National Bank of Egypt (UK) Limited

Directors' report and financial statements

Registered number 2743734

For the year ended 30 June 2012

Chairman's statement

On behalf of the Board of Directors I am pleased to present the audited annual report and financial statements of National Bank of Egypt (UK) Limited for the year ended 30 June 2012 The tough economic and business environment continued into 2012 for all banks as the Greek debt crisis spread quickly to a number of European countries and had a significant negative impact on the business climate and prospects for sustaining economic growth The main economic ramifications have been a marked drop in consumer and business confidence from both domestic and external sectors which was cushioned by expansionary fiscal policies and lax monetary parameters adopted by governments to reflate their economies and support growth

As the year continued to pose economic challenges with the record low interest rate looking set to continue in the medium term and the outlook for global growth remaining fragile, the Bank sustained our prudent strategy and policies to maintain solid capitalisation, strong liquidity and sound asset quality

Despite the challenges faced during the year under review, the Bank continued to demonstrate the success and viability of its core business model through another improved performance By the end of the financial year, operating income of £19 9 million (2011 £14 3 million) and net profit after tax of £10 0 million (2011 £5 8 million) were achieved, and fee and commission income at £12 9 million was 109% higher than in the year earlier As a result, fee based income comprised 65% (2011 43%) of operating income, reflecting continued success in the implementation of our strategic focus on non-asset based, relationship orientated businesses The Bank enjoys a strong liquidity position, a solid capital ratio of 54% with significant capital buffer, sound asset quality and dominant customer funding base

The banking regulatory framework continued to evolve in 2012 with the Government driven restructuring of the Financial Services Authority (FSA) progressing through the two peak regulators, namely the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) becoming effective from January 2013 The Bank is working on the compliance with all the regulatory changes, in particular the new capital accord, recovery and resolution plans, and EBA's Common Regulatory Capital Reporting (COREP) amongst others

The recent political and social events in the Middle East and the North African region have unfolded with unprecedented rapidity with no significant impact on the Bank's operations and performance at the year end

Throughout the year, management continued the successful implementation of a high-standard risk management infrastructure which was designed to strengthen the ability to meet future challenges and to protect the interest of the Bank's customers and its stakeholders The Directors have full confidence that the Bank has adequate resources and management skills to pursue its business plan successfully in the remainder of 2012 and beyond The Board of Directors is comfortable that the capital adequacy, liquidity position and asset quality are strong and will enable us to develop and grow soundly in the coming years

On behalf of the Board I would like to express my gratitude to our shareholders for their support, and the Bank's staff for their positive attitude and dedication and finally our customers for their continued loyalty and trust

Dr Farouk A El Okdah
Chairman

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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 auditor's report, for the year ended 30 June 2012

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 world-wide 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 2012, the Company had total assets of £1,128 million, which was a decrease of £292 million compared to 30 June 2011 The Company made a profit of £10 0 million after tax and provisions, compared to £5 8 million in the previous year The banking environment continued to be challenging in 2011/2012 particularly the interbank markets

During the year under review there was a net impairment charge of £0 2 million The Company's traditional strengths of stable funding, good liquidity and strong capitalisation were maintained throughout the year The Company continue to be well positioned to take advantage of the potential opportunities in the coming year and pursue its business objectives in a prudent and focused manner

Financial results

The financial statements for the year ended 30 June 2012 are shown on pages 8 to 26 The profit after taxation for the year amounts to £10,005,429 (2011 £5,792,999)

The Directors recommend a final dividend of £9,720,013 (7 47p per ordinary share) (2011 £nil) to be paid to ordinary shareholders on the Register of Members on 15th September 2012

Financial Highlights 2011/12

Year on year, operating income at £19,863,813 (2011 £14,269,121) was 39 2% higher than last year There was a reduction in net-interest income by 15 9% to £6,675,027 (2011 £7,935,024) reflecting both a reduction in the underlying loan book, and interest rate environment Non-interest income increased by 108 2% from £6,334,097 in 2011 to £13,188,786 in 2012 due to increased trade finance volume and more profitable Foreign Exchange deals

Operating expenses remained broadly consistent changing from £6,519,136 in 2011 to £6,585,733 in 2012, due to the fact that the bank continued to focus on tighter control on expenses

Total assets, at £1,127,777,665 were £291,782,664 lower than the previous year

Risk Management

The Company has an established Risk Management Function and controls to ensure that all of its principal risks are identified and that 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

