

**National Bank of Egypt
(S.A.E)**
**The Separate Financial Statements
And Auditors' Report**
**For the financial year ended
30 June 2020**

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Ehab Morad Azer

Allied for Accounting and Auditing - EY

Khaled Kamal Ahmed Mohamed

Accountability State Authority

Auditors' Report

To the Shareholders of National Bank of Egypt

(S.A.E)

Report on the separate financial statements

We have audited the accompanying separate financial statements of National Bank of Egypt (S.A.E) which comprise the separate statement of financial position as at 30 June 2020, and the separate statements of income (profit / loss), the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the financial year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the separate financial statements

These separate financial statements are the responsibility of bank's management. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008 followed by the amendment instruction issued in 26 February 2019 and in light of the prevailing Egyptian laws. Management responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement whether due to fraud or error. Management responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

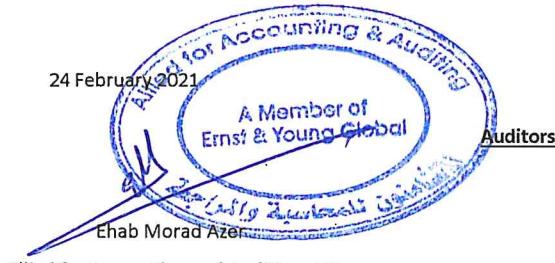
In our opinion, the separate financial statements referred to above present fairly in all material respects, the separate financial position of National Bank of Egypt (S.A.E) as at 30 June 2020 and its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on 16 December 2008, followed by the amendment instruction issued in 26 February 2019 and the Egyptian laws and regulations relating to the preparation of these separate financial statements.

Report on other legal and regulatory requirements

The bank maintains proper books of account, which include all that is required by law and by the statutes of the bank. The separate financial statements are in agreement thereto. The financial information included in the board of directors' report which is prepared in accordance with law No. 159 of 1981 and its executive regulations is in agreement with the books of the bank insofar as such information is recorded therein.

Cairo:-

24 February 2021



Allied for Accounting and Auditing - EY

Khaled Kamal

Khaled Kamal Ahmed Mohamed

Accountability State Authority

National Bank of Egypt

Separate Statement of Financial Position as at 30 June 2020

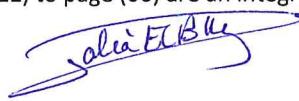
All figures are in EGP Millions

	Note No.	30-Jun 2020	30-Jun 2019
Assets			
Cash and balances with Central Banks	(15)	45,360	29,397
Due from banks	(16)	315,883	490,507
Financial investments at fair value through profit/loss	(17)	1,247	338
Loans and advances to banks, net	(18)	2,909	2,454
Loans and advances to customers, net	(19)	682,651	514,173
Financial derivatives	(20)	258	292
Financial investments			
Financial investments at fair value through other comprehensive income	(21)	798,752	445,034
Financial investments at amortized cost	(22)	100,262	103,216
Investments in subsidiaries and associates	(23)	7,912	7,770
Fixed assets, net (after accumulated depreciation)	(24)	7,360	5,697
Investment property	(25)	2	2
Other assets	(26)	55,846	37,320
Total assets		2,018,442	1,636,200
Liabilities and shareholders' equity			
Liabilities			
Due to banks	(27)	89,147	140,989
Repurchase agreements-treasury bills		22,444	22,191
Customers' deposits	(28)	1,595,517	1,170,592
Financial derivatives	(20)	106	228
Other loans	(29)	136,831	139,033
Other liabilities	(30)	38,263	41,794
Other provisions	(31)	10,131	8,088
Pension benefits' liabilities	(32)	3,938	3,416
Total liabilities		1,896,377	1,526,331
Shareholders' equity			
Paid-up capital	(33)	50,000	35,000
Reserves	(34)	15,978	22,107
CBE subordinate-loan differences between nominal and present value		36,084	29,800
Fair value reserves for investments through other comprehensive income		6,213	2,757
Net profit for the year		13,067	20,205
Retained earnings		723	-
Total shareholders' equity		122,065	109,869
Total liabilities and shareholders' equity		2,018,442	1,636,200
Contingent liabilities and commitments			
Letters of Credit, Guarantee and other commitments	(35)	671,503	608,168

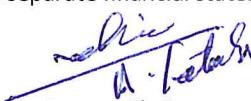
-The attached notes from page (11) to page (66) are an integral part of these separate financial statements.



Chief Financial Officer
Wael Abou Ali



Deputy Chairman
Dalia El Baz



Deputy Chairman
Yehia Abu El Fotuh



Chairman
Hisham Ahmed Okasha



Mr. Ehab Morad Azer
(Allied For Accounting & Auditing)
EY

Auditors



Mr. Khaled Kamal Ahmed Mohamed
(Accountability State Authority)

	Note No.	30-Jun 2020	30-Jun 2019
Interest income on loans and similar income		187,956	183,978
Interest expense on deposits and similar expense		(142,848)	(128,646)
Net interest income	(6)	45,108	55,332
Fees and commissions income		7,418	7,604
Fees and commissions expense		(657)	(804)
Net fees and commissions income	(7)	6,761	6,800
Dividends income	(8)	586	681
Net trading income	(9)	2,848	1,411
Profit (loss) from financial investments	(22.2)	428	(2,415)
Expected credit losses charge	(10)	(3,355)	(4,449)
Administrative expenses	(11)	(20,461)	(20,198)
Other operating expenses	(12)	(1,313)	(3,478)
Profit before income tax		30,602	33,684
Income tax expenses	(13)	(17,535)	(13,479)
Net profit for the year		13,067	20,205
Basic earnings per share/ Diluted			
EGP	(14)	0.18	0.34

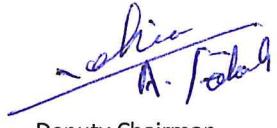
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Chief Financial Officer
Wael Abou Ali



Deputy Chairman
Dalia El Baz



Deputy Chairman
Yehia Abu El Fotuh



Chairman
Hisham Ahmed Okasha

National Bank of Egypt

Statement of Proposed Profit Distribution for the year ended 30 Jun 2020

All figures are in EGP Millions

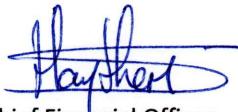
	30-Jun 2020	30-Jun 2019 -Approved
Net profit for the year from Income Statement (Profit / Loss)	13,067	20,205
Deduct:-		
Gain on sale of fixed assets transferred to capital reserve in conformity with article No 40 for the Law No. 159 for the year 1981	(50)	(6)
Net profit available for distribution	13,017	20,199
Retained earning	723	-
Profit available for distribution	13,740	20,199
To be distributed as follows:		
Legal reserve	1,302	2,020
General banking risk reserve-Assets reverted to the bank	221	-
General reserve	1,149	1,818
Supportive reserve	-	11,858
Employees' dividends	4,173	3,027
Shareholders' dividends *	6,765	1,476
Banking system Support and Development Fund**	130	-
Total	13,740	20,199

*Proposed to be transferred, an amount of EGP 5,335 Million from the share of government's net profit at 30 June 2020 to the supportive reserve, after excluding the following:-

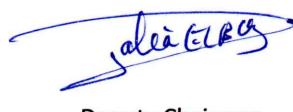
- An amount of EGP 1000 Million cash dividends to the shareholders'
- An amount of EGP 428 Million paid in accordance with the agreement of subordinated loan which used in increasing the bank's paid- up capital.
- An amount of EGP 2 Million represents bank's net accrued interest related to the 5% governmental bonds ,which settled in government's share of net profit.

** According to Article 178 of Central Banking system's law no.194 for year 2020, which required to deduct an amount not exceeding 1% of the yearly distributable net profit for the Banking system Support and development fund.

-The attached notes from page (11) to page (66) are an integral part of these separate financial statements.



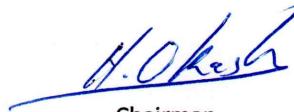
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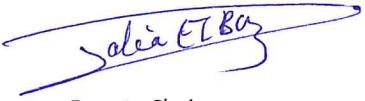
Chairman
Hisham Ahmed Okasha

	30-Jun 2020	30-Jun 2019
Net profit for the year after tax	13,067	20,205
<u>Other Comprehensive Income items' that will not be reclassified to the Profit / Loss:-</u>		
Net change in fair value of equity instruments	1,712	(717)
<u>Other Comprehensive Income items' that is or may reclassified to the Profit / Loss:-</u>		
Net change in fair value of debt instruments	1,744	722
Net change in cash flow hedge reserve	46	142
	3,502	147
Total comprehensive income for the year	16,569	20,352

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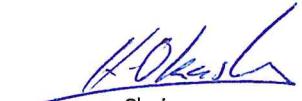
Chief Financial Officer
Wael Abou Ali



Deputy Chairman
Dalia El Baz



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Chairman
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National Bank of Egypt

Separate Statement of Cash Flows for the year ended 30 Jun 2020

All figures are in EGP Millions

	Note No.	30-Jun 2020	30-Jun 2019
<u>Cash flows from operating activities</u>			
Net profit for the year before tax		30,602	33,684
<u>Adjustments to reconcile net profit to cash flows from operating activities:</u>			
Fixed assets depreciation	(24)	1,388	1,238
Pension benefits' liabilities		690	565
Amortization of financial investments at amortized cost / FVOCI		(28,448)	(11,867)
Expected credit losses charged to loans		3,144	4,209
Reversal of other provisions charges		1,972	6,740
Foreign currency translation differences for overseas branches		(50)	(107)
Foreign currencies valuation differences for expected credit losses charged to customers and banks loans'		(133)	(511)
Foreign currencies valuation differences for other provisions		(35)	(45)
Taxes paid	(13)	(16,076)	(11,036)
Impairment losses on subsidiaries and associate companies	(23)	337	2,552
Impairment losses on financial investment at amortized cost		-	222
Gain on sale of fixed assets		(50)	(6)
Legal claims provisions no longer required		-	(369)
Operating (losses)/ profits before changes in assets and liabilities (used in)/ from operating activities		(6,659)	25,269
<u>Net decrease (increase) in assets</u>			
Obligatory reserve balances with Central Banks		(16,875)	48,064
Due from banks		35,968	(24,662)
Financial investment at fair value through other comprehensive income (Treasury bills with maturity more than three months)		(100,278)	(3,596)
Financial investment at fair value through profit/loss		(909)	69
Loans and advances to banks		(484)	(589)
Loans and advances to customers		(176,903)	(86,073)
Financial derivatives, net		(42)	(141)
Other assets		(18,838)	(9,539)
Net increase (decrease) in liabilities			-
Due to banks		(51,842)	(141,597)
Pension benefits' liabilities		(168)	(142)
Customers' deposits		424,925	155,759
Other liabilities		2,080	5,572
Other provision		(1,098)	(27)
Net cash flows from/ (used in) operating activities		88,877	(31,633)

	Note No.	30-Jun 2020	30-Jun 2019
Net cash flows from/ (used in) operating activities		88,877	(31,633)
Cash flows from Investing activities			
Payments to acquire fixed assets and fixtures of branches	(24)	(3,053)	(1,838)
Financial investment at amortized cost		22,160	24,244
Financial investment at fair value through other comprehensive income		(247,952)	(95,160)
Payments for acquisition of subsidiaries and associates companies	(23)	(512)	(2,660)
Proceeds from sale of subsidiaries and associates companies	(23)	33	-
Proceeds from sale of fixed assets		52	10
Net cash flows used in investing activities		(229,272)	(75,404)
Cash flows from Financing activities			
Other loans	(29)	4,082	22,589
Dividends paid		(4,503)	(693)
Net cash flows (used in)/ from financing activities		(421)	21,896
Net increase in cash and cash equivalents during the year		(140,816)	(85,141)
Cash and cash equivalent at the beginning of the year		435,725	520,866
Cash and cash equivalent at the end of the year		294,909	435,725
Cash and cash equivalents represented in the following-			
Cash and balances with Central Banks	(15)	45,360	29,397
Due from banks	(16)	315,883	490,507
Financial investment at fair value through other comprehensive income (Treasury bills)	(21)	392,595	271,244
Obligatory reserve balances with Central Banks		(31,001)	(14,126)
Due from banks with maturity more than three months		(58,339)	(94,307)
Financial investment at fair value through other comprehensive income (Treasury bills with maturity more than three months)		(369,589)	(246,990)
Total cash and cash equivalent		294,909	435,725

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National Bank of Egypt

Separate statement of changes in shareholders' equity for the year ended 30 Jun 2020

All figures are in EGP Millions

	Paid-up capital	Legal reserve	General reserve	Capital reserve	Supportive reserve	Special reserve	General banking risks reserve	IFRS 9 risk reserve	General risk reserve	Difference between the nominal and present value *	Fair value reserve**	Cash flow hedge reserve	Foreign currency translation differences for overseas branches	Net profit of the year	Retained earnings	Total
Beginning balance as at 01 Jul, 2018	35,000	4,898	1,098	33	1,164	403	4,673	-	-	31,732	2,752	(122)	507	-	10,111	92,249
Transferred to reserves	-	1,009	216	21	1,246	-	-	6,926	-	-	-	-	-	-	(9,418)	-
Shareholders' dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(499)	(499)
Employees' dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(194)	(194)
Net changed in other comprehensive income items'	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	5
Net changes in cash flow hedge reserve	-	-	-	-	-	-	-	-	-	-	-	142	-	-	-	142
Difference between the nominal and present value	-	-	-	-	-	-	-	-	-	(1,932)	-	-	-	-	-	(1,932)
Foreign currency translation differences for overseas branches	-	-	-	-	-	-	-	-	-	-	-	-	(107)	-	-	(107)
Net profit of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	20,205	20,205	20,205
Ending balance as at 30 Jun, 2019	35,000	5,907	1,314	54	2,410	403	4,673	6,926	-	29,800	2,757	20	400	-	20,205	109,869
Beginning balance as at 01 Jul, 2019	35,000	5,907	1,314	54	2,410	403	4,673	6,926	-	29,800	2,757	20	400	-	20,205	109,869
Transferred to reserves	-	2,020	1,818	6	11,858	-	-	-	-	-	-	-	-	-	(15,702)	-
Shareholders' dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,476)	(1,476)
Employees' dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,027)	(3,027)
Capital increase	15,000	-	(732)	-	(14,268)	-	(296)	(3,398)	(6,926)	10,620	-	-	-	-	-	-
Transferred to general risk reserve	-	-	-	-	-	-	-	-	-	(6,827)	-	-	-	-	-	(6,827)
The implementation impact of IFRS9	-	-	-	-	-	-	-	-	-	6,284	-	-	-	-	-	6,284
Difference between the nominal and present value	-	-	-	-	-	-	-	-	-	-	-	-	(50)	-	-	(50)
Foreign currency translation differences for overseas branches	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net changed in other comprehensive income items'	-	-	-	-	-	-	-	-	-	3,456	-	-	-	-	-	3,456
Net changes in cash flow hedge reserve	-	-	-	-	-	-	-	-	-	-	-	46	-	-	-	46
Net profit of the year	-	-	-	-	-	-	-	-	-	-	-	-	-	13,067	13,067	13,067
Retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	723	723	723
Ending balance as at 30 Jun, 2020	50,000	7,927	2,400	60	-	107	1,275	-	3,793	36,084	6,213	66	350	13,067	723	122,065

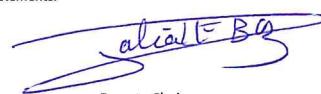
* For Central Bank of Egypt subordinated loans

**For Financial investment through other comprehensive income

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National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

1. General

National Bank of Egypt (S.A.E) was established as a commercial bank on 25/6/1898 and operates in conformity with Law No. 88 for 2003 in Arab Republic of Egypt and head office is located in Cairo.

National Bank of Egypt (S.A.E) provides retail, corporate and investment banking services in Arab Republic of Egypt through its head office in Cairo and (517) branches, domestic financial units, representative offices in Johannesburg (South Africa), Dubai (United Arab of Emirates) and Addis Ababa (Ethiopia) and through branches in New York (United States), Shanghai (China). The bank has 21702 employees at June 30, 2020.

2. Summary of significant accounting policies

2.1- Basis of preparation of the separate financial statements

These separate financial statements have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008; and as per IFRS 9 "Financial Instruments" in accordance with the instructions of the Central Bank of Egypt (CBE) dated February 26, 2019.

The financial statements at June 30, 2019 have been prepared in accordance with the instructions of the Central Bank of Egypt (CBE) rules approved by its Board of Directors on December 16, 2008 and starting from July 01, 2019, the financial statements have been prepared according to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to prepare financial statements according to IFRS 9 "Financial Instruments".

Accordingly, management amended the accounting policies to comply with the adoption of mentioned instructions, the following disclosure describes the changes in accounting policies:

The Bank initially applied IFRS 9 "Financial Instruments" issued on July 2014 starting from July 01, 2019 and as a trial implementation throughout 2018 ,however the actual implementation will be starting from July 01,2019. The standard requirement substantially differ from the previously applied standard in the classification , measurement and disclosers of some financial assets and liabilities.

Classification of financial assets and financial liabilities:

At initial recognition, financial assets have been classified and measured according to amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL).

- The financial assets have been classified according to how they are managed (the entity's business model) and their contractual cash flow characteristics.
- The financial assets are measured at amortized cost if it is not measured at fair value through the profit or loss and if the following two conditions met:
 - a) The management's intention is to maintain the asset in the business model to collect contractual cash flows and;
 - b) The contractual conditions of the financial assets will build cash flows in certain dates which are limited only on payment of principal and interest (SPPI).
- The Bank may choose without recourse to measure equity investments which are not classified as a trading investment at fair value through other comprehensive income at initial recognition. This choice will be made per each investment.
- All other financial assets will be classified at fair value through profit or loss

In addition to that, the bank may choose without recourse a financial asset to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through the profit or loss in the initial recognition, and in such a case that this reclassification will lead to prevent an accounting mismatch.

2.1.1-Business model assessment:

The Bank makes an assessment of the objective of a business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- a) The stated policies and objectives for the portfolio and the operation of those policies in practice, especially to know whether these management policies concentrate to gain the contractual interest or reconcile financial assets period with financial liabilities period which finance these assets or target cash flow from selling the assets;
- b) How the performance of the portfolio is evaluated and reported to the Bank's management;
- c) The risks that affect the performance of the business model and the financial assets held within that business model and how those risks are managed;

The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Meanwhile the bank did not rely only on information related to sales activity separately, but taking into consideration overall assessment on how achieving the goal that was announced by the bank to manage financial assets and how to achieve cash flow.

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

2.1.2 Impairment of financial assets

According to Central Bank of Egypt (CBE) instructions dated February 26, 2019 to implement IFRS 9 is to replace the "impairment loss model recognized" according to previous instructions dated December 16, 2008 with expected credit loss (ECL).

Expected credit loss is applied on all financial assets in addition to some financial guarantees and loan commitments.

According to IFRS 9, a credit loss will be recognized much earlier than the current impairment loss model stated in the Central Bank of Egypt (CBE) instructions dated December 16, 2008.

