

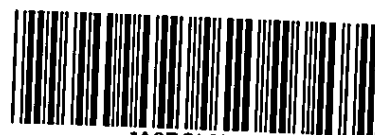
National Bank of Egypt (UK) Limited

**Directors' report and financial
statements**

Registered number 2743734

30 June 2008

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Directors' report

The Directors of National Bank of Egypt (UK) Limited ("the Company") have pleasure in presenting their annual report, together with the financial statements and auditors' report, for the year ended 30 June 2008

Principal activities

National Bank of Egypt (UK) Limited was granted on 24 December 1992 the status of authorised institution under the UK Banking Act 1987 (since superseded by the Financial Services and Markets Act of 2000). The Company is a wholly owned subsidiary of National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt

The Company provides general banking services in the United Kingdom to private and public sector customers, particularly to the Egyptian community, and conducts international banking business worldwide. The Company participates actively in the inter-bank, foreign exchange and syndicated loans markets and in the finance of international trade and invests in gilt-edged securities and floating rate notes

Business Review

As at 30 June 2008, the Company had total assets of £1,351 million, compared to £1,407 million at the end of the previous year. The Company made a profit of £8.5 million after tax and provisions, compared to £5.8 million in the previous year. Market conditions during the year under review were characterised by economic uncertainties and the continuing liquidity and credit crunch, however the Company continued to enjoy good liquidity and stable funding, which enabled it to record a significantly improved profit. It is anticipated that the current economic and banking environment will continue for the foreseeable future, against which background the outlook for the Company's performance remains positive.

Financial results

The financial statements for the reporting year ended 30 June 2008 are shown on pages 7 to 25. The profit after taxation for the year amounts to £8,508,825 (2007: £5,780,875).

During the year, the Company paid a dividend of £5,250,000 (2007: £5,250,000). The Directors intend to declare a final dividend of £5,000,000 (2007: £5,250,000) based on the profit on ordinary activities after tax for the year ended 30 June 2008 on 20 September 2008.

Financial Highlights 2007/8

Profit after tax increased by 47% to £8.5 million for 2007/8 from £5.8 million for 2006/7.

Total Operating Income increased by 38% to £19.3 million in 2007/8 from £14.0 million for 2006/7. Net interest income increased by 48% to £13.8 million in 2007/8 from £9.3 million, primarily due to an increase in the balances of interest-earning assets and the repayment of the subordinated debt. There was also an increase in non-interest income to £5.5 million from £4.7 million which was primarily due to increased loan fees and documentary credit income.

Non-interest expenses increased by 10% to £6.8 million in 2007/8 from £6.2 million in 2006/7 primarily due to an increase in staff related expenses.

Total assets decreased marginally to £1,351 million at year-end 2007/8 compared to £1,407 million at year-end 2006/7.

Risk Management

The Company has an established Risk Management Function and controls to ensure that all of its principal risks are properly identified and that appropriate policies and monitoring processes are in place to mitigate them. The Company's risks are managed taking into account several main principles including management responsibilities for the management of risk and controls, assessment and measurement of all identified risks with acceptable balance between risk versus return, and undertaking an annual review of risk policies and the control framework to ensure optimal capital allocation and utilisation for relevant risks.

Directors' report (continued)

The Company is primarily exposed to credit risk, interest rate risk, foreign currency risk, liquidity risk and operational risk. The Company operates internationally and it is principally exposed to credit risk, being the risk of loss that may occur from the failure of any obligor to make the required repayments of exposures due to the Company as and when they fall due. Various investment strategies and derivatives are used to mitigate these risks and optimise investment performance.

Under the Capital Requirements Directive, the Company has adopted the Standardised Approach to credit risk and the Basic Indicator Approach to operational risk. Details of the Company's financial risk management objectives and policies, including those in respect of financial instruments, and details of the Company's indicative exposure to risks are given in Note 19. The Company's Tier 1 capital was strengthened in advance of the implementation of the Capital Requirements Directive through the injection of £34.2m in additional equity by the parent bank in July 2007. Further details of the Company's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, will be published in due course on the Company's website, www.nbeuk.com.

Customer Services

The company offers banking services in the UK to Egyptian nationals, Egyptian embassies and related offices and Egyptian corporate customers operating outside Egypt. The Customer Services area is able to offer fixed term deposits, plus current account services.