The Company is primarily exposed to credit risk, interest rate risk, foreign currency risk, liquidity risk and operational risk Various investment strategies and derivatives are used to mitigate these risks and optimise investment performance The Company operates internationally and it is primarily 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

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 18 There was no change to the authorised and paid up capital during the year and the Company remains adequately capitalised with a strong capital buffer above the approved Individual Capital Guidance (ICG) The Company undertakes an internal assessment of the amount of capital which it requires to support its activities (the "ICAAP" process) This assessment has identified a number of other risks faced by the Company, which do not attract capital under the Pillar 1 rules The Company has allocated additional capital for these Pillar 2 risks ("the Pillar 2 capital requirements") totalling £18 million at 30 June 2012 (2011 £27 million) The total capital requirement of the Company is determined as the sum of the Pillar 1 and the Pillar 2 capital requirements The Company was in compliance with the ICG requirements throughout the year including the requirements for Capital Planning Buffer ("CPB")

Under the liquidity regulations the Company has fully implemented the requirements for liquidity risk management including systems and controls During the year under review the Company's approach to the liquidity risk management was documented in a comprehensive "Individual Liquidity Adequacy Assessment ("ILAA") document, drawn up in accordance with the regulatory requirements This document describes the Company's liquidity risk tolerance, including the methodologies for ensuring that risk is restricted within that tolerance It analyses the sources of liquidity risk, and describes the assumptions and approach taken to stress testing in light of those risks It also incorporates the Company's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Company to fail (reverse stress tests), as demanded by regulatory requirements The ILAA document and other liquidity risk management tools were reviewed by the FSA SLRP team during the year with the final ILG letter communicated to the Bank setting out the ILG and other liquidity metrics subject to which the liquidity positions will be managed going forward At 30 June 2012, the Board of Directors was satisfied that the Company's liquidity resources were sufficient to survive the stresses identified in the ILAA document, and comply with the approved ILG and other limits set by FSA

Further details of the Company's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, are published 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 primarily 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 focused primarily on liquidity management, including the management of a portfolio of investments to assist with liquidity and enhance income, despite the continuing difficult interest rate market conditions

The Treasury area continues to transact within pre-determined risk limits in the foreign exchange of all major currencies

Documentary Credits

These activities have continued to be 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
Dr Ziad Ahmed Bahaa-Eldin
Mr Christopher Hayward Davis
Mr Raymond Seamer
Mr Sherif Mohamed Aly Elwy
Mr El Sayed Mohamed Marzouk El Kosayar

Mr Reg Egan (Company Secretary)

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

During the year, the Company's authorised share capital remained unchanged at £200,000,000 As at the reporting date Issued Share Capital, fully paid, amounted to £130,000,000 (2011 £130,000,000) Details of the Company's share capital are given in note 15

Employees

As at 30 June 2012 the Company had an average of 55 (2011 57) 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 their basic salary to the Group Personal Pension scheme All employees enjoy life insurance cover to the extent of four 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 contributions (2011 £nil) and charitable contributions of £100 (2011 £1,480) during the year

Going Concern

The financial statements are prepared on the going concern basis In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment The Company is a wholly-owned subsidiary of National Bank of Egypt and the parent has shown continued support during the year by continuing to provide a line of credit amounting to $30 million The latter is in the form of a subordinated debt and is for the term of 10 years, which was drawn down for the first time in November 2010 The Bank is liable to pay interest at Libor plus 2% on any drawn amount

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements

Auditor

Each of the persons who is a Director at the date of approval of this report confirms that

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006

A resolution to reappoint Deloitte LLP as auditor 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
27th September 2012

Directors' responsibilities statement

The Directors are responsible for preparing the Annual 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 the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 accounting 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

INDEPENDENT AUDITOR'S 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 2012 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 24 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 auditor

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Manbhinder Rana F C A (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
27 September 2012

