

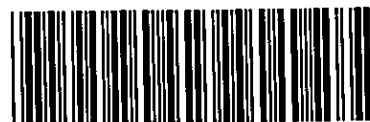
National Bank of Egypt (UK) Limited

**Directors' report and financial
statements**

Registered number 2743734

For the year ended 30 June 2013

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Chairman's statement

It gives me great pleasure to present the audited annual report and financial statements of National Bank of Egypt (UK) Limited for the year ending 30 June 2013. In the aftermath of the global financial crisis, economic conditions over the past year remained difficult and the global economic outlook remained relatively bleak. Major weaknesses resulting from the continuing lack of credit flows, high unemployment, non-stimulating fiscal austerity measures and the EU sovereign debt crises continued to place pressure on economic recovery.

Domestic uncertainties remained across all the key regions, with concern in the UK of a triple dip recession. The recent political and social events in the Middle East and North African regions (Egypt, Libya and Tunisia) have unfolded with unprecedented multiple downgrades of both sovereign and financial counterparties credit ratings, providing more volatility in some of the Bank's core business markets. However, NBE UK's management remains committed to growing our business across diversified income streams and focusing on our niche markets in which we believe we have a competitive edge over many of the larger banks.

Despite the economic and global business challenges, the year under review saw the Bank retain its strategy of driving growth in its existing niche areas, while providing high quality banking services to Egyptian related businesses, depositors, financial counterparties and individuals. In order to achieve this, Risk Management, Corporate Governance, Compliance and prudent capital and liquidity risk management were prioritised resulting in sustainable, strong capital and liquidity ratios that remained comfortably above regulatory limits during the year.

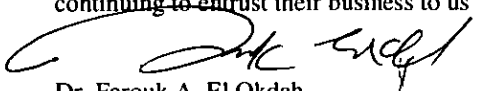
Following the trend from recent years, NBE UK continued to demonstrate the success and viability of its core business model through another year of profitable performance. By the year end, net operating income of £14.7 million and net profit after tax of £6.9 million were very credible in the challenging market environment. Costs continued to be controlled, but on the back of weaker revenues, NBE UK's cost to income ratio rose to 47.50% (2012: 33.15%) and may show further increases as the Bank invests in future growth.

Regulations continue to evolve in the year under review, with the Financial Service Act 2012 transferring regulatory powers under the Financial Services and Market Act 2000 (FSMA) to the newly created two regulatory bodies, replacing the Financial Service Authority (FSA) effective 1 April 2013. The Prudential Regulations Authority (PRA) became our regulator for Prudential Regulations and the Financial Conduct Authority (FCA) became our regulator supervising how we conduct our business. Furthermore, the regulations will be heavily impacted by the effect of European directives aimed at creating a single European market for financial services together with forthcoming implementation of Basel III as articulated through both the Capital Requirement Regulations (CRR) and Capital Requirements Directive IV (CRDIV), which will come into effect on 1 January 2014.

NBE UK continues to closely monitor the changing regulatory developments and has clear procedures in place to keep abreast of changes to rules under which it must operate, one of which includes the requirement for Recovery Plan and Resolution Pack (RRP) which the Bank has prepared and submitted to the regulatory body during the year.

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 2013 and beyond. The Board of Directors are 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 thanks to the Bank's staff for their loyalty and dedication in achieving these results and of course, to each of our customers and correspondent banks for continuing to entrust their business to us.


Dr Farouk A El Okdah
Chairman

Contents

Directors' report	1-4
Directors' responsibilities statement	5
Independent auditor's report to the members of National Bank of Egypt (UK) Limited	6
Profit and loss account	8
Balance sheet	9
Reconciliation of movements in shareholders' funds	10
Notes to the financial statements	11-27

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 2013

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, Caro, 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 2013, the Company had total assets of £975 million, which was a decrease of £153 million compared to 30 June 2012, which was reduced from £1,420 million the previous year (2011). The Company made a profit of £7 million after tax and provisions, compared to £10 million in the previous year. The banking environment remained in its depressed state and the market conditions were challenging in 2012/13 particularly the interbank markets.