Lending

Syndicated loans are provided for general funding requirements to banks, corporates and sovereign entities. Bilateral and direct loans to customers are to support working capital financing, capital expenditure and trading activities.

Treasury

Treasury activity during the year has continued to focus primarily on liquidity management, including the management of a portfolio of investments to assist with liquidity and enhance income.

The Treasury area also trades within pre-determined risk limits in the foreign exchange of all major currencies.

Documentary Credits

These activities have been expanded internationally from the traditional Egyptian markets over the last few years, and there are both corporate and financial institutions as customers. The business includes issuing, advising and confirming letters of credit and guarantees.

Directors and company secretary

The names of the Directors and Company Secretary as at the date of this report and those who served during the year are as follows:

Dr Farouk Abdel Baki El-Okdah Chairman
Mr Kazem Hassan Barakat, Deputy Chairman and Managing Director
Mr Mokhtar Abdel Gawad El Shennawy, Deputy Managing Director
Mr Tarek Hassan Nour Eldin Aly Amer (appointed 9 April 2008)
Mr Hussein Abdel Aziz Hussein
Mr Mohamed Hany Seif El Nasr
Mr Michael David Bendon (term of office expired 31 December 2007)
Mr Ahmed Abu Bakr Abdel Aaty (term of office expired 31 December 2007)
Mr Christopher Hayward Davis
Dr Ziad Ahmed Bahaa-Eldin (appointed 1 January 2008)
Mr Raymond Seamer (appointed 6 February 2008)

Mr Reg Egan (Company Secretary)

Directors' report *(continued)*

Directors' interests

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of the Company

Share capital

The Company was incorporated with an Authorised Share Capital of £100,000,000. As at the reporting date the Issued Share Capital, fully paid, amounted to £100,000,000 (2007 £65,800,000). On 5 July 2007, the Company issued 34,200,000 ordinary shares of £1 each to its parent entity. The proceeds were used to repay the subordinated loan, hence strengthening the Bank's Tier 1 capital.

At the forthcoming Annual General Meeting, a resolution will be tabled proposing an increase in the Company's Authorised Share Capital of 100,000,000 ordinary shares of £1 each.

Employees

As at 30th June 2008 the company had 59 permanent employees. Employees' compensation is related to performance and the company encourages the involvement of all employees in the overall performance and profitability of the company through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors. The company has a pension scheme whereby members are entitled to a minimum of 10% contribution of the basic salary to the Group Personal Pension scheme. All employees enjoy life insurance cover to the extent of 4 times their basic salary. The company also has a private medical insurance scheme, which covers employees and their dependents.

The company believes that it enjoys a good relationship with its staff.

Political and charitable contributions

The Company made no political (2007 £Nil) and £10,930 charitable contributions (2007 £Nil) during the year.

Disclosure of information to auditors

The directors who held office at the date of approval of this director's report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit PLC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



Reg Egan
Company Secretary

Trafalgar House
11 Waterloo Place
London SW1Y 4AU
19 September 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of National Bank of Egypt (UK) Limited

We have audited the financial statements of National Bank of Egypt (UK) Limited for the year ended 30 June 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholder's Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of National Bank of Egypt
(UK) Limited *(continued)***

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 30 June 2008 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements



KPMG Audit Plc
Chartered Accountants
Registered Auditor

8 Salisbury Square
London
EC4Y 8BB
United Kingdom

19 September 2008

Profit and loss account
for the year ended 30 June 2008

	Note	2008 £	2007 £
Interest receivable			
Interest receivable and similar income arising from debt securities		29,201,720	19,648,625
Other interest receivable and similar income		51,429,979	57,587,981
		<hr/>	<hr/>
Interest payable		80,631,699 (66,785,979)	77,236,606 (67,890,000)
		<hr/>	<hr/>
Net interest income		13,845,720	9,346,606
Fees and commissions receivable		5,358,574	4,549,757
Foreign exchange dealing profits		140,794	143,928
		<hr/>	<hr/>
Operating income		19,345,088	14,040,291
Administrative expenses	2	(4,335,078)	(3,819,978)
Depreciation	10	(249,493)	(254,577)
Other operating charges		(2,251,986)	(2,126,272)
		<hr/>	<hr/>
		12,508,531	7,839,464
Gains on disposals of investments		7,171	484,292
Provisions for bad and doubtful debts	8	(375,827)	-
		<hr/>	<hr/>
Profit on ordinary activities before tax	3	12,139,875	8,323,756
Tax on profit on ordinary activities	4	(3,631,050)	(2,542,881)
		<hr/>	<hr/>
Profit on ordinary activities after tax		8,508,825	5,780,875