The Bank apply three stages to measure expected credit loss on financial assets that are recognized at amortized cost and debt instruments that are recognized at fair value through other comprehensive income. The financial assets can transfer between three stages according to changes in credit quality since initial recognition.

Stage 12 months Expected Credit Loss:

Stage 1 includes financial assets on initial recognition and that do not have a significant increase in credit risk since the initial recognition or that have low credit risk. For these assets, an expected credit loss is recognized over 12 months, and the interest is calculated on the gross carrying amount of the asset (without deducting ECL provision), ECL for 12 months is the expected credit loss resulted from expected default within 12 months from the reporting date.

Stage 2: Lifetime Expected Credit Loss - not credit impaired:

Stage 2 includes financial assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment. For these assets, lifetime expected credit loss is recognized, but interest is still calculated on the gross carrying amount of the asset. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the financial instrument.

Stage 3: Lifetime Expected Credit Loss - credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. For these assets, the lifetime expected credit loss are recognized, and the interest is marginalized in this stage.

According to CBE regulation issued on February 26, 2019, IFRS 9 had been applied starting from July 01, 2019, the bank had recognized the implementation impact according to the said instructions, special reserve (credit), general banking reserve and IFRS 9 risk reserve are merged together under general risk reserve as follows:-

<u>Description</u>	<u>General risk Reserve</u>
Opening Balance as of June 30, 2019	-
General banking risk Reserve	3,398
Special Reserve-Credit	296
IFRS 9 Risk Reserve	6,926
Opening Balance as of July, 2019	10,620

2.2- Accounting for Investments in subsidiaries and associates

Investments in subsidiaries and associates are presented in the attached separate financial statements based on the cost method, which represents the bank's direct share of ownership, and not based on the investee's companies net operating and net assets value.

2.2.1 - Investments in subsidiaries

Subsidiaries are entities (including Special Purposes Entities / SPEs) which the bank exercises direct or indirect control over its financial and operating policies in order to get benefits from its activities and usually have an ownership share of more than half of its voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered in assessing why either the bank has the control over its investees.

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2.2.2 Investments in associates

Associates are entities over which the bank exercises significant influence directly or indirectly, but without exercising control or joint control, where the bank holds 20% to 50% of voting rights in the associate.

The purchase method is used to account for the bank's purchases of subsidiaries and associates when they are initially recognized; the acquisition date is the date on which the acquirer obtains control or significant influence of acquire "subsidiary or associate". According to the purchase method, the investments in subsidiaries and associates are initially recognized at cost (which may be incorporated goodwill). The acquisition cost represents the fair value of the consideration given in addition to the other acquisition related costs.

In business combination achieved in stages, and business combination achieved through more than one transaction, is then dealing with every transaction of such transactions that separately on the basis of the acquisition consideration and fair value information at the date of each transition until the date where the control is achieved.

The investments in subsidiaries and associates are subsequently accounted for using the cost method on the separate financial statements. According to the cost method; investments are recognized at acquisition cost less any impairment losses in value, if any. Dividends are recognized as revenue in the separate income statement when declared and the bank has a right to collect them.

2.3- Foreign currency translation

2.3.1 Functional and presentation currency

The separate financial statements of the bank are presented in the Egyptian pound which is the bank's functional and presentation currency.

2.3.2 Transactions and balances in foreign currencies

The Bank maintains its accounting records in Egyptian pounds. Transactions in foreign currencies during the period are translated into the Egyptian pounds using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated using the exchange rate at end of reporting period. Foreign exchange gains and losses resulting from settlement and translation of such transactions and balances are recognized in the income statement and reported under the following items:-

- Net trading income from held for trading assets and liabilities.
- Other operating revenues (expenses) from the remaining assets and liabilities.
- Investments in equity instrument recognized at fair value through other comprehensive income in equity.
- Changes in the fair value of investments in debt instruments; which represent monetary financial instruments, denominated in foreign currencies and classified as fair value through other comprehensive income assets are analyzed into differences resulting from changes in the amortized cost of the instrument, differences resulting from changes in the applicable exchange rates and differences resulting from changes in the fair value of the instrument. Differences resulting from changes in the amortized cost are recognized and reported in the income statement in "Interest on loans and similar income" whereas differences resulting from changes in foreign exchange rates are recognized and reported in "Other operating revenues (expenses)". The remaining differences resulting from changes in fair value are recognized in equity and accumulated in the "Fair value reserve" in Other Comprehensive Income.
- Valuation differences arising on the measurement of non-monetary items at fair value include gains or losses resulting from changes in foreign currency exchange rates used to translate those items. Total fair value changes arising on the measurement of equity instruments classified as at fair value through the profit or loss are recognized in the income statement, whereas total fair value changes arising on the measurement of equity instruments classified as fair value through other comprehensive income are recognized directly in equity in the "Fair value revaluation reserve" in Other Comprehensive Income.

2.4- Financial assets

2.4.1 Financial Policies applied until June 30, 2019

The Bank classifies its financial assets into the following categories: Financial assets classified as at fair value through the profits or loss, loans and receivables, held to maturity financial assets, and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined by management at the time of initial recognition.

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2.4.1.1 Trading financial assets

This category includes financial assets held for trading purpose and financial derivatives (not for hedging purpose). A financial instrument is classified as an instrument held for trading if it is primarily acquired for the purpose of the sale in the short term or if it represents a part of a portfolio of specific financial instruments that are managed together and there is evidence of recent actual transactions that resulted in short-term profit taking, or it is a derivative that is not designated and effective as a hedging instrument.

2.4.1.2 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 the following:

- Assets which the bank intends to sell immediately or in the short term. In which case, they are classified as assets held for trading or assets classified at inception at fair value through profit or loss;
- Assets classified as available-for-sale at initial recognition;
- Assets for which the bank will not be able to substantially recover the value of its initial investment for reasons other than credit worthiness deterioration.

2.4.1.3 Held to maturity financial assets

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

2.4.1.4 Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets intended to be held 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 is applied in respect of all financial assets:

- Regular-way purchases and sales of financial assets are recognized at trading date, at which the bank is committed to purchase or sale asset, for the assets held for trading, investments held to maturity and available-for-sale investments.
- All financial assets, other than those classified as at fair value through profit or loss, are initially recognized at fair value plus transaction costs. Financial assets classified as at fair value through profit or loss are initially recognized at fair value only. Transaction costs associated with those assets are recognized in the income statement under net trading income.
- The Bank derecognizes a financial asset only when the contractual rights to the cash flows from the financial asset expire or when the bank transfers the financial asset and all the risks and rewards associated with the ownership of the asset to other party. Financial liabilities are derecognized when they are extinguished; that is when the obligation is discharged, cancelled or expired.
- Available-for-sale and financial assets designated at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held to maturity investments are subsequently measured at amortized cost.
- Profits /losses arising from changes in the fair value of the financial assets classified as at fair value through profit or loss 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 shall be recognized directly in equity, until the financial asset is derecognized or impaired, at which time, the cumulative gain or loss previously recognized in equity shall be recognized in the income statement.

Interest income calculated using the amortized cost method, and gains and losses arise from the foreign currency on monetary financial assets classified as available-for-sale financial investments shall be recognized in the income statement. Dividends resulted from the equity instruments classified as available-for-sale shall be recognized in the income statement when the bank has the right to receive payments .

- The fair value of quoted investments in an active market is based on current bid prices. If there is no active market for a financial asset nor a current quoted prices, the bank measures the fair value using one of the market valuation techniques including using recently similar transactions , discounted cash flow model or options pricing models, if the bank can not determine the fair value of the equity instruments classified as available-for-sale then it is measured at cost less of any impairment losses.

2.4.2 Financial Policies applied starting from July 01, 2019:

The Bank classifies its financial assets into the following categories Financial assets classified at amortized cost, fair value through other comprehensive income (FVTOCI) and fair value through profit or loss (FVTPL). The classification generally based on the business model, in which the financial assets are managed, and its contractual cash flows.

2.4.2.1 - Financial assets classified at amortized cost

The financial asset is held within a business model, which objective is to collect contractual cash flows.

The objective of that model is to collect a contractual cash flows which include both principal and interest. The sale is an exceptional event for the purpose of this model and under the terms of the standard represented in the following:-

- A credit deterioration for the issuer of financial instrument.
- Lowest sales in terms of rotation and value.
- A clear and reliable documentation process for the justification of each sale transaction and its conformity with the requirements of the standard.

2.4.2.2- Financial assets classified as fair value through other comprehensive income

- The financial asset is held within a business model, which objective is to collect contractual cash flows and sale.
- The objective of the model is achieved by both collecting contractual cash flows and sale.
- Comparing to the business model which objective is to held contractual cash flows, sales are higher in turnover and value.

2.4.2.3- Financial assets classified as fair value through profit/ loss

- The financial asset is held within the other business models, including trading, asset management under fair value, maximizing contractual cash flows through selling transactions.
- The objective of the business model is neither to held contractual cash flows nor to held contractual cash flows and sale.
- Collecting contractual cash flows is an incidental event for the objective of the model.

The characteristics of the business model are as follows:

- Structuring a set of activities designed to extract specific outputs.
- Represents a complete framework for a specific activity (inputs - activities - outputs).
- One business model can includes sub-business models.

2.5-Offsetting between financial instruments

A financial assets and a financial liabilities should only be offset when an entity has a legally enforceable right to set off and intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.6- Financial derivatives and hedge accounting

Derivatives are initially recognized at fair value on the commitment date and are subsequently measured at fair value. Fair values are determined based on quoted market prices in active markets, including recent market transactions, or valuation techniques, including discounted cash flow models and options pricing models, as appropriate. Derivatives are recognized as an assets when their fair value is a positive, or as a liabilities when their fair value is a negative.

Embedded derivatives, such as the conversion option in a convertible bonds, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, provided that the host contract is not classified at fair value through profit or loss. These embedded derivatives are measured at fair value, changes in fair value are recognized in the income statement under "Net trading income", embodied derivative are not separated from the hybrid contract if the bank decided to classify the whole hybrid contract at fair value through profit or loss.

The recognition treatment in profit or loss, arising from changes in derivatives fair value, depends on whether the derivative designated as a hedging instrument and the nature of the hedged item. The bank then designates certain derivatives as follows:

- Fair value hedge, hedge of the exposure to changes in fair value of a recognized asset or liability, or an unrecognized firm commitment.
- Cash flow hedge is attributable to a particular risk associated with all, or a component of a recognized asset or a liability or a highly probable forecast transaction.

Hedge accounting is used for derivatives designated in a hedging relationship when the following criteria are met, at the inception of the hedging relationship, the bank documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the bank documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item.

2.6.1- Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedge are recognized immediately in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The effective portion of changes in the fair value of the forward exchange contracts and the changes in the fair value of the hedged item are recognized in "Net trading income". Additionally, any ineffective portion is recognized in "Net trading income".

2.6.2- Cash flow hedge

The effective portion of changes in the fair value of derivatives designated and qualify for cash flow hedge is recognized in equity while changes in fair value relating to the ineffective portion is recognized immediately in the income statement under "Net trading income".

Amounts accumulated in equity are transferred to income statement (profit/loss) in the relevant periods when the hedged item affects the income statement. The effective portion of changes in fair value of interest rate swaps and options are reported in "Net trading income". When a hedged item matured or sold, or if the hedge is no longer qualify for hedge accounting requirements, gains or losses that have been previously accumulated in equity remain in equity and are only recognized in profit or loss when the forecast transaction ultimately occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognized in equity shall be reclassified immediately to the income statement (profit/loss).

2.6.3- Non qualifying derivatives for hedge accounting

Where a derivative instrument does not qualify for hedge accounting, changes in fair value of that derivative are recognized in the income statement under "Net trading income".

Net income from the changes in the financial instruments designated at inception with fair value through profit or loss are recognized in the income statement under gains or losses arising from changes in fair value of derivatives that are managed in conjunction with financial assets or financial liabilities, designated upon initial recognition at fair value through profit or loss.

2.7- Interest income and expense

"Interest income on loans and similar income" or "Interest expense on deposits and similar expense" are recognized in the income statement under "Net interest income" using the effective interest rate method for all financial instruments.

The effective interest rate is a method of calculating The amortized cost of a debt instrument whether a financial asset or a financial liability and of allocating its interest income or interest expense over The relevant period. The effective interest rate is The rate that exactly discounts estimated future cash payments or receipts through The expected life of The financial debt instrument or, when appropriate, a shorter period to The net carrying amount of The financial asset or financial liability on initial recognition. when calculating The effective interest rate, The bank estimates The future cash flows, considering all contractual terms of The financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to The contract that are an integral part of The effective interest rate, transaction costs and all other premiums or discounts.

Interest income on loans is recognized on an accrual basis except for the interest income on non-performing loans, which ceases to be recognized as revenue when the recovery of interest or principle is in doubt.

Interest income on non-performing or impaired (Stage 3) loans and receivables ceases to be recognized in profit or loss and is rather recorded off-balance sheet in statistical records. Interest income on these loans is recognized as revenue on a cash basis as follows:

- For retail loans, personal loans, small and medium business loans, real estate loans for personal housing and small loans for businesses, when interest income is collected and after recovery of all arrears.
- For corporate loans, interest income is recognized on a cash-basis after the bank collects 25% of the rescheduled installments, provided these installments continue to be paid regularly for at least one year. If a loan continues to be performing thereafter, interest accrued on the principal then outstanding starts to be recognized as revenues (interest on rescheduling performing loans). except for Interest that is marginalized prior to the date when the loan becomes performing, which is not recognized in the profit or loss provided that the total balance of loan, prior to that date, is paid in full.

2.8 Fees and commission income

Fees charged for servicing a loan or facility that is measured at amortized cost, are recognized as revenue when the service is provided. Fees and commissions on non-performing or impaired loans or advances cease to be recognized as income and are rather recorded off balance sheet. These are recognized as revenue on a cash basis.

Commitment fees and related direct costs for loans where draw down is probable are deferred, and is regarded as a compensation for the ongoing involvement with the acquisition of the financial instrument, thereafter recognized as an adjustment to the loan effective interest rate. If the commitment expires without the bank granting the loan, the fees are recognized as revenue on the maturity date.

Loan syndication fees received by the bank are recognized as revenue when the syndication has been completed, if only the bank arranges the loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate for comparable risk as other participants).

Commission and fee arising from negotiating or participating in the negotiation of third party transaction, such as the arrangement of the acquisition of shares or other financial instrument and the purchase or sale of properties, are recognized in the income statement (profit/loss) upon completion of the underlying transaction.

Other management advisory and service fees are recognized based on a relative time –basis throughout the service performing term. Financial planning and custody services fees that are provided on long term are recognized over the year in which the service is provided.

2.9- Dividend Income

Dividends are recognized in the income statement for the bank's equity investments when the right to collect it is declared

2.10- Repurchase agreement and resale agreement.

Financial instruments sold under repurchase agreements are not derecognized from the statement of financial position, cash proceeds are shown in liability side in the statement of financial position.

2.11 Impairment of financial assets

2.11.1 Financial Policies applied until June 30, 2019:

The bank reviews all its financial assets, except those classified at fair value through profit or loss, to assess whether an indication exists that these assets have an impairment loss as described below:

2.11.1.1 Financial assets carried at amortized cost

At the end of each reporting period, the bank assesses whether there is objective evidence that any financial asset or group of financial assets has been impaired as a result of one or more events occurring since they were initially recognized (a "loss event") and whether that loss event has impacted the future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following indicators to determine the existence of substantive evidence for impairment losses:

- Significant financial difficulty of the issuer or obligor.
- A breach of contract, such as a default or delinquency in interest or principal payments.
- It is becoming probable that the borrower will enter bankruptcy or financial re-organization.
- Deterioration of the competitive position of the borrower.
- For economic or legal reasons related to the financial difficulties of the borrower, the bank grants benefits and concessions may not be granted in normal circumstances.
- Impairment in the value of collaterals.
- Deterioration of creditworthiness.

An objective evidence of impairment loss for a group of financial assets is an observable data indicating a measurable decrease in the estimated future cash flows from this group of financial asset since its initial recognition although such decrease cannot be measurable on each asset separately.

The Bank first estimates whether an 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 the consideration the following:

- If the bank determines that no objective evidence that an impairment loss has been incurred on a financial asset considered individually, whether significant or not, then the bank includes that financial asset in a group of financial assets with a similar credit risk characteristics and assess collectively the whole group for impairment according to the historical default ratios.

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- An individually impairment test is made for a financial asset if there is an objective evidence of impairment for this financial asset. If the impairment occurred, then this asset will be separated from group of financial assets that are collectively evaluated for impairment, If the result of the previous assessment did not recognize impairment loss, then this asset will be added to the group of financial assets.
- If there is objective evidence that an impairment loss on loans and receivables or held to maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the loss shall be recognized in profit or loss
- If a loan, receivable or held to maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate(s) determined under the contract at the date on which an objective evidence for impairment of the asset has been identified as a practical expedient, the bank may measure impairment of a financial asset carried at amortized cost on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms.

When assessing the impairment loss for a group of financial assets on the basis of the historical loss rates, future cash flows in the group are estimated on the basis of the contractual cash flows of the bank's assets and the historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The Bank ensures that estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period. The methodology and assumptions used for estimating future cash flows are reviewed regularly by the bank to reduce any differences between loss estimates and actual loss experience.

2.11.1.2-Available-for-sale financial assets

On each reporting date, the bank estimates whether there is an objective evidence that a financial asset or group of financial assets classified as available-for-sale or held to maturity is impaired. For equity instrument classified as available for sale investment, impairment is recognized when the instrument's fair value decline below its acquisition cost and this decline considered as a significant and a prolonged. The decline in value is considered significant for the equity instruments, if it reaches 10% of the financial instrument's book value, and it is considered as a prolonged decline, if it continues for more than 9 months. When the mentioned evidence is available, the accumulated loss in equity is carried forward to income statement. The impairment of equity instrument recognized in income statement is not reversed if any fair value increase occurred in a subsequent period, but if any increase in the fair value of debt instrument classified as available for sale was objectively related to an event subsequent to the impairment recognition in income statement, the impairment is reversed through profit and loss.

2.11.2- Financial Policies applied starting from July 01, 2019:

The Bank reviews all its financial assets except for financial assets that are measured at fair value through profit or loss to assess the extent of impairment as described below.

Financial assets are classified at three stages at each reporting date:

- **Stage 1:** Financial assets that have not experienced a substantial increase in credit risk since the date of initial recognition, and the expected credit loss is calculated for 12 months.
- **Stage 2:** Financial assets that have experienced a substantial increase in credit risk since the initial recognition or the date on which the investments are made, and the expected credit loss is calculated over the life of the asset.
- **Stage 3:** Impairment of financial assets whose expected credit loss is to be recognized over the life of the asset on the basis of the difference between the carrying amount of the instrument and the present value of expected future cash flows

Credit losses and impairment losses of financial instruments' value are measured as follows:

- The lowest risk financial instrument is initially recognized at stage one, credit risks are monitored by the Bank's credit risk management on a regular basis.
- If there is a significant increase in the credit risk since initial recognition, the financial instrument will be transferred to stage two, as the financial instrument is not considered impaired at this stage.