Profit and loss account

for the year ended 30 June 2012

	Notes	2012 £	£	2011 £	£
Interest receivable					
Interest receivable and similar income arising from debt securities		**9,888,670**		10,335,519	
Other interest receivable and similar income		**5,924,335**		7,085,512	
			15,813,005		17,421,031
Interest payable			**(9,137,978)**		(9 486,007)
Net interest income			**6,675,027**		7,935,024
Fees and commissions receivable			**12,890,421**		6,168,120
Net foreign exchange gains			**298,365**		165,977
Operating income			**19,863,813**		14,269,121
Administrative expenses	*2*		**(3,978,557)**		(3,910,756)
Depreciation	*10*		**(95,227)**		(64,862)
Other operating charges			**(2,511,949)**		(2,543,518)
			13,278,080		7,749 985
Net Impairment Charge	*8*		**244,551**		448 386
Profit on ordinary activities before tax	*3*		**13,522,631**		8,198,371
Tax charge on profit on ordinary activities	*4*		**(3,517,202)**		(2,405,372)
Profit on ordinary activities after tax			**10,005,429**		5,792,999

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 profit for the year Accordingly, no statement of total recognised gains or losses has been prepared

The notes on pages 11 to 26 form part of these financial statements

Balance sheet
at 30 June 2012

	Notes	2012		2011	
		£	£	£	£
Assets					
Cash and balances at central banks			**151,059**		219,976
Loans and advances to banks	6		**395,602,918**		611,436,089
Loans and advances to customers	7		**68,165,499**		84,294,716
Debt securities	9		**659,935,725**		719,528,660
Tangible fixed assets	10		**198,218**		212,992
Other assets	11		**1,070,602**		998,236
Prepayments and accrued income			**2,653,644**		2,869,660
Total assets			**1,127,777,665**		1,419,560,329
Liabilities and shareholders' funds					
Deposits by banks	12		**147,052,888**		212,386,112
Customer accounts	13		**817,617,387**		1,052,446,860
Other liabilities and deferred income	14		**2,618,589**		4,733,516
Accruals			**1,649,548**		1,607,445
Subordinated debt	22		**19,119,240**		18,671,812
Shareholders' funds					
Called up share capital	15	**130,000,000**		130,000,000	
Profit and loss account		**9,720,013**		(285,416)	
			139,720,013		129,714,584
Total liabilities and shareholders' funds			**1,127,777,665**		1,419,560,329

		2012	2011
		£	£
Memorandum items			
Contingent liabilities			
Acceptances and endorsements		**114,425**	499,431
Guarantees		**3,378,106**	6,357,235
Commitments			
Other commitments	16	**75,203,654**	50 226,429
		78,696,185	57,083,095

These financial statements of National Bank of Egypt (UK) Limited (registered number 2743734) were approved by the board of directors and authorised for issue on 27th September 2012 and were signed on its behalf by

Director Dr Farouk Abdel Baki El-Okdah,
Chairman

Director Mr Kazem Hassan Barakat,
Deputy Chairman and Managing Director

The notes on pages 11 to 26 form part of these financial statements

Reconciliation of movements in shareholders' funds
at 30 June 2012

	Called up share capital £	Profit and loss account £	Total £
As at 30 June 2010	130,000,000	(6,078,415)	123,921,585
Profit on ordinary activities after tax	-	5,792,999	5,792,999
As at 30 June 2011	130,000,000	(285,416)	129,714,584
Profit on ordinary activities after tax	-	10,005,429	10 005,429
As at 30 June 2012	**130,000,000**	**9,720,013**	**139,720,013**

The notes on pages 11 to 26 form part of these financial statements

Notes to 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) Basis of preparation and accounting convention

The financial statements have been prepared under the historical cost convention in accordance with applicable United Kingdom accounting standards

Going Concern

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review which forms part of the Directors' report The Directors' report also describes the financial position of the company, its cash flows, liquidity position and borrowing facilities, the Company's objectives, policies and procedures for managing its capital, its financial risk management objectives, details of financial instruments, hedging activities and its exposure to credit risk and liquidity risk

The Directors have a reasonable expectation that the Company will have adequate resources to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

(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 collectability of the principal or interest When a loan is designated as non-performing, interest will be suspended and a specific provision made if required

Specific provisions

Specific provisions represent the quantification of the actual 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 estimated net realisable value

General provisions

An allowance for inherent losses is established for loans and debt securities for which no evidence of loss has been specifically identified on an individual basis (i e incurred but not yet reported) but are known from past experience to have deteriorated since the initial decision to lend or invest was made General provisions are deducted from loans and advances and debt securities 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 impairment

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

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) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment

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 receivable which represent a return for services provided or risk borne are credited to income when the related service is performed or over the period that the service is provided

(i) Fees and commission payable

Fees and commissions payable on borrowings are charged to the profit and loss account when the related service is performed or over the life of the borrowing