There is no difference between the retained profit for the year and the retained profit on an historical cost basis

The result for the year is derived entirely from continuing activities

There were no other recognised gains and losses in the current or prior years other than the above

The notes on pages 10 to 25 form part of these financial statements

Balance sheet
at 30 June 2008

	Note	2008 £	£	2007 £	£
Assets					
Cash and balances at central banks		100,542		133,871	
Loans and advances to banks	6	543,384,545		797,176,329	
Loans and advances to customers	7	107,964,618		144,115,411	
Debt securities	9	686,894,200		453,806,063	
Tangible fixed assets	10	315,529		553,758	
Other assets	11	4,023,660		3,341,744	
Prepayments and accrued income		7,853,315		7,825,192	
Total assets		1,350,536,409		1,406,952,368	
Liabilities and shareholders' funds					
Deposits by banks	12	594,069,307		742,070,048	
Customer accounts	13	629,861,464		540,948,316	
Other liabilities	14	7,894,788		4,918,305	
Accruals and deferred income		6,231,874		6,622,616	
Subordinated debt	15	-		37,372,932	
Shareholders' funds					
Called up share capital	16	100,000,000		65,800,000	
Profit and loss account		12,478,976		9,220,151	
		112,478,976		75,020,151	
Total liabilities and shareholders' funds		1,350,536,409		1,406,952,368	
Memorandum items					
Contingent liabilities					
Acceptances and endorsements		3,830,100		3,121,029	
Guarantees		29,520,414		25,781,336	
Commitments					
Other commitments	17	113,805,289		135,564,096	
		147,155,803		164,466,461	

These financial statements were approved by the board of directors on 19 September 2008 and were signed on its behalf by

Director 

Director 

The notes on pages 10 to 25 form part of these financial statements

Reconciliation of movements in shareholders' funds
at 30 June 2008

	Called up share capital £	Profit and loss account £	Total £
As at 1 July 2006	65,800,000	8,689,276	74,489,276
Profit on ordinary activities after tax	-	5,780,875	5,780,875
Dividend paid during the year	-	(5,250,000)	(5,250,000)
As at 30 June 2007	65,800,000	9,220,151	75,020,151
Shares issued during the year	34,200,000	-	34,200,000
Profit on ordinary activities after tax	-	8,508,825	8,508,825
Dividend paid during the year	-	(5,250,000)	(5,250,000)
As at 30 June 2008	100,000,000	12,478,976	112,478,976

The notes on pages 10 to 25 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Company's financial statements

(a) Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the special provisions of Part VII, Chapter II of the Companies Act 1985 relating to banking companies, applicable accounting standards and the British Bankers' Association Statements of Recommended Accounting Practice

(b) Cash flow statement

As a wholly owned subsidiary whose parent produces publicly available accounts (see note 23), the Company has taken advantage of the exemption available within FRS 1 (revised), "Cash Flow Statements", and does not produce a cash flow statement

(c) Loans and advances

Loans and advances are stated at cost after deduction of amounts which in the opinion of the directors are required as specific or general provisions. Where loans have been acquired at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of acquisition to the date of maturity on a straight line basis

Loans are designated as non-performing as soon as management has doubts as to the ultimate collectibility of the principal or interest. When a loan is designated as non-performing, interest will be suspended and a specific provision raised if required

Specific provisions

Specific provisions represent the quantification of the actual or expected losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case by case basis. The amount of specific provision raised is the Company's estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value

General provisions

General provisions augment specific provisions and provide cover for loans on which there is no known impairment at the balance sheet date but which may be identified as impaired at some time in the future. The general provision is determined by taking into account the structure and risk of the Company's loan portfolio. General provisions are deducted from loans and advances in the balance sheet

(d) Securities

Securities intended for use on a continuing basis in the Company's activities are classified as investment securities and are stated at cost adjusted for any amortisation of premiums and discounts arising on acquisition and less provision for any permanent diminution in value

Where dated investment securities have been purchased at a premium or discount, these premiums and discounts are amortised through the profit and loss account from the date of purchase to the date of maturity on a straight line basis

Notes (continued)

1 Accounting policies (continued)

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into sterling at the month end rate for the month in which these transactions took place.

Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the year. Where the contracts arise as part of a deposit swap, the profits or losses are recognised evenly over the life of the related loans and deposits.

(f) Depreciation

Depreciation of tangible fixed assets is provided on a straight-line basis over estimated useful lives as follows:

Long leasehold buildings	20 years
Leasehold improvements	5 - 15 years
Furniture, fixtures and fittings	5 years
Computer hardware and software	3 - 5 years

(g) Interest income and expense

Interest receivable and payable is accrued over the period of the related loans and deposits.

(h) Fees and commission receivable

Fees and commissions are taken to income as received, or when debited to a customer's account.

(i) Fees and commission payable

Fees and commissions payable on borrowings are expensed to the profit and loss account over the life of the borrowing.

(j) Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes and which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(k) Pension costs

The Company operates a defined contribution pension scheme. Contributions to the scheme are charged to the profit and loss account when paid.

(l) Related party transactions

The Company has taken advantage, under FRS 8, "Related Party Disclosures", of the exemption not to disclose related party transactions with group companies, as it is a wholly owned subsidiary of the National Bank of Egypt (see note 23).

(m) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

(n) Off-balance sheet financial derivatives

Off-balance sheet financial derivatives are entered into by the Company for hedging purposes to reduce the risks arising on transactions entered into in the normal course of business. The income and expense arising from off-balance sheet financial derivatives entered into for hedging purposes is recognised in the accounts in accordance with the accounting treatment of the underlying transactions or transactions being hedged. All off-balance sheet financial derivatives are held for the period in which the underlying hedge matures.

Notes *(continued)*

2 Administrative expenses

	2008 £	2007 £
Staff costs		
Wages and salaries	3,281,717	2,922,251
Social security costs	405,736	384,605
Other pension costs	436,159	303,589
Other staff costs	195,814	199,648
Other administrative expenses	15,652	9,885
	<u>4,335,078</u>	<u>3,819,978</u>

The Company currently participates in the National Bank of Egypt (UK) Limited Pension Scheme which is a defined contribution scheme

The average number of persons employed by the Company during the year was 62 (2007 56)

3 Profit on ordinary activities before tax

(a) Is stated after charging of

	2008 £	2007 £
Amount receivable by the auditors in respect of		
Audit of financial statements pursuant to legislation	81,000	79,000
Other services relating to taxes	27,300	36,700
Audit of employee pension fund financial statements	-	3,210
All other services	32,954	2,585
	<u>141,254</u>	<u>121,495</u>
Interest payable on subordinated debt	<u>26,366</u>	<u>2,506,089</u>
Operating lease rentals were		
Land and building	426,634	439,336
Others	7,400	9,277
	<u>434,034</u>	<u>448,613</u>

(b) Segmental reporting

The Company has one class of business and all other services provided are ancillary to this All business is conducted from the United Kingdom

Notes (continued)

4 Taxation

(a) Analysis of charge in the year

	2008 £	2007 £
<i>Current tax</i>		
UK Corporation tax at 30% for 9 months and 28% for 3 months on the taxable profit for the year (2007 30%)	3,656,714	2,581,608
Over provisions in prior years	(25,664)	(29,987)
	<u>3,631,050</u>	<u>2,551,621</u>
<i>Deferred tax</i>	-	(8,740)
Tax on profit on ordinary activities	<u><u>3,631,050</u></u>	<u><u>2,542,881</u></u>

(b) Factors affecting the tax charge for the current year

The current tax charge for the year is higher than (2007 higher than) the standard rate of corporation tax in the UK 30% reduced to 28% for the last quarter (2007 30%) The differences are explained below

	2008 £	2007 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	12,139,875	8,323,756
Current tax at 30% for 9 months and 28% for 3 months (2007 30 %)	3,581,263	2,497,127
<i>Add effects of</i>		
Expenses not deductible for tax purposes	38,314	23,613
Depreciation for year in excess of capital allowances	37,137	28,040
Over provisions in prior years	(25,664)	(29,987)
Others	-	24,088
Total current tax charge (see 4 (a) above)	<u><u>3,631,050</u></u>	<u><u>2,542,881</u></u>

