)
Due to banks	(3.193.305)	(2,334,249)
Customers' deposits	3.158.647	774,223
Financial Derivatives	(1.188)	(389)
Other liabilities	24.300	53,561
Income tax paid	(121.891)	(123,297)
Net cash flows Provided from (Used in) operating activities (1)	3.089.673	(1,373,914)
<u>Cash flows from Investing Activities</u>		
Payments to acquire fixed assets and fixtures of branches	(10.375)	(17,214)
Proceeds from sale of fixed assets	102.517	2,946
Proceeds from sale of available for sale investments	1.066.949	235,766
Payments to purchase available for sale investments	-	(622,225)
Payments to acquire investment in subsidiaries	-	-
Payments to acquire intangible assets	(478)	(1,625)
Proceeds from dividends received	260	44
Net cash flows provided from investing activities (2)	1.158.873	(402,308)

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

Statement of cash flows – For the period ended 31 March 2018

	31 March 2018 <u>L.E (000)</u>	31 March 2017 <u>L.E (000)</u>
<u>Cash flows from Financing Activities</u>		
Decrease in long term loans	(18.968)	(23,318)
Dividends paid	-	(83,284)
Net cash flows provided from financing activities (3)	(18.968)	(106.602)
Net Cash and cash equivalents during the period (1+2+3)	4.229.578	(1.882.824)
Cash and cash equivalents at the beginning of the period	5.069.688	5.947.051
Cash and cash equivalents at the end of the period	9.299.266	4.064.227
<u>Cash and cash equivalents are represented in :</u>		
Cash and due from Central Bank	3.489.992	4,390,261
Due from banks	6.508.208	2,479,854
Treasury bills	8.913.823	13,438,398
Due from central banks (within the mandatory reserve percentage)	(2.461.340)	(3,333,635)
Treasury bills with maturities of more than three months	(7.151.417)	(12,910,651)
Cash and cash equivalents	9.299.266	4,064,227

- 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)

Notes to the Financial Statements - For the period ended 31 March 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 45 branches, and employs 1366 staff at the date of the Balance sheet.

2. Significant Accounting Policies Applied

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

A) Basis of financial statements preparation

The Financial Statements are prepared in accordance with Egyptian Accounting Standards issued in 2006 and its amendments and in accordance with 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 cost 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 31 March 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 31 March 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.

- Financial 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 31 March 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 31 March 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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

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.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Fees and commission income (continued)

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

I) Dividend income

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

J) Impairment of financial assets

J / 1) Financial asset carried at amortized cost:

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

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

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

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Impairment of financial assets (continued)

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

- In case there is no objective evidence that an impairment loss has been incurred on a financial instrument considered individually, being individually significant or not, the Bank includes that financial asset in a group of financial
- Assets having similar characteristics in terms of credit risk and tests the whole group for impairment.
- An individually impairment test is made for a financial asset if there is objective evidence that this asset is impaired. If the impairment occurred then
- This asset will be excluded from group of financial assets that are collectively evaluated for impairment.
- If the result of the previously test did not recognized impairment loss, then this asset will be added to the group of financial assets that are collectively evaluated for impairment. Impairment loss is calculated by the difference between the carrying amount and the present value of estimated future recoverable cash flows, excluding future expected credit loss not charged yet, discounted at the financial assets' original effective interest rate. This impairment is booked in the income statement as "impairment loss" and the book value of the financial asset is reduced by the impairment amount using "impairment loss provision".
- If there is evidence that loan or other receivables, or financial assets classified as held to maturity carry variable rate, the discount rate will be the contract effective interest rate when there is objective evidence that an impairment loss has been incurred.
- For practical purposes, the Bank may measure the impairment loss using the fair value of the instrument through its market rate.
- For guaranteed financial assets present value for expected futures cash flow has to be considered in addition to the proceeds from sale of guarantee after deducting selling cost.
- For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics according to the Bank classification taking into consideration type of asset, industry, geographical location, collateral, past-dues and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for that group of assets as they are
- Indicators of the debtors' ability to pay all amounts due according to its contract terms for assets under study.
- 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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Impairment of financial assets (continued)

J / 2 Available for sale assets

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

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

K) Fixed assets

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

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

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

Notes to the Financial Statements - For the period ended 31 March 2018

Fixed assets (continued)

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.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Leases (continued)

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.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Employees benefits (continued)

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.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Capital (continued)

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

- 1) Deducting an amount equivalent to 5% of the profits to form the legal reserve until the total reserve amount is equivalent to 100% of paid-up capital, and when lack of reserves the deduction returns.
- 2) And then, deduct the amount required for distributing the first share of profits of 5% paid to shareholders based on the value of their shares if that did not allow the profit for one of the years, The distribution of this share is not permissible to claim the profits from the years following.
- 3) Then, 10% of the profits are allocated to the staff and workers in the bank, and are distributed according to the rules proposed by the Board of Directors and adopted by the General Assembly which should not exceed the sum of annual wages of workers in the bank.
- 4) After the above, a rate which does not exceed 10% of the remaining profit is allocated as a remuneration for the Board of Directors.
- 5) The remaining profit is distributed to shareholders as an additional share from profits or transferred to the following year based on the Board of Directors approval.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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.

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. 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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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 get better credit quality at the same time provide a source available to meet funding requirements.

A / 2 Limiting and avoiding risks policies

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

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

The lines of credit are divided, to any borrower including banks, into sub limits 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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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.

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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 **422,493** thousand Egyptian pounds during the Period ended 31 March 2018.