(j) Taxation

Current tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

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) Leases

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

(m) 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

	2012 £	2011 £
Staff costs		
Wages and salaries	**2,895,881**	2,919,671
Social security costs	**418,511**	365,549
Other pension costs	**333,853**	347,219
Other staff costs	**319,848**	264,007
Other administrative expenses	**10,464**	14,310
	3,978,557	3,910,756

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 55 (2011 57)

3 Profit on ordinary activities before tax

(a) Is stated after charging:

	2012 £	2011 £
Audit Fees		
Fees payable to the Company's auditor for the audit of Company's annual accounts	**75,000**	75,500
Total audit fees	**75,000**	75,500
Non-audit Fees		
Tax Services	**8,250**	8,250
All other services	-	10,000
Total non-audit fees	**8,250**	18,250
Depreciation of tangible fixed assets	**95,227**	64,862
Operating lease rentals		
Operating lease rentals were		
Land and building	**417,734**	448,508
Others	**13,247**	7,312
Total operating lease rentals	**430,981**	455,820

(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 tax charge in the year*

	2012 £	2011 £
Current tax		
UK Corporation tax at 25 5% (2011 27 5%) on the taxable profit for the year	**2,925,100**	507,509
	2,925,100	507 509
Deferred tax charge		
Income statement charge	**552,835**	1,765,710
Difference in relation to tax rate change	**39,267**	103,890
Adjustment to prior year deferred tax		28,263
	592,102	1,897,863
Tax charge on profit on ordinary activities	**3,517,202**	2,405,372

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

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25 5% (2011 27 5%) The current tax charge for the year is lower than 25 5% for the reasons set out in the following reconciliation

	2012 £	2011 £
Current tax reconciliation		
Profit on ordinary activities before tax	**13,522,631**	8,198,371
Tax on profit on ordinary activities at standard rate	**3,448,460**	2 254 667
Tax effects of		
Expenses not deductible for tax purposes	**29,505**	18,641
Depreciation for year in excess of capital allowances	**(4,585)**	(28,036)
Reversal of provisions	**(548,280)**	(1,737,763)
Total current tax charge (see 4 (a) above)	**2,925,100**	507,509

(c) *Factors that may affect future tax charge*

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

(d) *Deferred tax asset*

	2012 £	2011 £
At the beginning of the year	**933,223**	2,831,086
Income statement charge	**(552,835)**	(1,765,710)
Difference in relation to tax rate charge	**(39,267)**	(103,890)
Prior Year adjustment	**-**	(28,263)
As at end of the year (see note 11)	**341,121**	933 223

Notes *(continued)*

4 Taxation *(continued)*

(d) ***Deferred tax asset*** *(continued)*

The deferred tax asset consists of the following amounts

	2012 £	2011 £
Timing differences on general provision for bad and doubtful debts	**324,000**	910,000
Capital allowances	**17,121**	23,223
Net deferred tax asset (see note 11)	**341,121**	933,223

UK corporation tax is calculated at 25 5% (2011 27 5%) of the estimated assessable profits for the year The standard rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012 The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 3 July 2012 Since the 23% rate had not been substantially enacted at balance sheet date, the rates that have been reflected in these accounts are 26% for the period to 1 April 2012 and 24% to 30 June 2012 Management believe the impact of the further reduction in rate would not be material or significant

5 Emoluments of directors

	2012 £	*Restated* 2011 £
Directors' fees and emoluments	**637,526**	617,824

There is no Director accruing benefits under a money purchase pension scheme (2011 None) The total remuneration and benefits of the highest paid Director were £227,258 (*Restated* 2011 £223,168)

6 Loans and advances to banks

(a) ***Residual maturity***

	2012 £	2011 £
Banks		
Past due	**3,878,311**	13,995,941
Repayable on demand	**10,514,229**	25,151,331
	14,392,540	39,147,272
Other loans and advances with remaining maturity		
5 years or less but over 1 year	**12,407,025**	13,754,501
1 year or less but over 3 months	**6,373,082**	18,007,383
3 months or less	**318,585,275**	510,900,063
	351,757,922	581,809,219
Related Parties		
Other loans and advances with remaining maturity		
3 months or less	**45,886,177**	44,812,348
Total loans and advances to banks	**397,644,099**	626,621,567
Bad and doubtful debt provision – general (Note 8)	**(400,000)**	(500,000)
Bad and doubtful debt provision – specific (Note 8)	**(1,641,181)**	(14,685,478)
Total	**395,602,918**	611,436,089