(c) Factors that may affect future tax charges

The Directors of the Company are not aware of any factors which will have a material effect upon future tax charges

(d) Deferred tax asset

	2008 £	2007 £
At the beginning of the year	1,058,740	1,050,000
Movement in the year	-	8,740
As at end of the year (see note 11)	<u><u>1,058,740</u></u>	<u><u>1,058,740</u></u>

In accordance with the provisions of FRS 19, the Company has recognised the deferred tax asset as being recoverable as the Directors are of the opinion that, on the basis of all available evidence, it is more likely than not that there will be suitable future taxable profits from which the future reversal of the underlying timing differences can be deducted The Directors have made this assessment based on the results for the year ended 30 June 2008

Notes (continued)

4 Taxation (continued)

(d) Deferred tax asset (continued)

The deferred tax asset consists of the following amounts

	2008 £	2007 £
Timing difference on creation of general provision for bad and doubtful debts	980,000	980,000
Capital allowance	78,740	78,740
Deferred tax asset (see note 11)	1,058,740	1,058,740

5 Emoluments of directors

	2008 £	2007 £
Directors' fees and emoluments	697,678	653,046

There is no director accruing benefits under a money purchase pension scheme (2007 None) The total remuneration and benefits of the highest paid director were £209,447 (2007 £207,081)

6 Loans and advances to banks

(a) Residual maturity

	2008 £	2007 £
Banks		
Repayable on demand	3,973,856	3,432,951
Other loans and advances		
Remaining maturity		
5 years or less but over 1 year	89,061,026	96,041,655
1 year or less but over 3 months	128,699,241	79,383,586
3 months or less	306,617,349	603,368,964
	528,351,472	782,227,156
Parent company		
Other loans and advances		
Remaining maturity		
5 years or less but over 1 year	15,033,073	14,949,173
	15,033,073	14,949,173
Total	543,384,545	797,176,329

Notes (continued)

6 Loans and advances to banks (continued)

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to banks

	2008 £	2007 £
<i>Total gross advances to banks located in</i>		
Europe and North America	296,974,598	590,524,807
Middle East	96,771,518	40,224,173
Rest of the World	149,638,429	166,427,349
Total	543,384,545	797,176,329

7 Loans and advances to customers

(a) Residual maturity

	2008 £	2007 £
Repayable on demand or at short notice	3,936,322	5,928,971
Other loans and advances		
Remaining maturity		
Over 5 years	-	6,733,605
5 years or less but over 1 year (includes staff loans)	98,655,447	97,801,030
1 year or less but over 3 months	7,670,175	32,477,371
3 months or less	3,708,186	6,792,233
<i>Sub-total</i>	113,970,130	149,733,210
Bad and doubtful debt provision – general (note 8)	(3,500,000)	(3,500,000)
Bad and doubtful debt provision – specific (note 8)	(2,505,512)	(2,117,799)
Total	107,964,618	144,115,411

(b) Concentrations of exposure

The Company has the following concentrations of loans and advances to customers

	2008 £	2007 £
<i>Total gross advances to customers located in</i>		
Europe and North America	31,936,192	38,713,052
Middle East	56,466,259	75,576,291
Rest of the World	25,567,679	35,443,867
Total	113,970,130	149,733,210

Notes (continued)

8 Provisions for bad and doubtful debts

(a) Movements on provisions for bad and doubtful debts

	Specific £	General £	Total £
Provisions at 30 June 2007	2,117,799	3,500,000	5,617,799
Increase in provision	375,827	-	375,827
Foreign exchange movement	11,886	-	11,886
Provisions at 30 June 2008	2,505,512	3,500,000	6,005,512
<i>Of which</i>			
Provision against loans and advances to customers – general	-	3,500,000	3,500,000
Provision against loans and advances to customers – specific	2,505,512	-	2,505,512
	2,505,512	3,500,000	6,005,512

(b) Non-performing loans

	2008 £	2007 £
Loans on which interest has been suspended (net of suspended interest)	2,505,512	2,491,529
Provisions	(2,505,512)	(2,117,799)
Total	-	373,730