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- If there are an impairment indicators for the financial instrument, it will be transferred to the stage three.
- The financial assets developed or acquired by the Bank which include a higher credit risk rate than the bank's financial assets with the lowest credit risk rate are initially recognized at stage two directly, therefore the expected credit losses are measured over the life time expected credit loss.

2.11.2.1-Significant increase in credit risk

The Bank considers that the financial instrument has a significant increase in the credit risk when one or more of the quantitative and qualitative criteria, as well as the factors relating to default, have been met. Such as the deterioration in creditworthiness of the debtors, or there is a significant negative changes in the debtors behavior i.e.. installment default...etc.

Transition back between stages (1,2,3):

Transition backward from stage two to stage one :

The financial asset is not backward from stage2 to the stage1, unless all the quantitative and qualitative aspects of stage1 are met, and a full payment of all arrears and interest with up to date payment for the period of three months.

Transition backward from stage three to stage two :

The financial asset is not backward from stage3 to the stage 2 including reschedule transactions unless all the following conditions have been met:

- All the quantitative and qualitative aspects of stage2 are met.
- Payment of 25% from accrued outstanding balance including accrued suspended/marginalized interest.
- Up to date payment of interest and principle for the period of 12 months at least.

2.12- Property investments

Property investments represents lands and buildings owned by the bank in order to obtain rental revenue or capital gains. Consequently, these investments do not include properties used by the bank for its operations and activities or the assets reverted to the bank as settlement of debts. The accounting treatment used for fixed asset is the same applied for property investment.

2.13- Intangible Assets

2.13.1-Computer programs

The expenses related to upgrading or maintenance of computer programs, are to be recognized as expenses in income statement, when incurred. The expenses directly related to a specific software program and subjected to the bank's control and expected to produce economic benefits exceeding its cost for more than one year, are to be recognized as an intangible asset. The direct expenses include cost of software upgrading staff and a suitable portion of respective overhead expenses. The expenses leading to an increase or expansion of computer software performance beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The cost of computer software recognized as an asset shall be amortized over the expected useful life, but not exceeding three years.

2.13.2-Other Intangible Assets

Other intangible assets are intangible assets other than goodwill and computer software (for instance: trademarks, license, and benefits of rental agreement). Other intangible assets are recognized at acquisition cost and amortized over its estimated useful life using straight-line method or according to expected economic benefits. Other intangible assets with indefinite useful life are not subjected to amortization; however, it will be tested for impairment annually and charged to income statement (profit / loss) if any.

2.14- Fixed Assets

Lands and buildings comprise mainly in head office, branches and offices. All fixed assets are reported at historical cost less depreciation and impairment losses. The historical cost includes the expenditures directly related to the acquisition of fixed assets items. Subsequent costs are included in the asset's carrying value or are recognized as a separate 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 measured reliably. Maintenance and repair expenses are charged to other operating expenses during the year in which they are incurred. Leasehold improvements are charged as an expense on income statement. Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:-

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2.14- Fixed Assets (Continued)

Type of Asset	Depreciation period
Buildings and constructions	20 years
Furniture	4 years
Fittings and fixtures	10 years
Vehicles	5 years
Integrated automated systems (computers)	4 years
Locked doors and rooms	10 years

2.15- Impairment of Non-Financial Assets

Assets with indefinite useful life other than goodwill are not amortized however, it will be tested for impairment annually. Depreciable assets shall be reviewed for impairment, whenever there are events or changes in circumstances indicating that the book value may not be recoverable.

An impairment loss is recognized and the asset's value is reduced for the amount by which the asset's carrying amount exceeding its recoverable amount. The recoverable amount is the higher of an asset's net selling value or the value in use. For impairment test purposes, Assets are attributed to the lowest level of cash generating unit(s) and the recognized impairment of non-financial assets is reviewed to determine reversal of impairment to income statement on each balance sheet date.

2.16-Cash and Cash Equivalents

For the purposes of the cash flows statement, cash and cash equivalents comprise balances with maturity of three months from the date of acquisition, balances with Central banks over the obligatory reserve outline, due from banks and treasury bills and other governmental notes.

2.17- Other provisions

Provisions for obligations, other than those for credit risk or employee benefits, due within more than 12 months from the date of separate financial statements are recognized based on the present value of the best estimate of the consideration required to settle the present obligation at the reporting date. An appropriate pretax discount rate that reflects the time value of money is used to calculate the present value of such provisions.

For obligations due within less than twelve months from the date of separate financial statements, provisions are calculated based on undiscounted expected cash outflows unless the time value of money is material, in which case provisions are measured at present value.

When a provision is wholly or partially no longer required, it is reversed through the profit or loss under "Other Operating Income (Expenses)" line item.

2.18- Financial Guarantees Contracts

The financial guarantees contracts are contracts issued by the bank as a guarantee for loans or overdrafts granted by other entities to the bank's customers, which obligate the bank to pay certain compensation to the beneficiary for the loss incurred due to a default of the debtor on maturity date aligning with the debt instrument conditions. These financial guarantees are granted to the banks, corporations, financial institutions and other entities on behalf of the bank's customers.

It is initially recognized in the financial statement at fair value which reflects the guarantee fees on the date of granting. Subsequently, the Bank's obligation shall be measured by the initially recognized value less guarantee fees amortization, which is reported in the income statement using the higher of a straight-line method over the guarantee useful life or the best estimate of the required payment settlement of any financial obligation resulted from the financial guarantee on the balance sheet date. These estimates are mainly based on management experience with similar transactions and historical losses. Any increase in the obligations resulted from the financial guarantee, is recognized in income statement under "other operating income (expenses)".

2.19- Employee's Benefits

Employee's benefits include all financial and nonfinancial benefits provided by the bank to its employees' for their services.

2.19.1-Short-term Employee's Benefits

Short-term employees' benefits include salaries and wages, social insurance subscription fees, paid annual leave, bonus (if accrued within 12 months from the financial period ends) and non-financial benefits (as healthcare, housing utilities, transportation, free and subsided services provided to current employees).

Short-term employees' benefits are charged to the income statement as an expense for the period in which the service was provided to the bank's employees who are entitled to receive these benefits. ☐

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2.19.2-Early termination-service's Benefits

Early termination-service's benefits include accrued benefits for the employees who were early terminated aligning with the approved regulations by board of directors'. The bank recognizes the cost of such benefits at the effective date of early termination according to the optional early termination scheme in which the expenses are charged to the income statement for the period in which these benefits are accrued.

2.19.3-Pension Benefits-specific subscription scheme

2.19.3.1-Social insurance

Pension benefits represent the bank's contribution of the social insurance paid to the social insurance authority on behalf of its employees according to the Law of the Social Insurance No. (79) for the year of 1975 and its amendments. As the bank pays its contribution in the social insurance authority for each period. This contribution is charged to the income statement in salaries and wages reported in the general and administrative expenses caption for the period in which the bank's employees provide their services. The bank's obligation regarding the settlement of pension benefits is considered as a specific subscription scheme therefore no additional obligation regarding employee's pension benefits is charged on the bank except its contribution of social insurance that is accrued for the authority by the bank on behalf of its employees'.

2.19.3.2-Special Insurance Fund

The bank pays the fund's share (the special insurance fund) from the determined annual variable wages according to the fund's articles of association which enclose on paying the annual member's subscription fees which is equal to six months of the employees shares The fund provides the determined one-installment benefit in cases of (Retirement in 60's age, Death, Early termination and Resignation) in addition to post-retirement monthly pension for ten years varied according to the employee job ranking. The bank's obligation of payment these benefits is considered as a specific subscription scheme.

2.19.3.3-Other Post-Service's Benefits-Healthcare

The bank provides healthcare benefits for pensioners after service ends. .The healthcare commitment is considered as a specific subscription scheme. The recognized liability in the balance sheet regarding the pensioner's healthcare system is measured at the present value of the determined liabilities on balance sheet's date after deducting the fair value of the related assets and subtracting (adding) unrealized actuarial reconciliations of profits (losses) as well as the cost of the additional benefits regarding prior service terms.

An independent actuary who applies the Projected Unit Credit Method calculates the liability of the annually determined benefits system (future cash flows expected to be paid). The present value of the determined benefits system liability is measured through deducting these expected future cash flows to be paid by applying the rate of return of high quality corporate bonds or the rate of return of government bonds in the same currency to be used in payment of benefits and which have almost the same maturity period as the pension benefit liabilities regarding these benefits.

Calculated gains (losses) resulting from changes and adjustments in actuarial estimates and assumptions are to be deducted from (the losses added to) the income statement if they do not exceed 10% of the determined benefit system's assets value or 10% of the determined benefit system's liability whichever is higher. In case gains (losses) rise above-mentioned percentage then the increase shall be deducted (added) in the income statement. The costs of previously mentioned-service are directly recognized in the income statement within administrative expenses caption unless the amendments of the retirements' regulations are conditional to the remaining of the employee in services for a specific period of time.

2.19.3.4-Other Post-Employment Benefits

The bank provides benefits for pensioners after service ends. Generally, the accrual of these benefits are conditional to, the remaining of the employees in service till the retirement age and the completion of a minimum period of service. The expected costs of these benefits are to be accrued over the employment period of time by adopting an accounting method similar to the method adopted in the specific subscription scheme.

2.20- Income Tax

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

The income tax is recognized based on the net taxable income, using the applicable tax rate on the balance sheet date, in addition to prior years' tax adjustments.

Deferred taxes arising from the temporary time differences between the book value of assets and liabilities allied with the accounting principle and the value allied with tax principles are recognized according to the expected manner to realize or settle the value of assets and liabilities using the applicable tax rate on the date of balance sheet.

2.20- Income Tax (Continued)

The bank's deferred tax assets are recognized when there is a weighted probability of realizing a taxable net profit in the future whereby this asset can be utilized. The deferred tax assets are reduced by the estimated amount of the unrealized taxable profit in the following years. However, in case of increasing in the estimated taxable profit, the deferred tax assets will increase to the extent of previous reduction.

The Bank is subject to income taxes in several tax districts regarding overseas branches that require using a significant estimate to determine the total provision of the income taxes. There are some accounts and operations that are hard to comprehensively determine the final tax assessment.

The Bank records obligations derived from the expected results of tax inspection based on estimates of the probability of determining additional taxes. When there is a variance between the final taxes' result and the amounts previously recorded, these variances will affect the income tax and the deferred tax provision for the year in which the variance is identified.

2.21-Borrowing

The obtained loans by the bank are recognized initially at fair value net of transaction costs incurred. Loan is subsequently reported at amortized cost. Any difference between the net proceeds and the settlement value is recognized in the income statement over the borrowing' period using the effective interest rate method.

2.22- Significant accounting estimates and assumptions

The Bank uses an estimates and assumptions that affect the disclosed amounts of assets and liabilities in the following year. These estimates and assumptions are evaluated based on the historical experience and other factors including the expectations of future events that are considered reasonable under the circumstances and available information.

When scheduling future cash flows, the management uses estimates based on previous experience of asset losses with credit risk characteristics in the presence of objective evidence indicating impairment similar to that in the portfolio. The method and assumptions used to estimate both the amount and timing of future cash flows are reviewed regularly to reduce Any differences between the estimated loss and the actual loss based on experience

2.22.1- Fair value of derivatives

The fair values of derivative financial instruments not quoted in active markets, are determined using valuation methods. When these methods (such as models) are used to measure the fair values, they are tested and reviewed periodically by qualified personnel who are independent of the method's drafters. All models are verified before being used and after being tested to ensure that their results reflect actual data and prices that can be compared to the market to the extent that is considered practical. Only reliable data are used in these models; however, areas such as credit risks corresponding to the bank, counterparties, volatility or correlations require management to use estimates. Changes in estimates of these factors may affect the fair value of the financial instrument reported at the date of the reporting date.

3-The Implementation impact of IFRS 9 on the opening balances

In accordance with the Central Bank of Egypt regulations issued on 26 February 2019 , regarding the implementation of IFRS (9), opening balances have been restated by the effect of the calculated Expected Credit Losses (ECL). This amount has been subtracted from General Risk Reserve by EGP 6.8 Billion. Accordingly, the financial assets and liabilities comparative figures have been amended and did not restated to conform with the current year financial statements presentation.

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3.1-The Implementation impact of IFRS 9 on the opening balances (Cont.)

<u>Implementation impact of IFRS 9</u>				
	Book value as at 30-Jun-19	Reclassification	ECL	Book value after implementation Opening balance
Assets				
Due from banks	490,507	-	(28)	490,478
Treasury bills and other governmental notes	271,244	(271,244)	-	-
Trading financial assets	338	(338)	-	-
Financial investments at fair value through profit / loss				
Reclassification of trading financial assets	-	338	-	338
Mutual fund certificate	-	439	-	439
	777	-		
Loans and advances to banks	2,459	-	(34)	2,425
Loans and advances to customers	542,194	-	(5,725)	536,469
Financial investments				
Available for sale investments:-				
debt instrument	142,599	(142,599)	-	-
Equity instrument	8,561	(8,561)	-	-
Mutual fund certificate	439	(439)	-	-
	151,599	(151,599)		
Financial investment at fair value through other comprehensive income:-				
Reclassification of treasury bills and other governmental notes	-	293,435	(135)	293,300
Reclassification of available for sale investments (AFS) as follows:				
Reclassification of AFS debt instruments'	-	142,599	(298)	142,301
Reclassification of AFS equity instruments'	-	8,561	-	8,561
Mutual funds certificates	-	220	-	220
Transferred bonds	-	(18,828)	-	(18,828)
	-	425,987		425,554
Financial investments held to maturity				
debt instrument	102,996	(102,996)	-	-
Mutual funds certificates	220	(220)	-	-
	103,216	(103,216)		
Financial investment at amortized cost				
debt instrument	-	102,996	(9)	102,987
Transferred bonds	-	18,828	-	18,828
reverse of fair value reserve	-	658	-	658
	122,482			
Liabilities				
Repurchase agreements	-	22,191	-	22,191
Other provisions	8,088	-	(597)	8,685
Shareholders' equity				
General risks reserve	-	10,620	(6,827)	3,793
General banking risks reserve-loans and advances	3,398	(3,398)	-	-
IFRS 9 risk reserve	6,926	(6,926)	-	-
Special reserve	403	(296)	-	107

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3.2-The implementation impact of IFRS 9 on the opening balances (Cont.)

						<u>Implementation impact of IFRS 9</u>	
	<u>Previous classification</u>	<u>IFRS 9 classification</u>	<u>Book value as at 30-Jun-19</u>	<u>Reclassification</u>	<u>ECL</u>		<u>Book value after implementation Opening balance</u>
Financial Assets							
Cash and balances with Central Banks	Amortized cost	Amortized cost	29,397				29,397
Due from banks	Amortized cost	Amortized cost	490,507		(28)		490,478
Financial investments at fair value through profit / loss	Trading	Fair value through profit/loss	338				338
Mutual fund certificate	Available for sale	Fair value through profit/loss	-	439			439
Loans and advances to banks	Amortized cost	Amortized cost	2,459		(34)		2,425
Loans and advances to customers	Amortized cost	Amortized cost	542,194		(5,725)		536,469
Financial investments							
debt instrument	Available for sale	Fair value through other comprehensive income	-	142,599	(298)		142,301
Equity instrument	Available for sale	Fair value through other comprehensive income	-	8,561			8,561
Treasury bills	Amortized cost	Fair value through other comprehensive income	-	293,435	(135)		293,300
		Fair value through other comprehensive income	-				
Financial investment at amortized cost	Amortized cost	Amortized cost	102,996		(9)		102,987
Debt instrument-transferred bonds	Available for sale	Amortized cost	-	18,828			18,828
Reversal of fair value reserve for bonds at amortized cost	Available for sale	Amortized cost	-	658			658
Financial Liabilities							-
Due to banks	Amortized cost	Amortized cost	140,989				140,989
Repurchase agreements	Amortized cost	Amortized cost		22,191			22,191
Customers' deposits	Amortized cost	Amortized cost	1,170,592				1,170,592
Other loans	Amortized cost	Amortized cost	139,033				139,033
Other provisions	Amortized cost	Amortized cost	8,088		(597)		8,685

4-Financial Risk Management:

The bank, as a result of the exercised activities, is exposed to various financial risks. Since the basis of financial activity is to accept risks; some risks or risks grouped together are analyzed, evaluated and managed altogether. The bank intends to achieve a convenient balance between the risk and the return and to reduce the probable adverse effects on the bank's financial performance. The most important type of risk is credit risk, market risk, liquidity risk and other operating risks. The market risk comprises of foreign currency exchange rates risk, rate of return risk and other pricing risks.

The bank's risk management policies are designed to identify, analyze these risks, set limits to the risk and control them through reliable methods and up-to-date information systems. The bank regularly reviews its risk management policies and systems and amend them to reflect the changes in market, products and services and emerging best practice.

Those risks are managed by risk department in the light of policies approved by Board of Directors. The risk department determines, evaluates and hedge the financial risks, in close collaboration with the bank's various operating units, and the Board of Directors provides written principles for the overall risk management, in addition to a written policies covering specific risk areas, like credit risk, foreign currency exchange rate risk, rate of return risk, and the using of financial derivative and non-derivative instruments. Moreover, the risk department is independently responsible for a periodical review of risk management and control environment.

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4.1-Credit risk

The bank is exposed to a credit risk, which is the risk arising from the default of one party. The credit risk is considered to be the most significant risk for the bank, therefore the risk department manages its risk exposure carefully. The credit risk is essentially represented in the lending activities which result in loans, advances and investing activities that leads to the arising of a debt instrument included in the bank's financial assets.

The credit risk is also found in off balance sheet financial instruments, such as loan commitment. The managing and monitoring process on credit risk is centralized at credit risk management team at credit risk department that reports to Board of Directors and Head units on a regular basis.

4.1.1- Credit risk measurement

Loans and advances to banks and customers

In measuring credit risk for loans and advances to customers and banks, the bank reflects three components:

- Probability of default by the customer or a third party on their contractual obligations.
- The current position and the future weighted evolution from which the bank derive the exposure at default.
- Loss given default.

The daily activities of the bank's business involve measurement of credit risk which reflects the expected loss (the expected loss model) required by Basel committee on banking supervision, the operating measures may contradict with the impairment charge in accordance with the previous standards, which are based on the losses incurred on reporting date (the incurred losses model) rather than the expected losses, as will be explained later.

The Bank evaluates the probability of default for each customer using internal evaluation techniques in order to separately categorize the eligibility of different types customers. These techniques are updated by considering the statistical analysis and the personal judgment of the credit officer to reach a convenient eligibility rating.

The bank's customers are segmented into four eligibility rating. The bank's eligibility rating scale, which is shown as below, assesses the probability of default for each eligibility rating category, which essentially means that credit positions migrate between the mentioned categories as the assessment of their probability of default changes. The assessment techniques are reviewed and updated whenever it's necessary. Further, the bank periodically assesses the performance of the eligibility rating techniques and its predictability of the default cases.