Bank's rating

	31 March 2018		31 December 2017	
	Loans & facilities %	Impairment provision %	Loans & facilities %	Impairment provision %
Performing loans	%83.1	%11.5	%79.9	%10.2
Regular watching	%9.0	%1.8	%10.8	%1
Watch list	%4.7	%11.8	%4.7	%3.2
Non-performing loans	%3.2	%74.9	%4.6	%85.6
	% 100	% 100	%100	%100

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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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.

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 Acceptable risk	6
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

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

A /5 Maximum limits for credit risk before collaterals.

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Balance sheet items exposed to credit risks		
Treasury bills	8,913,823	10,033,366
Loans and facilities to customers:		
Retail loans:		
Overdrafts	464,865	504,820
Credit cards	67,585	57,868
Personal loans	2,634,770	2,492,387
Mortgage loans	15,893	12,273
Corporate loans:		
Overdrafts	8,207,624	1,015,756
Direct loans	23,629,002	28,929,282
Syndicated loans	749,192	900,771
Financial investments:		
Debt instruments	3,578,216	4,640,075
Other assets	570,555	566,183
Total	48,831,525	49,152,781
Off-balance sheet items exposed to credit risk		
Acceptance documents	3,056,965	951,674
Letters of guarantee	3,542,847	3,159,499
Letters of credit Import/Export	4,184,287	3,630,858
Guarantees upon other banks request or by their warranty	3,304,702	3,138,130
	14,088,801	10,880,161

A / 6 Loans and facilities

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

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
	Loans and facilities to customers	Loans and facilities to customers
Neither past due nor impaired	35,052,699	33,361,448
Past due but not impaired	445,098	276,137
Impaired	1,168,966	1,545,397
Total	36,666,763	35,182,982
Less:		
Impairment loss provision	(893,602)	(1,266,221)
Interest in suspense	(3,715)	(3,604)
Net	35,769,446	33,913,157

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

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

31 March 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	440,107	45,123	1,894,106	3,517	6,891,148	19,896,338	276,956	-	29,447,295
Regular follow up	21,584	19,719	662,135	8,057	226,060	2,516,617	452,701	-	3,906,873
Watch list	-	-	-	-	788,903	909,628	-	-	1,698,531
	461,691	64,842	2,556,241	11,574	7,906,111	23,322,583	729,657	-	35,052,699

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 31 March 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:

31 March 2018	Retail				L.E (000)
	Over-drafts	Credit cards	Personal loans	Mortgage	Total
Past due up to 30 days	-	1,523	19,133	5	20,661
Past due 30 - 60 days	-	34	2,622	-	2,656
Past due 60-90 days	-	198	5,593	-	5,791
Total	-	1,755	27,348	5	29,108

	Corporate				L.E (000)
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	350,457	19,153	-	369,610
Past due 30 - 60 days	-	16,466	-	-	16,466
Past due 60-90 days	-	29,915	-	-	29,915
Total	-	396,838	19,153	-	415,991

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				L.E(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				L.E(000)
	Over-drafts	Direct loans	Syndicated loans	Other loans	Total
Past due up to 30 days	-	-	-	-	-
Past due 30 - 60 days	-	-	-	-	-
Past due 60-90 days	-	-	-	-	-
Total	-	-	-	-	-

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

Notes to the Financial Statements - For the period ended 31 March 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 L.E1,168, 966 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:

31 March 2018

L.E (000) Valuation	Retail				Corporate				Total
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other loans	
Individual loans subject to impairment	5,988	1,592	84,120	4,472	666,610	370,667	35,517	-	1,168,966
Fair value of collaterals	-	-	29,057	-	292,003	-	-	-	321,060

31 December 2017

L.E (000) Valuation	Retail				Corporate				Total
	Over-drafts	Credit cards	Personal loans	Mortgage	Over-drafts	Direct loans	Syndicated loans	Other 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 31 March 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 March 2018.

	Treasury bills	Investments securities	Total
	L.E (000)	L.E (000)	L.E (000)
B	8.913.823	3.578.217	12.492.040
Total	8.913.823	3.578.217	12.492.040

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 31 March 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 31 March 2018

Financial Risk Management (continued)

31 March 2018

Equivalent in L.E (000)