Notes (continued)

9 Debt securities

	2008 £	2007 £
<i>Investment securities</i>		
Other issuers		
Other debt securities	686,894,200	452,935,305
	<hr/>	<hr/>
	686,894,200	452,935,305
<i>Other debt securities - bills discounted</i>	-	870,758
	<hr/>	<hr/>
	686,894,200	453,806,063
	<hr/>	<hr/>
<i>Investment securities</i>		
Listed on a UK recognised investment exchange	686,894,200	448,893,661
Unlisted	-	4,912,402
	<hr/>	<hr/>
	686,894,200	453,806,063
	<hr/>	<hr/>
Due within one year	158,149,001	46,426,983
Due one year and over	528,745,199	407,379,080
	<hr/>	<hr/>
	686,894,200	453,806,063
	<hr/>	<hr/>

	Nominal value £	Net premium/ (discount) £	Net book value £
<i>Investment securities - movement</i>			
Balance at 30 June 2007	453,402,555	403,508	453,806,063
Purchases	248,424,635	(3,373,323)	245,051,312
Sales/maturities	(57,447,088)	-	(57,447,088)
Amortisation of premium/discount	-	178,745	178,745
Exchange movements	46,085,530	(780,362)	45,305,168
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2008	690,465,632	(3,571,432)	686,894,200
	<hr/>	<hr/>	<hr/>

	2008 £	2007 £
<i>Investment securities - market value</i>		
Other issuers		
Other debt securities	675,222,006	453,706,694
	<hr/>	<hr/>

Notes (continued)

10 Tangible fixed assets

	Leases of 50 years or more unexpired	Computer equipment and other fixed assets	Total
	£	£	£
Cost or valuation			
At 30 June 2007	259,277	1,636,530	1,895,807
Additions	-	11,265	11,265
Disposals	-	(779)	(779)
At 30 June 2008	259,277	1,647,016	1,906,293
Accumulated depreciation			
At 30 June 2007	147,318	1,194,731	1,342,049
Charge for year	12,302	237,191	249,493
Related to disposals	-	(778)	(778)
At 30 June 2008	159,620	1,431,144	1,590,764
Net book value			
At 30 June 2008	99,657	215,872	315,529
At 30 June 2007	111,959	441,799	553,758

11 Other assets

	2008 £	2007 £
Deferred tax asset (see note 4(d))	1,058,740	1,058,740
Foreign exchange contracts	2,667,420	1,610,448
Others	297,500	672,556
	4,023,660	3,341,744

Notes (continued)

12 Deposits by banks

	2008 £	2007 £
With agreed maturity dates or periods of notice, by remaining maturity		
<i>Banks</i>		
5 years or less but over one year	138,475,890	192,583,952
1 year or less but over 3 months	18,155,479	12,096,081
3 months or less but not repayable on demand	373,173,791	462,177,935
	<hr/>	<hr/>
Repayable on demand	529,805,160 4,753,177	666,857,968 5,358,660
	<hr/>	<hr/>
	534,558,337	672,216,628
	<hr/>	<hr/>
<i>Parent company</i>		
3 months or less but not repayable on demand	57,040,344	67,202,671
Repayable on demand	2,470,627	2,650,749
	<hr/>	<hr/>
	59,510,971	69,853,420
	<hr/>	<hr/>
<i>Total</i>		
5 years or less but over one year	138,475,890	192,583,952
1 year or less but over 3 months	18,155,479	12,096,081
3 months or less but not repayable on demand	430,214,134	529,380,606
	<hr/>	<hr/>
Repayable on demand	586,845,503 7,223,804	734,060,639 8,009,409
	<hr/>	<hr/>
	594,069,307	742,070,048
	<hr/>	<hr/>

13 Customer accounts

	2008 £	2007 £
With agreed maturity dates or periods of notice, by remaining maturity		
1 year or less but over 3 months	110,029,093	4,907,172
3 months or less but not repayable on demand	485,106,719	497,166,253
	<hr/>	<hr/>
Repayable on demand	595,135,812 34,725,652	502,073,425 38,874,891
	<hr/>	<hr/>
	629,861,464	540,948,316
	<hr/>	<hr/>

Notes *(continued)*

14 Other liabilities

	2008 £	2007 £
Foreign exchange contracts	2,659,758	1,607,933
Taxation	1,865,455	1,248,000
Other creditors	3,369,575	2,062,372
	<u>7,894,788</u>	<u>4,918,305</u>

15 Subordinated debt

On 22 March 2006, the Bank drew down US \$75 million of unsecured subordinated debt from its parent company. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable in ten equal instalments commencing after one year of the draw down date. Interest is charged at six months libor plus 110 basis points. The date of the maturity of the debt is 21 March 2012. The interest payable for the year ended 30 June 2008 amounted to £26,366 (2007 £2,506,089). On 5 July 2007, the Bank repaid this debt in full.