The Bank's internal rating categories according to eligibility rating scale:

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

The position exposed to default is based on the expected outstanding amounts when the default occurs; for example, as for a loan, the position is the nominal value while for commitments, the bank enlists the actual withdrawing amounts in addition to the expected amounts to be withdrawn until the date of default, if any.

Loss given default or loss severity represents the bank's expectations of the extent of loss when the debt is claimed in case of default. Expressed by the percentage of loss to the debt; this typically varies by the category of the debtor, the claim's priority and the availability of collaterals or other credit hedge items.

4.1.2-Risk Limit Control and Mitigation Policies

The Bank manages limits and controls the credit concentrations at the borrowers' level, groups of borrower's level, industries level and countries level. The Bank arranges the acceptable credit risk level by placing limits on the extent of risk accepted in relation to single borrower, or groups of borrowers, and to the geographical and economic segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Credit risk level limits for borrowers, groups of borrower, products, sectors and countries are approved by The Board of Directors on quarterly basis.

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The credit limits for any borrower including banks is divided by sub-limits which includes the on and off-balance sheet amounts and the daily risk exposure limit regarding the trading items such as forward foreign exchange contracts. Actual amounts against limits are monitored daily. Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to settle their obligations and also through changing the lending limits, when appropriate.

The following are some tools used by the bank to mitigate the credit risk

Collaterals

The bank sets a various policies and regulations in order to mitigate its credit risk. One of these methods is accepting collaterals against granted money. The bank implements guidelines for a specified category of accepted collaterals. The major types of collateral for loans and advances are:

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

Longer-term finance and lending to corporate and retail are often secured. To reduce credit loss to its minimum level, the bank intends to get additional collateral from the concerned parties as soon as an indication of impairment of loan or facility appears. Collateral held as a security against assets other than loans and facilities; determined by the nature of the instrument, and debt instruments and treasury bills are normally unsecured with the exception of asset-backed securities and the similar instruments backed by a financial instrument portfolio.

Derivatives

The bank maintains conservative control limits over net open derivatives positions, the difference between the purchase and sale contracts on both the value and term. At any time, the amount subject to credit risk is measured at the instrument's fair value which achieves benefit to the bank (i.e., assets that have positive fair value), which represent a small portion of the notional value or the notional values used to express the volume of the outstanding instruments. This credit risk is managed as a part of the overall lending limits granted to customers' together with expected risk exposure arising from market changes. 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 papers is used in the settlement process, or if there is expectation to receive cash, equity instruments or other financial papers. Daily settlement limits are established for each other party in order to cover the aggregated settlement risk arising from the daily Bank transactions.

Master Netting Arrangements:

The Bank further restricts its exposure to credit risks by entering into master netting arrangements with parties representing significant volume of transactions. Master netting arrangement do not generally result in netting between assets and liabilities at the balance sheet date as the settlement is a collectively based. However, the credit risk regarding the bank's favorable contracts is reduced by a master netting arrangement as if there is a default, all amounts with other parties using the master netting arrangement is terminated and settled. The value of the credit risk exposure arising from derivatives instrument subject to master netting agreement is changed in short term as it is affected by each transaction subject to this agreement.

Credit-related Commitments:

The primary purpose of credit-related commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit carry the same credit risks as loans. Documentary and commercial letters of credit – which are issued by the Bank on behalf of its customer by which a third party grants the right to draw within a stipulated limit subjected to a specific terms and conditions that are collateralized by the goods under shipment. Therefore, a lower risk than a direct loan is carried.

Credit-related commitments represent the unused portion of the authorized granting for credit limit of loans, collaterals or letters of credit. With respect to credit risk arising from credit-related commitments, the Bank is exposed to a probable loss of an amount equal to the total unused commitment. However, the expected weighted amount of loss is less than the unused commitments, as the most of credit-related commitments are contingent liabilities for customers with specific credit criteria. The Bank monitors the maturity term of the credit-related commitments because the longer-term commitments generally have a greater degree of credit risk than the shorter-term commitments.

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4.1.3-Expected credit losses policy

The Bank's policies require the identification of three stages of classifying financial assets measured at amortized cost, loan commitments and financial guarantees as well as debt instruments at fair value through other comprehensive income in accordance with changes in credit quality since initial recognition and thereafter measuring the impairment losses (expected credit losses) as follows:-

The un-impaired financial asset is classified at initial recognition in the first stage and credit risk is monitored continuously by the Bank's credit risk management.

In the case of a significant increase in credit risk since the initial recognition, the financial asset is transferred to the second stage and the financial asset is not considered at this stage (the expected credit loss over the life of the asset without impairment).

In case of indications of impairment of the financial asset, it is transferred to the third stage. The Bank relies on the following indicators to determine whether there is objective evidence of impairment:

- A significant increase in the rate of return on the financial asset as a result of increased credit risk.
- Significant negative changes in the activity and financial or economic conditions in which the borrow were operates.
- Scheduling request as a result of difficulties facing the borrower.
- Significant negative changes in actual or expected operating results or cash flows.
- Future economic changes affecting the borrower's future cash flows.
- Early indicators of cash flow / liquidity problems such as delays in servicing creditors / business loans.
- Cancellation of a direct facility by the bank due to the high credit risk of the borrower.

The expected credit loss provision reported in the balance sheet at the end of the year is derived from the four internal rating grades.

However, the majority of the impairment loss provision derived from the last two ratings.

Bank's rating	30-Jun 2020		30-Jun 2019	
	Loans and advances according to eligibility rating scale	ECL provision	Loans and advances according to eligibility rating	ECL provision
Performing loans	77.48%	20.50%	74.97%	13.50%
Regular watching	18.99%	36.32%	20.97%	35.70%
Watch list	2.17%	22.22%	2.45%	25.70%
Non-performing loans	1.36%	20.96%	1.61%	25.10%
	100%	100%	100%	100%

The management is confident in its ability to continue of controlling and maintaining the minimum credit risk limit derived from loans, advances and debt instruments portfolio as follows:

the loans and advances' portfolio which classified at the highest two categories

30-Jun 2020	30-Jun 2019
96.5%	95.9%

4.1.4-Pattern of measure banking general risk

In addition to the four categories of credit rating indicated in note (A/1) the management makes more categories in shape of more detailed subgroups in accordance with the CBE requirements, Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on customer's information about, his activities, financial position and his regularity of making payment.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including credit-related commitments on the basis of determined rates by CBE. In case, the provision required for impairment losses as per CBE regulations exceeds the provision required for financial statements preparation purposes, this increase shall be reduced from "the retained earnings" caption and carried forward to the "general Banking risk reserve" caption in equity. This reserve is amended in a regular basis by increasing or decreasing, as it always shall be equivalent to the amount of increase between the two provisions. This reserve is not available for distribution. The following are categories of institution worthiness according to internal ratings compared to CBE ratings and rates of required provision for impairment of assets exposed to credit risk:

CBE rating	Rating description	Provision%	Internal rating	Rating description
1	Low risks	0%	Performing loans	1
2	Moderate risks	1%	Performing loans	1
3	Satisfactory risks	1%	Performing loans	1
4	Appropriate risks	2%	Performing loans	1
5	Acceptable risk	2%	Performing loans	1
6	Marginally acceptable risks	3%	Regular watch-list	2
7	Watch-list	5%	Special watch-list	3
8	Substandard	20%	Non performing loans	4
9	Doubtful	50%	Non performing loans	4
10	Bad	100%	Non performing loans	4

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4.1.5-Maximum limits for credit risk before collaterals:

Credit risky items' exposure in the statement of financial position:-

	30-Jun 2020	30-Jun 2019
Obligatory reserve balances with Central Banks	31,001	14,126
Due from banks	315,910	490,507
Loans and advances to Banks	2,943	2,459
Loans and advances to customers		
Individual loans:-		
Credit cards	6,484	5,028
Overdrafts	4,770	5,188
Personal loans	80,454	54,040
Auto loans	1,025	1,171
Mortgage loans	9,358	7,807
Total individual loans	102,091	73,234
Corporate loans		
Overdrafts	186,473	163,677
Direct loans	356,427	242,006
Syndicated loans	74,904	63,277
Total Corporate loans	617,804	468,960
Total loans and advances to customers	719,895	542,194
Financial derivatives	258	292
Financial investment at fair value through other comprehensive income	798,752	445,034
Financial investment at amortized cost	100,262	103,216
Other assets*	23,838	20,760
Total risk limit	1,992,859	1,618,588

*Represent the amount of the current accrued revenues.

Credit risk exposure in off-balance sheet items'

	30-Jun 2020	30-Jun 2019
Letters of credit	33,245	50,449
Letters of guarantee	119,697	110,635
Customer acceptances	25,841	24,520
Discounted bills	666	773
	179,449	186,377

As shown in the previous table:-

Loans and advances (customers & banks) ratio to total risk limit	36%	34%
Debt investment	45%	34%

The Bank applied more conservative testing process when granting loans and advances during the year ended June 30, 2020.

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4.1.6-Financial assets quality

Quality of most significant financial assets'(on-balance sheet)

	30-Jun-2020				30-Jun-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Due from banks	315,910	-	-	315,910	490,507	-	-	490,507
Loans and advances to Banks	2,943	-	-	2,943	2,459	-	-	2,459
Loans and advances to customers	684,836	25,230	9,829	719,895	518,310	15,030	8,854	542,194
Financial derivatives	258	-	-	258	292	-	-	292
Financial investment at fair value through other comprehensive income	798,752	-	-	798,752	445,034	-	-	445,034
Total	1,802,700	25,230	9,829	1,837,759	1,456,602	15,030	8,854	1,480,486

Credit risk exposure in off-balance sheet items' (excluding collaterals)

	30-Jun-2020	30-Jun-2019
Letters of credit	33,207	50,409
Letters of guarantee	117,018	108,120
Customer acceptances	25,837	24,520
Discounted bills	666	772
Total	176,728	183,821
	2,505	2,318
	216	238
	179,449	186,377

4.1.6.1-Customer loans

The following table provides information on the quality of loans and advances to customers' during the year-according to the bank's internal rating

Individual loans and advances to customers:

	30-Jun-2020				30-Jun-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Performing loans	55,565	-	-	55,565	36,291	-	-	36,291
Regular watching	43,421	-	-	43,421	35,313	-	-	35,313
Watch list	-	2,110	-	2,110	-	1,248	-	1,248
Non-performing loans	-	-	995	995	-	-	382	382
Total Individuals	98,986	2,110	995	102,091	71,604	1,248	382	73,234
Corporate loans								
Performing loans	501,520	674	-	502,194	369,155	1,025	-	370,180
Regular watching	84,253	9,037	-	93,290	76,047	2,318	-	78,365
Watch list	77	13,409	-	13,486	1,504	10,439	98	12,041
Non-performing loans	-	-	8,834	8,834	-	-	8,374	8,374
Total Corporate loans	585,850	23,120	8,834	617,804	446,706	13,782	8,472	468,960
Total loans and advances to customers	684,836	25,230	9,829	719,895	518,310	15,030	8,854	542,194

Less: Expected credit losses and interest in suspense

Individual loans and advances	(596)	(236)	(348)	(1,180)	(806)	(199)	(169)	(1,174)
Corporate loans and advances	(18,553)	(9,114)	(8,397)	(36,064)	(12,663)	(6,248)	(7,936)	(26,847)
Total expected credit losses	(19,149)	(9,350)	(8,745)	(37,244)	(13,469)	(6,447)	(8,105)	(28,021)
Net	665,687	15,880	1,084	682,651	504,841	8,583	749	514,173

The below table represents loans and advances to customers quality during the financial year-according to products

	30-Jun-2020				30-Jun-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Individual loans:-								
Overdrafts	4,766	3	1	4,770	5,189	-	-	5,189
Credit cards	6,377	73	34	6,484	4,699	235	92	5,026
Personal loans	78,041	1,599	813	80,453	52,966	902	183	54,051
Mortgage loans	8,820	402	137	9,359	7,656	57	90	7,803
Auto loans	982	33	10	1,025	1,094	54	17	1,165
Total Individual loans	98,986	2,110	995	102,091	71,604	1,248	382	73,234
Corporate loans								
Overdrafts	177,609	6,834	2,030	186,473	158,666	3,805	1,207	163,678
Direct loans	338,772	10,851	6,804	356,427	226,183	8,558	7,265	242,006
Syndicated loans	69,469	5,435	-	74,904	61,857	1,419	-	63,276
Total Corporate loans	585,850	23,120	8,834	617,804	446,706	13,782	8,472	468,960
Total	684,836	25,230	9,829	719,895	518,310	15,030	8,854	542,194

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4.1.6-Financial assets quality (Continued)

4.1.6.1-Customer loans (Continued)

Individual Past dues individual loans and advances

	Individual loans and advances							
	30-Jun-2020			30-Jun-2019				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
No Past Dues	98,792	-	-	98,792	71,011	-	-	71,011
up to 30 days	194	-	-	194	593	-	-	593
> 30 ≤ 60 days	-	51	-	51	-	169	-	169
> 60 < 90 days	-	2,059	-	2,059	-	1,079	-	1,079
> 90 days	-	-	995	995	-	-	382	382
Total individual	98,986	2,110	995	102,091	71,604	1,248	382	73,234

Corporate loans

	Corporate loans							
	30-Jun-2020			30-Jun-2019				
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
No Past Dues	475,163	12,203	-	487,366	443,000	9,606	-	452,605
up to 30 days	98,743	2,114	-	100,857	3,241	165	40	3,446
> 30 ≤ 60 days	2,201	1,156	-	3,357	267	2,916	58	3,240
> 60 < 90 days	2,834	4,429	-	7,263	-	171	-	171
> 90 days	6,909	3,218	8,834	18,961	199	925	8,374	9,498
Total corporate	585,850	23,120	8,834	617,804	446,706	13,782	8,472	468,960

Loans and advances collaterals

At loans and advances initial recognition, the fair value of collaterals are measured in accordance to the valuation methods used usually with similar assets, subsequently the fair value is measured according to market prices or similar assets prices.

	30-Jun-2020				30-Jun-2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Individual loans:-								
Overdrafts	4,696	-	-	4,696	4,811	-	-	4,811
Credit cards	3,629	50	19	3,698	2,505	172	66	2,743
Personal loans	46,036	1,262	132	47,430	28,324	713	82	29,119
Mortgage loans	-	-	-	-	-	-	-	-
Auto loans	891	26	5	922	970	47	14	1,031
Corporate loans								
Overdrafts	108,482	158	216	108,856	70,702	195	125	71,022
Direct loans	98,595	476	2,157	101,228	96,733	618	3,627	100,978
Syndicated loans	46,060	441	-	46,501	33,946	310	-	34,256
Total Corporate loans	308,389	2,413	2,529	313,331	237,991	2,055	3,914	243,960

Acquisition of collaterals during the year

Type of asset	Book value
Overdrafts	-
Property investment	-

Acquired assets are classified in the balance sheet under "other assets". The Bank, as practical, sells such assets.

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All figures are in EGP Millions

4.1.6.1-Customer loans (Cont.)

Restructured loans and advances

Restructuring activities include extension of payment arrangements, implementation of the obligatory management programs, adjustments and deferred payment. The implementation of restructuring policies depends on an indicators or criteria of a highly probability of continuous payment based on the management personal judgment. Such policies are reviewed on a regular basis. Restructuring is commonly applied to long-term loans, especially the loans for customers financing, the below table represents the renegotiated loans :-

Corporate	30-Jun-2020	30-Jun-2019
Overdrafts	4,683	1,355

4.1.6.2-Quality of financial assets (Debt instruments)

The following table represents the analysis of debt instruments, treasury bills, and other governmental notes at the end of the year, according to Moody 's rating with a stable future outlook.

	30-Jun-2020		30-Jun-2019	
	Rating	Balance	Rating	Balance
Financial investment at fair value through other comprehensive income				
Treasury bills -Egypt	B2	410,310	B2	268,803
Governmental bonds-Egypt	B2	384,496	B2	142,548
Financial investment at amortized cost				
Governmental bonds-Egypt	B2	100,203	B2	102,206

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4.1.7-Concentration of financial assets' risks exposed to credit risk -Geographical segments

The following table represents an analysis of book value related to the Bank's significant credit risks limits, distributed by geographical region at the end of the current year. The risk was distributed over the geographical areas in accordance to the connected areas with bank's customers.

Credit risky items' exposure in the statement of financial position:-

	Greater Cairo	Alexandria, Delta, Sinai and Canal	Upper Egypt	Other Countries	Total
Obligatory reserve balances with Central Banks	30,870	-	-	131	31,001
Due from banks	309,658	-	-	6,253	315,911
Loans and advances to Banks	2,908	-	-	35	2,943
Individual loans:-					
Credit cards	4,563	1,618	303	-	6,484
Overdrafts	3,385	1,120	265	-	4,770
Personal loans	40,202	27,678	12,574	-	80,454
Auto loans	635	352	38	-	1,025
Mortgage loans	6,853	1,004	1,501	-	9,358
					102,091
Corporate included SME's loans					
Overdrafts	158,155	24,980	3,338	-	186,473
Direct loans	322,743	19,562	14,122	-	356,427
Syndicated loans	73,184	1,720	-	-	74,904
					617,804
Financial derivatives	258	-	-	-	258
Financial investment at fair value through other comprehensive income	798,671	-	-	82	798,752
Financial investment at amortized cost	100,262	-	-	-	100,262
Other assets*	20,844	2,105	887	2	23,838
Total at the end of the current year	1,873,190	80,139	33,028	6,503	1,992,860
Total at the end of the comparative year	1,472,411	60,298	25,239	61,148	1,619,096

*Represented in current accrued revenue.

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All figures are in EGP Millions

4.2- Market risks

The Bank is exposed to market risks embodied in the fair value fluctuations or the future cash flows arising from the changes in market rates. Market risks are derived from the open positions of interest rate, currency rates and the equity products, as each of them is exposed to a general and special market movements as well as to changes in the sensitivity level of market rates or prices such as interest rates, exchange rates and equity instrument rates. The Bank separates its exposure to market risk, either for trading or non-trading portfolios.

The management of market risks arising from trading or non-trading activities is centralized in the Bank's Market Risk management department which is monitored by two separate teams. periodical reports on market risks are submitted to the Board of Directors and the heads of business unit on a regular basis.

Trading portfolios include position derived from the Bank's direct dealing with customers or market, while non-trading portfolios are primly derived from interest rate management of assets and liabilities related to retail transactions. These portfolios include foreign currency risks and equity instruments arising from investments at amortized cost and fair value through other comprehensive income investments'.

4.2.1-Market risk measurement techniques

As part of market risk management, the Bank perform several hedging strategies and enters into interest rate swaps in order to balance the inherent risks of debt instruments and fixed-rates long term loans, if the fair value option is applied. The following are the most important measurement methodologies applied to control the market risks.

Value at Risk

The Bank applies "Value at Risk" methodology for trading and non-trading portfolios in order to estimate the market risks of the current positions and the maximum limit of expected loss, based on a number of assumptions for various changes in market conditions. The Board of Directors sets a limits for the value at risk that the Bank can tolerate for trading and non-trading separately. Such limits are daily monitored by the Bank's Market Risks Department.