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

	2012 £	2011 £
Total gross advances to banks located in		
Europe and North America	**325,401,117**	528,482,466
Middle East and Egypt	**71,872,892**	68,032,422
Rest of World	**370,090**	30,106,679
Total	**397,644,099**	626,621,567

7 Loans and advances to customers

(a) Residual maturity

	2012 £	2011 £
Past due	-	5,070,830
Repayable on demand or at short notice	**4,602,775**	587,528
Other loans and advances with remaining maturity		
5 years or less but over 1 year (includes staff loans)	**24,850,712**	35,746,916
1 year or less but over 3 months	**8,216,746**	5,540,561
3 months or less	**36,022,477**	40,133,029
Sub-total	**73,692,710**	87,078,864
Bad and doubtful debt provision – general (note 8)	**(250,000)**	(250,000)
Bad and doubtful debt provision – specific (note 8)	**(5,277,211)**	(2,534,148)
Total	**68,165,499**	84,294,716

(b) Concentrations of exposure

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

	2012 £	2011 £
Total gross advances to customers located in:		
Europe and North America	**7,847,698**	17,398,703
Middle East and Egypt	**61,183,104**	64,996,627
Rest of World	**4,661,908**	4,683,534
Total	**73,692,710**	87,078,864

Notes *(continued)*

8 Provisions for bad and doubtful debts

(a) Impairment Charge

	2012	2011
	£	£
Write back of provisions for bad and doubtful debts	**29,367,633**	1,850,340
Impaired assets written off	**(29,123,082)**	(1,401,954)
Net Impairment Charge	**244,551**	**448,386**

(b) Movements on provisions for bad and doubtful debts:

	Specific	General	Total
	£	£	£
Provisions at 30 June 2011	35,340,503	3,500,000	38,840,503
Additions during the year	3,766,144	-	3,766,144
Reversals of provision during the year due to recoveries	(30,983,777)	(2,150,000)	(33,133,777)
Write-off in year	-		-
Foreign exchange movement	(1,204,478)	-	(1,204,478)
Provisions at 30 June 2012	**6,918,392**	**1,350,000**	**8,268,392**
Of which			
Provision against loans and advances to banks	1,641,181	400,000	2,041,181
Provision against loans and advances to customers	5,277,211	250,000	5,527,211
Provision against debt securities - banks	-	600,000	600,000
Provision against debt securities - customers (corporate)	-	100,000	100,000
	6,918,392	**1,350,000**	**8,268,392**

(c) Non-performing loans

	2012	2011
	£	£
Loans on which interest has been suspended (net of suspended interest)	**11,339,647**	25,700,881
Provisions for bad and doubtful debts	**(6,918,392)**	(17,219,626)
Total	**4,421,255**	8,481,255

(d) Impaired Debt Securities

	2012	2011
	£	£
Debt Securities on which interest has been suspended (net of suspended interest)	-	22,961,241
Provisions for bad and doubtful debts	-	(18,120,877)
Total	-	4,840 364

Notes *(continued)*

9 Debt securities

	2012	2011
Investment securities	**£**	£
Issued by public bodies – government securities	**100,000,000**	124,770,000
Other securities	**542,732,509**	610,560,115
	642,732,509	735,330,115
Related Parties	**17,903,216**	5,069,422
	660,635,725	740,399,537
Investment securities listing information		
Listed on a UK recognised investment exchange	**102,070,145**	176,099,881
Other listed	**319,096,317**	265,125,118
Unlisted	**239,469,263**	299 174,538
	660,635,725	740,399,537
Investment securities by maturity		
Past due	**3,524,874**	22,961 241
Due within one year	**248,525,269**	431,917,184
Due one year and over	**408,585,582**	285,521 112
	660,635,725	740,399,537
Impairment allowance- specific (note 8)	**-**	(18 120,877)
Impairment allowance- general (note 8)	**(700,000)**	(2,750,000)
	659,935,725	719,528,660

Investment securities - movement	Nominal value £	Net premium/ (discount) £	Net book Value £
Balance at 30 June 2011	719,560,064	(31,404)	719,528,660
Purchases	645,674,707	(36,425)	645,638,282
Sales/maturities	(705,142,772)	-	(705,142,772)
Write offs	(17 501 694)	-	(17,501,694)
Amortisation of premium/(discount)	-	394,794	394 794
Exchange movements	(2,972,276)	(180,146)	(3,152,422)
Write-back of Impairment allowance	20,170 877		20,170,877
Balance at 30 June 2012	**659,788,906**	**146,819**	**659,935,725**