	L.E	USD	Euro	GBP	Other	Total
<u>Financial assets</u>						
Cash and balances with Central banks	1,268,216	1,757,984	424,028	6,414	33,350	3,489,992
Due from banks	2,006,185	3,598,314	732,731	92,754	78,224	6,508,208
Treasury bills	4,066,478	4,847,345	-	-	-	8,913,823
Loans and facilities to customers	21,113,916	14,426,517	227,048	37	1,928	35,769,446
Financial Derivatives	1,620	-	-	-	-	1,620
<u>Financial investments:</u>						
Available for sale	23,169	804,921	410	-	-	828,500
Held to maturity	2,795,045	-	-	-	-	2,795,045
Investments in subsidiaries and associates	31,250	-	-	-	-	31,250
Other assets	1,092,145	79,608	49	3	9	1,171,814
Total financial assets	32,398,024	25,514,689	1,384,266	99,208	113,511	59,509,698
<u>Financial liabilities</u>						
Due to banks	11,295	5,388,979	19,928	-	-	5,420,202
Customer deposits	26,519,141	15,924,800	1,361,189	99,096	111,910	44,016,136
Other loans	-	4,003,180	-	-	-	4,003,180
Other Provisions	154,088	18,162	3,472	-	-	175,722
Other liabilities	5,757,320	136,562	268	150	158	5,894,458
Total financial liabilities	32,441,844	25,471,683	1,384,857	99,246	112,068	59,509,698
Net financial position as of 31 March 2018	(43,820)	43,006	(591)	(38)	1,443	-
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 31 March 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 repricing 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
31 March 2018							
Financial Assets							
Cash and balances with Central banks	-	1,480,993	-	-	-	2,008,999	3,489,992
Due from banks	233,545	6,179,492	-	-	-	95,171	6,508,208
Treasury bills	-	1,762,406	7,151,417	-	-	-	8,913,823
Loans and facilities to customers gross (before deducting provisions)	5,998,276	4,624,854	4,703,462	19,877,991	1,462,180	-	36,666,763
Financial Derivatives	1,620	-	-	-	-	-	1,620
Financial investments:							
Available for sale	-	-	-	623,824	204,676	-	828,500
Held to maturity	-	-	-	2,773,295	21,750	-	2,795,045
Investments in subsidiaries and associates	-	-	-	-	31,250	-	31,250
Total financial assets	6,233,441	14,047,745	11,854,879	23,275,110	1,719,856	2,104,170	59,235,201
Financial liabilities							
Due to banks	244,014	4,397,810	778,378	-	-	-	5,420,202
Customer deposits	18,833,976	6,710,953	5,233,997	12,619,667	617,543	-	44,016,136
Other Loans	-	-	-	929,466	3,073,714	-	4,003,180
Total financial liabilities	19,077,990	11,108,763	6,012,375	13,549,133	3,691,257	-	53,439,518
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 31 March 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 31 March 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.

31 March 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	4,302,157	885,007	233,038	-	-	5,420,202
Customers' deposits	18,833,976	6,710,953	5,233,997	12,619,667	617,543	44,016,136
Other loans	-	-	-	2,150,550	1,852,630	4,003,180
Total of financial liabilities	23,136,133	7,595,960	5,467,035	14,770,217	2,470,173	53,439,518
Total of financial assets	13,123,074	11,017,165	10,899,987	22,613,482	1,581,495	59,235,203

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 31 March 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:

31 March 2018						<u>L.E (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	-	-	-	176,441	-	176,441
Inflows	-	-	-	176,441	-	176,441
Total outflows	-	-	-	176,441	-	176,441
Total inflows	-	-	-	176,441	-	176,441

31 December 2017						<u>L.E (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):

31 March 2018				<u>L.E (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	14,088,802	-	-	14,088,802
Operating lease commitments	5,996	54,014	23,622	83,632
Capital commitments arising from the acquisition of fixed assets	242,609	-	-	242,609
Total	14,337,407	54,014	23,622	14,415,043

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

Notes to the Financial Statements - For the period ended 31 March 2018

Financial Risk Management (continued)

31 December 2017

	Over			L.E (000)
	Up to 1 year	1 year and less than 5 years	More than 5 years	Total
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	
	L.E (000) 31 March 2018	L.E (000) 31 December 2017	L.E (000) 31 March 2018	L.E (000) 31 December 2017
Financial assets				
Due from banks	3,489,992	4,258,426	6,508,208	4,258,426
Loans and facilities to customers	36,666,763	35,182,982	35,933,427	34,479,322
Financial investments:				
<u>Available for sale</u>				
Equity instruments available for sale unquoted	17,532	17,523	17,532	17,523
<u>Held to maturity</u>				
Debit instruments quoted	2,773,295	3,832,307	2,645,474	3,540,047
Debit instruments unquoted	21,750	21,750	57,293	52,214
Financial liabilities				
Due to banks	5,420,202	8,613,507	5,420,202	8,613,623
Customers' deposits	44,016,136	40,857,489	45,895,625	42,600,547
Other loans	4,003,180	4,022,148	4,007,203	4,113,910

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

Notes to the Financial Statements - For the period ended 31 March 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 L.E 500 million as a minimum requirement for the issued and paid up capital.
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 10 % or more.

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

Notes to the Financial Statements - For the period ended 31 March 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 31 March 2018

Financial Risk Management (continued)

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

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Capital		
Tier 1 (basic capital)		
Share capital	1,500,000	1,500,000
General reserve	206,773	206,773
Legal reserve	209,901	209,901
Capital reserve	53,078	53,078
Risk Reserve IFRS 9	268,347	-
Retained earnings	2,369,947	1,180,498
Quarterly profit and loss	496,895	1,503,096
Disposals	(108,640)	(112,486)
Total basic capital	4,996,301	4,540,860
Tier 2 (subordinated capital)		
Equivalent to general risk provision	267,207	255,173
Loans/subordinated deposits	970,426	975,024
45% of the available for sale , held to maturity and investments in associates and subsidiaries increase FV	15,996	13,709
45% of the special reserve	4,142	4,142
Disposals	(19,153)	-
Total subordinated capital	1,238,618	1,248,048
Total Capital adequacy after disposals	6,234,919	5,788,908
Assets and contingent liabilities risk weighted		
Total credit risk	24,244,013	22,904,671
Capital requirements for operational risk	3,411,614	3,411,614
Value of waive border assessments for the 50 largest client	6,448,253	3,930,008
Total risk weighted assets and contingent liabilities	34,103,880	30,246,293
Capital adequacy ratio (%)	18.28%	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 31 March 2018

Financial Risk Management (continued)

