

**National Bank of Egypt  
(S.A.E)**  
**The Separate Financial Statements**  
**And**  
**Auditor's Report**  
**For the year ended June 30, 2018**

**Translation**

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Allied for Accounting and Auditing EY  
Public accountants and consultants

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 balance sheet as at 30 June 2018, and the separate statements of income, changes in equity and 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 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 basis for an audit opinion on the separate financial statements.

### Opinion

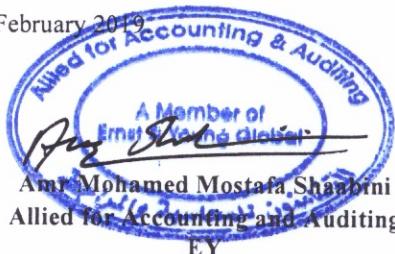
In our opinion, the separate financial statements referred to above present fairly in all material respects the separate financial position of National Bank of Egypt (S.A.E) as at 30 June 2018 and its financial performance and its cash flows for the year then ended in accordance with the Central Bank of Egypt's rules pertaining to the preparation and presentation of the financial statements issued on December 16, 2008, and the Egyptian laws and regulations relating to the preparation of these 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: 7 February 2019



Auditors

*Khaled Kamal*

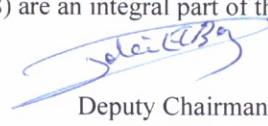
Khaled Kamal Ahmed Mohamed  
(Accountability State Authority)

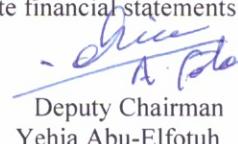
**National Bank of Egypt S.A.E**  
**Separate Balance Sheet**  
**as at June 30, 2018**

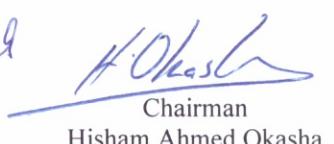
	Note	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Assets</b>			
Cash and balances with Central Banks	(15)	74 577 890	36 171 650
Due from banks	(16)	524 255 005	453 803 270
Treasury bills and other governmental notes	(17)	297 262 467	260 786 688
Trading financial assets	(18)	406 959	287 189
Loans and advances to banks, net	(19)	1 865 320	955 631
Loans and advances to customers, net	(20)	430 779 645	376 776 273
Derivatives financial instruments	(21)	35 647	21 992
<b>Financial investments</b>			
Available for sale investments	(22)	44 855 539	46 515 629
Held to maturity investments	(22)	127 277 041	148 438 287
Investments in subsidiaries and associates	(22)	7 779 230	7 736 764
Other assets	(23)	29 399 503	28 757 038
Investment property	(23)	1 707	1 858
Fixed assets, net (after accumulated depreciation )	(24)	5 100 632	4 312 027
<b>Total assets</b>		<b>1 543 596 585</b>	<b>1 364 564 296</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	(25)	282 586 241	295 992 466
Customers' deposits	(26)	1 014 833 090	861 715 157
Derivatives financial instruments	(21)	255 020	96 890
Other loans	(27)	114 511 663	89 884 421
Other liabilities	(28)	33 562 899	24 988 840
Other provisions	(29)	2 605 669	3 423 891
Pension benefits' liabilities	(30)	2 993 191	2 528 575
<b>Total liabilities</b>		<b>1 451 347 773</b>	<b>1 278 630 240</b>
<b>Shareholders' equity</b>			
Paid-up capital	(32)	35 000 000	28 650 000
Reserves	(33)	15 405 753	10 484 194
CBE subordinate-loan differences between nominal value and present value	(33)	31 732 046	33 365 384
Retained earnings		10 111 013	13 434 478
<b>Total shareholders' equity</b>		<b>92 248 812</b>	<b>85 934 056</b>
<b>Total liabilities and shareholders' equity</b>		<b>1 543 596 585</b>	<b>1 364 564 296</b>
<b>Contingent liabilities and commitments</b>			
Letters of credit, guarantee and other commitments	(35)	463 384 677	389 414 300

- The attached notes from (1) to (38) are an integral part of these separate financial statements.

  
Chief Financial Officer  
Wael Abou-Ali

  
Deputy Chairman  
Dalia ElBaz

  
Deputy Chairman  
Yehia Abu-Elfotuh

  
Chairman  
Hisham Ahmed Okasha

  
Mr. Amr Mohamed Mostafa El Shaabini  
(Allied For Accounting & Auditing)  
EY

Auditors

  
Mr. Khaled Kamal Ahmed Mohamed

(Accountability State Authority)

**National Bank of Egypt S.A.E**  
**Separate income statement**  
**for the year ended June 30, 2018**

	<b>Note</b>	<b>June 30, 2018 (EGP 000's)</b>	<b>June 30, 2017 (EGP 000's)</b>
Interest income on loans and similar income	(6)	151 390 482	95 542 162
Interest expense on deposits and similar expense	(6)	(128 069 297)	(61 758 713)
<b>Net interest income</b>		<b>23 321 185</b>	<b>33 783 449</b>
Fees and commissions income	(7)	8 166 823	6 893 925
Fees and commissions expense	(7)	(770 521)	(275 148)
<b>Net fees and commissions income</b>		<b>7 396 302</b>	<b>6 618 777</b>
Dividends income	(8)	979 877	492 457
Net trading income (Expenses)	(9)	822 709	(1 921 822)
Profit from financial investments	(22)	882 578	861 978
Reversal of impairment on credit losses	(12)	(39 637)	(7 673 579)
Administrative expenses	(10)	(13 017 663)	(10 549 707)
Other operating incomes	(11)	1 196 966	913 658
<b>Profit before income tax</b>		<b>21 542 317</b>	<b>22 525 211</b>
Income tax expenses	(13)	(11 431 304)	(9 090 733)
Net profit for the year		<b>10 111 013</b>	<b>13 434 478</b>
<b>Earnings per share (EGP)</b>	(14)	<b>0.33</b>	<b>0.71</b>

- The attached notes from (1) to (38) are an integral part of these separate financial statements.

  
Chief Financial Officer  
Wael Abou-Ali

  
Deputy Chairman  
Dalia ElBaz

  
Deputy Chairman  
Yehia Abu-Elfotuh

  
Chairman  
Hisham Ahmed Okasha

**Statement of proposed profit distribution  
for the year ended June 30, 2018**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
<b>Net profit for the year (from income statement)</b>	10 111 013	13 434 478
<b>Deduct:</b>		
Profit from selling fixed assets transferred to capital reserve in conformity with article No 40 for the Law No. 159 for the year 1981	(21 837)	(10 739)
General banking risks reserve	-	(1 426 037)
IFRS (9) standard risk reserve**	(6 926 301)	-
<b>Net profit available for distribution</b>	<b>3 162 875</b>	<b>11 997 702</b>

**To be distributed as follows:**

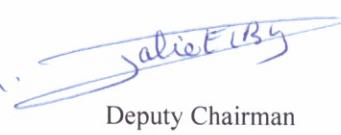
Legal Reserve	1 008 917	1 342 374
General reserve	215 396	1 065 533
Employees' profit share	193 856	958 979
Shareholders' dividends*	1 744 706	8 630 816
<b>Total</b>	<b>3 162 875</b>	<b>11 997 702</b>

\* Proposed to be transferred, an amount of EGP 1 245 507 thousands from the share of government's net profit at 30 June 2018 to the supportive reserve after excluding the following:

- An amount of EGP 497 561 thousands paid in accordance with the agreement of subordinate loan which used in increasing the bank's paid-up capital.
- An amount of EGP 1 638 thousands which represents net interest due from the bank on the 5% governmental bonds which has been settled in the government's share of net profit account.

\*\* According to the Central Bank of Egypt instructions issued at 28 January 2018. A risk reserve for IFRS (9) 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.

  
Wael Abou-Ali  
Chief Financial Officer  
Wael Abou-Ali

  
Dalia ElBaz  
Deputy Chairman

  
Yehia Abu-Elfotuh  
Deputy Chairman

  
Hisham Ahmed Okasha  
Chairman

**National Bank of Egypt S.A.E**  
**Separate cash flow statement**  
**for the year ended June 30, 2018**

	Note	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b><u>Cash flows from operating activities</u></b>			
Net profit before tax for the year		21 542 317	22 525 211
<b><u>Adjustments to reconcile net profit to cash flows from operating activities:</u></b>			
Fixed assets depreciation	(24)	1 059 297	765 556
Investment property depreciation	(23/1)	141	121
Gain on sale of fixed assets	(11)	(21 837)	(10 739)
Premium amortization for available for sale and held to maturity bonds	(22)	(257 024)	(1 111 841)
Impairment loss on loans	(20)	325 081	6 969 018
Postretirement benefits' liabilities	(30)	580 667	412 490
Revaluation differences in foreign currency provision	(20)	(98 642)	4 490 009
Impairment charges on property investment	(23/1)	-	(311)
Reversal of impairment on assets reverted to the bank	(23)	-	(85 666)
Reversal of impairment on financial investments	(22)	175 993	163 496
Reversal of impairment on other provisions	(29)	11 601	1 718 951
Other provision revaluation differences in foreign currencies	(29)	(3 150)	469 326
(Provision no longer required) charges provision for potential claims	(29)	(369 136)	34 891
(Provision no longer required) charges provision for legal claims	(29)	(94 485)	-
Gain on sale of held to maturity and available for sale investments	(22)	(241 331)	(1 001 445)
Gain on sale of investments in subsidiaries and associates	(22)	(817 433)	(29 273)
Overseas branches' foreign currency translation adjustment differences		(11 210)	417 787
Dividends income	(8)	(979 877)	(492 457)
<b>Operating profits before changes in assets and liabilities provided from operating activities.</b>		<b>20 800 972</b>	<b>35 235 124</b>
<b><u>Net decrease (increase) in assets</u></b>			
Obligatory reserve balances with CBE	(15)	(38 364 181)	(499 436)
Due from banks	(16)	10 250 524	(72 356 102)
Treasury bills	(17)	(36 904 703)	(49 954 446)
Trading financial assets	(18)	(119 770)	(194 612)
Loans and advances to banks	(19)	(909 689)	(582 431)
Loans and advances to customers	(20)	(53 770 006)	(166 086 034)
Financial derivatives, net	(21)	70 896	26 376
Other assets	(23)	(1 386 805)	(8 687 624)
<b>Net increase (decrease) in liabilities</b>			
Due to banks	(25)	(13 406 225)	240 487 557
Paid retirement benefits	(30)	(116 051)	(79 676)
Customers deposits	(26)	153 117 933	303 073 510
Other liabilities	(28)	7 230 091	8 929 764
Used form other provision	(29)	(10 427)	(27 803)
Income taxes paid	(13)	(10 155 416)	(8 503 224)
<b>Net cash flows provided from operating activities</b>		<b>36 327 143</b>	<b>280 780 943</b>

**Separate cash flow statement  
for the year ended June 30, 2018(Cont.)**

	Note	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Cash flows from investing activities</b>			
Payments to acquire fixed assets and fixtures of branches	(24)	(1 849 048)	(1 804 059)
Proceeds from sale of fixed assets	(24)	22 983	11 818
Proceeds from sale of financial investments (other than trading financial assets)	(22)	31 454 247	109 135 782
Purchase of financial investments (other than trading financial assets)	(22)	(8 326 436)	(119 567 904)
Payments for question of subsidiaries and associates	(22)	(128 526)	(128 518)
Proceeds from sale of investment in subsidiaries and associates companies	(22)	817 433	38 873
Dividends received	(8)	979 877	492 457
<b>Net cash flows from/ (used in) investing activities</b>		<b>22 970 530</b>	<b>(11 821 551)</b>
<b>Cash flows from financing activities</b>			
Proceeds from other loans	(27)	31 874 778	93 909 462
Payment of other loans	(27)	(8 880 874)	(1 335 883)
Dividends paid	(34)	(1 976 183)	(2 265 848)
<b>Net cash flows from/(used in) financing activities</b>		<b>21 017 721</b>	<b>90 307 731</b>
Net increase in cash and cash equivalent during the year		80 315 394	359 267 123
Cash and cash equivalent at the beginning of the year		440 550 511	81 283 388
<b>Cash and cash equivalent at the end of the year</b>		<b>520 865 905</b>	<b>440 550 511</b>
<b>Cash and cash equivalents are represented in the following :</b>			
Cash and balances with central banks	(15)	74 577 890	36 171 650
Due from banks	(16)	524 255 005	453 803 270
Treasury bills and other governmental notes	(17)	297 262 467	260 786 688
Obligatory reserve balance with CBE	(15)	(62 190 226)	(23 826 045)
Amounts due from banks with maturity of more than three months	(16)	(69 645 438)	(79 895 962)
Treasury bills with maturity more than three months	(17)	(243 393 793)	(206 489 090)
<b>Total Cash and cash equivalent</b>		<b>520 865 905</b>	<b>440 550 511</b>

- The attached notes from (1) to (38) are an integral part of these separate financial statements.

*W.Ali*  
Chief Financial Officer  
Wael Abou-Ali

*D. ElBaz*  
Deputy Chairman  
Dalia ElBaz

*Y. Abu-Elfotuh*  
Deputy Chairman  
Yehia Abu-Elfotuh

*H. Okasha*  
Chairman  
Hisham Ahmed Okasha

**National Bank of Egypt S.A.E**  
**Separate statement of changes in shareholders' equity**  
**for the year ended June 30, 2018**

(EGP 000's)

	<u>Paid-up capital</u>	<u>General banking risks reserve</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Capital reserve</u>	<u>Supportive reserve</u>	<u>Special reserve</u>	<u>Cash flow hedge reserve</u>	<u>AFS investments changes in fair value reserve</u>	<u>Difference between the nominal and present value of subordinated loan</u>	<u>Foreign currency translation differences for overseas branches</u>	<u>IFRS (9) standard risk reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Beginning balance as of 01/07/2016	<b>15 000 000</b>	<b>1 936 444</b>	<b>2 310 931</b>	<b>1 653 797</b>	<b>120 370</b>	<b>4 282 387</b>	<b>402 431</b>	<b>(13 647)</b>	<b>486 761</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12 469 421</b>	<b>38 648 895</b>
Transferred to reserves	-	1 310 679	1 244 831	989 282	21 105	6 637 676	-	-	-	-	-	-	(10 203 573)	-
Paid-up capital increase	13 650 000	-	-	(2 610 000)	(120 000)	(10 920 000)	-	-	-	-	-	-	-	-
Shareholders' dividends	-	-	-	-	-	-	-	-	-	-	-	-	(243 805)	(243 805)
Employees' dividends	-	-	-	-	-	-	-	-	-	-	-	-	(2 022 043)	(2 022 043)
Net change of AFS investments reserves (after tax)	-	-	-	-	-	-	-	-	2 367 448	-	-	-	-	2 367 448
Net change of cash flow hedge reserve	-	-	-	-	-	-	-	(34 088)	-	-	-	-	-	(34 088)
Movement of the year for Overseas branches' foreign translation differences	-	-	-	-	-	-	-	-	-	-	417 787	-	-	417 787
CBE subordinate loan differences between nominal value and present value	-	-	-	-	-	-	-	-	-	33 365 384	-	-	-	33 365 384
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	13 434 478	13 434 478
<b>Balance at the June 30, 2017</b>	<b>28 650 000</b>	<b>3 247 123</b>	<b>3 555 762</b>	<b>33 079</b>	<b>21 475</b>	<b>63</b>	<b>402 431</b>	<b>(47 735)</b>	<b>2 854 209</b>	<b>33 365 384</b>	<b>417 787</b>	<b>-</b>	<b>13 434 478</b>	<b>85 934 056</b>

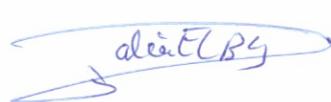
**Separate statement of changes in shareholders' equity**  
**for the year ended June 30, 2018(cont.)**

(EGP 000's)

	<u>Paid-up capital</u>	<u>General banking risks reserve</u>	<u>Legal reserve</u>	<u>General reserve</u>	<u>Capital reserve</u>	<u>Supportive reserve</u>	<u>Special reserve</u>	<u>Cash flow hedge reserve</u>	<u>AFS investments changes in fair value reserve</u>	<u>Difference between the nominal and present value of subordinated loan</u>	<u>Foreign currency translation differences for overseas branches</u>	<u>IFRS (9) standard risk reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Begging balance as 01/07/2017	28 650 000	3 247 123	3 555 762	33 079	21 475	63	402 431	(47 735)	2 854 209	33 365 384	417 787	-	13 434 478	85 934 056
Transferred to reserves	-	1 426 038	1 342 374	1 065 533	10 738	7 513 612	-	-	-	-	100 000	-	(11 458 295)	-
Shareholders' dividends	-	-	-	-	-	-	-	-	-	-	-	-	(1 017 204)	(1 017 204)
Employees' dividends	-	-	-	-	-	-	-	-	-	-	-	-	(958 979)	(958 979)
Capital increase	6 350 000	-	-	-	-	(6 350 000)	-	-	-	-	-	-	-	-
Net change of AFS financial investments reserves (after tax)	-	-	-	-	-	-	-	-	(101 947)	-	-	-	-	(101 947)
Net change of cash flow hedge reserve	-	-	-	-	-	-	-	(73 579)	-	-	-	-	-	(73 579)
Movement of the year for Overseas branch foreign currency translation differences	-	-	-	-	-	-	-	-	-	-	(11 210)	-	-	(11 210)
CBE subordinate loan differences between nominal value and present value	-	-	-	-	-	-	-	-	-	(1 633 338)	-	-	-	(1 633 338)
Net profit	-	-	-	-	-	-	-	-	-	-	-	-	10 111 013	10 111 013
<b>Balance at June 30, 2018</b>	<b>35 000 000</b>	<b>4 673 161</b>	<b>4 898 136</b>	<b>1 098 612</b>	<b>32 213</b>	<b>1 163 675</b>	<b>402 431</b>	<b>(121 314)</b>	<b>2 752 262</b>	<b>31 732 046</b>	<b>506 577</b>	-	<b>10 111 013</b>	<b>92 248 812</b>

- The attached notes from (1) to (38) are an integral part of these separate financial statements.