Investment securities - market value	2012 £	2011 £
Issued by public bodies – government securities	**99,796,154**	124,671,015
Other securities	**556,733,167**	591,706,096
	656,529,321	716,377,111

The Directors do not intend to provide for temporary diminution in value of the debt securities

Notes *(continued)*

10 Tangible fixed assets

	Leases of 50 years or more unexpired	Computer equipment and other fixed assets	Total
	£	£	£
Cost			
At 30 June 2011	259,277	1,854,673	2,113,950
Additions	-	80,453	80,453
Disposals	-	(520)	(520)
At 30 June 2012	**259,277**	**1,934,606**	**2,193,883**
Accumulated depreciation			
At 30 June 2011	201,403	1,699,555	1,900,958
Charge for year	13,927	81,300	95 227
Related to disposals	-	(520)	(520)
At 30 June 2012	**215,330**	**1,780,335**	**1,995,665**
Net book value			
At 30 June 2012	**43,947**	**154,271**	**198,218**
At 30 June 2011	57,874	155,118	212,992

11 Other assets

	2012	2011
	£	£
Deferred tax asset (see note 4(d))	341,121	933,223
Foreign exchange receivables	56,742	55,165
Other assets	672,739	9,848
	1,070,602	998,236

Notes *(continued)*

12 Deposits by banks

	2012 £	2011 £
With agreed maturity dates or periods of notice by remaining maturity		
Banks		
5 years or less but over 1 year	**2,021,063**	-
1 year or less but over 3 months	**6,352,706**	6,272,850
3 months or less but not repayable on demand	**58,504,808**	126,165,223
	66,878,577	132,438,073
Repayable on demand	**12,375,071**	8,967,358
	79,253,648	141,405,431
Related Parties		
1 year or less but over 3 months	**65,725,021**	-
3 months or less but not repayable on demand	**-**	64,755,592
Repayable on demand	**2,074,218**	6,225,089
	67,799,239	70,980,681
Total		
5 years or less but over 1 year		-
	2,021,063	-
1 year or less but over 3 months	**72,077,728**	71,028,442
3 months or less but not repayable on demand	**58,504,808**	126,165,223
	132,603,599	197,193,665
Repayable on demand	**14,449,289**	15,192,447
	147,052,888	212,386,112

13 Deposit by Customer accounts

	2012 £	2011 £
With agreed maturity dates or periods of notice, by remaining maturity		
5 years or less but over 1 year	**1,739,632**	7,342,554
1 year or less but over 3 months	**171,182,309**	6 177,439
3 months or less but not repayable on demand	**596,108,650**	981 648,922
Repayable on demand	**48,586,796**	57,240,621
	817,617,387	1,052,409,536
Related Parties		
Repayable on demand	-	37 324
	817,617,387	1,052,446,860

Notes *(continued)*

14 Other liabilities and deferred income

	2012 £	2011 £
Foreign exchange payables	**54,793**	50,077
Taxation	**1,774,954**	157,593
Other creditors	**696,030**	1,814,686
Deferred income	**92,812**	2,711,160
	2,618,589	4,733,516

15 Called up Share Capital

	2012 £	2011 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	**130,000,000**	130,000,000

Notes *(continued)*

16 Commitments

(a) Other commitments

	2012	2011
	£	£
Letters of credit - confirmed	**22,387,844**	28,128,679
Letters of credit - participation purchased	**1,996,279**	451,655
Forward deposits taken	**50,819,531**	21,643,367
Forward assets purchased	**-**	-
Loan commitments (undrawn credit lines)	**-**	2,728
	75,203,654	50,226,429

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

	2012	2011
	£	£
Loan commitments - over one year	-	-
Loan commitments - one year or less	-	2,728
	-	2,728

Incurred on behalf of the parent company

	2012	2011
	£	£
Letters of credit – confirmed	**2,857,923**	3,784 320

(b) Significant concentrations of contingent liabilities and commitments

Approximately 31% (2011 57%) 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 £137,527,970 (2011 £221,792,114) and sales of £137,059,980 (2011 £223,406,656)

Notes *(continued)*

17 Operating lease commitments

As at 30 June 2012, the Company had the following non-cancellable annual operating lease commitments