Value at risk is a statistical prospect for the expected loss of the current portfolio arising from the market's adverse circumstances. It states the maximum value the Bank may lose using a specific confidence coefficient (99%). Consequently, the statistical probability of (1%) indicates that the actual loss may be greater than the expected value at risk.

The value at risk model assumes a defined retention period (one day) before closing the open positions. The model also assumes that the market's move will follow, during the retention period, the same pattern of movement that occurred during the previous day. The Bank estimates the previous movement on the basis of the information for the past five years.

The Bank applies such historical changes in the rates, prices and indicators to the current positions directly – this method known as the historical simulation. Actual outputs should also be monitored on a regular basis to measure the correctness of assumptions and the factors used to calculate the value at risk. Usage of this method does not prevent the losses to exceed these limits in case of larger movement within the market.

Since value at risk is considered a basic component of the Bank's monitoring system on market risk, the Board of Directors' sets the limits of the value at risk for each of trading and non-trading transactions to be divided on the units of activity. The actual values at risk are compared with the limits set by the Bank and daily reviewed by the Bank's Market Risk Department.

The quality of the value at risk model is persistently monitored through reinforcement testing for results of the value at risk of trading portfolio. Results of these tests are reported to senior management and Board of Directors.

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All figures are in EGP Millions

Stress Testing

Stress testing provide an indication of the potential size of losses that could arise under the severe adverse circumstances. Stress testing is designed to be appropriate to the business activities using standard analyses for specific scenarios.

Stress testing performed by the Bank's Market Risk Department includes testing for the stress of risk factors whereby a groups of severe movements are applied to each risk type and the developing market' stress is tested. Developing markets are subject to severe movements and special stress tests including potential events that affect specific positions or areas, such as the results from floating a currency in a specific region. The senior management and Board of Directors review stress testing outputs.

Total value at risk according to risk type

	30-Jun-2020			30-Jun-2019		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	293	905	-	471	836	17
Interest rate risk	26,485	48,439	15,306	17,840	20,753	15,486
Interest rate risk for portfolios managed by others	-	1	-	-	1	-
Equity at fair value through profit / loss risk	5	9	2	3	5	1
Equity at fair value through other comprehensive income risk	115	319	37	51	69	38
Fair value risk for portfolios managed by others	6	14	2	5	8	1

Value at risk for portfolios at fair value through profit / loss-according to the risk type

	30-Jun-2020			30-Jun-2019		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	293	905	-	471	836	17
Interest rate risk for portfolios managed by others	-	1	-	-	1	-
Equity at fair value through profit / loss risk	5	9	2	3	5	1
Fair value risk for portfolios managed by others	6	14	2	5	8	1

Value at risk for portfolios at fair value through other comprehensive income-according to the risk type

	30-Jun-2020			30-Jun-2019		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	26,485	48,439	15,306	17,840	20,753	15,486
Equity at fair value through other comprehensive income risk	115	319	37	51	69	38

The increase in value at risk, especially the interest rate risk, is related to the increase in the sensitivity of interest rates in the international financial markets. The three previous results of value at risk are calculated separately from the specific positions and the markets' historical movements. Total values at risk for trading and non-trading do not form the Bank's value at risk, due to the correlation between the types of risks and types of portfolios and its subsequent various impacts.

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All figures are in EGP Millions

4.2.2-Foreign exchange rate volatility risk

The Bank is exposed to volatility in the foreign currency exchange rates in terms of the bank's financial position and cash flows. The Board of Directors has set limits for foreign currencies based on the total value of each position at the end of the day and also during the day for the monitored on spot positions. The following table summarizes the bank's exposure to the risks of volatility in foreign exchange rates at the end of the year. This table includes the carrying value of the financial instruments categorized by its component currencies:

30-Jun-2020	EGP	USD*	EUR	GBP	SAR	Others	Total
Obligatory reserve balances with Central Banks	42,616	2,216	197	30	237	64	45,359
Due from banks	274,475	40,546	252	261	101	248	315,883
Financial investments at fair value through profit / loss	1,247	-	-	-	-	-	1,247
Loans and advances to banks, net	2,136	773	-	-	-	-	2,909
Loans and advances to customers, net	468,118	213,505	1,028	-	-	-	682,651
Financial derivatives	188	70	-	-	-	-	258
<u>Financial investments</u>							
Financial investments at fair value through other comprehensive income	736,844	53,340	8,568	-	-	-	798,752
Financial investments at amortized cost	70,406	29,856	-	-	-	-	100,262
Investments in subsidiaries and associates	6,529	300	-	1,083	-	-	7,912
Other assets	54,654	1,101	66	1	-	24	55,846
Total financial assets	1,657,213	341,707	10,111	1,375	338	336	2,011,080
<u>Financial liabilities</u>							
Due to banks	1,305	87,128	186	4	250	274	89,147
Repurchase agreement-treasury bills	22,444	-	-	-	-	-	22,444
Customers' deposits	1,415,086	166,480	12,281	1,043	184	443	1,595,517
Financial derivatives	-	106	-	-	-	-	106
Other loans	12,082	120,027	4,119	-	-	603	136,831
Other liabilities	34,008	3,948	214	37	27	29	38,263
Total financial liabilities	1,484,926	377,689	16,800	1,084	461	1,349	1,882,308
Net of financial positions	172,287	(35,982)	(6,689)	291	(123)	(1,013)	128,772
Credit commitments**	531,322	100,637	34,290	160	879	4,216	671,504

At the end of the comparative year

	EGP	USD*	EUR	GBP	SAR	Others	Total
Total financial assets	1,188,864	425,773	12,743	1,722	885	514	1,630,500
Total financial liabilities	1,063,529	428,914	17,371	2,117	1,711	1,184	1,514,826
	125,335	(3,141)	(4,628)	(395)	(826)	(670)	115,674

Credit commitments**

455,331 111,106 36,058 172 952 4,549 608,168

*Overseas branches included in USD column.

**This item does not include other contingent liabilities, as well as it is distributed based on the balances only of each currency.

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All figures are in EGP Millions

4.2.3-Interest rate risk

The Bank is exposed to the effects of fluctuations in the levels of the prevailing market's interest rates which is the interest rate risk for cash flows represented in the volatility of future cash flows of a financial instrument due to changes in the instrument's interest rate. The interest rate risk for fair value is the risk of fluctuations in the instrument's value due to the changes in market's interest rates. The interest margin may increase due to these changes, while the profits may decrease, in case of unexpected movements occur. The Board of Directors sets limits for the level of difference when re-pricing the interest rate held by the bank; whereby monitored by Assets & Liabilities Department collaborated with Treasury Department on a daily basis.

The following table summarizes the Bank's exposure to the risk of fluctuations in interest rates including the carrying value of financial instruments distributed based on the price of re-pricing dates or maturity dates whichever is earlier.

30-Jun-2020	Up to 1 month	More than 1 - 3 months	More than 3 months – 1 year	More than 1 - 5 years	More than 5 years	Total
Balances with Central Bank of Egypt -interest bearing	197,068	91,016	4,940	-	-	293,024
Due from banks	25,964	2,910	298	-	-	29,172
Treasury bills	47,063	78,283	285,640	-	-	410,986
Bonds and other financial instruments	11,843	10,566	87,103	501,498	71,779	682,789
Performing loans and advances	215,971	162,135	60,750	184,872	142,239	765,967
Performing loans guaranteed by a residential property- Variable interest	-	286	-	-	-	286
Performing loans with a fixed interest rate guaranteed by a residential property-Fixed interest	37	239	539	3,085	12,183	16,083
Non-performing loans	-	-	-	-	-	-
Other assets (sensitive to interest rate)	11,857	9,543	2,828	7,115	5	31,348
	509,803	354,978	442,098	696,570	226,206	2,229,655
Interest-rate swaps	5,443	8,554	6,975	17,304	828	39,104
Total sensitive assets and interest rate swaps	515,246	363,532	449,073	713,874	227,034	2,268,758
Non-sensitive and held for trading purpose assets'	-	-	-	-	-	-
Total assets	515,246	363,532	449,073	713,874	227,034	2,268,758
Financial liabilities						
Demand deposits and current accounts	86,883	10,922	32,765	46,536	-	177,106
Saving Deposits	87,977	16,644	49,933	83,222	-	237,776
Time and notice deposits	71,213	16,873	41,516	8,483	1,023	139,108
Certificate of deposit	15,573	57,664	363,611	847,666	4,382	1,288,896
Due to banks	91,738	16,197	1,957	20	-	109,912
Issued debt securities	-	-	-	2	-	2
Long-term loans	4,306	60,775	52,781	15,868	1,684	135,414
Other liabilities (sensitive to interest rate)	14,678	4,368	6,056	2,742	3,524	31,368
	372,368	183,443	548,619	1,004,539	10,613	2,119,582
Interest rate swaps	8,490	27,335	2,811	-	-	38,636
Total sensitive liabilities and interest rate swaps	380,858	210,778	551,430	1,004,539	10,613	2,158,218
Total non-sensitive liabilities for interest rate						
Total liabilities	380,858	210,778	551,430	1,004,539	10,613	2,158,218
Interest rate gap	134,388	152,754	(102,357)	(290,665)	216,421	110,540
At the end of the comparative year						
Total financial assets	539,864	447,895	330,833	274,313	109,070	1,701,975
Total financial liabilities	662,721	204,871	455,391	424,244	12,473	1,759,700
Interest rate gap	(122,857)	243,024	(124,558)	(149,931)	96,597	(57,725)

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4.3- C- Liquidity risk

The liquidity risk is the risk for which the bank is exposed to encounter difficulties in meeting its obligations associated with its financial liabilities at maturity date. and replacing the funds when withdrawn ; Consequently it may fail to meet obligation related to repay depositors and meet lending commitments .

Liquidity risk management

The Bank's liquidity risk control is carried out by the Bank's Assets and Liabilities Management Department collaborated with the Treasury Department and include the following :

- The daily funding is managed by monitoring the future expected cash flows in order ensure the ability of fulfilling all requirements. This includes replenishment of funds as they mature or as borrowed by customers. The Bank maintains access to the global capital markets to ensure that his objective is achieved.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the Bank and the Central Bank of Egypt's requirements.
- Managing of concentration and profile of loans maturities.

For monitoring and reporting purposes, the cash flows for the next day, week and month is measured and projected. These periods are the key periods for liquidity Department. The starting point for these projections is represented in the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

Assets and Liabilities Management Department collaborated with the Treasury Department monitor the inconsistency of medium-term assets with the level and type of the unutilized portion of loan commitments, and also the extent of use of overdraft facilities with the effect of contingent liabilities such as letters of guarantees and documentary credits.

Financing approach

Sources of liquidity are reviewed by a separate team in the Assets and Liabilities Management Department collaborated with the Treasury Department in order to provide a wide diversification within currencies, geographical regions, resources, products, and maturities .

Cash flows hedge

The value at risk model is continuously monitored for quality through confirmed tests for the value at risk results related to the trading portfolio. The results of those tests are reported to bank's senior management and the board of directors.

Derivatives settled on a net basis

The Bank's derivatives settled on net basis include:

- Foreign exchange derivatives: currency option in/over the counter, and forward currency contracts
- Interest rate derivatives: foreign currency swaps, cross currency contracts, Interest-rate swap, in/over the counter, forward contracts and other contracts.

Derivatives settled with gross

Derivatives settled with gross include:

- Foreign exchange derivatives: Cross currency contracts, foreign currency swap.
- Interest rate swap, interest rate and foreign currency swap contracts together.

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4.3-Liquidity risk (Cont.)

30-Jun-2020	Up to 1 month	More than 1 - 3 months	More than 3 months - 1 year	More than 1 - 5 years	More than 5 years	Total
Financial assets						
Cash and balances with Central Banks	14,490	-	-	-	30,870	45,360
Due from banks	210,906	46,638	41,088	-	17,251	315,883
Loans and advances to Banks	485	970	1,454	-	-	2,909
Loans and advances to customers	72,389	10,000	169,967	151,606	278,689	682,651
Financial derivatives	258	-	-	-	-	258
Financial investments at fair value through profit / loss	922	-	-	325	-	1,247
Financial investments at fair value through other comprehensive income	132,960	52,105	339,492	197,940	76,255	798,752
Financial investments at amortized cost	433	3,486	48,337	26,092	21,914	100,262
Investments in subsidiaries and associates	-	-	-	-	7,912	7,912
Other assets	-	-	-	-	55,846	55,846
Total financial assets	432,843	113,199	600,338	375,963	488,737	2,011,080
Financial liabilities						
Due to banks	67,716	16,709	4,722	-	-	89,147
Repurchase agreements-treasury bills	-	22,444	-	-	-	22,444
Customers' deposits	90,646	60,580	476,629	852,015	115,647	1,595,517
Financial derivatives	18	35	53	-	-	106
Other loans	12,286	28,313	36,715	21,464	38,053	136,831
Other liabilities	-	-	-	-	38,263	38,263
Total financial liabilities	170,666	128,081	518,119	873,479	191,963	1,882,308
Net of financial positions	262,177	(14,882)	82,219	(497,516)	296,774	128,772
At the end of the comparative year						
Total financial assets	1,171,465	426,332	12,355	628	884	1,611,664
Total financial liabilities	1,016,562	426,685	17,144	2,111	1,610	1,464,112
Net of financial positions	154,903	(353)	(4,789)	(1,483)	(726)	147,552

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All figures are in EGP Millions

4.4- Fair value of assets and financial liabilities

4.4.1-Financial instruments measured at fair value

Due from banks

The fair value of overnight deposits designated at floating interest rate is represented in its nominal value. The expected fair value of the deposits designated a floating interest rate is measured based on the discounted cash flows by using the prevailing capital market's nominal value of debts with similar credit risk and similar maturity date.

Loans & advances to banks

Loans & advances to banks are represented in loans other than deposits with banks. The expected fair value of Loans & advances is measured at the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate in order to determine the fair value.

Loans & advances to customers

Loans & advances are stated in net terms after deducting the impairment loss provision. The expected fair value of Loans & advances is represented in the discounted value of future cash flows expected to be collected. Cash flows are discounted using the current market rate in order to determine the fair value

Investment in securities

Listed financial investment are classified either through fair value through other comprehensive income or through fair value through profit / loss. Fair values are determined based on quoted market prices in active markets, If such data were not available then the fair value is measured using the prevailing capital market's prices for marketable securities with similar credit features, maturity dates as well as similar rates.

Due to other banks and customers

The estimated fair value of deposits with unspecified maturity date, which includes non- interest bearing deposits, is represented in the amount to be paid on demand. The fair value of fixed interest-bearing deposits and the other loans that are not quoted in an active market are determined based on the discounted cash flows by applying interest rates for new debts with a similar maturity dates.

Issued debt instruments

Total fair value is calculated based on current capital markets' rates. As for securities that have no active market, it is calculated based on the discounted cash flows model using the current interest rate according to the remaining maturity.

Mutual fund certificate

Mutual funds certificates which are valued by the redemption value (fair value).

4.4.2-Financial instruments not measured at fair value:

Financial instrument at amortized cost

The financial investment includes bonds that are held to maturity, quoted and measured with amortized cost.

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4.5- Capital management

The bank's objectives for capital management, which include other elements along with the reported equity in the balance sheet, are represented in the following:

- Complying with the capital's legal requirements at Arab Republic of Egypt and at other countries where the bank's branches operate.
- Maintaining a strong capital base to enhance growth of the bank's operations.

Capital adequacy and capital uses are reviewed according to the requirements of regulatory authorities (Central Bank of Egypt) and by the bank's management using models based on the guidelines of Basel Committee for Banking Supervision. The required information is submitted to the Central Bank of Egypt on a quarterly basis.

The Central Bank of Egypt requires the following:

- Maintain the sum of EGP 500 Million as a minimum limit for issued and paid-up capital.
- Maintain a percentage equal to 10% or more as a ratio between capital elements and the risk-weighted assets and liabilities.
- Overseas branches are subject to the banking supervision rules of the countries in which they operate

The numerator of the capital adequacy ratio consists of:

* **Tier one after exclusions includes the following:-**

- Share capital after exclusion (Common Equity-CET1)
- Additional going concern share capital

As well as, items that are deducted from the share capital if its value is negative, otherwise (positive value) are neglected in conformity with regulators' instructions regarding the minimum of capital adequacy ratio.

* **Tier two after exclusions includes:-**

45% of special reserve, subordinate loans (deposits) within the set percentage and the expected credit losses provision formed against debt instruments, loans and advances ,contingent liabilities, which included at (stage 1).

Capital adequacy ratio includes significant notes and points as follows:-

- 1- Reserves: which include legal, general, statutory, supportive, and capital reserves only.
- 2- General risk reserve is formed at the initial implementation of IFRS 9 according to CBE regulation on February 26, 2019 which includes, special reserve-credit, general banking reserve-credit and IFRS 9 risk reserve. Considering when calculating the capital adequacy ratio in the subsequent periods, the bank should follow the minimum capital adequacy ratio instructions and excluding the general risk reserve in the ratio.
- 3- Balances of other comprehensive income items' are included whether positive / negative .
- 4- Periods profits /(losses): profits is permitted to include in the capital base, after issuing the bank's limited review audit report on a quarterly basis. However, the losses are unconditionally included.
- 5- The credit-part is not included in conformity with CBE regulation on April 2009, page (7), section (9).
- 6- The base should not exceed 1.25% of the total credit risk -weighted assets and contingent liabilities, with condition that expected credit losses provisions' for debts, loans, credit facilities and contingent liabilities included at stage 1 and 2 to be sufficient to meet its obligations .
- 7- The limit over due of the predetermined placement in the risk-weighted countries:
Should included this amount in according of model number 720, which related to the overseas placement in , considering the capital base, which previously determined in the said statement above.

- * The constant share capital after regulatory amendments mean is , the item 1.1 before deducting financial investments companies' (Shares or Mutual fund certificates) which represent in item (1.1.3.1).
- * The Share capital before regulatory amendments includes paid up capital, reserves, retained earnings, general risk reserve and other comprehensive income items' after excluding goodwill and treasury shares.
- * Subordinate loans (deposits):on condition that not exceed 50% from Tier one after exclusions, with annual amortization 20% over the last 5 years of maturity.

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

Capital adequacy ratio is prepared based on the consolidated financial statement (as a group of finance companies)

		30-Jun 2020	30-Jun 2019
Tier one after exclusions			
1.1.1	Issued and paid capital	50,000	35,000
1.1.4	Reserves	13,299	26,767
1.1.5	General risk reserve	3,793	6,926
1.1.6	Retained earnings (accumulated losses)	5,593	284
1.1.7	Total other comprehensive income items'	9,255	-
1.0	Total exclusions of the common equity capital	(1,148)	(1,833)
1.1	Total common equity capital after exclusion	80,792	67,144
1.2.2	Quarterly profits/ (losses)	-	-
1.2.3	Non-controlling interest	68	70
1.2.4	Differences between nominal value and present value (subordinated loan)	36,084	29,800
1.2	Total additional capital	36,152	29,870
1	Total tier one after exclusion	116,944	97,014
Tier two after exclusions (subordinated capital)			
2.1	45% of the special reserve	48	5979***
2.4	Subordinate loans within the approved limit	6,985	13,552
2.5	Debt instrument , loans and advances and contingent liability at expected credit losses stage one	8,684	8,347
2	Total tier two after exclusions	15,717	27,878
Total capital base after exclusions			
4.1	Total credit risk	706,197	671,914
4.3	The risk-weighted overruns value for top 50 customers*	11,874	24,408
4.4	Total market risk	12,843	316
4.5	Total operational risk	81,901	73,021
4	Total assets and contingent liabilities weighted by credit, market and operational risks	800,941	769,659
Capital adequacy ratio **			
		16.56%	16.23%

*This item will be excluded according to the one year permission granted from the Central Bank of Egypt on April 12, 2020.