16 Called up share capital

	2008 £	2007 £
<i>Authorised</i>		
Ordinary shares of £1 each	100,000,000	100,000,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	100,000,000	65,800,000

On 5 July 2007, the Bank issued 34,200,000 shares to its parent company, National Bank of Egypt, at a cash consideration of £1 each.

Notes (continued)

17 Commitments

(a) Other commitments

	2008 £	2007 £
Letters of credit – confirmed	70,087,357	60,895,699
Forward deposits taken	22,906,565	13,714,586
Forward assets purchased	7,540,980	25,966,115
Loan commitments (undrawn credit lines)	13,270,387	34,987,696
	<u>113,805,289</u>	<u>135,564,096</u>

Forward deposits taken and forward assets purchased generally replace maturing deposits by banks and loans and advances to banks

	£	£
Loan commitments – over one year	7,301,373	26,531,496
Loan commitments – one year or less	5,969,014	8,456,200
	<u>13,270,387</u>	<u>34,987,696</u>

Incurred on behalf of the Parent company

	2008 £	2007 £
Letters of credit – confirmed	36,884,695	33,683,972

(b) Significant concentrations of contingent liabilities and commitments

Approximately 64% (2007 49%) of total contingent liabilities and commitments relate to counterparties in Egypt

(c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding forward foreign exchange contracts for purchases of £244,400,548 (2007 £192,906,711) and sales of £247,063,222 (2007 £193,193,298)

Notes (continued)

18 Operating lease commitments

As at 30 June 2008, the Company had the following non cancellable annual operating lease commitments

	2008		2007	
	£	£	£	£
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire				
Within 1 year	426,634	7,400	424,619	5,186
Between 1 and 5 years	549,545	5,540	977,976	-
	<u>976,179</u>	<u>12,940</u>	<u>1,402,595</u>	<u>5,186</u>

19 Risk management

Through its banking services the Company is exposed to a range of risks. To manage these risks the Company established the following committees and functions to assist the Board of Directors: Management Committee, Audit Committee, Credit Committee, Asset and Liability Committee, Investment Committee, and Internal Audit.

Major risks

Credit risk

Credit risk arises principally on the lending, trade finance and investment activities of the bank. Credit risk policies are applied by the Credit Committee which operates within the authority granted to it by the Board. Country and counterparty limits are established and monitored on a daily basis, with a detailed review at least once a year. Management receives regular reports on the utilisation of these limits.

Interest rate risk

Interest rate risk primarily arises on the mis-matching of the bank's assets with its funding. This is monitored daily and is managed by the Asset and Liability Committee. Principal limits have been established for the Company's assets and liabilities when allocated to time bands by reference to the next contractual repricing date.

Risks may also be hedged through the use of interest rate swaps and forward rate agreements (note 20).

At 30 June 2008, the interest rate risk comprises

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	Non interest bearing	Total
	£	£	£	£	£	£
Assets	1,195,668,980	79,602,059	1,002,205	60,557,024	13,706,141	1,350,536,409
Liabilities	(1,087,719,711)	(122,468,089)	(12,851,106)	-	(127,497,503)	(1,350,536,409)
Off-balance sheet items	51,694,276	9,363,850	-	(61,058,126)	-	-
Gap	<u>159,643,545</u>	<u>(33,502,180)</u>	<u>(11,848,901)</u>	<u>(501,102)</u>	<u>(113,791,362)</u>	<u>-</u>
Cumulative	<u>159,643,545</u>	<u>126,141,365</u>	<u>114,292,464</u>	<u>113,791,362</u>	<u>-</u>	<u>-</u>

Notes (continued)