	2012		2011	
	£	**£**	£	£
	Land and buildings	**Other**	Land and buildings	Other
Operating leases which expire				
Within 1 year	**419,996**	**7,180**	460,790	-
Between 1 and 5 years	**1,694,133**	**25,130**	1,893,444	6,260
More than 5 years	**1,718,668**	**-**	2,235,279	-
	3,832,797	**32,310**	4,589,513	6,260

18 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 19)

At 30 June 2012, 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**	**More than 5 years**	**Non-interest bearing**	**Total**
	£	**£**	**£**	**£**	**£**	**£**	**£**
Assets	**987,174,731**	**92,375,701**	**21,685,998**	**19,357,009**	**-**	**7,184,226**	**1,127,777,665**
Liabilities	**(958,567,395)**	**(5,535,057)**	**(13,873,152)**	**(2,091,408)**	**-**	**(147,710,653)**	**(1,127,777,665)**
Off-balance sheet items	**38,256,006**	**(6,373,080)**	**(21,685,998)**	**(10,196,928)**	**-**	**-**	**-**
Gap	**66,863,342**	**80,467,564**	**(13,873,152)**	**7,068,673**	**-**	**(140,526,427)**	**-**
Cumulative	**66,863,342**	**147,330,906**	**133,457,754**	**140,526,427**	**140,526,427**	**-**	**-**

Notes *(continued)*

18 Risk management *(continued)*

At 30 June 2011, 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	More than 5 years	Non-interest bearing	Total
	£	£	£	£	£	£	£
Assets	1,129,130,827	208,206,817	31,228,053	36,408,975	2,728,646	11,857,011	1,419,560,329
Liabilities	(1,236,467,405)	(30,863,868)	(7,189,381)	(4,687,776)	-	(140,351,899)	(1,419,560,329)
Off-balance sheet items	35,342,316	(3,912,491)	-	(31,429,825)	-	-	-
Gap	(71,994,262)	173,430,458	24,038,672	291,374	2,728,646	(128,494,888)	-
Cumulative	(71,994,262)	101,436,196	125,474,868	125,766,242	128,494,888	-	-

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 It is subject to periodic review by Internal Audit, and is approved by the Board

Senior management also 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)*

19 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

	2012			2011		
	Principal amount	**Positive fair values**	**Negative fair values**	Principal amount	Positive fair values	Negative fair values
	£	**£**	**£**	£	£	£
Interest rate related Contracts·						
Interest rate swaps	**44,629,087**	**-**	**1,601,893**	40,765,731	-	2,283,184
Exchange rate related Contracts	**137,527,970**	**1,385,550**	**946,353**	221,792,114	646,926	2,081,532

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 2012, there were 10 swaps outstanding (2011 5)

Maturity analysis

	2012 Interest rate swaps	
	Notional values	**Fair values**
	£	**£**
Maturity		
1 year or less	**34,432,158**	**(776,888)**
5 years or less but over 1 year	**10,196,928**	**(324,385)**

	2011 Interest rate swaps	
	Notional values	Fair values
	£	£
Maturity		
1 year or less	5,423,414	(120,880)
5 years or less but over 1 year	35,342,317	(2,162,304)

Notes *(continued)*

20 Assets and liabilities denominated in foreign currency

	2012 £	2011 £
Denominated in Sterling	**233,336,374**	256,741,420
Denominated in US Dollar	**712,881,842**	920,731,668
Denominated in other currencies	**181,559,449**	242,087,241
Total assets	**1,127,777,665**	1,419,560,329
Denominated in Sterling	**232,828,133**	259,926,413
Denominated in US Dollar	**839,539,669**	1 078,320,832
Denominated in other currencies	**55,409,863**	81,313,084
Total liabilities	**1,127,777,665**	1,419,560,329

The functional currency of the Company's operations is Sterling

21 Related party disclosures

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

During the year, there were no new loans issued to officers of the Company (2011 £nil) As at the year end, there were no loans outstanding (2011 £nil)

22 Subordinated debt

On 2 November 2010, the Bank drew-down $30 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 on maturity Interest is charged at 3 months LIBOR plus 200 basis points The date of the maturity of the debt is 22 February 2019 The interest payable during the year amounted to £461,342

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 which is the smallest and largest group, for which consolidated accounts are prepared 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

24 Post balance sheet events

Subsequent to year end, the directors recommended a dividend of £9,720,013 to be paid proportionally to ordinary shareholders on the Register of Members on 15th September 2012