	31 March 2018	31 December 2017
Tier 1 of Capital after disposals (1)	4,996,301	4.540.860
Cash and Due from Central Bank	5,489,992	6.064.201
Due from bank	4,508,208	3.052.426
Treasury bills and other governmental securities	8,913,823	10.033.366
Available for sale investments	828,500	830.864
Held to maturity investments	2,795,045	3.854.057
Investments in associates and subsidiaries	31,250	31.249
Loans and facilities to customers	35,768,931	34.095.308
Fixed assets (after deducting impairment provisions and accumulated depreciation)	278,754	311.334
Other assets	894,680	915.693
Deductible exposures (some of capital base Tier 1 deductions)	(87,640)	(55.784)
Total exposures of in-balance sheet items after Tier 1 deductions	59,421,543	59.132.714
Replacement cost	2,633	4.287
The future expected value	1,539	7.177
Total exposures resulted from derivatives contracts	4,172	11.464
Total exposures resulted from financing securities operations	63,511	-
Total exposures of in-balance sheet items, derivatives contracts and financing securities operations.	59,489,226	59.144.178
Letters of credit – Importing	774,013	722.449
Letters of credit – Exporting	62,844	3.723
Letters of Guarantee	1,771,424	1.579.749
Letters of Guarantee upon other banks' request or by their warranties	1,652,351	1.569.065
Accepted Bills	3,056,965	951.674
Total contingent liabilities	7,317,597	4.826.660
Capital Commitments	242,609	75.278
Legal claims	4,165	4.167
Commitments for operating lease contracts	83,632	87.107
Commitments for loans, guarantees and facilities (unused limits) with original due date		
irrevocable more than year	129,369	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	840,283	988.252
Total commitments	1,300,058	2.125.867
Total Off-balance sheet exposures	8,617,655	6.952.527
Total in-balance sheet and off-balance sheet exposures (2)	68,106,881	66.096.705
Financial leverage ratio (1/2)	7.34%	6.87%

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

Notes to the Financial Statements - For the period ended 31 March 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 31 March 2018

5. Net interest income

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Interest from loans and similar revenues from:		
Loans and facilities :		
Customers	1,180,463	593,464
Treasury bills	251,386	325,349
Deposits and current accounts	95,736	125,422
Investments in debt instruments held to maturity and available for sale	119,102	182,055
Total	1,646,687	1,226,290
Costs of Deposits and similar costs from:		
Deposits and current accounts		
Banks	129,896	51,619
Customers	820,469	578,841
	950,365	630,460
Other Loans	44,829	28,614
Total	995,194	659,074
Net	651,493	567,216

6. Net fees and commission income

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Fees and commission income:		
Fees and commissions related to credit	140,881	83,979
Custody fees	2,185	1,501
Other fees	55,399	14,066
	198,465	99,546
Fees and commission expenses:		
Other fees paid	(5,241)	(3,428)
Net	193,224	96,118

7. Dividends

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Securities available for sale	260	44
	260	44

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

Notes to the Financial Statements - For the period ended 31 March 2018

8. Net trading income

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Foreign exchange operations :		
Forex gains	16,747	42,868
Gain/(Loss) of revaluation interest rate swap contract	1,620	389
	18,367	43,257

9. Gains from financial investments

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Gain from sale of investments available for sale	-	1,353
Gain/(loss) from sale of treasury bills	1,910	(2,510)
	1,910	(1,157)

10. Share of profit from associates

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
International Company for Postal Services	-	(421)
Al-Watany Capital for Assets Management	-	464
	-	43

During the period the bank has not recorded share of profit from associate since it is immaterial.

11. General and administrative expenses

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Staff costs		
Wages and salaries	96,171	62,063
Social insurance	4,055	3,268
Pension and other benefits cost		
Defined contribution plan	11,106	12,862
	111,332	78,193
Other administrative expenses	107,145	71,691
Total	218,477	149,884

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

Notes to the Financial Statements - For the period ended 31 March 2018

12. Other operating income (expenses)

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Gains/(losses) from revaluation of monetary assets & liabilities balances in foreign currencies other than trading	(211)	(269)
Assets transferred to the bank income	819	1,538
Assets transferred to the bank expenses	(62)	(82)
Gains/(losses) from sale of fixed assets	63,858	-
Operating and finance lease expenses	(6,095)	(6,029)
Other provisions	(10,500)	(38,800)
	47,809	(43,642)

13. Income tax expenses

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Current income taxes	145,815	114,270
Deferred tax	126	110
	145,941	114,380

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

Settlement to calculate the effective tax rate:

	31 March 2018		31 March 2017	
	L.E (000)		L.E (000)	
	Tax pool	Tax	Tax pool	Tax
Accounting profit before tax	642,836		443,914	
Income tax calculated on accounting profit		144,638		99,881
Total Income tax calculated on accounting profit		144,638		99,881
Add / (Deduct)				
Non-deductible expenses	-		337	
Non-taxable revenues	(260)		(44)	
Provisions and Interest in suspense	5,346		64,048	
Other deductions	123		(385)	
Net tax pool	648,045		507,870	
Income tax according to the tax return		145,810		114,270
Tax of Treasury Bills and Treasury bonds		5		-
Income tax		145,815		114,270
Effective tax rate		22.68%		25.74%

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

Notes to the Financial Statements - For the period ended 31 March 2018

14. Cash and Due from Central Bank (CBE)

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Cash	1,028,652	807,516
Due from central bank (within the required reserve percentage)	2,461,340	4,050,685
	3,489,992	4,858,201
Non-interest bearing balances	2,008,999	3,208,709
Interest bearing balances	1,480,993	1,649,492
	3,489,992	4,858,201