**Comparative ratio is updated after the assembly general meeting decisions' on April 16,2020.

***This figure includes 45% of the following:-

Special reserve

Foreign currency translation reserve

Fair value reserve

Financial leverage

Tier one of capital after exclusion (1)

Total exposure on/off balance sheet (2)

Leverage ratio (1)/(2)

	30-Jun 2020	30-Jun 2019
116,944	97,014	
2,249,072	1,811,241	
5.20%	5.36%	

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

5-Segmental analysis

Segmental activity includes operational processes, assets used in offering banking services', management of associated surrounding risks and relevant yield, which vary from the other business activities' segmentation analysis of operations according to banking activities as follows :

Large Corporate and SMEs:- This includes the current accounts activities, deposits, overdrafts, loans, and credit facilities.

Investment :- This includes activities such as merging of companies, investments acquisition, financing and restructuring of companies and financial instruments.

Banks:- This includes Central, Domestic and Foreign banks.

Individual:- This includes current accounts, savings, deposits, credit cards, personal loans, mortgages.

Governmental:- This includes treasury bills and governmental bonds as for assets, deposits and other governmental loans as for liabilities.

Asset and liability management:- This includes other banking business such as assets, liabilities and treasury management .Inter-segment activities are affected within the bank's normal course of business and include operational assets and liabilities as presented in the bank's statement of financial position. ☐

30-Jun-2020	Corporate	SME	Investment	Individual	Other activities	Total
Business activity assets	512,738	72,240	1,211,051	100,884	12,962	1,909,875
Non-classified assets	-	-	-	-	108,567	108,567
Total Assets	512,738	72,240	1,211,051	100,884	121,529	2,018,442
Business activity liabilities	(238,130)	(34,819)	(255,862)	(1,321,811)	6,577	(1,844,045)
Non-classified liabilities	-	-	-	-	(52,332)	(52,332)
Total liabilities	(238,130)	(34,819)	(255,862)	(1,321,811)	(45,755)	(1,896,377)
30-Jun-2019	Corporate	SME	Investment	Individual	Other activities	Total
Business activity assets	389,170	51,666	1,032,327	72,041	18,073	1,563,277
Non-classified assets	-	-	-	-	72,923	72,923
Total Assets	389,170	51,666	1,032,327	72,041	90,996	1,636,200
Business activity liabilities	(227,625)	(30,893)	(303,021)	(911,488)	(5)	(1,473,032)
Non-classified liabilities	-	-	-	-	(53,299)	(53,299)
Total liabilities	(227,625)	(30,893)	(303,021)	(911,488)	(53,304)	(1,526,331)

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

6-Net interest income

6.1-Interest income on loans and similar income

	30-Jun 2020	30-Jun 2019
Interest income on loans and advances-Banks	98	166
Interest income on loans and advances-Customers	48,788	44,290
Total interest on loans and advances	48,886	44,456
Interest income on due from banks	45,718	66,667
Mutual fund certificate	5	-
Interest income on Bonds and Treasury bills		
Interest income on debt instrument at fair value through profit / loss	10	3
Interest income on debt instrument at fair value through other comprehensive income	78,182	54,033
Interest income on debt instrument at amortized cost	12,542	15,316
Total interest income on Bonds and Treasury bills	90,734	69,352
Reverse repo agreement	2,613	3,503
Total interest income on loans and similar income	187,956	183,978

6-2-Interest expense on deposits and similar expense

	30-Jun 2020	30-Jun 2019
Interest expense on deposits -Banks	(1,968)	(4,855)
Interest expense on deposits-Customers	(135,627)	(117,485)
Repo agreement	(436)	(527)
Other loans	(4,817)	(5,779)
Total interest expense	(142,848)	(128,646)
Net interest income	45,108	55,332

7-Net fees and commissions income

Fee and commission income :

	30-Jun 2020	30-Jun 2019
Credit-related fees and commissions	3,847	4,265
Other fees	3,572	3,339
Total fee and commission income	7,418	7,604
Fee and commission expenses :		
Fees paid to banks	(327)	(502)
Other-Paid fees	(330)	(302)
Net fee and commissions income	(657)	(804)
	6,761	6,800

8-Dividends income

	30-Jun 2020	30-Jun 2019
Subsidiaries companies'	41	218
Associates companies'	61	65
Financial investment at fair value through profit / loss	3	3
Financial investment at fair value through other comprehensive income	447	366
Mutual funds certificates	34	29
Total dividends income	586	681

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

9-Net trading income

Profit from foreign currency transactions
Financial investments at fair value through profit/loss
Profit (Loss) currencies and interest rate swaps contracts

Profit (Loss) currencies and interest rate swaps contracts include:-
(Losses) of Currency swaps
Profit of interest rate swaps-IRS

	30-Jun 2020	30-Jun 2019
Profit from foreign currency transactions	1,724	1,735
Financial investments at fair value through profit/loss	(89)	(44)
Profit (Loss) currencies and interest rate swaps contracts	1,213	(280)
	2,848	1,411
Profit (Loss) currencies and interest rate swaps contracts include:-		
(Losses) of Currency swaps	(126)	(306)
Profit of interest rate swaps-IRS	1,339	26

10-Expected credit losses charge

Expected credit losses on contingent liabilities
Expected credit losses on Loans
Impairment of previously available for sale investments
Amounts recovered during the year

	30-Jun 2020	30-Jun 2019
Expected credit losses on contingent liabilities	(645)	(13)
Expected credit losses on Loans	(3,144)	(4,214)
Impairment of previously available for sale investments	-	(222)
Amounts recovered during the year	434	-
	(3,355)	(4,449)

11-Administrative expenses

Staff costs:

Salaries and wages
Social insurances
Pension Cost
Other administrative expenses*

	30-Jun 2020	30-Jun 2019
Salaries and wages	(5,904)	(7,350)
Social insurances	(313)	(242)
Pension Cost	(690)	(565)
Other administrative expenses*	(13,554)	(12,041)
	(20,461)	(20,198)

Other administrative expenses include the following:

Depreciation and amortization
Buildings and lands expenses
Machines and equipment's
Taxes and fees
Governmental fees
Insurance fees

	30-Jun 2020	30-Jun 2019
Depreciation and amortization	(1,695)	(1,643)
Buildings and lands expenses	(772)	(805)
Machines and equipment's	(641)	(578)
Taxes and fees	(1,772)	(1,246)
Governmental fees	(230)	(286)
Insurance fees	(1,246)	(975)

12-Other operating expenses

Foreign currencies revaluation (losses) profits from monetary assets and liabilities
Other provision charge
Assets reverted to the bank provision charge
Other debt balances provision charge
Fixed assets sale gain / loss
Other income
Net of other operating expenses

	30-Jun 2020	30-Jun 2019
Foreign currencies revaluation (losses) profits from monetary assets and liabilities	(1,825)	2,539
Other provision charge	(1,327)	(6,727)
Assets reverted to the bank provision charge	(48)	-
Other debt balances provision charge	(88)	-
Fixed assets sale gain / loss	50	6
Other income	1,925	704
Net of other operating expenses	(1,313)	(3,478)

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

13-Income tax expenses

Taxes on treasury bills , bonds and cash dividends
The amount paid from the above tax

	30-Jun 2020	30-Jun 2019
	(17,535)	(13,479)
	16,076	11,036

Taxes on the bank's profits vary from the amount derived from applying the current tax rates as follows:

	30-Jun 2020	30-Jun 2019
Profit before tax	30,602	33,684
Effective tax rate (22.5%)	6,885	7,579
Non- taxable income	(15,644)	(3,229)
Non- deductible expenses	12,117	5,166
Income tax expenses	3,358	9,516
Effective tax rate (excluding taxes on treasury bills, bonds and cash dividends)	10.97%	28.25%
Effective tax rate (including taxes on treasury bills, bonds and cash dividends)*	57.30%	40.02%

*Effective tax rate includes taxes on treasury bills, bonds and cash dividends proportioned to the profit before tax.

The difference between the tax charged to income statement (profit / loss) and the tax presented in cash flows statement is the unrealized revenue tax at reporting date

Not recognized deferred tax assets

	30-Jun 2020
Impairment loss provision for loans (excluding 80% of the amount charged during the year)	395

Deferred tax assets are de-recognized due to the lack of reasonable assurance that this account can be utilized/ or a proper conformity level that there are a future taxable profits enough to settle these assets.

14-Basic earnings per share/ Diluted

Earnings per share is calculated by dividing the bank's shareholders net profit over the weighted average of common shares issued during the year, after excluding the weighted average of treasury shares repurchased by the bank.

	30-Jun 2020	30-Jun 2019
Net profit for the year	13,067	20,205
Employees` profit share for the year*	(4,173)	(3,027)
Net profit available for distribution to shareholders (1)	8,894	17,178
The weighted average of the issued common shares (2)**	50,000	50,000
Basic earnings per share/ Diluted	0.18	0.34
EGP		

*According to the bank's article of association amendment para (27).

**The comparative figures are amended to conform with the Egyptian Accounting standard (22), as this increase is a non-cash increase, transferred from the bank's reserve.

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

15-Cash and balances with Central Banks

Cash
Obligatory reserve balance with Central banks
Total

*All balances are non-interest bearing balances

	30-Jun 2020	30-Jun 2019
Cash	14,359	15,271
Obligatory reserve balance with Central banks	31,001	14,126
Total	45,360	29,397

16-Due from banks

Current accounts
Deposits

Less: Expected credit losses provision
Total

Central banks balances other than the obligatory reserve percentage

Domestic banks
Foreign banks
Less: Expected credit loss
Total

Non - interest bearing balances
Floating interest bearing balances
Fixed interest bearing balances
Less: Expected credit losses provision
Total

	30-Jun 2020	30-Jun 2019
Current accounts	6,467	62,764
Deposits	309,443	427,743
Total	315,910	490,507
Less: Expected credit losses provision	(27)	-
Total	315,883	490,507
Central banks balances other than the obligatory reserve percentage	289,626	398,293
Domestic banks	18,239	-
Foreign banks	8,045	92,214
Less: Expected credit loss	(27)	-
Total	315,883	490,507
Central banks balances other than the obligatory reserve percentage	289,626	398,293
Domestic banks	18,239	-
Foreign banks	8,045	92,214
Less: Expected credit loss	(27)	-
Total	315,883	490,507
Non - interest bearing balances	336	499
Floating interest bearing balances	6,297	62,433
Fixed interest bearing balances	309,277	427,575
Less: Expected credit losses provision	(27)	-
Total	315,883	490,507

17-Financial investments at fair value through profit/loss

Shares
Mutual funds certificates
Other portfolios

	30-Jun 2020	30-Jun 2019
Shares	134	102
Mutual funds certificates	223	-
Other portfolios	890	236
Total	1,247	338

18-Loans and advances to banks, net

Term loans*
Less: Expected credit losses provision
Total

*All balances are classified as current.

	30-Jun 2020	30-Jun 2019
Term loans*	2,943	2,459
Less: Expected credit losses provision	(34)	(5)
Total	2,909	2,454

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

19-Loans and advances to customers, net

Individual loans:-

	30-Jun 2020	30-Jun 2019
Credit cards	6,484	5,028
Overdrafts	4,770	5,188
Personal loans	80,454	54,040
Auto loans	1,025	1,171
Mortgage loans	9,358	7,807
Total (1)	102,091	73,234
Corporate included SME's loans		
Overdrafts	186,473	163,677
Direct loans	356,427	242,006
Syndicated loans	74,904	63,277
Total (2)	617,804	468,960
Total loans and advances to customers (1)+(2)	719,895	542,194
Less:		
Expected credit loss provision	(33,213)	(24,957)
Interest in suspense	(4,031)	(3,064)
682,651	514,173	
Current balances	252,356	189,134
Non-current balances	467,539	353,060
719,895	542,194	

Expected credit losses for customers' loans and advances

Corporate

	30-Jun 2020	30-Jun 2019
Balances at the beginning of the year	23,783	20,474
IFRS9 implementation impact	5,651	-
Charge for the year	2,606	4,067
Written-off loans during the year	(308)	(827)
Transfers	-	34
Amounts recovered during the year	434	546
Foreign currencies valuation differences (+/-)	(133)	(511)
Total	32,033	23,783

Individual

	30-Jun 2020	30-Jun 2019
Balances at the beginning of the year	1,174	971
IFRS9 implementation impact	74	-
Charge for the year	104	142
Written-off loans during the year	(172)	(195)
Transfers	-	185
Amounts recovered during the year	-	71
Total	1,180	1,174

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

Expected credit losses for customers' loans and advances (Cont.)

Individual loans:-

	30-Jun 2020	30-Jun 2019
Credit cards	79	41
Overdrafts	7	3
Personal loans	492	268
Auto loans	6	-
Mortgage loans	596	862
Total (1)	1,180	1,174
<u>Corporate & SME's loans</u>		
Overdrafts	7,557	1,410
Direct loans	20,442	22,338
Syndicated loans	4,034	35
Total (2)	32,033	23,783
Total loans and advances to customers' provision (1)+(2)	33,213	24,957

20-Financial derivatives

Cash flow hedge derivatives

	30-Jun-2020		
	Notional amount	Assets	Liabilities
Interest Rate Swap-IRS	10,299	70	20

Derivatives for non-hedging purpose

Foreign Currency Swap	8,662	-	63
Cross Currency Swap	8,051	188	23
Total	258	106	

Cash flow hedge derivatives

	30-Jun-2019		
	Notional amount	Assets	Liabilities
Interest Rate Swap-IRS	41,064	-	157

Derivatives for non-hedging purpose

Foreign Currency Swap	7,353	3	14
Cross Currency Swap	7,426	289	57
Total	292	228	

21-Financial investments at fair value through other comprehensive income

	30-Jun 2020	30-Jun 2019
Treasury bills	392,595	293,435
Shares	19,228	8,561
Bonds	386,529	142,599
Mutual funds certificates	400	439
	798,752	445,034

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

21-Financial investments at fair value through other comprehensive income (Cont.)

21.1-Treasury bills

	30-Jun 2020	30-Jun 2019
91 days maturity	23,860	24,786
182 days maturity	71,093	37,275
273 days maturity	119,213	61,517
364 days maturity	196,144	145,225
	410,310	268,803
Unearned interests	(19,241)	(14,485)
Fair value revaluation impact	(333)	-
Expected credit losses	(130)	-
Net	390,606	254,318
Reverse repo	1,989	39,117
	392,595	293,435

21.2-Equity instrument

Listed	11,963	2,728
Unlisted	7,265	5,833
Mutual funds certificates	-	439
Mutual funds certificates of the founder bank	400	-
Total	19,628	9,000

21.3-Debt instrument

Governmental bonds	384,496	142,548
Corporate bonds	2,271	3
Other	50	48
Total	386,817	142,599
Expected credit losses	(288)	-
Net	386,529	142,599
Listed	212,626	40,518
Unlisted	174,191	102,081
	386,817	142,599

21.4-Movement of financial assets at fair value through other comprehensive income

Balance at the beginning of the year

	30-Jun 2020	30-Jun 2019
Balance at the beginning of the year	445,034	361,169
Additions	1,088,492	136,995
Reclassification	(19,047)	(64,503)
De-recognitions (sale/redeem)	(740,132)	12,494
Amortization of Premium/discount-governmental bonds	28,498	(90)
Fair value revaluation impact	3,340	(221)
Expected credit losses provision	(418)	-
Unearned interests-treasury bills	(4,779)	(810)
Treasury bills revaluation impact	(333)	-
Foreign currencies valuation differences-treasury bills	(1,903)	-
Balance at the end of the year	798,752	445,034

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22-Financial investment at amortized cost

Governmental bonds
Corporation bonds
Mutual funds certificates
Total
Expected credit losses provision
Net
Listed
Unlisted
Mutual funds certificates
Total

	30-Jun 2020	30-Jun 2019
Governmental bonds	100,203	102,206
Corporation bonds	68	790
Mutual funds certificates	-	220
Total	100,271	103,216
Expected credit losses provision	(9)	-
Net	100,262	103,216
Listed	70,336	78,542
Unlisted	29,935	24,454
Mutual funds certificates	-	220
Total	100,271	103,216

22.1-Movement of financial investment at amortized cost

Balance at the beginning of the year
Additions
Reclassification
De-recognitions (sale/redeem)
Amortization of Premium/discount-governmental bonds
Balance at the end of the year
Expected credit losses provision
Net Balance at the end of the year

	30-Jun 2020	30-Jun 2019
Balance at the beginning of the year	103,216	127,276
Additions	2,430	325
Reclassification	19,265	-
De-recognitions (sale/redeem)	(24,590)	(24,569)
Amortization of Premium/discount-governmental bonds	(50)	184
Balance at the end of the year	100,271	103,216
Expected credit losses provision	(9)	-
Net Balance at the end of the year	100,262	103,216

22.2-Profit (loss) from financial investments

Fair value through other comprehensive income gain / loss
Gain on sale of financial investments in subsidiaries and associates
Financial investments at amortized cost (loss) / gain
Impairment loss of subsidiaries and associates
Balance at the end of the year

	30-Jun 2020	30-Jun 2019
Fair value through other comprehensive income gain / loss	393	123
Gain on sale of financial investments in subsidiaries and associates	373	-
Financial investments at amortized cost (loss) / gain	(1)	14
Impairment loss of subsidiaries and associates	(337)	(2,552)
Balance at the end of the year	428	(2,415)

23- Investments in subsidiaries and associates

Investments in subsidiaries and associates movement:-

Balance at the beginning of the year
Additions
Disposal
Impairment loss
Balance at the end of the year

	30-Jun 2020	30-Jun 2019
Balance at the beginning of the year	7,770	7,779
Additions	512	2,660
Disposal	(33)	(117)
Impairment loss	(337)	(2,552)
Balance at the end of the year	7,912	7,770

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23- Investments in subsidiaries and associates Cont.