  
Chief Financial Officer  
Wael Abou-Ali

  
Deputy Chairman  
Dalia ElBaz

  
Deputy Chairman  
Yehia Abu-Elfotuh

  
Chairman  
Hisham Ahmed Okasha

National Bank of Egypt  
(S.A.E)  
Notes to the separate financial statements  
for the year ended June 30, 2018

**1. General information**

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 446 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 19 361 employees at the financial position date.

**2. Summary of significant accounting policies**

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

**A- Basis of preparation of the separate financial statements**

The separate financial statements have been prepared in accordance with Egyptian Accounting Standards issued 2006, its amendments and Central Bank of Egypt instructions approved by its Board of Directors on 16 December 2008, and its appendices of explanatory instructions in April 2009. Under the historical cost convention, as modified by the revaluation of trading financial assets and liabilities, financial assets and financial liabilities classified at inception at fair value through profit and loss, available for sale investments, and all financial derivatives contracts.

**B- Foreign currency translation**

**B/1 Functional and reporting currency**

Financial statement items for overseas branches balances are measured using the main economic environment currency where the branch's activities are in (functional currency). The financial statements of the Bank are presented in Egyptian pounds, which is the Bank's functional and reporting currency.

**B/2 Transactions and balances in foreign currencies**

The Bank maintains its accounting records in Egyptian pounds. Foreign currency transactions during the year are translated into Egyptian pound using the prevailing exchange rates on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are re-evaluated at the end of each year at the prevailing exchange rates on that date. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the income statement under the following line items:

- Net trading income or net income of the financial instruments classified at inception in fair value through the profit and loss of trading assets / liabilities or those classified at inception in fair value through profit and loss according to their type.
- Shareholders' equity for financial derivatives which are eligible for qualified hedge for cash flows or qualified hedge for net investment.
- Other operating income (expenses) for the remaining items.

Changes in the fair value of the financial instruments with monetary nature in foreign currencies, classified as investments available for sale (debt instruments), are analyzed into valuation differences resulting from changes in amortized cost of the instrument, differences resulting from changes in the prevailing exchange rates or differences resulting from changes in the instrument's fair value. The valuation differences resulting from the change in amortized cost are recognized in income statement within "Interest income on loans and similar income". The differences resulting from the changes in the exchange rates are recognized in "Other operating income (expenses)", whereas the change in fair value (fair value reserve/financial investments available for sale) are recognized within shareholders' equity.

The revaluation differences resulting from items other than those with monetary nature include the profit and losses resulting from the change of the fair value such as the equity instruments held in fair value through profit and loss. The revaluation differences resulting from equity instruments classified as financial investments available for sale are recognized within the fair value reserve in the shareholders' equity.

### **B/3 Overseas branches**

Financial position/ Results of overseas branches` are translated to the bank's reporting currency (if these branches do not operate in a rapidly inflated environment) which is different to its functional currency as follows:

- Assets and liabilities for each presented balance sheet of foreign branches are translated using the balance sheet closing rate.
- Revenues and expenses for each foreign branch` income statement are translated using average exchange rates unless this average is not reasonable approximate of the cumulative effect of the prevailing rates on transactions dates. In which case, revenues and expenses are translated at the dates of transactions
- Resulted foreign currencies translation are recognized in the shareholders` equity as (foreign currency translation differences). In addition, exchange differences arising from foreign branches revaluation of net investment, loans and financial instruments assigned for hedging this investment are also carried forward to shareholders` equity within foreign currency translation differences caption. Such amounts are recognized in income statement as "other operating income (loss)" when disposing the foreign branch.

## **C- Financial assets:**

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

### **C/1 Financial assets designated at fair value through profit or loss**

Which include trading financial assets. The financial instrument is classified on the basis that it is held for trading if it is acquired or inquired principally for the purpose of selling in the short term or if it is a part of a portfolio of identical financial instruments that are managed together for which there is an evidence of recent actual pattern of short term profit making.

### **C/2 Loans and advances**

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

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

### **C/3 Held to maturity financial investment:**

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.

### **C/4 Available for sale financial investment:**

Available for sale investments are non-derivatives financial assets that are 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.

#### **C/5 Subsidiaries**

Which are all entities (including special purpose entities/SPEs) which the Bank has owned directly or indirectly the control to govern it's financial and operating policies. Generally, the bank owns accompanying shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity or not.

#### **C/6 Associates**

Which are all entities over which the Bank has owned directly or indirectly significant influence but not reach the extent of control, generally the bank owns accompanying shareholding between 20% and 50% of the voting rights.

The acquisition method of accounting is used to account for the purchase of the entities by the Bank. The cost of an acquisition is measured at the fair value, the assets incurred by the bank accounted for the purchase process, equity instruments issued, the liabilities incurred by the bank or the liabilities assumed on behalf of the acquired company at the date of acquisition, plus any costs directly related to the acquisition.

▪ Net assets including the identifiable contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of any non-controlling interest. The excess of the acquisition cost over the Bank's share of the fair value of the identifiable net assets acquired is recorded as goodwill. If the acquisition cost is less than the Bank's share of the fair value of the identifiable net assets, the difference is recognized directly in the income statement as "Other operating income(expenses)". The cost method is applied to account for investment in associates and subsidiaries in the separate financial statement. whereby, investments are recorded at acquisition cost including any goodwill deducting any impairment and dividends are recorded in the income statement in adoption of the distribution of these profits and evidence of the Bank right to collect them.

#### **The followings are applied on financial assets:**

- Purchase and sale transactions of the financial assets designated at fair value through profit and loss, held-to-maturity financial investments and available-for-sale investments shall be recognized same as the financial assets way of recognition at the date of trading on which the bank is committed to purchase or sell the asset.
- Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss while Financial assets carried at fair value through profit and loss are initially recognized at fair value, and transaction costs are expensed in the income statement as "Net trading income "
- Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or when the bank transfers substantially all risks and rewards of the ownership to another party, while a financial liability is derecognized when they are extinguished that is when the obligation is discharged or cancelled or expired.
- Available for sale financial investments and financial assets designated at fair value through profit and loss are subsequently measured at fair value. While loans and advances and held to maturity investments are measured subsequently at amortized cost.
- Gains and losses arising from changes in fair value of the financial assets designated at fair value through profit and loss are recognized in income statement during the year it occurred, while gains and losses arising from changes in fair value of available for sale financial investments are recognized directly in shareholders equity in "AFS investments changes in fair value reserve" until the financial assets are either sold, or became impaired at which time, the cumulative gain or loss previously recognized in equity is recognized in profit or loss.

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Notes to separate financial statements for the year ended June 30, 2018

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- Interest income measured at amortized cost and gains and losses arising from foreign currency available for sale monetary assets are recognized in income statement, dividends related to available for sale equity instruments are recognized in the income statement when the right to receive payment has been established.
- The fair values of quoted investments in active markets are based on current Bid Prices. If there is no active market for a financial asset, or no current demand prices available the Bank measures fair value using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants, if the Bank has not been able to estimate the fair value of the equity instrument classified as available for sale, the value is measured at cost less any impairment.
- Available for sale investments that would have met the definition of loans and advances (bonds or loans) at initial recognition may be reclassified out to loans and advances or to financial assets held to maturity, as appropriate, for which the Bank has the intent and ability to hold these financial assets in the foreseeable future or till maturity date. The financial asset is reclassified at its fair value on the date of reclassification, and any profits or losses that have been recognized previously in equity, are treated based on the following:
  1. If the reclassified financial asset has a fixed maturity date, the gains or losses are amortized over the remaining life of the investment held to maturity using the effective interest rate method. The differences between the amortized cost and the maturity date value are amortized over the remaining life of the financial asset by using the effective interest rate method. In case of subsequent impairment of the financial asset after reclassification, any gain or loss previously recognized in equity is recycled directly to the profits and losses.
  2. In case of financial asset has infinite life, any previously recognized profit and loss in equity will remain until the sale of the asset or its disposal, in which it will be reclassified to profits and losses, in case of subsequent impairment of the financial asset after reclassification, any gain or loss previously recognized in equity is recycled directly to the profits and losses.
- If the bank adjusts its estimates of payments or receipts of financial asset that in return adjusts the carrying amount of the asset (or group of financial assets) to reflect the actual cash inflows and the change in this estimate, the carrying value is recalculated based on the present value of estimated future cash flows at the effective yield of the financial instrument and the differences are recognized in profit and loss.
- In all cases, if the bank reclassifies a financial asset according to the above criteria and increases its estimates of proceeds of future cash flow due to an increase in the recovered cash of these proceeds, this increase adjusts the effective interest rate of the asset starting from the reclassification date only without affecting the investment book value at the reclassification date.

**D- Offsetting Between Financial Instruments**

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

Agreements of repos & reverse repos are shown by the net in the financial statement in treasury bills and other governmental notes

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#### **E- Derivative Financial Instruments and Hedge Accounting**

- Derivatives are recognized initially, at contract date and subsequently, at fair value. Fair values are recognized according to quoted market prices in active markets, the recent market deals, or using the valuation techniques including discounted cash flow models and option pricing models, as appropriate. Derivatives are classified as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.
  
- The derivatives embedded in other financial instruments, such as the conversion option of convertible bonds into shares, are treated as separate derivatives when the economic features and risks are not closely related to the host contract provided that the host contract is not classified at fair value through profit and loss. These embedded derivatives are measured at the fair value with changes in fair value recognized in the income statement as 'Net trading income'. The embedded derivatives will not be accounted for separately if the Bank determines to designate the entire hybrid contract as at fair value through profit and loss.
  
- The profit and loss arising from the fair value is recognized depending on whether the derivative is designed to be a hedge instrument and the nature or the hedged item. The Bank designates certain derivatives as one of the follows:
  - Hedges for the fair value risk of the recognized assets and liabilities or the confirmed commitments (Fair Value Hedges)
  - Hedges for the highly future expected cash flow risks attributable to a recognized asset or liability or attributable to a forecasted transaction (Cash flow hedges).
  - Hedges of net investment in foreign operations (Net investment hedge)

The hedge accounting is adopted for the derivatives designed in a hedging relationship if they meet the following criteria.

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 ongoing basis, the Bank documents whether the hedging instrument is expected to be highly effective in offsetting changes in fair values or the cash flow of the hedged item.

##### **E/1 Fair Value Hedge**

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit and loss, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

The effective changes in the fair value of the interest rate swaps and related hedged items are accounted for as "Net Interest Income". The effective changes in the fair value of the futures contracts is accounted for as "Net Trading Income".

Any ineffectiveness in the above mentioned contracts and related hedged items are accounted for as "Net Trading Income".

When the hedging instrument does not satisfy the requirement of the hedge accounting, the adjustment to the carrying amount of a hedged item, measured at amortized cost is being amortized through profit and loss over the maturity date. the adjustment to the carrying amount of the equity instrument will remain in equity till its disposal.

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#### **E/2 Cash Flow Hedge**

The effective changes in the fair value of derivatives qualified for cash flow hedges are recognized in the shareholders' equity. All gains and losses arising from the ineffective changes are recognized immediately in income statement as "Net Trading Income".

The changes accumulated in shareholders' equity is carried forward to Income Statement in the same periods the hedged item has an effect on the profit and loss. The profit and loss related to the effective part of the currency swaps and options are carried forward to 'Net Trading Income'.

When the hedging instrument is matured, sold or does not satisfy the requirement of the hedge accounting, the profit or loss accumulated will remain in shareholders' equity and it will be carried forward to Income Statement when the forecasted transaction is finally recognized. When there is no forecasted transaction to be conducted, the profit or loss accumulated in shareholders' equity are carried forward immediately to Income Statement.

#### **E/3 Net Investment Hedge**

Similar to the cash flow hedges, all gains and losses arising from the effective portion of the hedging instrument are recognized in the shareholders' equity, while all gains and losses arising from the ineffective portion are recognized in income statement. The profit or loss accumulated in shareholders' equity is carried forward to the Income Statement when the foreign operations are disposed.

#### **E/4 Unqualified derivatives for Hedge Accounting**

All changes in the fair values of derivatives that do not satisfy the requirements of hedge accounting are recognized in the income statement as "Net Trading Income". all gains and losses arising from the changes in the fair value of the derivatives managed in conjunction with the financial assets and liabilities designated at inception in fair value are recognized in income statement in the line item "Net income of financial instrument designated at inception in fair value "

### **F- Income and Expense of Interest**

Interest income and Expense for all financial instruments except for those classified as held for trading investments or designated at fair value through profit and loss are recognized in " Interest income on loans and similar income" or " Interest expense on deposits and similar expense" in the income statement using the effective interest method.

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

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

The calculation includes all fees paid or received between the contract's parties, that represents an integral part of the effective interest rate, the cost of the transaction includes all premiums or discounts.

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

-When all arrears are collected for consumer loans, personnel mortgages and micro-finance loans.

-For loans granted to corporate, interest is recognized on cash basis according to the rescheduling agreement conditions until paying 25% from rescheduled payments for a minimum performing period of one year, if the customer continues to perform, the calculated interest will be recognized in interest income (interest on the performing rescheduling agreement balance) without the marginalized before

#### **G- Fees and Commission Income**

Fees and commissions charged for servicing a loan or advances are recognized as revenue when the service is provided. Fees and commission on non-performing or impaired loans and debts cease to be recognized as income and are carried off balance sheet in statistical records. These are recognized as revenue, on cash basis, only when interest income on those loans is recognized.

Commitment fees and related direct costs for loans and advances where draw down is probable are deferred as this commitment fees represents compensation for the continuing interfere to own the financial asset and recognized as an adjustment to the effective interest on the loan.

In case, fees and commission regarding an expired commitment term without issuing the loan are recognized as revenue at the maturity of the commitment term.

Fees on the debt instruments that are measured at fair value through profit and loss are recognized as revenue on its initial recognition and syndicated loan fees received by the Bank are recognized when the syndication has been completed and the Bank does not hold any portion of it or holds a part at the same effective interest rate used for the other participants' portions.

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

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.

#### **H- Dividend Income**

Dividends are recognized in the income statement when the right to collect it is declared.

#### **I- Repurchase agreement and resale agreement.**

Sold securities subjected to repurchase agreements (Repos) are presented in the financial statements added to treasury bills and other governmental notes balance. Reverse Repos are presented in the financial statements deducted from treasury bills and other governmental notes balance. The difference between sale and buyback (repurchase) price is stated as interest and accrued over the life of the agreements using the effective interest rate method.

#### **J- Impairment of Financial Assets**

##### **J/1 Financial Assets recognized at Amortized Cost:**

On each balance sheet date, the bank estimates whether there is an objective evidence that a financial asset or group of financial assets is impaired. An impairment loss will be recognized provided that there was an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event/s") and these loss events has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- Significant financial difficulties of the borrower or the debtor.
- Violation of the loan agreement conditions such as non-payment.
- Expected bankruptcy or liquidation lawsuit of the borrower or re-structuring the amount of finance granted.
- Deterioration of the borrower competitive position.
- 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.

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Notes to separate financial statements for the year ended June 30, 2018

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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 for example the increasing in the number of default cases for a particular banking product.

The bank estimates the period between a losses occurring and its recognition for each specific portfolio, in general it varies between 3 to 12 months.

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.
- 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.

Impairment loss is calculated by the difference between the assets` carrying amount and the present value of estimated future cash flows excluding future expected credit loss that have not been incurred yet, discounted at the financial assets' original effective interest rate. And the carrying value of the financial asset is reduced through using "impairment loss provision", the credit loss impairment charge is recognized in the income statement.

In case of loan, or held to maturity financial assets carry variable interest rate, the discount rate used for measuring any impairment loss is the effective interest rate according to the contract when there is an objective evidence of impairment loss. For practical purposes, the bank may measure the impairment loss according to the instrument's fair value using a declared market price.

The present value of estimated futures cash flow of a collateralized financial asset should reflect the proceeds from the collateral's foreclosing after deducting any relevant costs.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics as the group's grading process of the bank bases on the type of asset, industry, geographical location, collaterals type, past-dues and other relevant factors.

Those characteristics are relevant to the estimation of future cash flows of each group of assets by being an indicators of the debtors' ability of payment amounts due according to contractual terms of assets under study.

When the impairment for a group of financial asset is assessed according to the historical default ratios, the estimated future cash flow of the group of financial asset is collectively evaluated according to the Bank's assets contractual cash flows and the historical loss of the assets.

the historical loss of assets is amended according to the current observable data that reflects the effects of current circumstances that did not affect the period on which the historical loss is determined and also to remove the effects of the historical circumstances that are no longer exist.

The bank has to ensure that the estimation of changes in cash flows of group of financial assets reflects the changes in relative trustable data from period to period, such as, changes in unemployment rates, property prices, settlement status, or other indicative factors that may affect the changes in the probability of group losses and their magnitude. The Bank reviews the methodologies and assumptions used for estimation of future cash flow on a periodic basis.

**J/2 Available for Sale Investments:**

On each balance sheet 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 debit 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.

**K- Investment property**

Investments property 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 investment property.

**L- Intangible Assets**

**L/1 Software (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.

**L/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 if any.

#### **M-Fixed Assets**

Lands and buildings comprise mainly in head office, branches and offices. All fixed assets are reported at historical cost minus 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. Automated integrated machinery (computer software)

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:

▪ Building	▪ 20 years
▪ Furniture	▪ 4 years
▪ Fixture and fittings	▪ 10 years
▪ Vehicles	▪ 5 years
▪ Automated integrated machinery (computer software)	▪ 4 years
▪ Vault doors	▪ 10 years

#### **N- 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.

#### **O- 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 CBE over the obligatory reserve outline, due from banks and treasury bills and other governmental notes.

#### **P- Other Provisions**

Provisions for restructuring costs and legal claims are recognized when the Bank has a legal or a present constructive obligation as a result of past events; where it is more likely to use the bank's resources to settle these obligations that can be reliably estimated.

Where there are similar obligations, a cash outflow is determined in order to settle these obligation as a group and a provision is recognized even if the probability of a cash outflow with respect to any obligation in the group is minimal. Provisions totally or partially no longer required are reversed in other operating income (expense).

The present value of the expected payments required to settle obligations with maturity one year after balances sheet date are measured using a suitable interest rate to the settled obligation maturity, excluding the effect of applicable tax rate and reflecting the time value of money

In case the maturity is less than one year, then the estimated amount of the obligation is determined, unless having a significant effect, then the present value is used instead.