15. Due from banks

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Current accounts	328,716	261,111
Deposits	4,179,492	2,791,315
	4,508,208	3,052,426
Due from central bank (other than the required reserve percentage)	2,000,000	1,206,000
	6,508,208	4,258,426
Non-interest bearing balances	95,171	126,547
Interest bearing balances	6,413,037	4,131,879
	6,508,208	4,258,879
Current balances	6,508,208	4,258,426
	6,508,208	4,258,426

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

Notes to the Financial Statements - For the period ended 31 March 2018

16. Treasury bills

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Treasury bills	8,913,823	10,033,366
<u>Treasury bills represent the following:</u>		
91 days maturity	3,177,425	8,678,643
182 days maturity	970,350	1,388,925
273 days maturity	50,000	192,425
364 days maturity	4,989,751	-
Unearned interest	9,187,526	10,259,993
	(276,134)	(226,627)
Total	8,911,392	10,033,366
<u>Purchase with Resell Commitment</u>		
Treasury Bills	2,450	-
Unearned interest	(19)	-
	2,431	-
	8,913,823	10,033,366

17. Loans and facilities to customers

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Loans to Customers	35,274,424	33,958,329
Murabhat	1,392,339	1,224,653
Total loans and facilities to customers	36,666,763	35,182,982
Less		
Provision for impairment losses	(893,602)	(1,266,221)
Interest in suspense	(3,715)	(3,604)
Net	35,769,446	33,913,157

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

Notes to the Financial Statements - For the period ended 31 March 2018

Loans and facilities to customers (continued)

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Retail:		
Overdrafts	467,678	521,675
Credit cards	68,189	58,419
Personal loans	2,667,710	2,504,957
Mortgage loans	16,051	12,289
Total (1)	3,219,628	3,097,340
Corporate loans including small loans:		
Overdrafts	8,572,725	2,103,431
Direct loans	24,090,083	29,075,098
Syndicated loans	784,327	907,113
Total (2)	33,447,135	32,085,642
Total loans and advances to customers (1+2)	36,666,763	35,182,982
Less		
Provision for impairment losses	(893,602)	(1,266,221)
Interest in suspense	(3,715)	(3,604)
Net	35,769,446	33,913,157

Provision for impairment losses:

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

31 March 2018	Retail	Corporate	Total
	L.E (000)	L.E (000)	L.E (000)
Beginning balance	28,374	1,237,847	1,266,221
Impairment charged during the period	-	51,750	51,750
Proceeds from previously written off	-	2,880	2,880
Foreign currency translation differences	-	(4,685)	(4,685)
Transfer from Corporate to Retail provisions	8,400	(8,400)	-
Transferred to banking risk provisions	-	(72)	(72)
	36,774	1,279,320	1,316,094
Used during the period	(258)	(422,234)	(422,492)
Ending balance	36,516	857,086	893,602

-The amount of bad debts, which was written off reached L.E 422,493 thousand for the period ended 31 March 2018.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Loans and facilities to customers (continued)

	Retail	Corporate	Total
31 December 2017	L.E (000)	L.E (000)	L.E (000)
Beginning balance	34.888	1.335.157	1.370.045
Impairment charged during the year	-	409.065	409.065
Provisions No Longer Required	-	(78.818)	(78.818)
Proceeds from loans previously written off	-	11.647	11.647
Foreign currency translation differences	-	(12.669)	(12.669)
Transferred from corporate to retail provisions	2.415	(2.415)	-
Transferred to legal provisions	-	(1.774)	(1.774)
Transferred to Contingent Liability Provisions	-	(13.706)	(13.706)
	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 verses 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.

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

Notes to the Financial Statements - For the period ended 31 March 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:

	31 March 2018			31 December 2017		
	Contractual default amount	Assets	Liabilities	Contractual Default amount	Assets	Liabilities
Derivatives held for trading						
Interest rate swaps	176.441	1.620	-	177.277	432	-
Total derivatives	176.441	1.620	-	177.277	432	-

19. Financial investments

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Available for sale investments		
Debt Instruments – Fair value:		
Quoted	804,921	807,768
Debt instruments –Unquoted :		
Ishraq Fund	2,158	2,089
Namaa Fund	3,889	3,484
Equity Instruments – Fair value:		
Unquoted	26,971	26,962
Less: Impairment loss	(9,439)	(9,439)
Total available for sale investments (1)	828,500	830,864
Held to maturity investments		
Debt instruments – Amortized Cost:		
Debt instruments-quoted - Traded with fixed interest	2,773,295	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)	2,795,045	3,854,057
Total financial investments (1+2)	3,623,545	4,684,921
Current Balances	3,584,264	4,645,648
Non-Current Balances	39,281	39,273
	3,623,545	4,684,921
Fixed interest debt instruments	3,578,216	4,640,075
Variable interest debt instruments	45,329	44,846
	3,623,545	4,684,921

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Notes to the Financial Statements - For the period ended 31 March 2018

Financial investments (continued)

	Available for Sale Investments	Held to maturity investments	Total
	L.E (000)	L.E (000)	L.E (000)
Balance as of 1 January 2018	830,864	3,854,057	4,684,921
Disposals (Sale / Redemption)	-	(1,066,949)	(1,066,949)
Foreign currency translation difference for financial assets	(3,910)	-	(3,910)
Gain/loss from change in FMV for available for sale investments (Note 31)	(3,848)	-	(3,848)
Reverse of change in FMV for available for sale investments	-	-	-
Amortized cost during the Period	5,394	7,937	13,331
Balance as of 31 March 2018	828,500	2,795,045	3,623,545
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 (Note 31)	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:

	31 March 2018		31 December 2017	
	Amount	Share	Amount	Share
	L.E (000)	%	L.E (000)	%
International Company for Postal Services	2.000	20.00	2.000	20.00
Al-Watany Capital Assets Management	29.250	49.99	29.250	49.99
	31.250		31.250	

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Notes to the Financial Statements - For the period ended 31 March 2018

Investments in Associates (continued)

The main financial data and the share of the bank in the Associates are from the Financial Statements as of 31 December 2017 are as follows:

Description	Share%	Share of the bank	Net	Revenues of	Total	Assets of	Region	Nature of relation
			Income of company	company	Liabilities without Equity	company		
International company for postal services	Associate	Egypt	106.005	45.923	195.979	42.451	2.000	20.00
Al Watany Capital assets management	Associate	Egypt	39.551	1.169	9.236	(24.267)	29.250	49.99

- All investments in associates are unquoted.