No.	30-Jun-2020							
Name	Share %	Book value	Available financial statement	Company's assets	Company's liabilities without shareholders' equity	Company's revenues	Profit (losses) of the company	Currency
A-Subsidiaries companies								
1	NBE -Dubaï international Financial center.DIFC	100.00%	-	Jun 19	2	-	1	(2)
2	National Bank Of Egypt - NBE (Uk)	100.00%	1,083	Dec 18	1,435	1,285	61	-
3	Al Ahly for exchange	99.57%	298	Dec 18	119	3	2,048	(9)
4	Al Ahly for mortgage	99.08%	248	Dec 19	1,086	802	132	26
5	National Bank Of Egypt - El Khartoum	99.00%	300	Dec 18	2,953	1,581	1,132	970
6	Al-Ahly Capital Holding Co.	98.95%	4,947	Sep 19	8,389	37	1,014	824
7	El Ahly for leasing	98.50%	296	Jun 19	2,573	2,029	543	95
8	Dream Land Co. For Urban Development	71.70%	-	Dec 09	2,102	1,412	162	16
9	Dream Land Markets Co.	71.70%	-	Dec 09	110	83	-	(7)
10	Dream Land Co. For Meeting	71.70%	-	Dec 09	298	252	-	(14)
11	Forsan Dream Land	71.70%	-	Dec 09	210	130	-	(15)
12	Dream Land Health Resort Co.	71.70%	-	Dec 09	456	117	407	251
13	Dream Land Pyramids Co.	71.70%	-	Dec 09	984	592	110	(33)
14	Upper Egypt for food industries	70.87%	28	Dec 18	106	42	78	(3)
15	National Melamine And Urea Formaldehyde Co.	54.56%	-	Dec 18	36	1	1	-
16	Rady Group for touristic investment	52.05%	-	Dec 16	52	28	-	-
17	Arco Steel	51.00%	-	Dec 18	1,134	1,385	556	(167)
18	The Egyptian Co. For Asset Management & Investment	50.00%	120	Dec 18	3,905	3,271	87	84
Total Subsidiaries		7,320						
B-Associate companies								
19	Egy Marble	41.33%	-	Dec 09	23	22	4	-
20	Egy House	41.33%	-	Dec 09	34	50	3	(5)
21	International Electrical Products	41.33%	-	Dec 09	263	154	135	1
22	Dream Park	41.33%	-	Dec 09	422	218	69	8
23	International Electronics	41.33%	-	Dec 06	377	318	14	(9)
24	Al Ahly Real Estate Development Co.-Saboor	40.00%	32	Dec 18	7,019	6,682	1,145	4
25	Egy Serv.	40.00%	1	Dec 19	141	54	263	37
26	National Navigation Co.	39.91%	-	Dec 19	466	111	116	18
27	National Co. For Housing For Pro. Syndicates	39.57%	64	Dec 19	213	34	12	1
28	Imbt	39.38%	-	Dec 18	111	103	-	(3)
29	Al Ahly For Projects And Medical Services	39.00%	51	Dec 19	218	54	56	7
30	Oriental Resorts For Touristic Dev.	34.86%	-	Dec 18	114	75	6	(5)
31	Mena Tele. Co. (Menatel)	33.96%	-	Dec 19	18	16	-	(3)
32	Real Estate Egyptian Consortium (consolidated)	33.95%	-	Dec 19	225	69	103	39
33	Maspipo CO. FOR URBAN Dev.	33.33%	30	Dec 18	186	45	44	13
34	Nile Holding Com. For Inv.& Dev.	33.33%	50	Dec 19	248	2	24	14
35	El Sherouk For Markets & Commercial Stores	32.00%	-	Dec 18	112	37	259	9
36	Upper Egypt for investment	30.59%	-	Dec 19	67	0	4	2
37	Horizon For Inv. & Ind. Dev.	30.08%	26	Dec 18	645	401	715	1
38	Multi Trade Holding-Luxembourg	30.00%	-	Dec 13	-	(1)	0	-
39	Misr Aswan For Fishing Hunting And Fabricating	28.85%	-	Dec 18	26	5	36	4
40	Port Said National Food Security Co,	28.82%	-	Dec 18	3	1	0	-
41	Al Ektessadia For Housing And Reconstruction	28.52%	9	Dec 19	155	46	26	12
42	The Universal Co For Cellulose Products	27.00%	-	Dec 09	259	188	-	0
43	Multi-Investment International Co.	27.00%	-	Dec 19	65	9	6	(5)
44	Al Montazah For Tourism & Investment Co.	24.95%	-	Dec 18	530	404	25	(8)
45	Development industrial Free Zone (East port-said)	24.47%	-	Dec 15	49	5	2	-
46	Misr Company For Financial Investment	23.47%	-	Dec 19	76	23	13	-
47	Samcrete Development	22.99%	75	Dec 18	1,879	1,416	168	28
48	Alexandria Company For Petroleum Additives (Acpa)	22.86%	-	Dec 19	206	51	344	1
49	October For Development & Real-Estate Investment Co.	21.74%	20	Dec 18	240	47	18	1
50	Commercial Inter. Investment Company	20.87%	70	Dec 19	482	210	192	115
51	Elshorouk Co. For Moulds And Metallurgical Products	20.62%	-	Dec 18	18	4	2	-
52	El tahrer for investment parking (TECO)	20.60%	-	Dec 19	577	346	101	(8)
53	Al Ahly Co. For Agricultural	20.00%	150	Dec 19	928	19	59	11
54	Upper Egypt For Touristic & Real-Estate Development	20.00%	0	Dec 18	21	3	-	(4)
55	Fawry Dahb E-Payment	20.00%	12	Dec 19	67	20	203	45
56	Suez Building Materials Urban And Tourist Development Co.	20.00%	2	Dec 18	53	35	19	6
57	Air Cairo	20.00%	-	Jun 19	166	169	81	(10)
58	International Systems For Development & Property Investment	20.00%	-	Dec 11	-	-	-	-
59	Elnabila For Investment And Development Tourist	20.00%	-	Dec 14	348	370	39	(8)
Total Associate		592						
Total Subsidiaries and associate companies		7,912						

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

23- Investments in subsidiaries and associates Cont.

Name	Share %	Book value	Available financial statement	Company's		Company's revenues	Profit (losses) of the company	Currency
				Company's assets	liabilities without shareholders' equity			
A-Subsidiaries companies								
1 National Bank Of Egypt - NBE (Uk)	100%	1,083	Jun 18	1,471	1,321	55	6	USD
2 NBE -Dubai international Financial center.DIFC	100%	-	Dec 18	2	-	1	(2)	GBP
3 Al Ahly for mortgage	99%	248	Dec 18	722	499	108	19	EGP
4 National Bank Of Egypt - El Khartoum	99%	300	Dec 18	2,953	1,581	1,132	970	SDG
5 Al-Ahly Capital Holding Co.	99%	4,947	Dec 18	8,910	138	819	499	EGP
6 El Ahly for leasing	99%	296	Dec 18	2,628	2,155	714	85	EGP
7 Al Ahly for exchange	99%	124	Dec 18	119	3	2,048	(9)	EGP
8 Dream Land Co. For Urban Development	72%	-	Dec 09	2,102	1,412	162	16	EGP
9 Dream Land Co. For Meeting	72%	-	Dec 09	298	252	-	(14)	EGP
10 Dream Land Markets Co.	72%	-	Dec 09	110	83	-	(7)	EGP
11 Dream Land Health Resort Co.	72%	-	Dec 09	456	117	407	251	EGP
12 Forsan Dream Land	72%	-	Dec 09	210	130	-	(15)	EGP
13 Dream Land Pyramids Co. For Golf	72%	-	Dec 09	984	592	103	(33)	EGP
14 Upper Egypt for food industries	71%	28	Dec 18	109	42	14	1	EGP
15 Ahly for trading in securities	61%	-	Dec 18	6	-	1	-	EGP
16 National Melamine And Urea Formaldehyde Co.	55%	-	Dec 18	36	1	1	-	EGP
17 Rady Group for touristic investment	52%	-	Dec 16	52	28	-	-	EGP
18 The Egyptian Co. For Asset Management & Investment	50%	120	Dec 18	3,823	3,273	41	64	EGP
Total Subsidiaries companies		7,146						
B-Associate companies								
19 The Egyptian Salts And Mineral's Co (Emisal)	50%	30	Dec 18	561	243	572	83	EGP
20 Egy Marble	41%	-	Dec 09	23	22	4	-	EGP
21 International Electrical Products	41%	-	Dec 09	263	154	134	1	EGP
22 Egy House	41%	-	Dec 09	34	50	3	(5)	EGP
23 Dream Park	41%	-	Dec 08	422	218	69	8	EGP
24 International Electronics	41%	-	Dec 06	377	318	14	(9)	EGP
25 Egy Serv.	40%	1	Dec 18	131	50	232	41	EGP
26 Al Ahly Real Estate Development Co.	40%	32	Dec 17	5,267	4,913	473	15	EGP
27 National Navigation Co.	40%	-	Dec 18	466	130	101	20	USD
28 National Co. For Housing For Pro. Syndicates	40%	64	Dec 18	207	28	19	4	EGP
29 Imbt	39%	-	Dec 18	111	103	-	(3)	EGP
30 Al Ahly For Projects And Medical Services	39%	51	Dec 18	191	35	42	3	EGP
31 Oriental Resorts For Touristic Dev.	35%	-	Dec 17	114	70	5	(13)	EGP
32 Mena Tele. Co. (Menatel)	34%	-	Dec 18	21	17	-	(3)	EGP
33 Real Estate Egyptian Consortium (consolidated)	34%	-	Mar 19	672	492	25	7	EGP
34 Nile Holding Com. For Inv.& Dev.	33%	50	Sep 18	261	-	36	33	EGP
35 Maspire CO. FOR URBAN Dev.	33%	30	Dec 18	186	45	32	13	EGP
36 El Sherouk For Markets & Commercial Stores	32%	-	Dec 18	112	37	259	9	EGP
37 Upper Egypt For Investment Co.	31%	-	Dec 17	130	-	2	-	EGP
38 Horizon For Inv. & Ind. Dev.	30%	26	Sep 18	820	566	536	5	EGP
39 Multi Trade Holding-Luxembourg	30%	-	Dec 13	1	-	-	-	EUR
40 Misr Aswan For Fishing Hunting And Fabricating	29%	-	Dec 17	23	5	33	1	EGP
41 Port Said National Food Security Co,	29%	-	Dec 17	3	1	-	-	EGP
42 Al Ektessadia For Housing And Reconstruction	29%	9	Dec 18	155	49	39	18	EGP
43 Multi-Investment International Co.	27%	-	Dec 18	92	20	14	(9)	EGP
44 The Universal Co For Cellulose Products	27%	-	Dec 09	259	188	-	-	EGP
45 New Ismailia For Investment And Tourism Co.	25%	-	Dec 17	44	25	5	(3)	EGP
46 Al Montazah For Tourism & Investment Co.	25%	-	Dec 18	530	404	25	(8)	EGP
47 Development industrial Free Zone (East port-said)	24%	-	Dec 15	49	5	2	-	EGP
48 Concord National Investments Limited - Isle of man	24%	-	Dec 16	-	-	-	-	USD
49 Misr Company For Financial Investment	23%	-	Dec 18	64	11	12	(4)	EGP
50 Samcrete Development	23%	75	Sep 18	1,944	1,495	121	14	EGP
51 Alexandria Company For Petroleum Additives (Acpa)	23%	-	Dec 18	243	84	482	18	EGP
52 October For Development & Real-Estate Investment Co.	22%	20	Dec 18	239	47	18	1	EGP
53 Commercial Inter. Investment Company (Cic)	21%	70	Dec 18	486	91	30	11	EGP
54 Elshorouk Co. For Moulds And Metallurgical Products	21%	-	Dec 18	18	4	2	-	EGP
55 El tahrer for investment parking (TECO)	21%	-	Dec 18	608	368	96	(23)	EGP
56 Al Ahly Co. For Agricultural	20%	150	Dec 18	926	13	69	32	EGP
57 Upper Egypt For Touristic & Real-Estate Development	20%	-	Dec 18	21	3	-	(4)	EGP
58 Air Cairo	20%	-	Dec 18	162	155	196	(17)	USD
59 Elnabila For Investment And Development Tourist	20%	-	Dec 14	348	370	39	(8)	EGP
60 Suez Building Materials Urban And Tourist Development Co.	20%	2	Dec 18	53	35	21	6	EGP
61 International Systems For Development & Property Investment	20%	-	Dec 11	-	-	-	-	EGP
62 Ismailia Whole Markets Co.	20%	2	Dec 18	15	1	7	1	EGP
63 Fawry Dahb E-Payment	20%	12	Dec 18	29	9	96	21	EGP
Total Associate companies		624						
Total Subsidiaries and associate companies		7,770						

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

24-Fixed assets, net (after accumulated depreciation)

	Land	Buildings	Automated integrated systems	Vehicles	Fixtures and fittings	Furniture	Total
<u>Net book value as at 30 Jun,2018</u>							
Additions during the year	569	3,081	3,892	195	1,744	1,170	10,651
Accumulated depreciation	-	(1,279)	(2,815)	(115)	(570)	(771)	(5,550)
Net book value as at 30 Jun,2018	569	1,802	1,077	80	1,174	399	5,101
Additions during the year	59	433	603	53	437	253	1,838
Disposal cost	(4)	-	(6)	(1)	-	-	(11)
Depreciation cost	-	(151)	(702)	(32)	(186)	(167)	(1,238)
Disposal (Accumulated depreciation)	-	-	6	1	-	-	7
Net book value as at 30 Jun,2019*	624	2,084	978	101	1,425	485	5,697
Cost	624	3,514	4,489	247	2,181	1,423	12,478
Accumulated depreciation	-	(1,430)	(3,511)	(146)	(756)	(938)	(6,781)
Net book value as at 30 Jun,2019	624	2,084	978	101	1,425	485	5,697
Additions during the year	170	1,105	1,042	161	384	191	3,053
Disposal cost	-	(5)	(2)	(29)	-	(1)	(37)
Depreciation cost	-	(180)	(723)	(50)	(238)	(197)	(1,388)
Disposal (Accumulated depreciation)	-	3	2	29	-	1	35
Net book value as at 30 Jun,2020	794	3,007	1,297	212	1,571	479	7,360
Cost	794	4,614	5,529	379	2,565	1,613	15,494
Accumulated depreciation	-	(1,607)	(4,232)	(167)	(994)	(1,134)	(8,134)
Net book value as at 30 Jun,2020	794	3,007	1,297	212	1,571	479	7,360

*Include fully depreciated assets (Vault rooms doors)

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

25-Investment property

No. 10, Emraa El Noury street, Banha, Al Qaliubiya

No. 174, Al Nozha street

	Cost	Accumulated depreciation	Net book value
30-Jun-2020			
	2	1	1
	1	-	1
	3	1	2
30-Jun-2019			
No. 10, Emraa El Noury street, Banha, Al Qaliubiya	2	1	1
No. 174, Al Nozha street	1	-	1
	3	1	2

26-Other assets

Accrued interest revenue

National Investment Bank certificates'

Assets reverted to the bank as settlement of debts*

Fixed assets advance payment

Tax advance payment

Deposits with others

Prepaid expenses

Memorial coins

Others**

Total

After exclusion:-

*Other provision-Assets reverted to the bank

**Other provisions

	30-Jun 2020	30-Jun 2019
Accrued interest revenue	23,838	20,760
National Investment Bank certificates'	19,570	4,710
Assets reverted to the bank as settlement of debts*	3,420	3,731
Fixed assets advance payment	1,704	1,607
Tax advance payment	1,961	1,586
Deposits with others	77	129
Prepaid expenses	167	106
Memorial coins	1	1
Others**	5,108	4,690
Total	55,846	37,320
<u>After exclusion:-</u>		
	2,158	2,110
	1,377	1,323

27-Due to banks

Current accounts

Deposits

Total

Central Bank of Egypt

Domestic banks

Foreign banks

Total

Non-interest bearing balances

Interest bearing balances

Total

*All balances are classified as current

	30-Jun 2020	30-Jun 2019
Current accounts	2,824	3,006
Deposits	86,323	137,983
Total	89,147	140,989
Central Bank of Egypt	-	91,898
Domestic banks	86,252	42,430
Foreign banks	2,895	6,661
Total	89,147	140,989
Non-interest bearing balances	1,626	1,820
Interest bearing balances	87,521	139,169
Total	89,147	140,989

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

28-Customers' deposits

	30-Jun 2020	30-Jun 2019
Demand deposits	171,268	169,509
Saving deposits	237,776	233,686
Time and notice deposits	132,529	120,022
Certificate of deposit	1,047,562	641,009
Other deposits	6,382	6,366
Total	1,595,517	1,170,592
Corporate	273,442	267,604
Individual	1,322,075	902,988
	1,595,517	1,170,592
Non-interest bearing balances	62,599	54,159
Floating interest bearing balances	263,537	262,506
Fixed interest bearing balances	1,269,381	853,927
	1,595,517	1,170,592
Current balances	627,855	482,256
Non-current balances	967,662	688,336
	1,595,517	1,170,592

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

29-Other loans

	30-Jun 2020	30-Jun 2019
Social Fund for Developmental Projects	4,563	5,177
Subordinate loans	7,181	14,744
Other loans*	125,087	119,112
	136,831	139,033
Other loans*		
China Development Bank	21,044	24,056
National Bank of Abu Dhabi-Dubai (FAB)	23,401	25,059
European Investment Bank	16,283	19,451
Emirates NBD	10,296	13,339
JP Morgan London	12,105	4,177
African Export-Import Bank	14,525	8,910
Standard Chartered	3,228	3,341
European Bank for reconstruction and development EBRD	7,723	4,696
Central Bank Of Egypt	2,017	2,469
Credit Suisse-Zurich	2,017	1,253
Commerz bank Frankfurt	1,130	1,920
Abu Dhabi Commercial bank	2,531	1,253
French Agency	777	955
Japan Bank for International	603	647
Bayerische Landesbk- Munich – Bavarian bank	-	570
Green climate fund	541	452
Sanad mutual fund (USD 15 Million)	503	348
Royal Bank	100	315
National Investment Bank (as part of WB and the IDA loans)	226	295
Arab Trade Finance Program Ever Grow Specialized Fertilizers	173	219
Two soft-term loans signed between the Egyptian government and the Italian	166	185
Commercial International Bank	150	219
Danish government	117	118
Nordea Bank	50	73
Loans from international institutions financing banks	49	57
Eco Spanish Foundation	64	57
Saudi fund grant for development	21	38
Danske bank – Copenhagen	30	38
Citi Bank – Dubai	-	615
Standard Chartered Bank-Dubai	-	835
UBAF-Paris	-	468
Credit Suisse-London	-	437
Sumitomo Mitsui BK Co., Dubai-Sumitomo Mitsui	1,827	184
African Development Bank	-	176
RAKBank	646	501
Union Bank (Pakistan)-Dubai	-	133
Noor Bank	-	1,253
Bahrain Saudi Bank	2,744	-
Total	125,087	119,112

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

29-Other loans (Cont.)