#### **Q- 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 in "other operating income (expenses)" caption.

#### **R- Employees' Benefits**

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

##### **R/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.

##### **R/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.

### **R/3 Pension Benefits-specific subscription scheme:**

#### **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 employee.

#### **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

### **R/4 Other Post-Service's Benefits-Healthcare**

The bank provides healthcare benefits for pensioners after service ends, customarily on condition; the benefits are accrued whenever the employee is in service for 20 years. Generally, 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 regulation's assets and debiting (crediting) 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 benefits 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.

### **R/5 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.

### **S-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.

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.

### **T- Borrowings**

The accrued 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.

### **3. 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.

### **A- 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 debit 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.

## A/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 under the Egyptian Accounting Standard no. (26), which are based on the losses incurred on balance sheet data (the incurred losses model) rather than the expected losses (Note A/3)

- 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 classification categories:

<u>Rating</u>	<u>Description of the grade</u>
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 it happens.

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.

### Debt instruments, treasury and other bills.

For debt instrument and bills, The Bank uses an external rating such as Standard and Poor's rating or other equivalent rating to manage their credit risk. If these ratings are not available, the same methods used for credit customers are applied, the investment of debt instruments and bills is considered as a better eligible credit method and at the same time provides an available source to meet financing requirements.

## **A/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.

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 where 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 are often secured, while credit facilities granted to retail customers are unsecured. 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.

**A/3 Impairment and provisioning policies:**

The internal rating systems described in Note (A-1) focus more on credit-quality planning at the inception of lending and investment activities. Otherwise, impairment losses recognized at the balance sheet date for financial reporting purposes and based on objective evidence of impairment allied with this note criteria and due to the different applicable methodologies, the amounts of incurred impairment losses charged to the financial statements are usually lower than the amount determined from the expected loss model that is used in calculating the impairment loss provision and for CBE regulations purposes Note (A-4)

The impairment 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. The following table illustrate the percentage of in-balance sheet items regarding loans and advances and their relevant impairment provision for each internal rating category:

Bank's rating	June 30, 2018		June 30, 2017	
	Loans and advances %	Impairment provision %	Loans and advances %	Impairment provision %
Performing loans	72.9	4.5	72.5	3.1
Regular watch	21.7	33.4	22.9	33.9
Special watch	3.5	33.2	2.5	32.8
Non-performing loans	1.9	28.9	2.1	30.2
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

- Significant financial difficulties of the borrower or the debtor.
- Breach of loan conditions like non-payment
- Expected bankruptcy or liquidation lawsuit of the borrower or re-structuring the amount of finance granted.
- Deterioration of the borrower competitive position.
- 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.
- Deterioration of creditworthiness

The Bank's policies require review of all financial assets (that exceed specific materiality) at least annually or more whenever required, the impairment charge for the individually evaluated accounts is measured by assessing case by case incurred losses at balance sheet date. These policies are applied on all individual account with a specific materiality. Generally, these assessments comprise the current collaterals, the probability of collaterals acquisition and the expected proceeds from those accounts.

A collective impairment loss provision for a group of similar assets is provided using the available historical experience, personal judgment and statistical techniques.

**A/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 according to the EAS, 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:

<b>CBE Rating</b>	<b>Category</b>	<b>Provision %</b>	<b>Internal rating</b>	<b>Internal categorization</b>
1	Low risk	0	1	Performing loans
2	Average risk	1	1	Performing loans
3	Satisfactory risk	1	1	Performing loans
4	Reasonable risk	2	1	Performing loans
5	Acceptable risk	2	1	Performing loans
6	Marginally acceptably risk	3	2	Regular watching
7	Watch list	5	3	Watch list
8	Substandard	20	4	Non-performing loans
9	Doubtful	50	4	Non-performing loans
10	Bad debt	100	4	Non-performing loans

**A/5 Maximum limits for credit risk before collaterals:**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	(EGP000's)	(EGP000's)
Treasury bills and other governmental notes	297 262 467	260 786 688
Due from banks	524 255 005	453 803 270
<b><u>Trading financial assets</u></b>		
Debt instrument	-	790
Loans and advances to banks (1)	1 865 320	955 631
<b><u>Loans and advances to customers:</u></b>		
<b><u>Individual loans:</u></b>		
Overdrafts	6 722 350	7 536 416
Credit cards	3 844 693	2 681 003
Personal loans	28 745 492	24 701 947
Mortgage loans	4 416 636	2 469 176
Auto loans	1 780 411	2 159 290
<b>Total Individual loans (2)</b>	<b>45 509 582</b>	<b>39 547 832</b>
<b><u>Corporate loans:</u></b>		
Overdrafts	146 126 927	131 458 636
Direct loans	189 873 860	156 971 836
Syndicated loans	73 612 979	71 616 901
Other loans	-	9 556
<b>Total Corporate loans (3)</b>	<b>409 613 766</b>	<b>360 056 929</b>
<b>Total loans to customers and banks (1+2+3)</b>	<b>456 988 668</b>	<b>400 560 392</b>
Financial derivative instruments	35 647	21 992
<b><u>Financial investments:</u></b>		
Debt instruments	163 384 844	187 737 199
Other assets*	14 626 571	13 524 122
<b>Total credit risk exposure items</b>	<b>1 456 553 202</b>	<b>1 316 434 453</b>

\*Represented in the amount of the current accrued revenues.

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Credit risk exposure in off-balance sheet items	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Letters of credit (import and export)	46 778 531	82 028 421
Letters of guarantee	106 403 545	117 816 337
Customer acceptances	30 709 984	31 613 074
Discounted bills	947 406	5 574
<b>Total</b>	<b>184 839 466</b>	<b>231 463 406</b>

- The previous table represents the maximum limit of credit-risk exposure as at June 30, 2018 and June 30, 2017, regardless of any collaterals. As for balance sheet items, the amount stated is based on the net carrying value as reported in balance sheet.

- As shown in the above table, 31% of the total maximum limit exposed to credit risk is derived from loans and advances to customers and banks against 30% at comparative year; while investments in debt instruments represents 11% against 14% at comparative year.

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:

- 94.6% of the loans and advances` portfolio is classified at the internal rating among highest two ratings against 95.4% in the comparative year.
- 93% of the loans and advances` portfolio has no past due or impairment indicators against 83% as in the comparative year
- Mortgage loans, which represent a significant part of the portfolio, are hedged through property collaterals.
- Individually evaluated Loans and advances are with an amount of EGP 8 555 Million against EGP 8 590 Million in the comparative year.
- The Bank applied more conservative selection process when granting loans and advances during the year ended June 30, 2018.

#### A/6 Loans and advances

Loans and advances are summarized as follows according to credit worthiness:

Items	June 30, 2018 (EGP 000's)		June 30, 2017 (EGP 000's)	
	Loans and advances to customers	Loans and advances to banks	Loans and advances to customers	Loans and advances to banks
Neither having past dues no subject to impairment	422 071 208	1 865 320	331 868 186	955 631
Having past due but not subject to impairment	24 496 859	-	59 146 872	-
Subject to impairment	8 555 281	-	8 589 703	-
<b>Total</b>	<b>455 123 348</b>	<b>1 865 320</b>	<b>399 604 761</b>	<b>955 631</b>
Less:				
Impairment loss provision	(21 445 199)	-	(21 009 727)	-
<b>Net*</b>	<b>433 678 149</b>	<b>1 865 320</b>	<b>378 595 034</b>	<b>955 631</b>

\*this net amount is before excluding the interest in suspense and the unearned discounts.

- The total impairment provision of loans and advances reached to EGP 21 445 Million against EGP 21 010 Million in the comparative year including an amount of EGP 6 208 Million against EGP 6 385 Million in the comparative year representing individually impaired loan and the remaining amount of EGP 15 237 Million against EGP 14 625 Million in the comparative year, represents a collective impairment loss provision for credit-portfolio. Note (20) includes further information about impairment loss provision of loans and advances and customers.

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Notes to separate financial statements for the year ended June 30, 2018

**A/6-1- Loans and advances neither having past due nor subject to impairment**

The credit quality of the loans and advances portfolio that are neither having past dues nor subject to impairment are evaluated using the bank's internal rating. Collateralized loans are not considered subject to impairment for the non-performing category after taking into consideration the collectability of these collaterals.

**June 30, 2018**

(EGP 000's)

Assessment	Loans and Advances to Banks and Customers									Total Loans and Advances to Banks	
	Individual					Corporate					
	Overdraft	Credit Cards	Personal Loans	Mortgages	Auto Loans	Overdraft	Direct Loans	Syndicated Loans	Total Loans and Advances to Customers		
1.Performing	6 722 072	3 140 380	28 088 623	4 319 458	1 710 522	118 385 743	133 957 030	53 025 012	349 348 840	1 865 320	
2.Regular watching	-	-	-	-	-	26 404 953	22 583 167	11 982 032	60 970 152	-	
3.Watch list	-	-	-	-	-	651 427	11 100 789	-	11 752 216	-	
<b>Total</b>	<b>6 722 072</b>	<b>3 140 380</b>	<b>28 088 623</b>	<b>4 319 458</b>	<b>1 710 522</b>	<b>145 442 123</b>	<b>167 640 986</b>	<b>65 007 044</b>	<b>442 071 208</b>	<b>1 865 320</b>	

**June 30, 2017**

(EGP 000's)

Assessment	Loans and Advances to Banks and Customers									Total Loans and Advances to Banks	
	Individual					Corporate					
	Overdraft	Credit Cards	Personal Loans	Mortgages	Auto Loans	Overdraft	Direct Loans	Syndicated Loans	Other loans		
1.Performing	7 536 003	2 032 412	24 102 385	2 351 271	2 099 130	110 573 604	80 551 165	47 003 767	9 556	276 259 293	
2.Regular watching	-	-	-	-	-	20 314 276	16 996 604	11 370 551	-	48 681 431	
3.Watch list	-	-	-	-	-	102 764	6 824 698	-	-	6 927 462	
<b>Total</b>	<b>7 536 003</b>	<b>2 032 412</b>	<b>24 102 385</b>	<b>2 351 271</b>	<b>2 099 130</b>	<b>130 990 644</b>	<b>104 372 467</b>	<b>58 374 318</b>	<b>9 556</b>	<b>331 868 186</b>	
										<b>955 631</b>	

**A/6-2-Loans and advances with past dues but are not subject to impairment:**

These are loans and advances with past dues from 30 days and more than 90 days but are not subject to impairment, whereby it has a loss provision based on the historical default ratios for each category separately, unless other information providing the contrary exist. Loans and advances to customers with past dues but not subject to impairment, together with the fair value of its collaterals are represented as follows:

Upon the initially recognition of loans and advances, the fair value of collateral is evaluated based on the evaluation methods usually used with the corresponding assets. Subsequently, the fair value is updated with market prices and corresponding assets prices.

**Individual**

		(EGP 000's)					
		Overdraft	Credit cards	Personal loans	Mortgage	Auto loans	Total
<b>June 30, 2018</b>							
Past dues up to 30 days		-	430 663	-	-	-	430 663
Past dues > 30 ≤ 60 days		-	128 330	-	-	-	128 330
Past dues > 60 ≤ 90 days		222	46 442	384 266	24 223	51 731	506 884
<b>Total</b>		<b>222</b>	<b>605 435</b>	<b>384 266</b>	<b>24 223</b>	<b>51 731</b>	<b>1 065 877</b>
Fair value of collaterals		222	346 724	142 064	-	44 368	533 378

**Corporate**

		(EGP 000's)			
		Overdraft	Direct loans	Syndicated loans	Total
<b>June 30, 2018</b>					
Past dues up to 30 days		-	2 659 747	4 154 680	6 814 427
Past dues > 30 ≤ 60 days		-	179 054	228 026	407 080
Past dues > 60 ≤ 90 days		-	116 529	-	116 529
Past dues > 90 days			11 869 717	4 223 229	16 092 946
<b>Total</b>		<b>-</b>	<b>14 825 047</b>	<b>8 605 935</b>	<b>23 430 982</b>
Fair value of collaterals		-	1 121 208	3 472 101	4 593 309

**Individual**

		(EGP 000's)					
		Overdraft	Credit cards	Personal loans	Mortgage	Auto loans	Total
<b>June 30, 2017</b>							
Past dues up to 30 days		-	363 592	-	-	-	363 592
Past dues > 30 ≤ 60 days		-	125 207	-	-	-	125 207
Past dues > 60 < 90 days		13	64 711	434 485	52 725	47 350	599 284
<b>Total</b>		<b>13</b>	<b>553 510</b>	<b>434 485</b>	<b>52 725</b>	<b>47 350</b>	<b>1 088 083</b>

**Corporate**

		(EGP 000's)			
		Overdraft	Direct loans	Syndicated loans	Total
<b>June 30, 2017</b>					
Past dues up to 30 days		-	35 044 196	7 780 476	42 824 672
Past dues > 30 ≤ 60 days		-	664 891	-	664 891
Past dues > 60 ≤ 90 days		-	299 544	749 429	1 048 973
Past dues > 90 days			8 807 575	4 712 678	13 520 253
<b>Total</b>		<b>-</b>	<b>44 816 206</b>	<b>13 242 583</b>	<b>58 058 789</b>
Fair value of collaterals		-	728 076	495 394	1 223 470

**Loans and advances subjected to impairment on an individual basis**

**Loans and advances to customers**

The balance of loans and advances subject to impairment on an individual basis without taking into consideration the cash flow from collateral, reached an amount of EGP 8 555 Million (comparative year: EGP 8 590 Million).

The following is a breakdown of the gross amount of loans and advances subject to impairment on an individual basis.

**June 30, 2018**

(EGP 000's)

Item	Individual					Corporate				Total
	Over draft	Credit card	Personal loans	Mortgage	Auto loans	Overdraft	Direct loans	Syndicated loans	Other loans	
Loans and advances subject to impairment on an individual basis	56	98 878	272 603	72 955	18 158	684 804	7 407 827	-	-	8 555 281
Fair value of collaterals	-	64 812	24 534	-	12 746	47 522	3 710 774	-	-	3 860 388

**June 30, 2017**

(EGP 000's)

Item	Individual					Corporate				Total
	Over draft	Credit card	Personal loans	Mortgage	Auto loans	Overdraft	Direct loans	Syndicated loans	Other loans	
Loans and advances subject to impairment on an individual basis	400	95 081	165 077	65 180	12 810	467 992	7 783 163	-	-	8 589 703

**Restructured loans and advances:**

Restructuring activities include extension of payment arrangements, implementation of the obligatory management programs and adjustments and deferment of 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 renegotiated loans have reached an amount of EGP 62 156 Thousands.

Item	June 31, 2018		June 30, 2017	
	(EGP 000's)	(EGP 000's)	(EGP 000's)	(EGP 000's)
Loans and advances to customers Corporate:				
Overdraft	62 156		214 465	

#### A/7 Debt instruments, treasury bills, and other governmental notes

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

Rating	Treasury bills and other governmental notes	Investments in securities	(EGP 000's) Total
<b>B</b>	297 262 467	162 314 554	<b>459 577 021</b>

#### A/8 Acquisition of collaterals during the year

Type of asset	Book value (EGP 000's)
Land and buildings	56 506
Property assets	36 821
<b>Total</b>	<b>93 327</b>

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

#### A/9 Concentration of risks of financial assets with credit risk exposure

##### Geographical segments

The following table represents an analysis of the Bank's main credit risks limits at its book value distributed by geographical region at the end of the current year.

Description	Greater Cairo	Alexandria, Delta, Sinai and Canal	Upper Egypt	Other Countries	(EGP 000's) Total
Treasury bills & other governmental notes	296 637 485	-	-	624 982	<b>297 262 467</b>
<b>Trading financial assets</b>					
Debt instruments	-	-	-	-	-
Loans and advances to banks	1 827 620	-	-	37 700	<b>1 865 320</b>
Loans and advances to customers					
<b>Individual loans</b>					
Overdraft	4 701 273	1 635 090	385 987	-	<b>6 722 350</b>
Credit cards	2 855 045	870 829	118 819	-	<b>3 844 693</b>
Personal loans	11 804 724	11 050 970	5 889 798	-	<b>28 745 492</b>
Mortgages	3 013 899	567 143	835 594	-	<b>4 416 636</b>
Auto-loans	1 320 663	437 063	22 685	-	<b>1 780 411</b>
<b>Loans to Corporate</b>					
Overdraft	128 346 866	16 026 497	1 753 564	-	<b>146 126 927</b>
Direct loans	166 508 801	14 292 707	9 072 352	-	<b>189 873 860</b>
Syndicated loans	71 085 449	2 527 530	-	-	<b>73 612 979</b>
Financial derivatives	-	-	-	35 647	<b>35 647</b>
Financial investments (debt instruments)	163 326 445	-	-	58 399	<b>163 384 844</b>
<b>Other assets*</b>	14 522 304	-	-	104 267	<b>14 626 571</b>
<b>Total at the end of reporting year</b>	<b>865 950 574</b>	<b>47 407 829</b>	<b>18 078 799</b>	<b>860 995</b>	<b>932 298 197</b>
<b>Total at the end of the comparative year</b>	<b>806 877 183</b>	<b>40 117 248</b>	<b>13 146 547</b>	<b>2 490 205</b>	<b>862 631 183</b>

\*Represented in current earned revenues.

## **B- 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 primarily derived from interest rate management of assets and liabilities related to retail transactions. These portfolios include foreign currency risks and equity instruments arising from held-to-maturity investments and available-for-sale investments.

### **B/1 Market risk measurement techniques**

As part of market risk management, the Bank performs 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 limit 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.

#### **▪ Stress Testing**

Stress testing provides 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 group of severe movements are applied to each risk type and the developing market's 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.

**B/2 Summary of value at risk**

▪ **Total value at risk according to the risk type**

(EGP 000's)

	12 months for the year ended June 30, 2018			12 months for the year ended June 30, 2017		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	154 719	296 347	4 577	49 654	228 136	191
Interest rate risk	12 415 000	19 336 000	6 143 000	4 676 000	8 870 000	3 236 000
Interest rate risk for portfolio managed by others	62	278	7	163	438	-
Equity risk (trading)	3 815	5 495	2 267	2 692	4 740	51
Equity risk (strategic)	46 237	73 648	5 976	6 323	8 433	422
Equity risk for portfolios managed by others	8 386	9 874	5 311	5 114	8 256	834

▪ **Value at risk of the trading portfolio according to risk type**

(EGP 000's)

	12 months for the year ended June 30, 2018			12 months for the year ended June 30, 2017		
	Average	Higher	Lower	Average	Higher	Lower
Exchange rates risk	154 719	296 347	4 577	49 654	228 136	191
Interest rate risk for portfolios managed by others	62	278	7	163	438	-
Equity risk	3 815	5 495	2 267	2 692	4 740	51
Equity risk for portfolios managed by others	8 386	9 874	5 311	5 114	8 256	834

▪ **Value at risk for non-trading (strategic) portfolio according to risk type**

(EGP 000's)

	12 months for the year ended June 30, 2018			12 months for the year ended June 30, 2017		
	Average	Higher	Lower	Average	Higher	Lower
Interest rate risk	12 415 000	19 336 000	6 143 000	4 676 000	8 870 000	3 236 000
Equity risk (strategic)	46 237	73 648	5 976	6 323	8 433	422

- 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.