During the current period the bank did not record any share of profit from associate as it is immaterial

21. Other assets

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Accrued revenues	419.950	422.126
Advances to purchase fixed assets	85.111	78.563
Assets transferred to the bank (after deducting the impairment)	65.494	65.494
Other assets held for sale*	25.082	25.082
Collective insurance policy	101.402	101.401
Prepaid expenses	31.142	34.259
Insurance & petty cash	25.764	30.081
Prepaid interest expense	4.629	8.372
Other	101.159	115.237
	859.733	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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Notes to the Financial Statements - For the period ended 31 March 2018

22. Fixed Assets

	Land*	Buildings*	Core Systems	Vehicles	Fitting out	Machines and equipment's	Furniture	Others	Total
	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Balance as of 1 January 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	-	-	3.946	4.760	653	106	375	533	10.373
Disposals	(15.545)	(22.335)	(51)	-	(305)	(34)	(124)	(265)	(38.659)
Depreciation for disposals	-	4.981	48	-	301	29	103	255	5.717
Depreciation for the Period	-	(1.018)	(2.769)	(48)	(4.567)	(733)	(592)	(284)	(10.011)
Net book value as at 31 March 2018	7.383	160.109	36.925	5.253	34.766	12.265	16.554	5.499	278.754
Balance as of 31 March 2018									
Cost	7.383	199.256	98.166	9.894	146.570	30.837	34.613	15.269	541.988
Accumulated depreciation	-	(39.147)	(61.241)	(4.641)	(111.804)	(18.572)	(18.059)	(9.770)	(263.234)
Net book value as of 31 March 2018	7.383	160.109	36.925	5.253	34.766	12.265	16.554	5.499	278.754

*Fixed assets (net of accumulated depreciation) at Balance Sheet date include L.E 105.720 K 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.

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

Notes to the Financial Statements - For the period ended 31 March 2018

23. Intangible assets

	<u>Computer programs</u>	<u>Other assets</u>	<u>Total</u>
	L.E (000)	L.E (000)	L.E (000)
Cost as of 1 January 2018	34.205	12.050	46.255
Addition	478	-	478
Cost as of 31 March 2018	34.683	12.050	46.733
Amortization as of 1 January 2018	(10.144)	(1.465)	(11.609)
Amortization of the Period	(1.496)	(301)	(1.797)
Amortization as of 31 March 2018	(11.640)	(1.766)	(13.406)
Net book value as of 31 March 2018	23.043	10.284	33.327
Net book value as of 31 December 2017	24.061	10.585	34.646

24. Due to banks

	<u>31 March 2018</u>	<u>31 December 2017</u>
	L.E (000)	L.E (000)
A- Local Banks		
Current Accounts	112.716	2.979.000
Deposits	-	2.979.000
	112.716	
B- Foreign Banks		214.947
Current Accounts	131.298	5.419.560
Deposits	5.176.188	5.634.507
	5.307.486	8.613.507
	5.420.202	214.876
Non-interest bearing balances	131.004	8.398.631
Interest bearing balances	5.289.198	8.613.507
	5.420.202	8.613.507
Current balances	5.420.202	8.613.507
	5.420.202	

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

Notes to the Financial Statements - For the period ended 31 March 2018

25. Customers' deposits

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Demand deposits	13.429.328	12.420.913
Time and call deposits	13.053.258	12.190.969
Certificates of deposits	12.584.266	11.649.958
Saving deposits	3.892.675	3.774.801
Other deposits	1.056.609	820.848
Total	44.016.136	40.857.489
Financial Institutions and corporate deposits	22.884.275	21.197.793
Individual deposits	21.131.861	19.659.696
	44.016.136	40.857.489
Non-interest bearing balances	1.056.609	820.848
Interest bearing balances	42.959.527	40.036.641
	44.016.136	40.857.489
Current balances	30.778.926	29.279.937
Non-current balances	13.237.210	11.577.552
	44.016.136	40.857.489

26. Other Loans

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
European bank for reconstruction and development loan	1.114.351	1.119.631
IFC loan	551.378	553.991
The Arab Fund for Economic Development Loan and social	882.205	886.385
Sanad for financing of small and micro enterprises loan	137.232	137.882
France's Development Organization Loan	347.589	349.235
Subordinated loan (National Bank of Kuwait- Kuwait)*	970.425	975.024
	4.003.180	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 31 March 2018

27. Other liabilities

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Accrued interest	357.703	372.977
Accrued Expense	89.111	41.615
Unearned revenue	41.870	43.546
Creditors	50.155	52.630
Other credit balances	58.689	65.460
	597.528	576.228
	4.003.180	4.022.148

28. Retirement benefit obligation

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
<u>Retirement benefits obligation in balance sheet:</u>	62.059	59.058
Medical benefit after retirement	62.059	59.058

Realized amounts in income statement:

Medical benefit after retirement	3.001	33.910
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Balances in balance sheet

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Book value for financed liabilities	-	-
Fair value of staff benefits obligations assets	-	-
Book value for non - financed liabilities	62.059	59.058
Unrecognized Cost for employee benefits	-	-
Unrealized actuarial losses	-	-
Liabilities in balance sheet	62.059	59.058

Liabilities during the Period

Beginning Balance for the period / financial year	59.058	25.148
Cost of current services	1.288	4.485
Interest expense	2.211	8.083
Employee contributions to employee benefit regulations	-	-
Actuarial gains / (losses)	-	73
Foreign exchanges	-	-
Paid benefits	(498)	(1.761)
Differences of Benefits plan changes	-	-
Adjustments	-	23.030
Ending balances	62.059	59.058

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

Notes to the Financial Statements - For the period ended 31 March 2018

29. Other Provisions

	Potential claims Provision	Contingent liabilities provision	Legal Provision	Bank Operation Risk Provision	Total
As of 31 March 2018					
Balance at the beginning of the Period	85.178	70.991	3.154	7.264	166.587
Charged to the income statement	10.500	-	-	-	10.500
Foreign currency valuation differences	16	(3)	-	(26)	(13)
Transferred (to)/from Loans provision	-	-	-	72	72
Reverse of provisions no longer required	-	-	-	-	-
Used during the Period	(1.424)	-	-	-	(1.424)
Balance at the end of the Period	94.270	70.988	3.154	7.310	175.722
As of 31 December 2017					
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
Proceeds during the Year	-	-	-	-	-
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	
	31 March 2018	31 December 2017	31 March 2018	31 December 2017
	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Fixed assets depreciation	-	-	(16.206)	(16.080)
Provisions (other than loans provision)	9,486	9,486	-	-
Total tax assets (liabilities)	9,486	9,486	(16.206)	(16.080)
Net tax assets (liabilities)	-	-	(6.720)	(6.594)

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

Notes to the Financial Statements - For the period ended 31 March 2018

Deferred tax (continued)

Deferred tax assets and liabilities movement:

	Deferred tax assets		Deferred tax liabilities	
	31 March 2018	31 December 2017	31 March 2018	31 December 2015
	L.E (000)	L.E (000)	L.E (000)	L.E (000)
Balance at the beginning of the Period /Year	9,486	9,486	(16.080)	(14.505)
Disposal	-	-	(126)	(1.575)
Balance at the end of the Period / Year	9,486	9,486	(16.206)	(16.080)

31. Stockholders' Equity

(a) Authorized Capital

The authorized capital is LE2.5 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.

	31 March 2018 L.E (000)	31 December 2017 L.E (000)
Legal reserve	209.901	209.900
General reserve	206.773	206.773
Special reserve	9.205	9.205
Capital reserve	53.078	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	(20.383)	(23.392)
Total Reserves	810.038	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	3.043	57.323
Foreign currencies exchange differences of available for sale investments	(34)	(6)
Reversal of Available for sale financial investments fair value reserve transferred to the income statement during the Period / Year due to sale	-	-
	(20.383)	(23.392)

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

Notes to the Financial Statements - For the period ended 31 March 2018

Stockholders' Equity (continued)

(d) Retained Earnings

	31 March 2018	31 December 2017
	L.E (000)	L.E (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	496,895	1,503,097
Dividends	-	(83,284)
Transferred to Capital Increase	-	(250,000)
Transferred to IFRS9 Risk Reserve	-	(268,347)
Transferred to reserves	(45,300)	(165,933)
Balance at the end of the Period/ Year	2,866,844	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:

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Cash and due from Central Bank of Egypt	3,489,992	4,858,201
Due from banks	6,508,208	4,258,426
Treasury bills	8,913,823	10,033,366
Due from central bank (within the mandatory reserve percentage)	(2,461,340)	(4,050,685)
Treasury bills with maturities of more than three months	(7,151,417)	(10,029,620)
Cash and cash equivalents	9,299,266	5,069,688

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

Notes to the Financial Statements - For the period ended 31 March 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

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Due to customers		
Current accounts	262	154
Deposits	-	-
	262	154
Due from customers		
Bank overdraft	-	-
Other debit balances	42	-
Balance at the end of the Period / Year	42	-
Due from banks	279.261	90.428
Due to banks	4.121.907	2.990.269

B- Subordinated loan from National Bank of Kuwait

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Nominal amount at the end of the Period / Year	970,426	975.024
	970,426	975.024

- National Bank Of Kuwait obtain, the loan paid in the amount of 55 million US dollars equivalent to 970,426 thousand Egyptian pounds denominated in the dollar when preparing the Financial Statement sat 17.6441 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 4.79706% annually.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Related party transactions (continued)

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

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Mutual funds managements Fess	332	3,253
Interest expenses	4	99

D- The total amount of salaries and wages paid for the top 20 banks employees is L.E 6.961K with a monthly average salary L.E 2.320K for the Period ended 31 March 2018.