Some of other loans are granted upon pledged treasury bills and governmental bonds as follows:

	Loan amount	Pledged Financial instruments	
		Treasury bills	Governmental bonds
Credit Suisse Bank-Zurich	USD Million 125	USD Million 259	
African Export-Import Bank	USD Million 300	EUR Million 299	
Emirates NBD –Dubai	USD Million 200	EUR Million 67 USD Million 173	USD Million 25
First Abu-Dhabi Bank (FAB)	USD Million 550	EGP Million 15,241	
JP Morgan	USD Million 750	EGP Million 29,633	
CBE	EGP Million 22,453	EGP Million 24,542	
Standard Chartered Bank	USD Million 200	EGP Million 4,187 USD Million 100	

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

30-Other liabilities

Accrued interest
unearned revenues
Accrued expenses
Fixed assets' purchase' creditors
Tax liabilities
Others*

	30-Jun 2020	30-Jun 2019
Accrued interest	13,446	13,624
unearned revenues	412	394
Accrued expenses	4,010	5,042
Fixed assets' purchase' creditors	1,240	805
Tax liabilities	7,832	6,404
Others*	11,323	15,525
	38,263	41,794

Total others include the following*

Checks under collection
Remittances ACH
Credit cards balance under settlement

Checks under collection	862	428
Remittances ACH	2,725	1,070
Credit cards balance under settlement	693	771

31-Other provisions

Provision for other claims

Balance at the beginning of the year

Provision charge
Foreign currencies valuation differences (+/-)
Amounts written-off during the year
Transfers
Adjustments

	30-Jun 2020	30-Jun 2019
Balance at the beginning of the year	6,524	571
Provision charge	862	6,693
Foreign currencies valuation differences (+/-)	(1)	(7)
Amounts written-off during the year	(500)	(19)
Transfers	2	(17)
Adjustments	-	(697)
Balance at the End of the year	6,887	6,524

Legal claims provision

Balance at the beginning of the year

Provision charge
Foreign currencies valuation differences (+/-)
Amounts written-off during the year
Transfers
Adjustments

Balance at the beginning of the year	596	880
Provision charge	465	34
Foreign currencies valuation differences (+/-)	(14)	(26)
Amounts written-off during the year	-	(7)
Transfers	1	(12)
Adjustments	-	96
Provisions no longer required	-	(369)
Balance at the End of the year	1,048	596

Contingent liabilities provision

Balance at the beginning of the year

Implementation impact of IFRS9
Provision charges
Foreign currencies valuation differences (+/-)
Amounts written-off during the year
Transfers

Balance at the beginning of the year	968	1,155
Implementation impact of IFRS9	598	-
Provision charges	645	13
Foreign currencies valuation differences (+/-)	(20)	(12)
Amounts written-off during the year	-	(1)
Transfers	5	(187)
Balance at the End of the year	2,196	968

Total other provision

Total other provision	10,131	8,088
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National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

	30-Jun 2020	30-Jun 2019
32-Pension benefits' liabilities		
Liabilities included in statement of financial position		
Pension-healthcare benefits	3,938	3,416
Amounts recognized in the income statement (profit / loss):		
Pension-healthcare benefits	690	565
(A) Pensions benefits		
Amounts recognized in the statement of financial position:		
The present value of the unfunded liabilities'	3,938	3,416
The liability movement during the year:-		
Balance at the beginning of the year	3,416	2,993
Current service Cost	131	85
Interest cost	559	480
Paid benefits	(168)	(142)
Balance at the End of the year	3,938	3,416

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

33-Paid-up capital

The Extra Ordinary General Assembly had approved on December 25, 2014 the increase of the authorized capital to be EGP 30 000 Million and increased the paid up capital with an amount of EGP 5 752 Million transferred from shareholders' equity reserves to reach EGP 15 000 Million divided on EGP 15 000 Million shares with EGP 1 par value for each paid share, also amended the Article of Association with that increase, and published in the official Egyptian newspaper (Al- Waqa'a al Masrya) on January 19, 2015 and in the Central Bank of Egypt register at January 20, 2015.

The Extra Ordinary General Assembly had approved on February 26, 2017 the increase of the authorized capital to be EGP 50 000 Million and increased the paid up capital with an amount of EGP 13 650 Million transferred from shareholders' equity reserves to reach EGP 28 650 Million, divided to 28 650 Million share with EGP 1 par value for each paid share and also amended the Article of Association with that increase, and published in the official Egyptian newspaper (Al- Waqa'a al Masrya) on April 18, 2017 and in Banks the Central Bank of Egypt register at April 20, 2017.

The Extra Ordinary General Assembly had approved on February 13, 2018 the increase of The issued and paid up capital with an amount of EGP 6 350 Million transferred from the supportive reserves to reach EGP 35 000 Million and also amended the Article of Association with that increase, and published in the official Egyptian newspaper (Al- Waqa'a al Masrya) on April 1, 2018 and in the Central Bank of Egypt register at April 4, 2018 .

The Extra Ordinary General Assembly had approved on April 16, 2020 the increase of The issued and paid up capital with an amount of EGP 15 000 Million transferred from the general and supportive reserves to reach EGP 50 000 Million and also amended the Article of Association with that increase, and published in the official Egyptian newspaper (Al- Waqa'a al Masrya) on 25/06/ 2020 and in the Central Bank of Egypt register at June 30,2020.

34-Reserves

		30-Jun	30-Jun
	Ref.	2020	2019
Legal reserve	34.1	7,927	5,907
General reserve	34.2	2,400	1,314
Capital reserve	34.3	60	54
Supportive reserve	34.4	-	2,410
Special reserve *	34.5	107	403
General banking risks reserve	34.7	1,275	4,673
General risk reserve	34.9	3,793	-
IFRS (9) risk reserve		-	6,926
Foreign currency translation differences for overseas branches		350	400
Cash flow hedge reserve		66	20
Fair value through other comprehensive income reserves'	34.6	6,213	2,757
Total		22,191	24,864

34.1-Legal reserve

According to the bank's Articles of Association 10% of the yearly net profit (after excluding gain on sale of fixed assets) is used to increase the legal reserve (not proposed for distribution) until reaching 100% of the Bank's capital.

34.2-General reserve

According to the bank's articles of Association a 10% of the yearly net profit available for dividends distribution (after the exclusion of the legal reserve share) is retained to increase the general reserve.

34.3-Capital reserve

Includes the proceeds from sale of fixed assets (Capital gain) This reserve is used to enhance the bank's capital base and increase the issued and paid-up capital.

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

34.4-Supportive reserve

According to the bank's articles of association which enclose that "if the ministry of finance has not received their dividends then it would be fully redirected to the supportive reserve". This reserve is also used to enhance the bank's capital base and increase the issued and paid-up capital.

34.5-Special reserve *

The special reserve includes previous years' revaluation differences of available for sale investment in foreign currency. In addition to, the difference between impairment loss provision and the provision based on the credit worthiness at the first adoption of financial statements as of 30,June-2010

*This reserve includes previous years' revaluation differences of available for sale investment in foreign currency, and will only be used after obtaining an approval from Central Bank of Egypt.

34.6-Fair value through other comprehensive income reserves'

The fair value through other comprehensive income reserve, includes revaluation differences of fair value through other comprehensive income investments' which derived from the change in fair value represented in the market prices for each investment separately, whether profit/ loss.

34.7-General banking risks reserve

In accordance with Central Bank of Egypt instructions', which indicate forming a general banking risks reserve to meet differences between (impairment loss provision and loans and advances provision based on the credit worthiness for the same year).As well as, 10% of assets reverted to the bank that has been in bank's records, and not disposed for 5 years.

34.8-IFRS (9) risk reserve

According to the International Financial Reporting Standard (IFRS 9), the Central Bank of Egypt instructions issued at 28 January 2018, and it's appendices of explanatory instructions in 26 February 2019, a risk reserve for IFRS (9) standard has been formed by 1% of the total weighted credit risks deducted from the net profit after tax for the year ended 30 June 2018.This reserve is included in the share bank's capital within the capital base. At the beginning of the implementation phase, the special reserve-credit, the general Banking risk reserve and IFRS 9 risk reserve will be all included in the general risk reserve, which will be used in the full implementation of the standard, and will not be used expect for this reason unless getting an approval from Central Bank of Egypt.

34.9-General risk reserve

According to the Central Bank of Egypt instructions issued at 26 February 2019 regarding the initial implementation of IFRS (9) starting from 01 July 2019, the special reserve-credit , the general banking reserve-credit and IFRS 9 risk reserve are merged into a general risk reserve, subsequently any difference between the required IFRS 9 provision and the prior provision, will be deducted from the general risk reserve. This reserve will not be used unless getting an approval from Central Bank of Egypt.

Subsequent periods

CBE instructions' required the formation of general banking risk reserve for the difference between the expected credit loss provision and the credit worthiness provision related to loans and advances in the relevant year.

35-Contingent liabilities and commitments

35.1-Guarantees and advances commitments'

The bank's guarantees and advances commitments' represented in the following:-

	30-Jun 2020	30-Jun 2019
Letters of credit	33,245	50,449
Letters of guarantee	119,697	110,635
Customers' acceptances	25,841	24,520
Discounted bills	666	773
Other contingent liabilities	492,054	421,791
	671,503	608,168

National Bank of Egypt

Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

35.2-Capital Commitments

Financial investment commitments' that not required to be paid, up to the reporting date.

The non executed commitments contracts related to fixed assets and branches' fixtures till the reporting date.

	30-Jun 2020	30-Jun 2019
	676	707
	1,606	1,531

36-Transactions with related parties

The Bank is an affiliate of the Ministry of Finance (Arab Republic of Egypt), which owns 100% of the bank's common shares. The bank has entered into many transactions with related parties through the bank's normal course of business, these transactions included loans and deposits.

	30-Jun 2020	30-Jun 2019
<u>36.1- Related parties loans and advances (subsidiaries and associates)</u>		
<u>Loans and advances to customers</u>		
Outstanding loans at the year end	3,413	2,536
Interest income	95	357
<u>Due from banks</u>		
Outstanding balances at the year end	709	1,686
Interest income	23	83
<u>Loans and advances to banks</u>		
Outstanding loans at the year end	726	752
Interest income	28	34
<u>Due to customers</u>		
Deposits at the year end	24	187
Interest expense on deposits and similar expense	-	12
<u>Due to banks</u>		
Outstanding balances at the year end	75	2,852
Interest expense	-	120
<u>36.2-Employee monthly average, form the top 20 employee</u>	0.4	0.3

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

37-Mutual funds

37.1- NBE's First Mutual Fund with Accumulated Return

NBE's First Mutual Fund with Accumulated Return has been established by CBE's approval dated 14/7/1993 and license No. 25 issued by Capital Market Authority on 26/6/1994. The Fund started business on 4/9/1994. Capital Market Authority approved amending the Fund into a mutual fund with a periodic and accumulated return as well as splitting its nominal value to become EGP 10 on 6/11/2007. Al Ahly Mutual Fund Management company operates the Fund. The number of certificates as at 30/06/2020 reached 1,065,589 certificates with market value of EGP 37 Million. NBE's share on the same date reached 755,963 certificates. This share consists of 164,903 certificates with a market value of EGP 6 Million classified as fair value through other comprehensive income investments, and 591,060 certificates with a market value of EGP 21 Million classified as fair value through profit / loss investments, as per the declared rates on 30/06/2020. According to the amended prospectus at 1/4/2016, the Bank shall receive 7.5 per thousand annually of the fund's net assets value against supervision fees and other administrative services performed by the Bank, excluding the fees of management service companies with 1.5 per ten thousand. The bank obtained EGP 0.296 Million total commission for the year ended 30/06/2020.

37.2-NBE's Second Mutual Fund with a Periodic Return

NBE's Second Mutual Fund with a Periodic Return has been established by CBE's approval dated 14/7/1993 and license No. (70) Issued by Capital Market Authority on 12/6/1995. The Fund started business on 3/10/1995 and being operated by Al Ahly financial investment Management company. The number of certificates as at 30/06/2020 reached 817,457 certificates with a market value of EGP 43 Million. NBE's share on the same date reached 381,075 certificates represented in 112,312 certificates classified as fair value through other comprehensive income investment with a market value of EGP 6 Million and fair value through profit / loss investments' amounting to 268,763 certificates with a market value of EGP 14 Million, as per the declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus, the Bank shall obtain 7.5 per thousand annual commissions and fees against supervision on the Fund and the other administrative services performed by the Bank, excluding the fees of management service companies with 1.5 per ten thousand. The bank has obtained EGP 0.347 Million total commission for the year ended 30/06/2020.

37.3-NBE's Third Mutual Fund with a Periodic and Accumulated Return

NBE's Third Mutual Fund with a Periodic and Accumulated Return has been established by CBE's approval dated 15/3/2005 and license No. 334 issued by Financial Regulatory Authority on 12/5/2005. The Fund started business on 9/8/2005 and being operated by HC Securities and Investment company. The number of certificates as at 30/06/2020 reached 330,761 certificates with a market value of EGP 37 Million. NBE's share on the same date reached 49,895 certificates classified as fair value through other comprehensive income investments' with a market value of EGP 6 Million, as per the declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus, the Bank shall obtain 4 per thousand annually of the Fund's net asset value against supervision on the Fund and other administrative services performed by the Bank, providing that the bank pays all fees regarding the management service company according to the contract endorsed between them. The bank has obtained EGP 0.155 Million total commission for the year ended 30/06/2020.

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

37-Mutual funds(Cont.)

37.4- NBE's Fourth Cash Return Fund with Daily Accumulated Return

NBE's Fourth Cash Return Fund with Daily Accumulated Return has been established by CBE's approval dated 1/12/2005 and license No. 345 issued by Capital Market Authority on 26/3/2006. The Fund started business on 30/4/2006 and being operated by Al Ahly financial investment Management company. The number of certificates as at 30/06/2020 reached 62,953,468 certificates with a market value of EGP 17,453 Million. NBE's share on the same date reached 1,254,364 ,which classified as fair value through other comprehensive income investments certificates with a market value of EGP 348 Million , as per the declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus, the Bank shall obtain 3 per thousand annual commissions and fees against supervision on the Fund and other administrative services performed by the Bank, excluding the fees of management service companies with 3.25 per hundred thousand annually. The bank has obtained EGP 47 Million total commission for the year ended 30/06/2020.

37.5- NBE's Fifth Mutual Fund with Accumulated Return

NBE's Fifth Mutual Fund with Accumulated Return has been established by CBE's approval dated 15/3/2005 and license No. (386) issued by Capital Market Authority on 13/2/2007. The Fund started business on 20/5/2007 and being operated by Al Ahly financial investment Management company. The number of certificates as at 30/06/2020 reached 5,786,781 certificates with a market value of EGP 52 Million. NBE's share on the same date reached 645,135 certificates, which classified as fair value through other comprehensive income investments' with a market value of EGP 6 Million as per the declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus, the Bank shall obtain 4 per thousand annual commissions and fees against supervision on the Fund and other administrative services performed by the Bank, excluding the fees of management service companies. The bank has obtained EGP 0.103 Million total commission for the year ended 30/06/2020.

37.6- NBE's and Al Baraka Bank's Sixth Mutual Fund with Periodic and Accumulated Return (Bashaier)

NBE's and Al Baraka Bank's Sixth Mutual Fund with Periodic and Accumulated Return (Bashaier) has been established by CBE's approval dated 5/7/2007 and license No. 432 issued by Financial Regulatory Authority on 31/12/2007. The Fund started business on 10/2/2008 and being operated by Al Ahly Financial Investment Management company. The number of certificates as at 30/06/2020 reached 1,461,574 certificates with a market value of EGP 91 Million. NBE's share on the same date reached 47,102 classified as fair value through other comprehensive income investments with a market value of EGP 3 Million and 650,000 certificates classified as fair value through profit / loss investments with a market value of EGP 40 Million as per declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus. The Bank shall obtain 3.75 per thousand annual commissions and fees against supervision on the Fund and other administrative services performed by the Bank, excluding the fees of management service companies with 1.5 per ten thousand. The bank has obtained EGP 0.365 Million total commission for the year ended 30/06/2020.

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Notes to the separate financial statements for the year ended 30 Jun 2020

All figures are in EGP Millions

37-Mutual funds(Cont.)

37.7- NBE's Seventh Mutual Fund with Accumulated and Periodic Return (the Fund of Egyptian Funds)

NBE's Seventh Mutual Fund with Accumulated and Periodic Return (the Fund of Egyptian Funds) has been established by CBE's approval dated 6/1/2009 and license No. 513 issued by Capital Market Authority on 19/5/2009. The Fund started business on 29/7/2009. It is operated by Prime holding for securities and investment. The number of certificates as at 28/06/2020 accounted for 156,870 certificates with a market value of EGP 18 Million. NBE's share on the same date reached 46,603 certificates ,which classified at fair value through other comprehensive income investments with a market value of 5 Million, as per declared rates on 30/06/2020. Pursuant to the Fund's management contract and the prospectus, the Bank shall obtain 3.75 per thousand annual commissions and fees against supervision on the Fund and the other administrative services performed by the Bank, providing that the bank shall pay all fees related to the management service company according to the contract endorsed between them. The bank has obtained EGP 0.072 Million total commission for the year ended 30/06/2020.

37.8- NBE's eighth EL-Waed Mutual Fund with quarterly fixed income

NBE's eighth EL-Waed Mutual Fund with quarterly fixed income has been established by CBE's approval dated 14/11/2010 and license No. 636 issued by Capital Market Authority on 23/5/2011. The Fund started business on 16/10/2011. Al Ahly Financial Investment Management co. operates it. The number of certificates as at 30/06/2020 reached 382,784 certificates with a market value of EGP 690 Million. NBE's share on the same date reached 11,616 certificates that classified as fair value through other comprehensive income investments with a market value of EGP 21 Million. In addition to certificates classified as fair value through profit / loss investments' amounting to 71,154 certificates with a market value of EGP 128 Million. This reflects the declared rates on 30/06/2020. Pursuant to the Fund's management contract amended on 03/04/2016 and the prospectus, the Bank shall obtain 2 per thousand annual commissions and fees against supervision on the Fund and other administrative services performed by the Bank, excluding the fees of management service companies with 0.50 per ten thousand. The bank has obtained EGP 1.512 Million total commission for the year ended 30/06/2020.

38-Significant events

The coronavirus ("COVID-19") pandemic is continuing across the various geographies globally, causing disruption to business and economic activities. COVID-19 has brought about uncertainties in the global economic environment. NBE is closely monitoring the situation through the business continuity planning and other risk management practices to manage the business disruption caused by COVID-19 outbreak on its operations and financial performance. Based on the uncertainties caused by COVID-19 and following the actions taken by the state regarding the co-existence procedures, NBE is closely following up the loan portfolio considering the relevant impact of COVID-19 on the qualitative and quantitative factors where determining the significant increase in Credit Risk is specifically done for the whole portfolio with its different economic sectors. Accordingly, NBE is continuing its internal protective action which started in the last quarter of the financial year ended 30-June- 2020 by enhancing the level of provisions as a mitigation plan for the COVID-19 impact on the loan portfolio. Further precautionary actions might be taken progressively in the light of the pandemic is not over yet.

39-Comparative figures

The Bank has amended the comparative figures to conform with the current presentation of the financial statements.



Chief Financial Officer
Wael Abou Ali



Deputy Chairman
Dalia El Baz



Deputy Chairman
Yehia Abu El Fotuh



Chairman
Hisham Ahmed Okasha