### B/3 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:

#### ▪ The concentration of currency risk of financial instruments

									(EGP 000's)
As at end of the current year	EGP	USD*	EUR	GBP	Swiss Franc	JPY	SAR	Other currencies	Total
<b>Financial assets</b>									
Cash and balances with central banks	70 974 993	3 020 300	190 127	33 256	3 317	421	293 227	62 249	<b>74 577 890</b>
Due from Banks	324 680 000	197 381 666	628 530	700 496	30 859	17 124	654 302	162 028	<b>524 255 005</b>
Treasury bills and governmental notes	190 620 248	96 557 038	10 085 181	-	-	-	-	-	<b>297 262 467</b>
Trading financial assets	406 959	-	-	-	-	-	-	-	<b>406 959</b>
Loans and advances to banks	989 248	846 320	29 752	-	-	-	-	-	<b>1 865 320</b>
Loans and advances to customers	257 886 157	171 200 354	1 692 726	397	-	1	10	-	<b>430 779 645</b>
Financial derivatives	35 477	170	-	-	-	-	-	-	<b>35 647</b>
<b>Financial investments</b>									
Available for sale	6 808 782	38 014 907	31 850	-	-	-	-	-	<b>44 855 539</b>
Held to maturity	114 584 793	12 692 248	-	-	-	-	-	-	<b>127 277 041</b>
Investments in associates	756 975	22	-	-	-	-	-	-	<b>756 997</b>
Other financial assets	31 344 193	743 315	-	-	-	-	-	-	<b>32 087 508</b>
<b>Total financial assets</b>	<b>999 087 825</b>	<b>520 456 340</b>	<b>12 658 166</b>	<b>734 149</b>	<b>34 176</b>	<b>17 546</b>	<b>947 539</b>	<b>224 277</b>	<b>1 534 160 018</b>
<b>Financial liabilities</b>									
Due to banks	747 004	277 870 008	1 260 497	1 201 528	681	2	1 341 936	164 585	<b>282 586 241</b>
Customers deposit	838 718 002	161 747 099	12 219 935	1 470 730	108 266	56 226	344 129	168 703	<b>1 014 833 090</b>
Financial derivatives	-	255 020	-	-	-	-	-	-	<b>255 020</b>
Other loans	19 083 074	88 466 376	6 258 728	-	-	703 485	-	-	<b>114 511 663</b>
Other liabilities	12 085 600	2 073 596	-	-	-	-	-	-	<b>14 159 196</b>
<b>Total financial liabilities</b>	<b>870 633 680</b>	<b>530 412 099</b>	<b>19 739 160</b>	<b>2 672 258</b>	<b>108 947</b>	<b>759 713</b>	<b>1 686 065</b>	<b>333 288</b>	<b>1 426 345 210</b>
<b>Net of financial positions</b>	<b>128 454 145</b>	<b>(9 955 759)</b>	<b>(7 080 994)</b>	<b>(1 938 109)</b>	<b>(74 771)</b>	<b>(742 167)</b>	<b>(738 526)</b>	<b>(109 011)</b>	
Credit related commitments **	28 506 503	111 756 026	39 617 296	320 137	468 182	2 095 353	504 048	1 571 921	
<b>As at end of the comparative year</b>									
Total financial assets	745 701 027	581 468 020	12 722 592	695 740	6 836	22 143	277 071	131 432	<b>1 341 024 861</b>
Total financial liabilities	653 887 716	573 585 071	24 032 885	3 025 898	108 798	<b>784 477</b>	2 109 115	362 835	<b>1 257 896 795</b>
<b>Net of financial positions</b>	<b>91 813 311</b>	<b>7 882 949</b>	<b>(11 310 293)</b>	<b>(2 330 158)</b>	<b>(101 962)</b>	<b>(762 334)</b>	<b>(1 832 044)</b>	<b>(231 403)</b>	
Credit related commitments **	20 987 086	157 366 001	48 499 360	197 712	303 479	1 011 038	800 084	2 238 587	

\* 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.

**B/4 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.

EGP Million

June 30, 2018	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
<b>Sensitive assets to interest rate for non-trading portfolio</b>						
Cash and balances with Central banks with interest	131 885	224 823	5 464	-	-	362 172
Due from Banks	173 200	7 747	6 110	-	-	187 057
Treasury bills and other governmental notes	36 638	83 490	209 173	-	-	329 301
Bonds and other financial instruments	2 359	10 426	41 179	142 944	27 864	224 772
Performing loans and advances	172 742	97 620	51 084	85 344	71 035	477 825
Performing loans with a variable interest rate guaranteed by residential property.	-	543	-	-	-	543
Performing loans with a fixed interest rate guaranteed by residential property	29	50	235	1 319	6 156	7 789
Non-performing loans	-	-	-	-	3 063	3 063
Other assets (sensitive to interest rate )	17 767	14 440	3 475	6 502	952	43 136
<b>Total</b>	<b>534 620</b>	<b>439 139</b>	<b>316 720</b>	<b>236 109</b>	<b>109 070</b>	<b>1 635 658</b>
Interest-rate derivatives contracts	5 244	8 756	14 113	38 204	--	66 317
Interest (1)	539 864	447 895	330 833	274 313	109 070	1 701 975
<b>Total non-sensitive assets to interest rate and held for trading purpose</b>						115 802
<b>Total assets</b>						<b>1 817 777</b>
<b>Sensitive liabilities to interest rate</b>						
Demand deposits and current accounts	40 910	5 857	17 571	25 675	-	90 013
Saving Deposits	73 515	13 901	41 702	69 494	-	198 612
Time and notice deposits	92 688	28 482	24 356	8 944	621	155 091
Saving certificates	28 006	59 018	301 109	305 467	5 596	699 196
Due to banks	370 774	21 615	6 927	-	-	399 316
Issued debt securities	-	-	-	5	-	5
Long-term loans	16 102	33 280	48 021	8 053	2 411	107 867
Other liabilities (sensitive to interest rate)	18 679	1 655	12 262	6 606	3 845	43 047
<b>Total</b>	<b>640 674</b>	<b>163 808</b>	<b>451 948</b>	<b>424 244</b>	<b>12 473</b>	<b>1 693 147</b>
Interest-rate derivatives contracts	22 047	41 063	3 443	-	-	66 553
<b>Total sensitive liabilities to interest rate and Interest-rate derivatives contracts (2)</b>	<b>662 721</b>	<b>204 871</b>	<b>455 391</b>	<b>424 244</b>	<b>12 473</b>	<b>1 759 700</b>
<b>Total non-sensitive liabilities to interest rate</b>						61 633
<b>Total liabilities</b>						<b>1 821 333</b>
<b>Net current gap (1)-(2)</b>	<b>(122 857)</b>	<b>243 024</b>	<b>(124 558)</b>	<b>(149 931)</b>	<b>96 597</b>	<b>(57 725)</b>

EGP Million

June 30, 2017	Up to 1 month	More than 1 - 3 months	More than 3 months – 1 year	More than 1 - 5 years	More than 5 years	Interest free	Total
<b>Total financial assets</b>	524 918	165 186	323 581	195 461	71 700	60 179	1 341 025
<b>Total financial liabilities</b>	452 497	118 303	362 851	292 178	9 491	37 357	1 272 677
<b>Interest re-pricing gap</b>	<b>72 421</b>	<b>46 883</b>	<b>(39 270)</b>	<b>(96 717)</b>	<b>62 209</b>		

## 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 derivatives**

##### **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 total**

Derivatives settled with total include:

\*Foreign exchange derivatives: Cross currency contracts, foreign currency swap.

\*Interest rate derivatives: interest rate and foreign currency swaps together.

**D- Fair value of assets and financial liabilities**

**D/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**

Investment in securities include only held to maturity interest-bearing assets. Available for sale assets are evaluated at fair value except for the equity instruments that the bank hasn't been able to evaluate its fair value to a reliable extent. The fair value of financial assets held to maturity is determined based on the market prices or broker rates. 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, at first, it is calculated based on the discounted cash flows model using the current interest rate according to the remaining maturity.

**D/2 Financial instruments not measured at fair value:**

**Financial investment held to maturity**

For bonds, it includes the financial investments held to maturity that are enlisted in the market and measured with amortized cost, as for investment funds, it is assessed using realizable value (fair value) and compared to its cost in order to record whichever is less. In case of a subsequent increase in cost, the previously realized decrease in value will be reversed in the income statement to the extent of the previous decrees

## **E- 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 in Arab Republic of Egypt and in other countries where the bank's branches operate.
- Protecting the bank's ability to continue as going concern and its ability to continue generating revenues for shareholders and other parties dealing with the bank.
- 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 in the Arab Republic of Egypt) on a daily basis 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:**

- It includes some deductible / negligible items which are stated in "the supervision instructions regarding the minimum capital adequacy ratio", Chapter 2, regarding the capital base will be processed later as per the instructions.

### **These items are deducted from the core constant capital if its value is negative, otherwise (positive value) are neglected.**

- 1- Reserves: which include legal, general, statutory, supportive, and capital reserves only.
- 2- Noncumulative permanent preferred stocks: the approval of the CBE is required in order to be enlisted within tier one which meet the listing standards to the additional core capital.
- 3- Quarterly profit (losses): which are included in the capital base only after the auditor certify this profits, and the General Assembly approves on the dividends in addition to the CBE approval. However, the losses are unconditionally included.
- 4- The constant core capital after regulatory amendments: it is enlisted in item 1.1 before deducting financial companies' investments in item (1.3.1.1) taking into consideration the stated regulatory instructions in item 3/8/1/2.
- 5- Investments must be evaluated periodically, if not, any increase in fair value will be negligible when preparing this statement.
- 6- Hybrid capital instrument: this item is included after the CBE approval on the characteristic of these instruments and their compliance with the mentioned standards in tier 2. The Central bank of Egypt has the right to enlist only percentage of such instrument.
- 7- Subordinate loans (deposits): only if not exceed 50% of Tier one after exclusions, on condition of amortizing annually 20% of its value for the last 5 years of its maturity.
- 8- Must not exceed 1.25% of total credit risk for risk-weighted assets and regular contingent liabilities, as also impairment loss provisions for loans, credit facilities and irregular contingent liabilities must be sufficient to meet obligations for which this provision was formed.
- 9- Constant core capital before regulatory amendments: it includes paid up capital, reserves, retained earnings after goodwill deduction and treasury shares.
- 10- In case of, the bank has not achieved net profit and there are no retained earnings, then it is obligatory to deduct the reserve by 50% from Tier one, and 50% from Tier two.
- 11- The extension limit of the predetermined placement in risk-weighted countries: this amount must be included based on the model number 720 considering the placement in overseas, taking into account adjusting the capital base which is determined in the previously mentioned statement as per the calculated value mentioned above.

**The following table summarize components of core and subordinate capital and capital adequacy ratios:**

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

		(EGP` Million)	
	Items*	June 30, 2018	June 30, 2017
	<b>Total capital base after exclusions (capital conservation buffer included)</b>	108 930	93 897
1	<b>Tier one after exclusions (capital conservation buffer included):</b>	82 231	70 436
1.1	<b>Constant core capital after exclusions (Common Equity)</b>	47 939	30 603
1.1.1	Issued and paid capital	35 000	28 650
1.1.3	Goodwill	-	-
1.1.4	Reserves	7 310	3 660
1.1.5	IFRS (9) standard risk reserve	6 926	-
1.1.6	Retained Earnings (Loss)	111	-
	<b>The surplus (deficit) of constant core capital after exclusions the percentage of 4.5%</b>	13 744	(4 503)
	capital conservation buffer available from the surplus of the constant core capital after exclusions (If found)	9 499	-
	<b>The deficit amount of the formed capital conservation buffer</b>	-	(9 752)
	<b>Retained earnings available for allocation to hedge the capital conservation buffer deficit*</b>	-	-
	<b>Total formed capital conservation buffer</b>	9 499	-
1.2	<b>Additional constant-core capital</b>	34 292	39 833
1.2.2	Quarterly retained earnings	2 492	6 407
1.2.3	Non-controlling interest	68	61
1.2.4	Differences between nominal value and present value (subordinate loan)	31 732	33 365
1.3	<b>Total exclusions of the constant core capital</b>	(1 409)	(1 707)
1.3.1	<b>Items to be deducted:</b>	(1 409)	(1 707)
1.3.1.1	<b>Bank investments in finance companies (banks or companies) and insurance companies. (shares &amp; investment fund)</b>	(1 404)	(1 678)
1.3.1.1.1	The excess over 10% of the company's issued capital for each separate investment.(shares) (-)	(481)	(370)
1.3.1.1.2	The excess over 10% of the funds` net assets for each separate investment (investment funds).	(280)	(820)
1.3.1.1.3	The increase of the bank's total investment representing 10% or less of the total finance company's issued and paid up capital and the investment funds' net assets 10% of the constant core capital after regulatory amendments .	-	-
1.3.1.1.4	Subordinate loans granted by the bank to other institutions	(644)	(488)
1.3.1.2	Intangible assets (other than goodwill)	(4)	-
1.3.1.5	Deferred tax assets	-	-
1.3.1.6	Cash flow hedges reserves	-	(29)
2	<b>Tier two after exclusions : Gone – Concern Capital</b>	26 699	23 460
2.1	45% of the positive foreign currency translation reserve.	1 407	1 359
2.2	45% of the special reserve	181	181
2.3	45% of the positive excess in fair value of financial investments over carrying value.	3 805	2 328
2.3.1	45% of fair value reserve for available for sale investments	3 727	2 256
2.3.2	45% of the excess in fair value over carrying value for held to maturity investment	-	-
2.3.3	45% of the excess in fair value over carrying value for subsidiaries and associates	78	72
	Subordinate loans (Deposits)	12 689	10 943
2.5	Subordinate loans (Deposits) limited within the decided percentage (50% of Tier one after exclusion)	12 689	10 943
	Total impairment loss provision for loans, advances and the regular contingent liabilities (according to Balance Sheet)	16 152	15 881
2.6	Total significant impairment loss provision for loans, advances and the regular contingent liabilities.	8 617	8 650
4	Total assets and contingent liabilities weighted by credit, market and operational risk	759 895	780 143

**Capital adequacy ratio - continued:**

		(EGP` Million)
4.1	Total credit risks	692 630
4.1.1	Assets and contingent liabilities weighted by credit risk	689 370
4.1.2	Capital requirements for counterparty risk	326
4.3	The risk-weighted overruns value for top 50 customers	13 171
4.4	Capital requirements for market risk	72
4.5	Capital requirements for operational risk	5 337
5	Constant core capital after exclusions/ Total assets and contingent liabilities weighted by credit, market and operational risks.	6.309%
6	Total conservation buffer/ Total assets and contingent liabilities weighted by credit, market and operational risks.	1.250%
7	Constant capital after exclusions including capital conservation buffer / Total assets and contingent liabilities weighted by credit, market and operational risks.	6.309%
8	Total Tier 1 including capital conservation buffer / Total assets and contingent liabilities weighted by credit, market and operational risks.	10.821%
9	Total Tier 2 / Total assets and contingent liabilities weighted by credit, market and operational risks.	3.513%
10	Total capital base excluding capital conservation buffer / Total assets and contingent liabilities weighted by credit, market and operational risks. (considering the effect of top 50 customers)	13.085%

\*On 30-June-2018 the capital adequacy ratio (Basel) and the financial leverage are based on the instruction of the CBE' supervision and control sector and in accordance with the new model modified in this regard, however, all the comparative figures are retained as at 30-June-2017.

**Financial leverage**

	Items	June 30, 2018	June 30, 2017
1	Tier one of capital after exclusion	82 231	70 436
2	Total exposure in and off balance sheet	<b>1 739 001</b>	<b>1 565 490</b>
	Leverage ratio (1/2)	4.73%	4.50%

**4. The 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.

**A- Impairment losses on Loans & advances**

- The bank reviews loans & advances portfolio to assess impairment, at least a quarterly basis. The bank applies personal judgment in determining whether the impairment is charged to the income statement, in order to know if there is any reliable data indicating the existence of a measurable decline in the expected future cash flows of the loans' portfolio even before identifying the decline level in each individual loan of the portfolio. Such evidences may include data indicating the occurrence of a negative change in the ability of a portfolio of borrowers to repay the bank or local or economic circumstances related to default of the bank's assets.

- On scheduling future cash flows, the management uses estimates based on the historical experience of losses with credit-risk characteristics including the existence of similar objective evidence of impairment to those contained in the portfolio. The methodology and assumptions used in estimating the amount and timing of future cash flows are reviewed on a regular basis to minimize any differences between estimated and actual losses based on experience.

#### **B- Impairment of available for sale equity instruments**

The Bank determines the impairment of the available for sale equity instruments, when the instrument's fair value decline below its acquisition cost and this decline considered as a significant and a prolonged based on personal judgment, through assessing—among other factors – the usual share price volatility. In addition, impairment is charged when there is an objective evidence on a financial deterioration in the investee company or in its operational and financing activities cash flows, the industrial or sector performance, or in changes in technologies

If such decline is considered as significant and prolonged and the instrument's fair value decline below its acquisition cost, then an additional loss is charged by carrying forward the fair value reserve to the income statement.

#### **C- 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 balance sheet.

#### **D- Held to maturity financial investments**

The Non-derivative financial assets with fixed or determinable payments and maturity dates are classified as financial investments held to maturity. This classification requires high degree of personal judgment; therefore, the Bank evaluates the intention and ability to hold such investments till maturity. If the Bank fails to hold such investments till maturity, except in certain circumstances such as selling an insignificant amount close to maturity date, then all held to maturity investments will be reclassified to available for sale investment. Accordingly, those investments will be measured at fair value rather than amortized cost; in addition, the classification of any investments under this item will be suspended for two years.

#### **E- Income tax**

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 on them.

The Bank records obligations derived from the expected results of tax inspection based on estimates of the emergence probability of 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

### **5. Segmental analysis:**

#### **A) Business segmental analysis:**

It includes operational processes, assets used in providing banking services, management of surrounding risks associated with this business activity which vary from the other business activities and the segmental analysis of operations based on the following banking activities:

##### **Large Corporate and SMEs**

It includes the current accounts, deposits, overdrafts, loans, and credit facilities.

##### **Investment**

It includes activities such as merging of companies, investments acquisition, financing and restructuring of companies and financial instruments.

##### **Banks**

It includes central, local and foreign banks

##### **Individual**

It includes the current accounts, savings, deposits, credit cards, personal loans, mortgages, etc.....

##### **Governmental**

For assets, it includes treasury bills and governmental bonds, while liabilities include deposits and other governmental loans.

## **Asset and liability management**

It includes other banking business such as asset and liability management and to treasury management.

Transactions between the business segments are based on the bank's normal course of business. Assets, liabilities and operational assets and liabilities are included as presented in the Bank's balance sheet.

### **Assets & Liabilities according to business activity**

<b>June 30, 2018</b>	<b>Corporate</b>	<b>SME</b>	<b>Investment</b>	<b>Banks</b>	<b>Individual</b>	<b>Governmental</b>	<b>Other activities</b>	<b>Total</b>
Business activity assets	343 124 823	44 010 560	16 990 351	524 255 005	45 509 582	459 577 021	-	<b>1 433 467 342</b>
Non-classified assets	-	-	-	-	-	-	110 129 243	<b>110 129 243</b>
<b>Total Assets</b>	<b>343 124 823</b>	<b>44 010 560</b>	<b>16 990 351</b>	<b>524 255 005</b>	<b>45 509 582</b>	<b>459 577 021</b>	<b>110 129 243</b>	<b>1 543 596 585</b>
Business activity liabilities	220 229 789	-	-	282 586 241	808 334 946	103 773 209	-	<b>1 414 924 185</b>
Non-classified liabilities	-	-	-	-	-	-	36 423 588	<b>36 423 588</b>
<b>Total liabilities</b>	<b>220 229 789</b>	<b>-</b>	<b>-</b>	<b>282 586 241</b>	<b>808 334 946</b>	<b>103 773 209</b>	<b>36 423 588</b>	<b>1 451 347 773</b>

<b>June 30, 2017</b>	<b>Corporate</b>	<b>SME</b>	<b>Investment</b>	<b>Banks</b>	<b>Individual</b>	<b>Governmental</b>	<b>Other activities</b>	<b>Total</b>
Business activity assets	302 622 749	35 680 141	15 239 880	453 803 270	39 547 833	447 231 786	-	<b>1 294 125 659</b>
Non-classified assets	-	-	-	-	-	-	70 438 637	<b>70 438 637</b>
<b>Total Assets</b>	<b>302 622 749</b>	<b>35 680 141</b>	<b>15 239 880</b>	<b>453 803 270</b>	<b>39 547 833</b>	<b>447 231 786</b>	<b>70 438 637</b>	<b>1 364 564 296</b>
Business activity liabilities	224 069 592	-	-	295 992 466	633 104 333	105 931 118	-	<b>1 259 097 509</b>
Non-classified liabilities	-	-	-	-	-	-	19 532 731	<b>19 532 731</b>
<b>Total liabilities</b>	<b>224 069 592</b>	<b>-</b>	<b>-</b>	<b>295 992 466</b>	<b>633 104 333</b>	<b>105 931 118</b>	<b>19 532 731</b>	<b>1 278 630 240</b>

**6. Net interest income**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Interest income on loans and similar income:</b>		
Loans and advances to:		
Banks	264 290	115 836
Customers	38 217 368	25 888 129
	<b>38 481 658</b>	<b>26 003 965</b>
Treasury bills and governmental notes	37 772 912	25 197 827
Investment in debt instrument held to maturity and available for sale	19 996 420	22 763 234
Deposits and current accounts	55 049 025	21 343 599
Reverse repo agreements	90 467	233 537
<b>Total</b>	<b>151 390 482</b>	<b>95 542 162</b>
<b>Interest expense on deposits and similar expense:</b>		
Deposits and current accounts:		
Banks	5 090 720	1 517 564
Customers	119 055 373	57 268 140
	<b>124 146 093</b>	<b>58 785 704</b>
Repo agreements	429 692	798 516
Other loans	3 493 512	2 174 493
<b>Total</b>	<b>128 069 297</b>	<b>61 758 713</b>
<b>Net interest income</b>	<b>23 321 185</b>	<b>33 783 449</b>

**7. Net fees and commissions Income**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Fees and commissions income :</b>		
Credit-related fees and commissions	4 861 600	5 020 908
Other fees	3 305 223	1 873 017
	<b>8 166 823</b>	<b>6 893 925</b>
<b>Fee and commission expenses :</b>		
Fees paid	(770 521)	(275 148)
<b>Net income from fee and commission</b>	<b>7 396 302</b>	<b>6 618 777</b>

**8. Dividend income**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Trading securities	1 867	778
Available for sale securities	366 550	337 010
Subsidiaries and associates.	598 630	131 712
Held to maturity investment fund certificates	12 830	22 957
<b>Total</b>	<b>979 877</b>	<b>492 457</b>

**9. Net trading income**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
<b>Foreign currency transactions:</b>		
Profit (loss) from foreign currency transactions	1 207 656	(1 490 784)
Trading financial investments	34 460	300 388
(Loss) profit from the valuation of currencies and interest rate contracts	(215 270)	63 156
(Loss) from Foreign currency swap contracts	(287 405)	(794 582)
Profit from derivatives contracts CIRS	83 268	-
<b>Net trading income (loss)</b>	<b>822 709</b>	<b>(1 921 822)</b>

**10. Administrative expenses**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
<b>Staff costs:</b>		
Salaries and wages	(5 004 262)	(4 118 794)
Social insurances	(164 083)	(147 391)
Retirement Cost	(580 668)	(412 490)
Other administrative expenses*	(7 268 650)	(5 871 032)
<b>Total</b>	<b>(13 017 663)</b>	<b>(10 549 707)</b>

**\*Other administrative expenses include the following:**

- Improvements on leased assets amounted to EGP 398 Million (June 30,2017: EGP 261 Million).
- Depreciation amounted to EGP 1 059 Million (June 30,2017: EGP 765 Million).
- Donations amounted to EGP 881 Million (June 30,2017: EGP 973 Million).
- Supplies and services amounted to EGP 3 572 Million (June 30,2017: EGP 2 743 Million).
- Taxes and fees amounted to EGP 1 064 Million EGP (June 30,2017: 888 Million)

**11. Other operating income**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
(Losses) profit from the valuation of monetary assets and liabilities in foreign currencies	(54 673)	943 467
Other provisions charge	(296 852)	(1 009 146)
Other revenue*	1 548 491	979 337
<b>Net other operating income</b>	<b>1 196 966</b>	<b>913 658</b>

\*It includes profits from selling fixed assets with an amount EGP 21 836 thousand (June 30,2017: EGP 10 739 thousand)

**12. Reversal (charges) of impairment on credit losses**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Loan and advances to customers (Notes 20,29)	(39 830)	(7 678 823)
Held to maturity financial investments	193	5 244
<b>Net of credit losses provision reversal</b>	<b>(39 637)</b>	<b>(7 673 579)</b>

### 13. Income tax expenses

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Income tax (overseas branches)	(697 602)	(20 029)
Taxes on treasury bills, bonds and companies dividends *	(10 733 702)	(9 070 704)
<b>Total income tax expenses</b>	<b><u>(11 431 304)</u></b>	<b><u>(9 090 733)</u></b>

\*The paid amount is EGP 10 155 416 thousands (June 30, 2017: EGP 8 503 224 thousands).

Further information regarding deferred tax is presented in note no (31), taxes on the bank's profits vary from the amount derived from applying the current tax rates as follows:

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Profit before tax	21 542 317	22 525 211
Applicable tax rate (22.5%)	<u>4 847 021</u>	<u>5 068 172</u>
Non-taxable income	(951 855)	(3 269 482)
Non-deductible expenses	<u>1 336 820</u>	<u>4 301 188</u>
<b>(Expenses) income tax</b>	<b><u>5 231 986</u></b>	<b><u>6 099 878</u></b>
Tax rate (excluding taxes on treasury bonds' and bills' yield)	24.29%	27.08%
Actual tax rate (including taxes on treasury bonds' and bills' yield)*	53.06%	40.36%

\*Actual tax rate includes calculated taxes on treasury bonds' and bills' yield divided by profit before tax. Difference between the calculated tax on income statement and the paid tax disclosed in cash flow statement is represented in the calculated tax for the revenues which are unrealized yet, on financial statements date

### 14. Basic Earnings per share (EPS)

Earnings per share is calculated by dividing the bank's shareholders net profit on the weighted average of common shares issued during the year after excluding the average shares, which the bank re-purchased and held within the treasury shares.

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Net profit for the year	10 111 013	13 434 478
Employees' profit share for the year*	<u>(193 856)</u>	<u>(958 979)</u>
<b>Net profit available for distribution on shareholders (1)</b>	<b><u>9 917 157</u></b>	<b><u>12 475 499</u></b>
The weighted average of the issued common shares (2)	<u>30 180 959</u>	<u>17 692 603</u>
<b>Basic earnings per share (EGP) (1:2)</b>	<b><u>0.33</u></b>	<b><u>0.71</u></b>

\*according to the amendment in subject (27) of the bank's articles of association as detailed in note no. (34).

### 15. Cash and balances with central banks

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Cash	12 387 664	12 345 605
Obligatory reserve balance with CBE	62 190 226	23 826 045
<b>Total</b>	<b><u>74 577 890</u></b>	<b><u>36 171 650</u></b>
Non-interest bearing balances	74 577 890	36 171 650
	<b><u>74 577 890</u></b>	<b><u>36 171 650</u></b>

**16. Due from banks**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Current accounts	108 124 556	120 290 341
Deposits	416 130 449	333 512 929
<b>Total</b>	<b>524 255 005</b>	<b>453 803 270</b>
Central banks other than the obligatory reserve percentage	357 361 833	235 814 431
Local bank	-	6 431 381
Foreign banks	166 893 172	211 557 458
<b>Total</b>	<b>524 255 005</b>	<b>453 803 270</b>
Non - interest bearing balances	209 886	375 599
Floating interest bearing balances	166 683 286	217 613 240
Fixed interest bearing balances	357 361 833	235 814 431
<b>Total</b>	<b>524 255 005</b>	<b>453 803 270</b>

\*All balances classified as current.

**17. Treasury bills and other governmental notes**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Treasury bills and other governmental notes	313 842 979	273 917 939
Reverse repos	2 470 920	3 440 612
Repos	(19 051 432)	(16 571 863)
<b>Total</b>	<b>297 262 467</b>	<b>260 786 688</b>
<b>Treasury bills is represented in :</b>		
91days maturity	54 269 478	54 778 816
182 days maturity	35 020 375	33 735 725
273 days maturity	83 496 275	51 981 650
364 days maturity	156 353 241	146 936 727
Unearned interests for more than 3months	(14 895 586)	(13 033 761)
Unearned interests for less than 3months	(400 804)	(481 218)
<b>Repos more than 3 months</b>	<b>313 842 979</b>	<b>273 917 939</b>
Reverse repos less than 3 months	2 470 920	3 440 612
<b>Net Treasury bills</b>	<b>(19 051 432)</b>	<b>(16 571 863)</b>
	<b>297 262 467</b>	<b>260 786 688</b>

**18. Trading financial assets**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Equity instruments in local banks and companies	154 359	47 592
Portfolios managed by others	252 600	238 807
Other debt instruments	-	790
	<b>406 959</b>	<b>287 189</b>

**19. Loans and advances to banks**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Long term loans	1 865 320	955 631
Current balances	250 827	71 310
Non-current balances	1 614 493	884 321
<b>Total</b>	<b>1 865 320</b>	<b>955 631</b>

**20. Loans and advances to customers**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Individual</b>		
Overdraft	6 722 350	7 536 416
Credit cards	3 844 693	2 681 003
Personal loans	28 745 492	24 701 947
Auto loans	1 780 411	2 159 290
Mortgage	4 416 636	2 469 176
<b>Total (1)</b>	<b>45 509 582</b>	<b>39 547 832</b>
<b>Corporate, including loans to SMEs</b>		
Overdraft	146 126 927	131 458 636
Direct loans	189 873 860	156 971 836
Syndicated loans	73 612 979	71 616 901
Other loans	-	9 556
<b>Total (2)</b>	<b>409 613 766</b>	<b>360 056 929</b>
<b>Total loans and advances to customers (1+2)</b>	<b>455 123 348</b>	<b>399 604 761</b>
<b>Less:</b>		
Impairment loss provision	(21 445 199)	(21 009 727)
Marginalize interest*	(2 898 341)	(1 818 761)
Unearned discount	(163)	-
<b>Net</b>	<b>430 779 645</b>	<b>376 776 273</b>
<b>Distributed to :</b>		
Current balances	184 821 990	152 101 155
Non-current balances	270 301 358	247 503 606
<b>Total</b>	<b>455 123 348</b>	<b>399 604 761</b>

\*An amount of EGP 231 868 thousand has been excluded representing the interest in suspense amount of tourism sector customers' based on the Central Bank of Egypt initiative (June 30,2017: An amount of EGP 795 158 thousand)

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Notes to separate financial statements for the year ended June 30, 2018

**Impairment loss provision of loans and advances to customers**

<b>June 30, 2018</b>	<b>(EGP 000's)</b>		
<b>Current year</b>	<b>Corporate</b>	<b>Individual</b>	<b>Total</b>
<b>Beginning balance</b>	<b>20 320 710</b>	<b>689 017</b>	<b>21 009 727</b>
Impairment charge	299 586	25 495	325 081
Amounts written-off during the year	(780 962)	(13 236)	(794 198)
Transfers	(151 849)	187 934	36 085
Amounts recovered during the year	885 577	81 568	967 146
Foreign currencies valuation differences (+/-)	(98 639)	(3)	(98 642)
<b>Ending balance</b>	<b>20 474 423</b>	<b>970 776</b>	<b>21 445 199</b>

<b>Corporate</b>				
<b>Overdraft</b>	<b>Direct loans</b>	<b>Syndicated loans</b>	<b>Other Loans</b>	<b>Total</b>
814 360	19 643 139	16 924	-	<b>20 474 423</b>

<b>Individual</b>				
<b>Overdraft</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Mortgages</b>	<b>Total</b>
2 541	51 916	406 308	510 011	<b>970 776</b>

**Impairment loss provision of loans and advances to customers**

<b>June 30, 2017</b>	<b>(EGP 000's)</b>		
<b>Current year</b>	<b>Corporate</b>	<b>Individual</b>	<b>Total</b>
<b>Beginning balance</b>	<b>8 415 496</b>	<b>453 813</b>	<b>8 869 309</b>
Impairment charge	6 677 748	291 270	6 969 018
Amounts written-off during the year	(203 794)	(70 354)	(274 148)
Transfers	39 699	(53 815)	(14 116)
Amounts recovered during the year	901 748	67 907	969 655
Foreign currencies valuation differences (+/-)	4 489 813	196	4 490 009
<b>Ending balance</b>	<b>20 320 710</b>	<b>689 017</b>	<b>21 009 727</b>

<b>Corporate</b>				
<b>Overdraft</b>	<b>Direct loans</b>	<b>Syndicated loans</b>	<b>Other Loans</b>	<b>Total</b>
593 518	19 723 886	3 306	-	<b>20 320 710</b>

<b>Individual</b>				
<b>Overdraft</b>	<b>Credit cards</b>	<b>Personal loans</b>	<b>Mortgages</b>	<b>Total</b>
7 442	100 067	315 419	266 089	<b>689 017</b>

## 21. Financial Derivative

### Cash flow hedge derivatives\*

			(EGP 000's)
June 30, 2018	Notional amount	Assets	Liabilities
Foreign currency swap	11 265 099	1 078	56 648
Cross currency swap	524 758	34 569	4 545
Interest rate swap	57 956 472	-	193 827
<b>Total</b>	<b>35 647</b>	<b>255 020</b>	

June 30, 2017	Notional amount	Assets	Liabilities
Foreign currency swap	13 012 424	153	40 060
Cross currency swap	458 000	18 841	1 544
Interest rate swap	59 079 018	2 998	55 286
<b>Total</b>	<b>21 992</b>	<b>96 890</b>	

\*All balances classified as current

## 22. Financial investments

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Available for sale investment</b>		
Listed debt instruments at fair value x	36 226 560	39 454 192
Unlisted equity instruments *	5 157 693	5 387 052
Listed equity instruments	3 471 286	1 674 385
<b>Total available for sale investments (1)</b>	<b>44 855 539</b>	<b>46 515 629</b>
<b>Held to maturity investment</b>		
<u>Debt instruments at amortized cost</u>		
Listed	101 386 573	135 818 756
Unlisted	25 771 711	12 464 251
<u>Equity instruments</u>		
The founder bank's Investment funds certificates	118 757	155 280
<b>Total held to maturity investment (2) x x</b>	<b>127 277 041</b>	<b>148 438 287</b>
<b>Total (1+2)</b>	<b>172 132 580</b>	<b>194 953 916</b>
Current balances	35 639 310	27 939 188
Non-current balances	136 493 270	167 014 728
	<b>172 132 580</b>	<b>194 953 916</b>
Fixed interest - Debt instruments	163 171 808	187 728 578
Floating interest - Debt instruments	213 036	8 621
	<b>163 384 844</b>	<b>187 737 199</b>

xAn amount of EGP 68 320 Million of available for sale investment has been transferred to held to maturity investments, such amount reached EGP 53 286 Million at June 30,2018.

\*Fair value as at June 30, 2018 is amounted to EGP 124 401 Million, which include the transferred amount with EGP 50 969 Million on June 30,2018 (June 30,2017: EGP 143 150 Million).

xxIncluded in this amount an investment which provide the seller a repurchase right from the bank for a determined number of the purchased shares within two years from the purchase date, the repurchase price will be calculated based on the original purchase price in addition to a calculated interest which agreed previously between the contract parties.

**The following is the financial investments' movement during the year:**

	Available for sale investments (EGP 000's)	Held-to-maturity investments (EGP 000's)	Total (EGP 000's)
<b>Beginning Balance on July 1, 2017</b>	<b>46 515 629</b>	<b>148 438 287</b>	<b>194 953 916</b>
Additions	4 976 958	3 349 478	8 326 436
Deductions (selling - redemption)	(6 655 060)	(24 677 789)	(31 332 849)
Movement of changes in fair value	26 716	-	26 716
Impairment loss	(98 856)	193	(98 663)
Premium amortization of bonds	90 152	166 872	257 024
<b>Ending balance on June 30, 2018</b>	<b>44 855 539</b>	<b>127 277 041</b>	<b>172 132 580</b>

	Available for sale investments (EGP 000's)	Held-to-maturity investments (EGP 000's)	Total (EGP 000's)
<b>Beginning Balance on July 1, 2016</b>	<b>125 972 076</b>	<b>54 205 659</b>	<b>180 177 735</b>
Additions	19 774 488	99 793 416	119 567 904
Deductions (selling - redemption)	(102 471 617)	(5 515 758)	(107 987 375)
Movement of changes in fair value	2 220 486	-	2 220 486
(Reversal of) impairment loss charge	(141 919)	5 244	(136 675)
Premium (discounts) amortization of bonds	1 162 115	(50 274)	1 111 841
<b>Ending balance on June 30, 2017</b>	<b>46 515 629</b>	<b>148 438 287</b>	<b>194 953 916</b>

Investments in subsidiaries and associates movement during the year represented as follows:

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Beginning balance</b>	<b>7 736 764</b>	<b>7 644 667</b>
Additions	128 526	128 518
Deductions	(6 275)	(9 600)
Transfers	(2 455)	-
Impairment loss charges	(77 330)	(26 821)
	<b>7 779 230</b>	<b>7 736 764</b>

**Profits of financial investments:**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Profits from selling available for sale investments*	210 671	977 750
Impairment losses of available for sale equity instruments	(98 856)	(141 919)
Profit from selling investments in subsidiaries and associates	817 433	29 273
Impairment losses in subsidiaries and associates	(77 330)	(26 821)
Profit from selling held to maturity investments	30 660	23 695
<b>Total</b>	<b>882 578</b>	<b>861 978</b>

\* After exclusion of EGP 562 Million which represents the formed reserve of these investments (June 30, 2017: an amount of EGP 72 Million).

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Notes to separate financial statements for the year ended June 30, 2018

**Financial investments – continued:**

**Investments in subsidiaries and associates June 30, 2018**

(EGP 000's)

No.	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
	<b><u>Subsidiaries companies</u></b>								
1	National Bank Of Egypt - NBE (Uk)	100.00%	1,083,281	30/06/2017	1,438,234	1,288,630	49,736	11,514	£
2	NBE -Dubai international financial center.DIFC	100.00%	17,690	31/12/2017	2,534	249	762	-1,341	USD
3	Al Ahly for mortgage	99.08%	198,657	31/12/2017	576,048	358,064	94,705	15,209	EGP
4	National Bank Of Egypt - El Khartoum	99.00%	299,653	31/12/2017	1,261,125	833, 406	183,050	87,106	SDG
5	Al-Ahly Capital Holding Co.	98.95%	4,947,500	31/03/2018	10,090,317	18,137	173,371	155,809	EGP
6	El Ahly for leasing	98.50%	295,500	31/12/2017	2,231,423	1,829,580	632,056	65,679	EGP
7	Al Ahly for exchange	98.00%	49,000						EGP
8	Dream Land Co. For Urban Development	71.70%	0	31/12/2009	2,102,441	1,412,167	162,321	16,493	EGP
9	Dream Land Co. For Meeting	71.70%	0	31/12/2009	297,531	251,979	108	-13,668	EGP
10	Dream Land Markets Co.	71.70%	0	31/12/2009	109,892	83,265	0	-6,580	EGP
11	Dream Land Health Resort Co.	71.70%	0	31/12/2009	456,301	117,081	407,297	250,705	EGP
12	Forsan Dream Land	71.70%	0	31/12/2009	210,250	129,619	15	-15,000	EGP
13	Dream Land Pyramids Co. For Golf	71.70%	0	31/12/2009	984,070	591,620	103,248	-32,692	EGP
14	Ahly for trading in securities	60.50%	0	31/03/2018	5,569	340	183	9	EGP
15	National Melamine And Urea Formaldehyde Co.	54.56%	10,952	31/12/2017	36,282	744	1,412	-524	EGP
16	Rady Group for touristic investment	52.05%	0	31/12/2016	51,717	27,860	-	-	EGP
17	The Egyptian Co. For Asset Management & Investment	50.00%	120,000	31/12/2017	3,736,733	3,251,263	69,004	52,334	EGP
	<b>Total subsidiaries</b>		<b>7,022,233</b>		<b>23,590,467</b>				

National Bank of Egypt

Notes to separate financial statements for the year ended June 30, 2018

No.	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
	<u>Associate companies</u>								
18	The Egyptian Salts And Mineral's Co (Emisal)	49.84%	30,503	31/12/2017	516,009	214,309	478,831	64,714	EGP
19	Egy Marble	41.34%	0	31/12/2009	22,506	22,022	4,215	-327	EGP
20	International Electrical Products	41.33%	0	31/12/2009	262,529	153,948	133,885	1,072	EGP
21	Egy House	41.33%	0	31/12/2009	34,129	49,731	2,986	-4,892	EGP
22	Dream Park	41.33%	0	31/12/2008	422,229	217,545	69,123	7,989	EGP
23	International Electronics	41.33%	0	31/12/2006	376,507	318,354	13,595	-8,912	EGP
24	Egy Serv.	40.00%	1,000	31/12/2017	106,005	45,923	197,397	42,451	EGP
25	Al Ahly Real Estate Development Co.	40.00%	32,000	31/12/2017	5,248,369	4,888,846	477,687	21,518	EGP
26	National Co. For Housing For Pro. Syndicates	39.57%	63,792	31/03/2018	196,577	20,650	4,873	883	EGP
27	Imbt	39.38%	0	31/12/2016	110,216	96,132	216	-2,911	EGP
28	Al Ahly For Projects And Medical Services	39.00%	19,500	31/12/2017	120,524	47,043	42,702	4,470	EGP
29	Financial Sector Fund Co	38.16%	163,950	31/12/2017	534,308	14,709	145,355	120,193	EGP
30	Oriental Resorts For Touristic Dev.	34.86%	0	31/12/2017	113,794	69,780	4,570	-13,137	EGP
31	Mena Tele. Co. (Menatel)	33.96%	0	30/09/2015	22,680	14,536	0	-17	EGP
32	Real Estate Egyptian Consortium (consolidated)	33.95%	0	31/03/2018	658,198	493,338	3,905	2,332	EGP
33	Nile Holding Com. For Inv.& Dev.	33.33%	50,000	30/09/2017	227,001	782	19,567	15,104	EGP
34	Maspipo CO. FOR URBAN Dev.	33.33%	30,000	31/12/2017	177,538	40,048	20,663	6,103	EGP
35	El Sherouk For Markets & Commercial Stores	32.00%	0	31/12/2017	101,576	35,421	240,827	6,701	EGP
36	Upper Egypt For Investment Co.	30.59%	0	31/12/2016	129,354	481	2,184	-5,186	EGP
37	Horizon For Inv. & Ind. Dev.	30.08%	26,474	31/12/2017	771,825	516,654	681,149	14,168	EGP
38	Multi Trade Holding-Luxembourg	30.00%	0	31/12/2013	598	9	16	5	Euro
39	Misr Aswan For Fishing Hunting And Fabricating	28.85%	0	31/12/2017	23,220	4,718	32,474	1,323	EGP
40	Port Said National Food Security Co,	28.82%	0	31/12/2016	3,213	660	407	7	EGP
41	Al Ektesadia For Housing And Reconstruction	28.52%	9,213	31/12/2017	137,227	43,546	30,095	14,746	EGP

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Notes to separate financial statements for the year ended June 30, 2018

No.	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
42	Multi-Investment International Co.	27.00%	0	31/12/2016	93,605	4,337	36,142	34,339	EGP
43	The Universal Co For Cellulose Products	27.00%	0	31/12/2009	258,560	188,288	0	0	EGP
44	New Ismailia For Investment And Tourism Co.	25.17%	0	31/12/2015	45,963	22,368	16,871	7,447	EGP
45	Al Montazah For Tourism & Investment Co.	24.95%	0	31/12/2017	529,652	395,830	12,565	-10,195	EGP
46	Development industrial Free Zone (East port-said)	24.47%	0	31/12/2013	47,995	3,048	1,088	68	EGP
47	Concord National Investments Limited - Isle of man	24.26%	22	31/12/2016	238	0	317	188	USD
48	Misr Company For Financial Investment	23.47%	0	31/12/2017	68,379	11,059	12,884	-364	EGP
49	Samcrete Development	22.99%	74,850	31/12/2017	1,789,054	1,353,937	195,313	46,874	EGP
50	Alexandria Company For Petroleum Additives (Acpa)	22.86%	0	31/12/2017	230,253	89,445	432,834	11,112	EGP
51	Economic Islamic Trade And Distribution Co.	21.94%	0	31/12/2017	1,633	1,813	175	-210	EGP
52	October For Development & Real-Estate Investment Co.	21.74%	20,050	31/12/2017	238,853	42,142	35,141	5,368	EGP
53	Commercial Inter. Investment Company (Ciic)	20.87%	69,597	31/03/2018	495,651	91,444	6,042	2,339	EGP
54	Elshorouk Co. For Moulds And Metallurgical Products	20.62%	0	31/12/2017	18,231	4,586	2,142	48	EGP
55	El tahrer for investment parking ( TECO)	20.60%	0	31/12/2017	639,935	376,052	94,963	-24,741	EGP
56	Upper Egypt For Manufacturing Food Materials	20.17%	0	31/12/2016	120,834	92,090	82,233	-3,039	EGP
57	Al Ahly Co. For Agricultural	20.00%	150,000	31/12/2017	913,982	19,184	50,080	35,010	EGP
58	Upper Egypt For Touristic & Real-Estate Development	20.00%	0	31/12/2017	25,213	2,110	192	-4,696	EGP
59	Air Cairo	20.00%	0	30/09/2017	162,129	124,725	126,036	1,244	USD
60	Multitrading & Stores Co.	20.00%	0	31/12/2017	155,012	87,500	3,093,811	10,498	EGP
61	Elnabila For Investment And Development Tourist	20.00%	0	31/12/2014	348,183	259,342	39,126	-7,916	EGP
62	Suez Building Materials Urban And Tourist Development Co.	20.00%	1,699	31/12/2017	54,749	33,951	14,744	8,180	EGP
63	InterNational Systems For Development & Investment	20.00%	0	31/12/2011	3	98	0	-98	EGP
64	Ismailia Whole Markets Co.	20.00%	2,010	31/12/2017	18,404	3,507	3,307	1,204	EGP
65	Fawry Dahb E-Payment	20.00%	12,337	31/12/2017	9,495	2,268	30,220	5,977	EGP
	<b>Total associates</b>		<b>756,997</b>		<b>16,582,138</b>	<b>10,518,309</b>	<b>6,892,948</b>	<b>407,033</b>	
	<b><u>Total subsidiaries and associates</u></b>		<b>7,779,230</b>						

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Notes to separate financial statements for the year ended June 30, 2018

**Financial investments – continued:**  
**Comparative year 30 June 2017:**

(EGP 000's)

No.	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
	<b><u>Subsidiaries companies</u></b>								
1	National Bank Of Egypt - NBE (Uk)	100.00%	1,083,281	30/06/2016	1,414,807	1,276,717	51,085	4,637	£
2	NBE -Dubai international financial center.DIFC	100.00%	0	31/12/2016	2,827	200	811	-1.294	USD
3	International Co. For Animal Wealth	99.92%	0	31/12/2015	101,096	72,772	41,540	-2,428	EGP
4	Al Ahly for mortgage	99.08%	198,657	31/12/2016	438,054	223,305	54,262	12,603	EGP
5	National Bank Of Egypt - El Khartoum	99.00%	299,653	31/12/2016	1,267,045	901,727	43,982	48,247	SDG
6	Al-Ahly Capital Holding Co.	98.95%	4,947,500	31/12/2016	5,996,830	14,839	402,689	355,839	EGP
7	El Ahly for leasing	98.50%	197,000	31/12/2016	1,965,536	1,714,844	373,161	29,881	EGP
8	Al Ahly for exchange	98.00%	49,000	New establishment					
9	Dream Land Co. For Urban Development	71.70%	0	31/12/2009	2,102,441	1,412,167	162,321	16,493	EGP
10	Dream Land Co. For Meeting	71.70%	0	31/12/2009	297,531	251,979	108	-13,668	EGP
11	Dream Land Markets Co.	71.70%	0	31/12/2009	109,892	83,265	0	-6,580	EGP
12	Dream Land Health Resort Co.	71.70%	0	31/12/2009	456,301	117,081	407,297	250,705	EGP
13	Forsan Dream Land	71.70%	0	31/12/2009	210,250	129,619	15	-15,000	EGP
14	Dream Land Pyramids Co. For Golf*	71.70%	0	31/12/2009	984,070	591,620	103,248	-32,692	EGP
15	Ahly for trading in securities	60.50%	0	31/03/2017	5,485	369	275	118	EGP
16	National Melamine And Urea Formaldehyde Co	54.45%	10,952	31/12/2016	19,507	3,400	32	-507	EGP
17	Rady Group for touristic investment	52.05%	0	31/12/2015	31,552	16,606			EGP
18	Seela group for edible oil	50.90%	0	31/12/2015	33,560	77,752	19,954	-7,058	EGP
19	The Egyptian Co. For Asset Management & Investment	50.00%	120,000	30/06/2017	3,701,615	3,241,059	35,960	27,419	EGP
	<b>Total subsidiaries</b>		<b>6,906,043</b>						

National Bank of Egypt

Notes to separate financial statements for the year ended June 30, 2018

No.	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
	<u>Associate companies</u>								
20	The Egyptian Salts And Mineral's Co (Emisal)	49.84%	30,503	31/12/2016	450,547	187,354	318,048	46,861	EGP
21	Egy Marble	41.34%	0	31/12/2009	22,506	22,022	4,215	-327	EGP
22	International Electrical Products	41.33%	0	31/12/2009	262,529	153,948	133,885	1,072	EGP
23	Egy House	41.33%	0	31/12/2009	34,129	49,731	2,986	-4,892	EGP
24	Dream Park	41.33%	0	31/12/2008	422,229	217,545	69,123	7,989	EGP
25	International Electronics	41.33%	0	31/12/2006	376,507	318,354	13,595	-8,912	EGP
26	Egy Serv.	40.00%	1,000	30/06/2017	68,038	22,182	90,197	27,291	EGP
27	Al Ahly Real Estate Development Co.	40.00%	32,000	31/12/2015	6,267,222	6,118,870	1,208,939	-51,066	EGP
28	Upper Egypt for the man. concentrates and juices	40.00%	0	31/12/2016	102,974	141,373	58,982	-27,437	EGP
29	National Co. For Housing For Pro. Syndicates	39.57%	63,792	31/12/2016	185,911	16,032	12,430	238	EGP
30	Imbt	39.38%	0	31/12/2016	110,216	96,132	0	-2,911	EGP
31	Al Ahly For Projects And Medical Services	39.00%	19,500	31/12/2016	98,124	29,112	29,410	1,841	EGP
32	Financial Sector Fund Co	38.16%	163,950	31/03/2017	508,358	12,267	47,696	40,333	EGP
33	6th Of October Storage And Dist.	35.63%	4,638	31/12/2016	36,626	6,824	8,271	2,790	EGP
34	Oriental Resorts For Touristic Dev.	34.86%	0	31/12/2016	115,228	58,076	6,895	-19,166	EGP
35	Mena Tele. Co. (Menatel)	33.96%	0	30/09/2015	22,680	14,536	0	-17	EGP
36	Real Estate Egyptian Consortium (consolidated)	33.95%	0	31/12/2016	685,142	501,237	55,815	37,709	EGP
37	Nile Holding Com. For Inv.& Dev.	33.33%	50,000	30/09/2016	207,163	377	12,324	10,681	EGP
38	Maspipo CO. FOR URBAN Dev.	33.33%	30,000	31/12/2016	184,991	39,462	84,238	50,347	EGP
39	Upper Egypt For Investment Co.	30.59%	0	31/12/2016	129,354	481	2,184	-5,186	EGP
40	Horizon For Inv. & Ind. Dev.	30.08%	26,474	31/12/2016	591,636	336,876	546,196	37,583	EGP
41	Multi Trade Holding-Luxembourg	30.00%	0	31/12/2013	598	9	16	5	Euro
42	Misr Aswan For Fishing Hunting And Fabricating	28.85%	1,900	31/12/2015	22,395	6,487	22,783	67	EGP
43	Port Said National Food Security Co.	28.82%	0	31/12/2015	3,178	631	453	35	EGP
44	Al Ekteadia For Housing And Reconstruction	28.52%	9,213	31/12/2016	130,477	43,829	29,001	12,867	EGP
45	Credit Guarantee Co	27.28%	4,093	31/12/2016	315,336	201,391	80,854	19,293	EGP

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Notes to separate financial statements for the year ended June 30, 2018