34. Commitment and contingent liabilities

A- Legal claims

There are lawsuits filed against the Bank as at 31 March 2018 amounted to 4,165K 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 L.E 242.609K as at 31 March 2018, compared to L.E 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:

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Acceptances securities	3,056,965	951,674
Letters of guarantee	3,542,847	3,159,499
Letters of credit (import and export)	4,184,287	3,630,858
Guarantees upon other banks' request or by their warranties	3,304,702	3,138,130
Total	14,088,801	10,880,161

D- Commitments for operating lease contracts

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

	31 March 2018	31 December 2017
	<u>L.E (000)</u>	<u>L.E (000)</u>
Less than one year	5,996	9,105
More than one year and less than five years	54,014	53,364
More than five years	23,622	24,638
	83,632	87,107

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

Notes to the Financial Statements - For the period ended 31 March 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 L.E (000)	Currency	Amount L.E (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:

	31 March 2018 L.E (000)	31 December 2017 L.E (000)
First: Assets:		
Due from banks	2,006,186	4,502,022
	2,006,186	4,502,022
Loans to Customer and Banks		
Agriculture Sector	575,214	30,932
Industrial Sector	14,564,526	10,646,507
Commercial Sector	2,516,641	657,178
Services Sector	930,121	3,474,784
Family Sector	2,819,120	421,111
Other Sectors	30,629	-
	21,436,251	15,230,512
Loans Provision	(317,565)	(576,037)
Interest in suspense	(2,256)	(1,459)
Net Loans	21,116,430	14,653,016

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

Notes to the Financial Statements - For the period ended 31 March 2018

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

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Second: Liabilities:		
Due to banks	11,295	5,408,907
	11,295	5,408,907
Customer Deposits		
Agriculture Sector	126,100	66,633
Industrial Sector	5,650,879	4,857,159
Commercial Sector	1,147,560	598,897
Services Sector	1,436,763	2,994,157
Family Sector	16,418,092	6,448,419
Other Sectors	1,673,044	2,598,433
	26,452,438	17,563,698
Contingent Liabilities		
Letter of guarantees	2,630,297	912,551
Guarantees upon other banks' request or by their warranties	92,776	3,211,925
Letter of credit (Import & Export)	33,041	4,151,246
Accepted bills for suppliers facilities	9,349	3,047,616
	2,765,463	11,323,338

37. Geographical distribution of loans balances

	Local Currency L.E (000)	Foreign Currency L.E (000)
Cairo	5,682,737	4,361,919
6th of October	858,412	567,315
Alexandria	969,653	1,222,844
Gharbya	64,045	49,296
Damitta	22,324	618
Sharquia	540,111	201,440
Dakahlia	311,431	348,447
Kalubaia	109,127	383,244
Giza	12,702,751	8,085,387
Asuit	46,014	2,217
Sohaj	78,530	4,644
Red sea	50,711	3,141
South Sinai	405	-
	21,436,251	15,230,512
Less		
Loans Provision of impairment losses	(317,565)	(576,037)
Interest in suspense	(2,256)	(1,459)
Net Loans	21,116,430	14,653,016

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

Notes to the Financial Statements - For the period ended 31 March 2018

38. Geographical distribution of Deposits

	31 March 2018	31 December 2017
	L.E (000)	L.E (000)
Cairo	11,490.874	9,292.076
6th of October	1,759.925	942.641
Alexandria	2,600.632	3,504.182
Gharbya	297.141	137.649
Damitta	125.772	20.168
Sharquia	162.800	182.291
Dakahlia	457.755	274.921
Kalubaia	304.705	136.725
Giza	8,530.513	2,933.681
Asuit	246.660	32.932
Sohaj	335.720	40.621
Red sea	123.766	56.489
South Sinai	16.175	9.322
	26,452.438	17,563.698

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

The redeemable value of the certificate as of 31 March 2018 amounted to L.E **348.13589** and the outstanding of the fund certificates at that date reached **71.523** certificates while the net assets value of the mutual fund was L.E **24.899 K** as of 31 March 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 L.E **19 K** for the Period ended 31 March 2018 included in fees and commissions' income caption in the Income Statement.

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

Notes to the Financial Statements - For the period ended 31 March 2018

Mutual Funds (continued)

(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 L.E **148,984 K** of which **500,000** certificates (Held) were allocated to the bank to undertake the fund’s activity with a nominal value of L.E **5,000 K**

The bank purchased a number of 100.000 certificates (AFS) of total amount of L.E 2,079 K and with a redeemable value amounted to L.E **2.158 K** as of 31 March 2018.

The redeemable value of the certificate as of 31 March 2018 amounted to L.E 21.58252 and the outstanding of the fund certificates at that date reached 20.418.889 certificates while the net assets value of the mutual fund was L.E **440.692 K** as of 31 March 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 L.E **492K** for the Period ended 31 March 2018 included in fees and commissions’ income caption in the Income Statement.

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

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

The redeemable value of the certificate as of 31 March 2018 amounted to L.E **25.01992** and the outstanding of the fund certificates at that date reached **527.116** certificates while the net assets value of the mutual fund was L.E **13.188K** as of 31 March 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 L.E **18 K** for the Period ended 31 March 2018 included in fees and commissions’ income caption in the Income Statement.

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

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

The bank purchased a number of 185,334 certificates (AFS) of total amount of L.E 2,050 K and with a redeemable value amounted to L.E **3,889 K** as of 31 March 2018.

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Notes to the Financial Statements - For the period ended 31 March 2018

Mutual Funds (continued)

The redeemable value of the certificate as of 31 March 2018 amounted to L.E 20.98616 and the outstanding of the fund certificates at that date reached **712,111** certificates while the net assets value of the mutual fund was L.E **14.944K** as of 31 March 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 L.E **21K** for the Period ended 31 March 2018 included in fees and commissions' income caption in the Income Statement.

40. Earnings per share

	31 March 2018	31 March 2017
	L.E (000)	L.E (000)
Net profit for the period	496.895	329.534
Shareholders share in net profit for the period	496.895	329.534
Average number of shares	150,000	100.000
Earnings per share (share/L.E)	3.31	3.30