During the year under review there was a net impairment credit of £1.5 million compared to £0.245 million the previous year.

The Company's traditional strengths of stable funding, good liquidity and strong capitalisation were maintained throughout the year. The Company continues 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 2013 are shown on pages 11 to 28. The profit after taxation for the year amounts to £6,981,187 (2012: £10,005,429).

The Directors recommend a final dividend of £6,981,187 (2012: £9,720,013) to be paid to ordinary shareholders on the Register of Members on 13 September 2012.

Financial Highlights 2012/13

Year on year, operating income at £14,671,917 (2012: £19,863,813) was 26% lower than last year. There was a reduction in net-interest income of 22% to £5,219,193 (2012: £6,675,027) reflecting both a reduction in the underlying total loan book, the reducing size of the balance sheet, a reduction in the level of investments and the general interest rate environment. Non-interest income reduced by 28% from £13,188,786 in 2012 to £9,452,723 in 2013 due to a reduction in the number of oil Letters of Credits and a smaller volume of Foreign Exchange deals.

Operating expenses remained broadly consistent changing from £6,585,733 in 2012 to £6,968,931 in 2013 (an increase of 6%), due to the investment in a number of projects.

The tax charge reduced from £3,517,202 in 2012 to £2,200,778 in 2013, due to lower gross profits, combined with a lower corporation tax rate.

Total assets, at £975,496,683 were £152,280,822 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 £21 million at 30 June 2013 (2012: £18 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 reviewed and documented in a revised 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. At 30 June 2013, 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 the Prudential Regulations Authority (PRA) and Financial Conduct Authority (FCA).

The regulatory environment during the year under review remained as challenging as the previous year, as UK regulators together with other global regulators continued to collaborate to establish more stringent banking rules in order to ensure banks are maintaining adequate capital and liquidity to survive any further global crisis and to promote financial stability going forward. Measures were implemented by the PRA and FCA to increase regulations within the financial sector, one of which included the requirements for recovery plans and resolution packs (RRP), which the Bank produced and submitted to the UK regulatory body during the year under review. Under the terms of the recently approved capital directives (CRD IV) implementation of Basel III is imminent and will play a significant role in determining how the Bank and other financial institutions globally undertake their business going forward. The new regulations will require the Bank with effect from 1 January 2014 to apply common reporting standards (COREP) for capital adequacy and large exposures which involves significant system and control processes. The Bank is currently progressing with the automation of such reporting requirements and should be in a position to fully comply with the reporting requirements on time.

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

The names of the Directors as at the date of this report and those who served during the year are as follows, except as noted:

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 (resigned 31/12/12)
Mr Raymond Seamer
Mr Sherif Mohamed Aly Elwy
Mr El Sayed Mohamed Marzouk El Kosayar

Reg Egan - Company Secretary (retired 3/1/13)
Denton Wilde Sapte LLP – Company Secretary (appointed 22/3/13)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

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 (2012: £130,000,000). Details of the Company's share capital are given in note 15.

Employees

As at 30 June 2013 the Company had an average of 55 (2012: 55) 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 (2012: £nil) and charitable contributions of £100 (2012: £100) 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. Whilst the recent political and social events in Egypt have unfolded with unprecedented rapidity, the Directors are comfortable that such events have no immediate impact on the going concern assumptions and outcome inherent on the issued statement given that the Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of such events.