No.	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
46	Multi-Investment International Co.	27.00%	9,383	30/09/2016	68,257	8,122	6,683	5,207	EGP
47	The Universal Co For Cellulose Products	27.00%	0	31/12/2009	258,560	188,288	0	0	EGP
48	El Sherouk For Markets & Commercial Stores	26.46%	16	31/03/2017	105,226	43,814	58,301	2,952	EGP
49	New Ismailia For Investment And Tourism Co.	25.17%	0	31/12/2015	45,963	22,368	16,871	7,447	EGP
50	Al Montazah For Tourism & Investment Co.	24.95%	12,478	31/12/2015	532,069	218,809	16,909	-14,512	EGP
51	Development industrial Free Zone (East port-said)	24.47%	0	31/12/2013	47,995	3,048	1,088	68	EGP
52	Concord National Investments Limited - Isle of man	24.26%	22	31/12/2015	1081	0	688	460	EGP
53	Misr Company For Financial Investment	23.47%	4,107	31/03/2017	73,668	17,100	3,135	-857	EGP
54	Samcrete Development	22.99%	74,850	31/12/2016	1,596,249	1,208,005	142,625	-51,785	EGP
55	Alexandria Company For Petroleum Additives (Acpa)	22.86%	0	31/12/2016	248,403	92,061	277,165	9,191	EGP
56	Economic Islamic Trade And Distribution Co	21.94%	0	31/12/2016	2,019	1,989	104	-287	EGP
57	October For Development & Real-Estate Investment Co	21.74%	20,050	31/12/2015	246,207	37,265	71,798	21,498	EGP
58	Commercial Inter. Investment Company (Ciic)	20.87%	69,597	31/12/2016	455,497	78,724	47,676	25,289	EGP
59	Elshorouk Co. For Moulds And Metallurgical Products	20.62%	0	31/12/2016	18,191	4,596	1,661	133	EGP
60	El tahrer for investment parking ( TECO)	20.34%	49,446	31/12/2016	675,021	383,804	96,681	-6,406	EGP
61	Upper Egypt For Manufacturing Food Materials	20.05%	0	31/12/2016	120,834	92,090	82,233	-3,039	EGP
62	Al Ahly Co. For Agricultural	20.00%	150,000	31/12/2016	899,272	28,080	36,370	48250	EGP
63	Upper Egypt For Touristic & Real-Estate Development	20.00%	0	31/12/2015	94,633	3,251	7,745	2,345	EGP
64	Air Cairo	20.00%	0	31/12/2016	149,297	112,905	127,281	-2,802	USD
65	Multitrading & Stores Co.	20.00%	0	31/12/2016	461,117	402,608	443,088	2,927	EGP
66	Elnabila For Investment And Development Tourist	20.00%	0	31/12/2014	348,183	259,342	39,126	-7,916	EGP
67	Suez Building Materials Urban And Tourist Development Co	20.00%	1,699	31/12/2016	17,998	5,380	4,733	-852	EGP
68	InterNational Systems For Development & Investment	20.00%	0	31/12/2011	3	98	0	-98	EGP
69	Ismailia Whole Markets Co	20.00%	2,010	31/12/2016	18,313	3,951	2,936	974	EGP
	<b>Total associates</b>		<b>830,721</b>						
	<b>Total subsidiaries and associates</b>		<b>7,736,764</b>						

**23. Other Assets**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Accrued revenues x	14 626 571	13 524 122
Prepaid expenses	85 382	81 136
Advance payments for the purchase of fixed assets	917 425	765 111
Assets reverted to the bank as settlement of debts *	4 748 433	5 208 088
Insurances and custodies	161 915	131 370
Memorial coins	706	711
Others**	8 859 071	9 046 500
<b>Total</b>	<b>29 399 503</b>	<b>28 757 038</b>

x An amount of EGP 231 868 thousand has been excluded representing the interest in suspense amount of tourism sector customers' based on the Central Bank of Egypt initiative (June 30,2017: an amount of EGP 795 158 thousand)

\*After the exclusion of the provision amounted to EGP 1 398 023 thousand (June 30,2017: EGP 1 800 455 thousand).

\*\* After the exclusion of the provision amounted to EGP 1 434 527 thousand (June 30,2017: EGP 747 400 thousand).

**"Others" item includes:**

- Accrued interest of certificates issued on behalf of National Investment Bank amounted to EGP 3 008 Million (June 30,2017: EGP 1 544 Million).
- An amount of EGP3 238 Million for The Egyptian Co. For Asset Management.
- An amount of EGP 498 Million for the subordinate loan's installment and accrued interest.
- An amount of EGP 211 Million for taxes on salaries and wages.
- An amount of EGP 645 Million paid to Tax Authority in cases involving disputes.
- An amount of EGP 188 Million for settlement of general sector companies' debits listed in the good faith agreement.

**23/1- Investment property:**

				(EGP 000's)
	Cost	Depreciation for the year	Accumulated depreciation as at 30/06/2018	Net book value as at 30/06/2018
Agricultural land value (Shobrakhit district)	7	-	-	7
Building No. 10, Emraa El Noury street, Banha, Al Qaliubiya	1 721	96	563	1 158
Building No. 174, Al Nozha street	797	41	302	495
Flat 19 Salah Salem street, second floor, no,26, Sherief Basha street, El-Atarien	5	-	5	-
Building No. 51, Ain Shams street (Al Tegaryoon Bank)	76	4	29	47
<b>Total</b>	<b>2 606</b>	<b>141</b>	<b>899</b>	<b>1 707</b>

				(EGP 000's)
	Cost	Depreciation for the year	Accumulated depreciation as at 30/06/2017	Net book value as at 30/06/2017
Agricultural land value (Shobrakhit district)	7	-	-	7
Building No. 10, Emraa El Noury street, Banha, Al Qaliubiya	1 721	75	467	1 254
Building No. 174, Al Nozha street	812	42	266	546
Building No. 51, Ain Shams street (Al Tegaryoon Bank)	76	4	25	51
<b>Total</b>	<b>2 616</b>	<b>121</b>	<b>758</b>	<b>1 858</b>

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Notes to separate financial statements for the year ended June 30, 2018

**24. Fixed assets** (EGP 000's)

	<b>Land</b>	<b>Buildings</b>	<b>Automated integrated systems</b>	<b>Vehicles</b>	<b>Fixtures and fittings</b>	<b>Vault rooms' doors</b>	<b>Furniture</b>	<b>Total</b>
<b>Net book value as at June 30, 2016</b>	<b>226 685</b>	<b>1 446 030</b>	<b>574 311</b>	<b>86 307</b>	<b>740 655</b>	<b>-</b>	<b>200 615</b>	<b>3 274 603</b>
Cost	226 685	2 474 357	2 355 911	161 528	1 049 964	9 450	746 551	7 024 446
Accumulated depreciation	-	(1 028 327)	(1 781 600)	(75 221)	(309 309)	(9 450)	(545 936)	(3 749 843)
<b>Net book value at year ended June 30, 2016</b>	<b>226 685</b>	<b>1 446 030</b>	<b>574 311</b>	<b>86 307</b>	<b>740 655</b>	<b>-</b>	<b>200 615</b>	<b>3 274 603</b>
Additions during the year	96 401	270 503	1 022 272	29 280	217 024	-	168 579	1 804 059
Disposals' cost	-	-	(2 478)	(8 231)	-	-	-	(10 709)
Depreciation cost	-	(117 677)	(421 632)	(27 098)	(113 006)	-	(86 143)	(765 556)
Disposals` accumulated depreciation	-	-	2 478	7 152	-	-	-	9 630
<b>Net book value as at June 30, 2017</b>	<b>323 086</b>	<b>1 598 856</b>	<b>1 174 951</b>	<b>87 410</b>	<b>844 673</b>	<b>-</b>	<b>283 051</b>	<b>4 312 027</b>
Cost	323 086	2 744 860	3 375 705	182 577	1 266 988	9 450	915 130	8 817 796
Accumulated depreciation	-	(1 146 004)	(2 200 754)	(95 167)	(422 315)	(9 450)	(632 079)	(4 505 769)
<b>Net book value as at June 30, 2017</b>	<b>323 086</b>	<b>1 598 856</b>	<b>1 174 951</b>	<b>87 410</b>	<b>844 673</b>	<b>-</b>	<b>283 051</b>	<b>4 312 027</b>
Additions during the year	246 102	336 530	520 528	23 855	476 654	-	245 379	1 849 048
Disposals' costs	-	(1 083)	(3 690)	(11 458)	-	-	-	(16 231)
Depreciation cost	-	(133 671)	(618 168)	(30 252)	(147 610)	-	(129 596)	(1 059 297)
Disposals` accumulated depreciation	-	1 083	3 689	10 313	-	-	-	15 085
<b>Net book value as at June 30, 2018</b>	<b>569 188</b>	<b>1 801 715</b>	<b>1 077 310</b>	<b>79 868</b>	<b>1 173 717</b>	<b>-</b>	<b>398 834</b>	<b>5 100 632</b>
Cost*	569 188	3 080 307	3 892 543	194 974	1 743 642	9 450	1 160 509	10 650 613
Accumulated depreciation	-	(1 278 592)	(2 815 233)	(115 106)	(569 925)	(9 450)	(761 675)	(5 549 981)
<b>Net book value as at June 30, 2018</b>	<b>569 188</b>	<b>1 801 715</b>	<b>1 077 310</b>	<b>79 868</b>	<b>1 173 717</b>	<b>-</b>	<b>398 834</b>	<b>5 100 632</b>

\*It includes fully depreciated assets amounted to EGP 2 491 957 thousands (mostly important: hardware devices and software amounted to EGP 1 739 764 thousands, Fixture and fittings amounted to EGP 538 998 thousand)

**25. Due to Banks**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Current accounts	2 253 562	2 302 158
Deposits	280 332 679	293 690 308
	<b>282 586 241</b>	<b>295 992 466</b>
Central Bank	160 507 231	96 191 286
Local banks	56 407 851	86 126 167
Foreign banks	65 671 159	113 675 013
	<b>282 586 241</b>	<b>295 992 466</b>
Non-interest bearing balances	1 102 539	1 197 857
Fixed interest bearing balances	41 302 961	92 466 500
Floating interest bearing balances	240 180 741	202 328 109
	<b>282 586 241</b>	<b>295 992 466</b>
Current balances	281 751 515	295 992 466
Non-current balances	834 726	-
	<b>282 586 241</b>	<b>295 992 466</b>

**26. Due to customers**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Demand deposits	82 643 562	82 141 458
Time and notice deposits	143 058 313	158 878 341
Certificates of deposit	582 620 725	462 117 578
Saving deposits	198 612 480	146 485 116
Other deposits	7 898 010	12 092 664
<b>Total</b>	<b>1 014 833 090</b>	<b>861 715 157</b>

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Non-interest bearing balances	48 022 868	46 334 825
Floating interest bearing balances	204 810 605	146 909 529
Fixed interest bearing balances	761 999 617	668 470 803
	<b>1 014 833 090</b>	<b>861 715 157</b>

Corporate	209 491 335	231 201 275
Individual	805 341 755	630 513 882
	<b>1 014 833 090</b>	<b>861 715 157</b>

Current balances	340 511 463	310 650 171
Non-current balances	674 321 627	551 064 986
	<b>1 014 833 090</b>	<b>861 715 157</b>

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**27. Other loans**

	Interest rate	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Social Fund for Developmental Projects	2%:8.75 %	6 031 265	6 053 521
Commercial International Bank (October 2022)	Floating	145 136	142 603
Danish government	Without	91 119	105 081
Subordinate loan as part of EL Mohandes Bank merge (October 2019)	Without	1 197 053	1 102 259
Subordinate loan as part of Tegareyoon Bank merge (January 2021)	Without	224 235	206 288
Two soft-term loans signed between the Egyptian government and the Italian government (UNIDO) (November 2036)	1%	207 778	205 656
European Investment Bank (September 2031)	Floating	13 820 220	14 449 026
National Investment Bank (as part of WB and the IDA loans) (July 2032)	0.88%	384 277	475 620
African Development Bank (August 2019)	Floating	566 577	955 027
African Export-Import Bank (April 2020)	Floating	10 046 981	5 427 330
Nordea Bank (June 2023)	Without	101 753	123 095
Royal Bank (October 2020)	Without	573 027	749 045
Danske bank – Copenhagen (December 2025)	Without	47 371	53 139
Japan Bank for International Cooperation (May 2046)	Floating	703 485	724 072
French Agency (May 2030)	Floating	1 142 774	1 291 477
Loans from international institutions financing banks (February 2028)	10.25%	65 311	73 381
China Development Bank (June 2025)	Floating	15 204 630	16 010 623
Eco Spanish Foundation (November 2037)	Floating	47 027	32 724
European Bank for reconstruction and development EBRD (May 2023)	Floating	5 872 565	4 141 483
Saudi fund grant for development (November 2021)	5% annually from the date of transfer till the date of re-loan and then 2% annually	61 000	100 000
Sanad mutual fund (USD 15 Million) (July 2024)	Floating	402 476	271 366
Arab Trade Finance Program Ever Grow Specialized Fertilizers Co. (March 2023)	Floating	317 575	192 533
Emirates - Dubai (February 2019)	Floating	11 788 054	7 452 943
Standard Chartered (August 2018)	3.45%	3 577 555	1 809 110
JP Morgan Chase	-	-	684 272
United Bank ltd Pakistan	-	-	330 162
Commerz bank Frankfurt	-	-	267 647
Citi Bank NA – CAIRO	-	-	334 553
Credit Suisse-London (August. 2018)	3.21%	513 020	964 206
Subordinate deposit amounted to EGP 13 Billion (August 2026)*	Without	3 575 010	3 053 666
Subordinate deposit 2 amounted to EGP 16 Billion (December 2026)*	Without	4 179 932	3 570 290
Subordinate deposit 3 amounted to EGP 14 Billion (March 2027)*	Without	3 513 012	3 010 661
Green climate fund (June 2027)	Floating	536 634	361 822
RAKBank (October. 2018)	3.82%	536 634	995 011
National Bank of Abu Dhabi-Dubai (FAB) (June 2021)	Floating	20 570 970	9 757 261
Bank Ubae Spa Rome Italy (Jan 2018)	Floating	-	361 822
United bank LTD, New York	-	-	180 911
UBAF Seoul bank	-	-	201 516
Deutsche bank AG-London (November. 2018)	Floating	1 788 780	3 618 219
UBAF-Paris (October 2018)	Floating	1 620 431	-
JP Morgan London (September 2018)	Floating	264 128	-
Credit Suisse-Zurich (August. 2018)	3.21%	1 340 354	-
Union Bank (Pakistan)-Dubai (October 2018)	4%	513 268	-
Noor Bank (November 2018)	4%	1 341 585	-
Commerzbank (November 2018)	3.8%	563 226	-
Central Bank Of Egypt (December 2026)	2.5%	1 035 435	-
<b>Total</b>		<b>114 511 663</b>	<b>89 884 421</b>
Current balances		48 886 141	34 379 074
Non-current balances		65 625 522	55 505 347
<b>Total</b>		<b>114 511 663</b>	<b>89 884 421</b>

\*An interest rate of 17.15% is calculated based on the average governmental bonds' rates with 10 years' maturity date.

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

<b>Banks</b>	<b>Loan amount</b>	<b>(EGP 000's)</b>	
		<b>Pledged financial instruments</b>	
		<b>Treasury bills</b>	<b>Governmental bonds</b>
Arab African International Bank	\$300 000	EGP 6 928 000	-
Credit Suisse Bank-Zurich	\$74 931	\$153 300	-
Credit Suisse Bank-London	\$28 680	-	\$43 400
Deutsche Bank –London	\$100 000	EGP 3 937 500	-
Emirates NBD –Dubai	\$150 000	\$127 200	\$65 000
First Abu-Dhabi Bank (FAB)	\$150 000	\$71 400	-
		EGP 3 294 375	
	\$100 000	EGP 3 389 750	-
Standard Chartered Bank	\$200 000	EGP 6 708 025	-

## **28. Other Liabilities**

	<b>June 30, 2018</b> (EGP 000's)	<b>June 30, 2017</b> (EGP 000's)
Accrued payable	13 391 406	9 758 032
Prepaid revenues	414 176	212 909
Accrued expenses	1 691 560	1 739 896
Fixed assets' purchase' creditors	767 790	449 830
Creditors	4 441 662	1 681 180
Stamp tax liabilities	67 215	60 322
Other credit balances *	12 789 090	11 086 671
<b>Total</b>	<b>33 562 899</b>	<b>24 988 840</b>

\* Other credit balances includes the following:

- An amount of EGP 15 Million represents the stamp taxes regarding some of merged banks' customers included in credit balances before the merge and it will be settled when issuing the final courts' orders.
- An amount of EGP 167 Million represents differences between nominal value and present value of the subordinated loans from CBE derived from the merge of El Mohandes and El Togareen banks (June 30,2017: EGP 279 Million).
- An amount of EGP 393 Million represents the public sector's restructuring fund (June 30,2017: EGP 389 Million)
- An amount of EGP 2 480 Million represents tax calculated on treasury bills (June 30,2017: EGP 1 711 Million)
- An amount of EGP 1 025 Million represents tax reserve of governmental bonds. (June 30,2017: EGP 1 298 Million)
- An amount of EGP 474 Million represents taxes on salaries and wages.
- An amount of EGP 279 Million represents 20% of the retained amounts for the industrial pollutions' reduction loan'.
- An amount of EGP 488 Million represents stamp reserve for credit facilities balances.
- An amount of EGP 662 Million represents remittances ACH
- An amount of EGP 533 Million represents checks for collection.
- An amount of EGP 332 Million represents Tax Authority checks' proceeds.

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**29. Other Provisions**

		(EGP 000's)							
June 30, 2018	Beginning balance	Other provision charge (reversal)	Exchange revaluation difference	Used during the year	Transfers	Adjustments against debit balances	Provisions no longer required	Proceeds	Ending balance
Provision for other claims	<b>373 447</b>	208 268	(994)	-	(27 994)	387 776	(369 136)	-	<b>571 367</b>
Provision for legal claims	<b>1 529 806</b>	88 584	2 639	(4 505)	30 087	(672 471)	(94 485)	-	<b>879 655</b>
Provision for contingent liabilities	<b>1 520 638</b>	(285 251)	(4 795)	(5 922)	(70 173)	-	-	150	<b>1 154 647</b>
<b>Total</b>	<b>3 423 891</b>	<b>11 601</b>	<b>(3 150)</b>	<b>(10 427)</b>	<b>(68 080)</b>	<b>(284 695)</b>	<b>(463 621)</b>	<b>150</b>	<b>2 605 669</b>

		(EGP 000's)							
June 30, 2017	Beginning balance	Charge of other provision	Exchange revaluation difference	Used during the year	Transfers	Adjustments against debit balances	Provisions no longer required	Proceeds	Ending balance
Provision for other claims	<b>293 128</b>	893 910	37 266	(2 084)	(20 013)	(863 651)	-	34 891	<b>373 447</b>
Provision for legal claims	<b>1 299 691</b>	115 236	164 119	(19 147)	22 145	(52 238)	-	-	<b>1 529 806</b>
Provision for contingent liabilities	<b>494 668</b>	709 805	267 941	(6 572)	54 630	-	-	166	<b>1 520 638</b>
<b>Total</b>	<b>2 087 487</b>	<b>1 718 951</b>	<b>469 326</b>	<b>(27 803)</b>	<b>56 762</b>	<b>(915 889)</b>	<b>-</b>	<b>35 057</b>	<b>3 423 891</b>

### **30. Pension benefits' liabilities**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Obligations included in balance sheet:</b>		
Post-retirement healthcare benefits	<u><b>2 993 191</b></u>	<u><b>2 528 575</b></u>
<b>Amounts recognized in the income statement:</b>		
Post-retirement healthcare benefits	<u><b>580 667</b></u>	<u><b>412 490</b></u>
<b>Pensions benefits</b>		
<b>The recognized amounts in balance sheet is determined as follows:</b>		
The present value of unfunded liabilities'	<u><b>2 993 191</b></u>	<u><b>2 528 575</b></u>
	<u><b>2 993 191</b></u>	<u><b>2 528 575</b></u>
<b>The liabilities movement during the year is represented as follows:</b>		
Beginning balance	2 528 575	2 195 760
Current service Cost	106 862	72 356
Interest cost	473 805	340 135
Benefits paid	<u>(116 051)</u>	<u>(79 676)</u>
	<u><b>2 993 191</b></u>	<u><b>2 528 575</b></u>

### **31. Deferred income tax**

Deferred income tax on deferred tax differences is fully calculated based on the liabilities method using the effective tax rate.