19 Risk management (continued)

At 30 June 2007, the interest rate risk comprised

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	Non interest bearing	Total
	£	£	£	£	£	£
Assets	1,240,251,203	129,144,618	6,881,801	16,942,396	13,732,350	1,406,952,368
Liabilities	(1,202,858,489)	(105,831,637)	(3,422,954)	-	(94,839,288)	(1,406,952,368)
Off-balance sheet items	17,440,702	-	-	(17,440,702)	-	-
Gap	54,833,416	23,312,981	3,458,847	(498,306)	(81,106,938)	-
Cumulative	54,833,416	78,146,397	81,605,244	81,106,938	-	-

The figures do not demonstrate the exposure of the Company to particular interest rates as the assets and liabilities above have been consolidated across all currencies

Liquidity risk

Liquidity risk arises on the mis-matching of the residual maturity of the Company's assets and funding. This is also monitored daily, and is managed by the Asset and Liability Committee. Limits have been established for each time band and incorporate FSA agreed limits.

Foreign exchange risk

Foreign exchange risk is managed within the treasury function. Policies and procedures are detailed in an operational procedures manual. This incorporates FSA agreed limits, and other regulatory bodies requirements and best practices. It is subject to periodic review by Internal Audit, and is approved by the Board.

Senior management also regularly monitors the positions taken on a daily basis.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems or from external events. The Company's operational risk framework is subject to documented procedural policies, with senior management being responsible for their implementation and maintenance. Adherence to these policies is also subject to periodic review by Internal Audit.

Notes (continued)

20 Derivative and exchange rate contracts

The Company enters into various financial instruments as principal to manage balance sheet interest rate and foreign exchange rate risk. At the year end, the principal amounts and fair values of the instruments were

	2008			2007		
	Principal amount £	Positive fair values £	Negative fair values £	Principal amount £	Positive fair values £	Negative fair values £
Interest rate related contracts						
Interest rate swaps	63,563,638	954,151	903,112	17,440,702	253,216	-
Exchange rate related contracts	244,400,548	2,667,420	2,659,758	192,906,711	1,610,448	1,607,933

Interest rate related contracts represent interest rate swap transactions which generally involve the exchange of fixed and floating interest payment obligations without the exchange of the underlying principal amounts

Exchange rate related contracts are predominantly spot transactions but will also include currency swaps and forwards. The Company's currency swap transactions generally involve an exchange of currencies and an agreement to re-exchange the currency at a future date where the swaps relate to assets and liabilities denominated in different currencies

Derivatives contracts are used for hedging purposes only and are executed with bank counterparties for whom volume and settlement limits have been approved. Group limits are approved for connected exposures. Under the Company's current treasury policy, derivative contracts are restricted to Interest Rate Swaps, Forward Rate Agreements and Currency Swaps

At 30 June 2008, there are 10 swaps outstanding (2007: 4). There was no unrealised swap gain or loss outstanding at year end (2007: £Nil)

Maturity analysis

	2008	
	Interest rate swaps	
	Notional values £	Fair values £
Maturity		
1 year or less	2,505,512	(29,469)
5 years or less but over 1 year	61,058,126	80,509
	2007	
	Interest rate swaps	
	Notional values £	Fair values £
Maturity		
5 years or less but over 1 year	17,440,702	253,216

Notes *(continued)*

21 Assets and liabilities denominated in foreign currency

	2008 £	2007 £
Denominated in Sterling	214,548,404	197,175,526
Denominated in US Dollar	670,770,341	872,626,094
Denominated in other currencies	465,217,664	337,150,748
Total assets	1,350,536,409	1,406,952,368
Denominated in Sterling	226,177,675	218,108,870
Denominated in US Dollar	854,268,991	1,022,243,221
Denominated in other currencies	270,089,743	166,600,277
Total liabilities	1,350,536,409	1,406,952,368

The functional currency of the Company's operations is Sterling

22 Related party disclosures

During the year, there were no new loans issued to officers of the Company (2007 Nil) As at the year end, there were no loans outstanding (2007 Nil)

23 Ultimate parent company and parent undertaking of larger group of which the company is a member

The Company is a wholly owned subsidiary of National Bank of Egypt The parent company is incorporated in Egypt Copies of the group accounts for the National Bank of Egypt can be obtained from National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt