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

Auditor

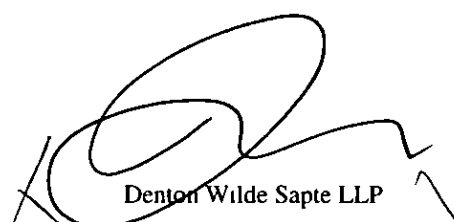
Each of the persons who is a Director at the date of approval of this report confirms that

- 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



Denton Wilde Sapte LLP
Company Secretary

11 Waterloo Place
London SW1Y 4AU
13 September 2013

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 judgements 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 to 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) for the year ended 30 June 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 23. 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 financials. 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 2013 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



Christopher Brough ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
13 September 2013

Profit and loss account
for the year ended 30 June 2013

	Notes	2013 £	£	2012 £	£
Interest receivable					
Interest receivable and similar income arising from debt securities		7,010,808		9 888,670	
Other interest receivable and similar income		<u>4,330,174</u>		<u>5,924,335</u>	
		11,340,982		15,813 005	
Interest payable		(6 121,788)		(9,137,978)	
Net interest income		<u>5,219,194</u>		<u>6,675 027</u>	
Fees and commissions receivable		9,274,468		12,890,421	
Foreign exchange dealing profits		178,255		298,365	
Operating income		<u>14,671,917</u>		<u>19,863,813</u>	
Administrative expenses	2	(4,215,331)		(3,978,557)	
Depreciation	10	(102,292)		(95,227)	
Other operating charges		(2 651 308)		(2,511,949)	
		<u>7,702,986</u>		<u>13,278,080</u>	
Net impairment credit	8	1,478,979		244,551	
Profit on ordinary activities before tax	3	<u>9,181,965</u>		<u>13,522,631</u>	
Tax charge on profit on ordinary activities	4	(2,200,778)		(3,517,202)	
Profit on ordinary activities after tax		<u>6,981,187</u>		<u>10,005,429</u>	

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 27 form part of these financial statements

Balance sheet
at 30 June 2013

	Notes	2013 £	£	2012 £	£
Assets					
Cash and balances at central banks		194,226		151,059	
Loans and advances to banks	6	336,253,120		395,602,918	
Loans and advances to customers	7	89,074,843		68,165,499	
Debt securities	9	547,371,201		659,935,725	
Tangible fixed assets	10	381,740		198,218	
Other assets	11	228,188		1,070,602	
Prepayments and accrued income		1,993,525		2,653,644	
Total assets		975,496,843		1,127,777,665	
Liabilities and shareholders' funds					
Deposits by banks	12	158,761,402		147,052,888	
Customer accounts	13	657,383,921		817,617,387	
Other liabilities and deferred income	14	1,744,044		2,618,589	
Accruals		893,342		1,649,548	
Subordinated debt	22	19,732,947		19,119,240	
Shareholders' funds					
Called up share capital	15	130,000,000		130,000,000	
Profit and loss account		6,981,187		9,720,013	
		136,981,187		139,720,013	
Total liabilities and shareholders' funds		975,496,843		1,127,777,665	
Memorandum items					
Contingent liabilities					
Acceptances and endorsements		539,287		114,425	
Guarantees		4,024,554		3,378,106	
Commitments					
Other commitments	16	94,156,763		75,203,654	
		98,720,604		78,696,185	

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 13 September 2013 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 27 form part of these financial statements

Reconciliation of movements in shareholders' funds
at 30 June 2013

	Called up share capital £	Profit and loss account £	Total £
As at 30 June 2012	130,000,000	9,720,013	139,720,013
Dividend paid	-	(9,720,013)	(9,720,013)
Profit on ordinary activities after tax	-	6,981,187	6,981,187
	<hr/>	<hr/>	<hr/>
As at 30 June 2013	130,000,000	6,981,187	136,981,187
	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 27 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 and with special provisions of the large and medium-sized companies and groups (accounts and reports) Regulations 2008 relating to banking companies

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 raised 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 expected net realisable value

General provisions

Consideration is given each year of whether an allowance for inherent losses is required 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

(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 commission 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

	2013 £	2012 £
Staff costs		
Wages and salaries	3,141,510	2,895,881
Social security costs	380,069	418,511
Other pension costs	348,825	333,853
Other staff costs	332,293	319,848
Other administrative expenses	12,634	10,464
	<u>4,215,331</u>	<u>3,978,557</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 55 (2012 55)

3 Profit on ordinary activities before tax

(a) Is stated after charging

	2013 £	2012 £
Audit Fees		
Fees payable to the Company's auditor for the audit of Company's annual accounts	80,000	75,000
Fees payable in respect of prior year audit (2012)	20,836	-
Total audit fees	<u>100,836</u>	<u>75,000</u>
Non-audit Fees		
Taxation compliance services	6,600	8,250
Other taxation advisory services	15,975	-
All other services	22,771	-
Total non-audit fees	<u>45,346</u>	<u>8,250</u>
Depreciation of tangible fixed assets	<u>102,292</u>	<u>95,227</u>
Operating lease rentals		
Operating lease rentals were		
Land and building	457,198	417,734
Others	10,615	13,247
Total operating lease rentals	<u>467,813</u>	<u>430,981</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 tax charge in the year

	2013 £	2012 £
<i>Current tax</i>		
UK Corporation tax at 23.75% (2012: 25.5%) on the taxable profit for the year	1,859,134	2,925,100
	<u>1,859,134</u>	<u>2,925,100</u>
<i>Deferred tax charge</i>		
Income statement charge	337,943	552,835
Difference in relation to tax rate change	3,537	39,267
Adjustment to prior year deferred tax	164	-
	<u>341,644</u>	<u>592,102</u>
Tax charge on profit on ordinary activities	2,200,778	3,517,202

(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 23.75% (2012: 25.5%). The effective tax rate for the year is lower than the standard UK corporation tax rate of 23.75%. The differences are explained below:

	2013 £	2012 £
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>9,181,965</u>	<u>13,522,631</u>
Tax on profit on ordinary activities at standard rate	2,180,717	3,448,460
<i>Tax effects of</i>		
Expenses not deductible for tax purposes	20,984	29,505
Depreciation for year in excess of capital allowances	(21,942)	(4,585)
Reversal of provisions	(320,625)	(548,280)
	<u>1,859,134</u>	<u>2,925,100</u>
<i>Total current tax charge (see 4 (a) above)</i>		

(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 (liability)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 23% (2012 24%)

The movement on the deferred income tax account is as follows

	2013 £	2012 £
At the beginning of the year	341,246	933,223
Income statement charge	(337,943)	(552,835)
Difference in relation to tax rate charge	(3,537)	-
Prior Year adjustment	(164)	(39,267)
	<hr/>	<hr/>
As at end of the year (see notes 14/11)	(398)	341,121
	<hr/>	<hr/>

The deferred tax asset consists of the following amounts

	2013 £	2012 £
Timing differences on general provision for bad and doubtful debts	-	324,000
Accelerated tax depreciation	(398)	17,121
	<hr/>	<hr/>
Net deferred tax asset/ (liability) (see notes 14/11)	(398)	341,121
	<hr/>	<hr/>

UK corporation tax is calculated at 23.75% (2012 25.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was 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 substantively enacted on 3 July 2012.

5 Emoluments of directors

	2013 £	2012 £
Directors' fees and emoluments	613,924	637,526

There is no Director accruing benefits under a money purchase pension scheme (2012 None). The total remuneration and benefits of the highest paid Director were £225,727 (2012 £227,258).

Notes *(continued)*

6 Loans and advances to banks

(a) Residual maturity

	2013 £	2012 £
Banks		
Past due	7,052,479	3,878,311
Repayable on demand	<u>5,975,622</u>	<u>10,514,229</u>
	13,028,101	14,392,540
Other loans and advances with remaining maturity		
5 years or less but over 1 year	-	12,407,025
1 year or less but over 3 months	61,631,342	6,373,082
3 months or less	<u>239,234,046</u>	<u>318,585,275</u>
	313,893,489	351,757,922
Related Parties		
Other loans and advances with remaining maturity		
3 months or less	<u>26,310,597</u>	<u>45,886,177</u>
Total loans and advances to banks	340,204,086	397,644,099
Bad and doubtful debt provision – general (see note 8)	-	(400,000)
Bad and doubtful debt provision – specific (see note 8)	<u>(3,950,966)</u>	<u>(1,641,181)</u>
Total	<u><u>336,253,120</u></u>	<u><u>395,602,918</u></u>