Deferred tax assets derived from carried forward tax losses are not recognized unless it is probable that there are future tax profits from which the carried forward tax losses can be utilized.

The bank does not offset deferred tax assets and deferred tax liabilities unless; the bank has a legally enforceable right to offset current tax assets against current tax liabilities and whenever the deferred income taxes levied by the same taxation authority.

#### **Deferred tax assets and liabilities:**

**The deferred tax assets' and liabilities' movement and balances are as follows**

#### **Deferred tax assets and liabilities balances**

	Deferred tax assets		Deferred tax liabilities	
	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Fixed assets	-	-	198 249	173 052
Provisions (other than impairment loss provision for loans)	198 249	173 052	-	-
<b>Total taxable asset (liability)</b>	<b>198 249</b>	<b>173 052</b>	<b>198 249</b>	<b>173 052</b>

**Movement of deferred tax assets and liabilities:**

	Deferred tax assets		Deferred tax liabilities	
	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
<b>Beginning balance</b>	<b>173 052</b>	<b>91 086</b>	<b>173 052</b>	<b>91 086</b>
Additions	25 197	81 966	25 197	81 966
<b>Ending balance</b>	<b>198 249</b>	<b>173 052</b>	<b>198 249</b>	<b>173 052</b>

**Not recognized deferred tax assets'**

Deferred tax assets are not recognized for the following items:

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Impairment loss provision for loans (excluding 80% of the amount charged during the year)	58 972	558 659

Deferred tax assets regarding the above mentioned items are not 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 utilize these assets.

**32. Capital**

- Extra Ordinary General Assembly approved on December 25, 2014 the increase of the authorized capital to 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 primary statutes with that increase. It has been published in official Egyptian newspaper (Al-Waqa`a al Masrya) on 19/01/ 2015 and in Banks record at 20/01/2015.
- Extra Ordinary General Assembly approved on February 26, 2017 the increase of the authorized capital to 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 primary statutes with that increase. It has been published in official Egyptian newspaper (Al- Waqa`a al Masrya) on 18/04/ 2017 and in Banks commercial register at 20/04/2017.
- Extra Ordinary General Assembly 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 primary statutes with that increase. It has been published in official Egyptian newspaper (Al- Waqa`a al Masrya) on 01/04/ 2018 and in Banks commercial register at 04/04/2018

### **33. Reserves**

#### **Legal reserve**

According to bank's articles of Association 10% of the yearly net profit (after excluding profits from sale of fixed assets) is replenished to increase legal reserve until it reaches 100% of the Bank's capital.

#### **General reserve**

According to the p 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 replenish the general reserve.

#### **Capital reserve**

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

#### **Supportive reserve**

According to the bank's articles of association which enclose that "if the ministry of finance has not acquired it's share 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.

#### **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 30June2010

#### **Fair value reserve-AFS investment (After Tax)**

It includes revaluation differences of available for sale investments which derived from the change in fair value represented in market prices for each investment separately whether by profit or loss.

#### **General Banking risks reserve**

CBE's instructions obligate on forming a general banking risks reserve to meet differences between (impairment loss provision and loans and advances provision based on 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.

#### **IFRS (9) risk reserve**

According to the International Financial Reporting Standard (IFRS) and the Central Bank of Egypt instructions issued at 28 January 2018.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 core bank's capital within the capital base. And it will only be used after obtaining approval form CBE.

**Reserves**

	<b>June 30, 2018</b> <b>(EGP 000's)</b>	<b>June 30, 2017</b> <b>(EGP 000's)</b>
Legal reserve	4 898 136	3 555 762
General reserve	1 098 612	33 079
Capital reserve	32 213	21 475
Supportive reserve	1 163 675	63
Special reserve *	402 431	402 431
Fair value reserve- AFS investment (After tax)	2 752 262	2 854 209
Foreign currency translation differences for overseas branches	506 577	417 787
Cash flow hedge reserve	(121 314)	(47 735)
General Banking risk reserve **	4 673 161	3 247 123
<b>Total</b>	<b>15 405 753</b>	<b>10 484 194</b>

\*Special reserve includes an amount of EGP 296 Million representing the difference between impairment provision and the provision based on the credit worthiness at the first adoption of rules issued by CBE on 30 June 2010 for preparation and presentation of financial statements. The remaining value is amounted to EGP 106 431 Thousands representing the revaluation differences of available for sale investment in foreign currencies. The use of this reserve is restricted, unless approval obtained from CBE.

\*\*The general banking risk reserve is represented in impairment loss provision with an amount of EGP 3 782 833 Thousand against an amount of EGP 2 638 277 Thousand in Comparative year and also in assets reverted to the bank as settlement of debts with an amount of EGP 890 328 Thousands, against an amount of EGP 608 846 Thousands on June 30, 2017.

**The movement in fair value reserve - AFS investment (after tax)**

	<b>June 30, 2018</b> <b>(EGP 000's)</b>	<b>June 30, 2017</b> <b>(EGP 000's)</b>
Beginning balance	<b>2 854 209</b>	<b>486 761</b>
Total sale movements	(765 484)	71 532
Total revaluation	229 661	2 220 486
Amortization' movement of FV reserve for AFS bonds transferred to HTM.	433 876	75 430
Ending balance	<b>2 752 262</b>	<b>2 854 209</b>

**Capital reserve**

	<b>June 30, 2018</b> <b>(EGP 000's)</b>	<b>June 30, 2017</b> <b>(EGP 000's)</b>
Beginning balance	<b>21 475</b>	<b>120 370</b>
Transferred from the net profit of the year	10 738	21 105
Capital increase	-	(120 000)
Ending balance	<b>32 213</b>	<b>21 475</b>

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Notes to separate financial statements for the year ended June 30, 2018

**Cash flow hedge reserve' movement**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Beginning balance	(47 735)	(13 647)
Movement during the year	(73 579)	(34 088)
Ending balance	<b><u>(121 314)</u></b>	<b><u>(47 735)</u></b>

**General Banking risk reserve' movement**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Beginning balance	3 247 123	1 936 444
Transferred from the yearly net profit (Loans impairment)	1 426 038	1 310 679
Ending balance	<b><u>4 673 161</u></b>	<b><u>3 247 123</u></b>

**Supportive reserve**

	June 30, 2018 (EGP 000's)	June 30, 2017 (EGP 000's)
Beginning balance	63	4 282 387
Transferred from the yearly net profit	7 513 612	6 637 676
Capital increase	(6 350 000)	(10 920 000)
Ending balance	<b><u>1 163 675</u></b>	<b><u>63</u></b>

**Differences between nominal value and present value of the subordinated loans:**

As a part of enhancing the bank's capital base, The Central Bank of Egypt has granted the National Bank of Egypt the following subordinate loans:

Granting date	Loans amount (EGP 000's)	Present value (EGP 000's)	Differences between nominal value and present value (EGP 000's)
24 August 2016	13 000 000	3 575 010	9 424 990
29 December 2016	16 000 000	4 179 932	11 820 068
20 March 2017	14 000 000	3 513 012	10 486 988
Total	<b><u>43 000 000</u></b>	<b><u>11 267 954</u></b>	<b><u>31 732 046</u></b>

#### **34. Profit dividends**

Profit dividends are not recorded until they are approved by the Shareholders' General Assembly held at the Central Bank of Egypt. Earnings per share is amounted to EGP 0.33 For the year ended 30 June 2018, with total amount of EGP 9 917 157 Thousands (June 30,2017: An amount of EGP 12 475 499 Thousand).

The Board of Directors has proposed –as of the bank's articles of Association - that the Shareholder' General Assembly should distribute an amount of EGP 193 856 Thousands to the staff profit share (2017 actual dividends are amounted to EGP 958 979 Thousands).

#### **35. Contingent liabilities and commitments**

##### **A/ Loans, guarantees and advances commitments**

	<b>June 30, 2018 (EGP 000's)</b>	<b>June 30, 2017 (EGP 000's)</b>
Customers acceptances	30 709 984	31 613 074
Letters of guarantee	106 403 545	117 816 337
Letters of credit (import and export )	46 778 531	82 028 421
Other contingent liabilities**	278 545 211	157 950 894
Discounted bills	947 406	5 574
<b>Total</b>	<b>463 384 677</b>	<b>389 414 300</b>

\*\*The net sales of investment certificates group (A, B, C) according to the ministerial decision no.199 for the year 1993 article no, (2) are represented in the transferred proceeds of investment certificates with an amount of EGP 276 850 286 Thousands from the National Investment Bank.

##### **B/Capital Commitments**

Commitments for the financial investment not required to be paid till June ,30, 2018 are amounted to EGP 761 643 Thousand (June 30,2017: EGP 724 369 Thousands). The value of commitments regarding fixed assets' purchase contracts and branches' construction that are not implemented till the balance sheet date are amounted to EGP 959 088 Thousands (June 30,2017: EGP 1 211 391 Thousands).

### **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 include loans and deposits

		<b>June 30, 2018 (EGP 000's)</b>	<b>June 30, 2017 (EGP 000's)</b>
<b>A)</b>	<b>Loans and advances to related parties (subsidiaries and associates)</b>		
	<b>Loans and advances to customers</b>		
	Loans at year end	2 279 032	3 355 221
	Interest income on loans	509 930	399 465
	<b>Due from banks</b>		
	Balances at year end	5 422 455	1 853 032
	Interest income on due from banks	74 383	26 572
	<b>Loans and advances to banks</b>		
	Loans at year end	796 845	804 265
	Interest income on loans	28 359	19 847
	<b>Other assets</b>	<b>2 701 000</b>	<b>2 701 000</b>

<b>B)</b>	<b>Deposits from related parties</b>		
	<b>Due to customers</b>		
	Deposits at year end	227 348	4 715 153
	Interest expense on deposits and similar expense	12 267	53 663
	<b>Due to banks</b>		
	Balances at year end	3 219 432	3 252 455
	Interest expense on due to banks	100 546	72 603

<b>C)</b>	<b>Employee monthly average for the top 20 management' employees</b>		
	Monthly (average)	220	189

**37. Mutual funds:**

A- NBE's First Mutual Fund with Accumulated Return has been established by virtue of 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. On November 6, 2007, Capital Market Authority approved rendering the Fund into a mutual fund with periodic and accumulated return as well as splitting certificate nominal value to become EGP 10. Al Ahly Mutual Fund Management operates the Fund. The number of certificates as at 30/06/2018 accounted for 1 209 897 certificates with market value of EGP 53 417 Thousands. NBE's share on the same date reached 708 063 certificates. This share encompasses an acquired stake held till the end of Fund period with the amount of 117 003 certificates with a market value of EGP 5 166 Thousands, in addition to financial investments available for sale 591 060 certificates with a market value of EGP 26 095 Thousands. This reflects the declared rates of the Egyptian Capital Market Association. According to the amended prospectus at 1/4/2016, the Bank shall receive 7.5% of net assets value as a supervision fee on the Fund in addition to the other administrative services performed by the Bank excluding the fees of management service companies with a percentage of 1.5 per ten thousand. The bank has obtained EGP 385 thousands total commission for the fiscal year ended 30/06/2018.

B- NBE's Second Mutual Fund with Periodic Return has been established by virtue of 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 It is operated by Al Ahly Mutual Fund Management. The number of certificates as at 30/06/2018 accounted for 799 881 certificates with the amount of EGP 62 247 thousands. NBE's share on the same date reached 334 126 certificates. This share includes amount held till the end of the Fund period which is 65 363 certificates; it's market value is EGP 5 087 thousands, in addition to financial investments available for sale 268 763 certificates with a market value of EGP 20 915 Thousands. This reflects the declared rates of the Egyptian Capital Market Association. Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 7.5 per thousand annually as commissions and fees against its supervision on the Fund in addition to the other administrative services performed by the Bank excluding the fees of management service companies with a percentage of 1.5 per ten thousand. The bank has obtained EGP 371 thousands total commission for the fiscal year ended 30/06/2018

C- NBE's Third Mutual Fund with Periodic and Accumulated Return has been established by virtue of CBE's approval dated 15/3/2005 and license No. 334 issued by Capital Market Authority on 12/5/2005. The Fund started business on 9/8/2005. HC Securities and Investment operate it. The number of certificates as at 30/06/2018. Accounted for 307 866 certificates with the amount of EGP 49 662 Thousands. NBE's share on the same date reached 29 854 certificates in the form of an acquired stake held until the end of Fund period with a market value of EGP 4 816 Thousands. This reflects the declared rates of the Egyptian Capital Market Association. Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 4 per thousand annually of the Fund's net asset value against its supervision on the Fund in addition to the other administrative services performed by the Bank in condition 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 151 Thousands total commission for the year fiscal year ended 30/06/2018.

D- NBE's Fourth Cash Return Fund with Daily Accumulated Return has been established by virtue of 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. Al Ahly Mutual Fund Management operates it. The number of certificates as at 30/06/2018 accounted for 27 262 788 certificates with the amount of EGP 7 083 145 Thousands. NBE's share on the same date reached 643 729 certificates with a market value of EGP 167 247 Thousands. This reflects the declared rates of the Egyptian Capital Market Association on 30/06/2018. Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 3 per thousand annually as commissions and fees against its supervision on the Fund in addition to the other administrative services performed by the Bank. The bank has obtained EGP 18 255 thousands total commission for the fiscal year ended 30/06/2018

E- NBE's Fifth Lottery Mutual Fund with Accumulated Return has been established by virtue of 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. Al Ahly Mutual Fund Management operates it. The number of certificates as at 30/06/2018 accounted for 2 168 945 certificates with the amount of EGP 28 652 Thousands. NBE's share on the same date reached 399 513 certificates with a market value of EGP 5 278 Thousand .This reflects the declared rates of the Egyptian Capital Market Association Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 4 per thousand annually as commissions and fees against its supervision on the Fund in addition to the other administrative services performed by the Bank in condition 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 86 thousands total commission for the fiscal year ended 30/06/2018

F- NBE's and Al Baraka Bank's Sixth Mutual Fund with Periodic and Accumulated Return (Bashaier) has been established by virtue of CBE's approval dated 5/7/2007 and license No. 432 issued by Capital Market Authority on 31/12/2007. The Fund started business on 10/2/2008. It is operated Al Ahly Mutual Fund Management. The number of certificates as at 30/06/2018 accounted for 1 611 293 certificates with a market value of EGP 141 874 Thousands. NBE's share on the same date reached 29 508 certificates, with a market value of EGP 2 598 Thousands in addition to financial investments available for sale 650000 certificates with a market value of EGP 57 233 Thousands. This reflects the declared rates of the Egyptian Capital Market Association on 30/06/2018. Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 3.75 per thousand annually as commissions and fees against its supervision on the Fund in addition to the other administrative services performed by the Bank excluding the fees of management service companies with a percentage of 1.5 per ten thousand. The bank has obtained EGP 508 thousands total commission for the fiscal year ended 30/06/2018

G- NBE's Seventh Mutual Fund with Accumulated and Periodic Return (the Fund of Egyptian Funds) has been established by virtue of 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 30/06/2018 accounted for 144 500 certificates with a market value of EGP 22 278 Thousands. NBE's share on the same date reached 31 847 certificates with a market value of 4 910 Thousand. This reflects the declared rates of the Egyptian Capital Market Association. This reflects the closing rates of mutual fund certificates on 30/06/2018. Pursuant to the Fund's management contract as well as the prospectus, the Bank shall obtain 3.75 per thousand annually as commissions and fees against its supervision on the Fund in addition to the other administrative services performed by the Bank in condition 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 76 thousands total commission for the fiscal year ended 30/06/2018.

H- NBE's eighth EL-Waed Mutual Fund with fixed income (the Fund of Egyptian Funds) has been established by virtue of 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 mutual fund management operates it. The number of certificates as at 30/06/2018 accounted for 467 997 certificates with a market value of EGP 705 584 Thousands. NBE's share on the same date reached 11 616 certificates with a market value of EGP 17 513 Thousands in addition to financial investments available for 84 154 certificates with a market value of EGP 126 876 Thousands. This reflects the declared rates of the Egyptian Capital Market Association on 28/06/2018. Pursuant to the Fund's management contract amended in 03/04/2016 as well as the prospectus, the Bank shall obtain 2 per thousand annually as commissions and fees against its supervision on the Fund excluding the fees of the Noon management service company with 0.05% per thousand as well as commissions and fees against its supervision on the Fund. In addition to the other administrative services performed by the Bank. The bank has obtained EGP 1 531 thousands total commission for the fiscal year ended 30/06/2018

### **38. Comparative Figures:**

The Bank has amended the comparative figures to conform with the classification of financial statements of the current fiscal year.

AS  
W.A  
Wael Abou-Ali  
Chief Financial Officer  
Wael Abou-Ali

Dalia ElBaz  
Deputy Chairman  
Dalia ElBaz

Dalia  
A. Elfotuh  
Deputy Chairman  
Yehia Abu-Elfotuh

Hisham  
Chairman  
Hisham Ahmed Okasha