(b) Concentrations of exposure

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

	2013 £	2012 £
Total gross advances to banks located in.		
Europe and North America	289,320,860	325,401,117
Middle East and Egypt	50,646,077	71,872,892
Rest of World	<u>237,149</u>	<u>370,090</u>
Total	<u><u>340,204,086</u></u>	<u><u>397,644,099</u></u>

Notes *(continued)*

7 Loans and advances to customers

(a) Residual maturity

	2013 £	2012 £
Past due	2,822,586	-
Repayable on demand or at short notice	1,069,697	4,602,775
Other loans and advances with remaining maturity		
5 years or less but over 1 year (includes staff loans)	18,070,697	24,850,712
1 year or less but over 3 months	5,478,744	8,216,746
3 months or less	63,750,059	36,022,477
Sub-total	91,191,783	73,692,710
Bad and doubtful debt provision – general (see note 8)	-	(250,000)
Bad and doubtful debt provision – specific (see note 8)	(2,116,940)	(5,277,211)
Total	89,074,843	68,165,499

(b) Concentrations of exposure

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

	2013 £	2012 £
Total gross advances to customers located in:		
Europe and North America	112,545	7,847,698
Middle East and Egypt	86,458,440	61,183,104
Rest of World	4,620,798	4,661,908
Total	91,191,783	73,692,710

Notes (continued)

8 Provisions for bad and doubtful debts

(a) Impairment Credit

	2013 £	2012 £
Net write back of provisions for bad and doubtful debts (see note 8(b))	2,306,825	29,367,633
Impaired assets written off	(827,846)	(29,123,082)
Net Impairment Credit	1,478,979	244,551

(b) Movements on provisions for bad and doubtful debts

	Specific £	General £	Total £
Provisions at 30 June 2012	6,918,392	1,350,000	8,268,392
Additions during the year	1,583,951	-	1,583,951
Reversals of provision during the year due to recoveries	(2,540,776)	(1,350,000)	(3,890,776)
Foreign exchange movement	106,339	-	106,339
Provisions at 30 June 2013	6,067,906	-	6,067,906
<i>Of which</i>			
Provision against loans and advances to banks	3,950,966	-	3,950,966
Provision against loans and advances to customers	2,116,940	-	2,116,940
	6,067,906	-	6,067,906

(c) Non-performing loans

	2013 £	2012 £
Loans on which interest has been suspended (net of suspended interest)	9,875,065	11,339,647
Provisions for bad and doubtful debts	(6,067,906)	(6,918,392)
Total	3,807,159	4,421,255

Notes (continued)

9 Debt securities

	2013	2012	
	£	£	
Investment securities			
Issued by public bodies – government securities	31,996,000	100,000,000	
Other securities	496,916,715	542,732,509	
	<u>528,912,715</u>	<u>642,732,509</u>	
Related Parties	<u>18,458,486</u>	<u>17,903,216</u>	
	<u>547,371,201</u>	<u>660,635,725</u>	
Investment securities listing information			
Listed on a UK recognised investment exchange	45,724,487	102,070,145	
Other listed	301,513,558	319,096,317	
Unlisted	200,133,157	239,469,263	
	<u>547,371,201</u>	<u>660,635,725</u>	
Investment securities by maturity			
Past due	-	3,524,874	
Due within one year	235,246,833	248,525,269	
Due one year and over	312,124,368	408,585,582	
	<u>547,371,201</u>	<u>660,635,725</u>	
Impairment allowance- general (note 8)	-	(700,000)	
	<u>547,371,201</u>	<u>659,935,725</u>	
	Nominal value	Net premium/ (discount)	Net book Value
	£	£	£
Investment securities - movement			
Balance at 30 June 2012	659,788,906	146,819	659,935,725
Purchases	256,804,730	83,419	256,888,149
Sales/maturities	(378,735,444)	(2,783)	(378,738,227)
Write offs	(307,895)	-	(307,895)
Amortisation of premium/(discount)	-	33,272	33,272
Exchange movements	8,846,645	13,532	8,860,177
Write-back of Impairment allowance	<u>700,000</u>	<u>-</u>	<u>700,000</u>
Balance at 30 June 2013	<u>547,096,942</u>	<u>274,259</u>	<u>547,371,201</u>
		2013	2012
		£	£
Investment securities - market value			
Issued by public bodies – government securities		31,942,503	99,796,154
Other securities		514,319,281	556,733,167
		<u>546,261,784</u>	<u>656,529,321</u>

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
	£	£	£
<i>Cost</i>			
At 30 June 2012	259,277	1,934,606	2,193,883
Additions	-	285,814	285,814
Disposals	-	(361,203)	(361,203)
At 30 June 2013	259,277	1,859,217	2,118,494
<i>Accumulated depreciation</i>			
At 30 June 2012	215,330	1,780,335	1,995,665
Charge for year	13,928	88,364	102,292
Related to disposals	-	(361,203)	(361,203)
At 30 June 2013	229,258	1,507,496	1,736,754
<i>Net book value</i>			
At 30 June 2013	30,019	351,721	381,740
At 30 June 2012	43,947	154,271	198,218

11 Other assets

	2013 £	2012 £
Deferred tax asset (see note 4(d))	-	341,121
Foreign exchange receivables	21,159	56,742
Other assets	<u>207,029</u>	<u>672,739</u>
	228,188	1,070,602

Notes (continued)

12 Deposits by banks

	2013 £	2012 £
With agreed maturity dates or periods of notice, by remaining maturity		
<i>Banks</i>		
5 years or less but over 1 year	-	2,021,063
1 year or less but over 3 months	2,218,229	6,352,706
3 months or less but not repayable on demand	77,388,613	58,504,808
	<hr/>	<hr/>
Repayable on demand	79,606,842	66,878,577
	7,854,482	12,375,071
	<hr/>	<hr/>
	87,461,324	79,253,648
	<hr/>	<hr/>
<i>Related Parties</i>		
1 year or less but over 3 months	67,054,720	65,725,021
3 months or less but not repayable on demand	-	-
Repayable on demand	4,245,358	2,074,218
	<hr/>	<hr/>
	71,300,078	67,799,239
	<hr/>	<hr/>
<i>Total</i>		
5 years or less but over 1 year	-	2,021,063
1 year or less but over 3 months	69,272,949	72,077,728
3 months or less but not repayable on demand	77,388,613	58,504,808
	<hr/>	<hr/>
Repayable on demand	146,661,562	132,603,599
	12,099,840	14,449,289
	<hr/>	<hr/>
	158,761,402	147,052,888
	<hr/>	<hr/>

13 Deposit by Customer accounts

	2013 £	2012 £
With agreed maturity dates or periods of notice, by remaining maturity		
5 years or less but over 1 year	72,707	1,739,632
1 year or less but over 3 months	180,165,755	171,182,309
3 months or less but not repayable on demand	396,907,745	596,108,650
Repayable on demand	80,237,714	48,586,796
	<hr/>	<hr/>
	657,383,921	817,617,387
	<hr/>	<hr/>
<i>Related Parties</i>		
Repayable on demand	-	-
	<hr/>	<hr/>
	657,383,921	817,617,387
	<hr/>	<hr/>

Notes *(continued)*

14 Other liabilities and deferred income

	2013 £	2012 £
Foreign exchange payables	20,114	54,793
Taxation	953,640	1,774,954
Other creditors	769,892	696,030
Deferred tax liabilities (see note 4 (d))	398	-
Deferred income	-	92,812
	<u>1,744,044</u>	<u>2,618,589</u>

15 Called up Share Capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	<u>130,000,000</u>	<u>130,000,000</u>

Notes *(continued)*

16 Commitments

(a) Other commitments

	2013	2012
	£	£
Letters of credit - confirmed	35,295,977	22,387,844
Letters of credit - participation purchased	32,888,246	1,996,279
Forward deposits taken	1,220,765	50,819,531
Forward assets purchased	24,751,775	-
	<u>94,156,763</u>	<u>75,203,654</u>

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

	2013	2012
	£	£
Loan commitments - over one year	-	-
Loan commitments - one year or less	-	2,728
	<u>-</u>	<u>2,728</u>

Incurred on behalf of the parent company

	2013	2012
	£	£
Letters of credit – confirmed	5,898,470	2,857,923
	<u>5,898,470</u>	<u>2,857,923</u>

(b) Significant concentrations of contingent liabilities and commitments

Approximately 70% (2012 96%) 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 £39,504,412 (2012 £137,527,970) and sales of £39,411,266 (2012 £137,059,980)

Notes (continued)

17 Operating lease commitments

As at 30 June 2013, the Company had the following non-cancellable annual operating lease commitments

	2013		2012	
	£	£	£	£
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments which expire				
Within 1 year	467,388	7,180	419,996	7,180
Between 1 and 5 years	1,903,114	14,360	1,694,133	25,130
More than 5 years	1,199,904	-	1,718,668	-
	<u>3,570,406</u>	<u>21,540</u>	<u>3,832,797</u>	<u>32,310</u>

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 2013, 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	862,258,632	55,586,796	32,888,246	18,417,418	-	6,345,751	975,496,843
Liabilities	(814,819,706)	(1,164,107)	(15,039,080)	-	-	(144,473,950)	(975,496,843)
Off-balance sheet items	10,524,239	-	-	(10,524,239)	-	-	-
Gap	<u>57,963,165</u>	<u>54,422,689</u>	<u>17,849,166</u>	<u>7,893,179</u>	<u>-</u>	<u>(138,128,199)</u>	<u>-</u>
Cumulative	<u>57,963,165</u>	<u>112,385,854</u>	<u>130,235,020</u>	<u>138,128,199</u>	<u>138,128,199</u>	<u>-</u>	<u>-</u>

Notes (continued)

18 Risk management (continued)

At 30 June 2012, 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	987,174,731	92,375,701	21,685,998	19,357,909	-	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	-	-

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 derivative 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

	2013			2012		
	Principal amount £	Positive fair values £	Negative fair values £	Principal amount £	Positive fair values £	Negative fair values £
Interest rate related Contracts						
Interest rate swaps	10,524,239	-	441,034	44,629,087	-	1,601,893
Exchange rate related Contracts	39,504,412	194,373	105,055	137,527,970	1,385,550	946,353

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 2013, there were 6 swaps outstanding (2012: 10).

Maturity analysis

	2013	
	Interest rate swaps	
	Notional values £	Fair values £
Maturity		
1 year or less	-	-
5 years or less but over 1 year	10,524,239	(441,034)

	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)

Notes (continued)

20 Assets and liabilities denominated in foreign currencies

	2013 £	2012 £
Denominated in Sterling	218,320,915	233,336,374
Denominated in US Dollar	720,299,194	712,881,842
Denominated in other currencies	36,876,734	181,559,449
Total assets	975,496,843	1,127,777,665
Denominated in Sterling	218,928,870	232,828,133
Denominated in US Dollar	744,223,937	839,539,669
Denominated in other currencies	12,344,036	55,409,863
Total liabilities	975,496,843	1,127,777,665

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 (2012 £nil) As at the year end, there were no loans outstanding (2012 £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 £455,451 (2012 £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