

National Bank of Egypt (UK) Limited

**Directors' report and financial
statements**

Registered number 2743734
For the year ended 30 June 2010



Chairman's Statement

On behalf of the Board of Directors it is my pleasure to present the audited annual report and financial statements of National Bank of Egypt (UK) Limited for the year ending 30th June 2010. Although financial markets continued to be extremely challenging during the year under review, the Bank's business and financial performance have demonstrated its strength and stability amid uncertain economic environment.

The economic environment remained very difficult in 2009/2010 as a consequence of the onset during 2008 of recession in the UK and many other major economies. This included low interest rates, rising unemployment, heightened sovereign debts and continued credit constraints, all of which posed a number of challenges for banks, their customers and stakeholders. Despite this, the bank successfully weathered continuing adverse market conditions to return to profitability, with a pre-tax profit for the year of GBP7 million and net profit of GBP5 million.

Accordingly, the key objectives of our strategic business plan and the implemented risk management measures were successfully achieved. These measures were designed to strengthen the ability to meet future challenges and protect the interest of the Bank's customers and its stakeholders. Management's primary focus will continue to be on improving the credit quality of its assets and maintaining good liquidity in line with the newly introduced FSA's liquidity regulations.

Whilst the new regulations for capital and liquidity management are being introduced restricting exposures and requesting a significant liquid asset buffer to mitigate risks in stressed market conditions, the Bank in compliance with the new rules, will continue a resilient core business performance and hold sufficient stock of high quality liquid assets and strong capital resources to meet its day-to-day business objectives in both normal and extreme circumstances.

Looking ahead, although the global economy has witnessed signs of gradual recovery, it is likely to experience ongoing recessionary conditions, with the effects being felt by the international banking market for some time. Despite the clear challenges in this financial year the Bank is well positioned to take advantage of the potential opportunities in the coming year and pursue its business objectives in a prudent and focused manner.

On behalf of the Board I would like to express my gratitude to our shareholders for their support, the bank's staff for their efforts and 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 auditors' report, for the year ended 30 June 2010

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 2010 Company had total assets of £1,452 million, which was an increase of £105 million compared to 30 June 2009. The Company made a profit of £5 million after tax and provisions, compared to a £18.6 million loss in the previous year. The economic environment remained very difficult in 2009/2010 as a consequence of the onset during 2008 of recession in the UK and many other major economies. During the year under review, no further impairments were identified and therefore no additional provisions were made.

However, the Company's traditional strengths of stable funding, good liquidity and strong capitalisation were maintained throughout the year. Despite the clear challenges in this financial year the Company is 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 2010 are shown on pages 6 to 24. The profit after taxation for the year amounts to £5,031,012 (2009: Loss of £18,588,405).

The Directors recommend that no dividends be paid this year and that the profit is retained in the Profit and Loss account.

Financial Highlights 2009/10

Year on year, operating income at £13,145,218 (2009: £20,621,967) was 36% lower than last year due to the reduced net interest income of £8,127,846 (2009: £15,962,967), reflecting the reduced size of average lending and securities portfolios, combined with the impact of generally lower international interest rates. Non interest income increased by 8% to £5,017,372 (2009: £4,659,000).

Non interest expense decreased for the second year running by 2% from £6,640,858 in 2009 to £6,488,848 in 2010, as part of a continued focus on cost control.

Total assets, at £1,452,321,593 were £105 million higher 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 principally exposed to credit risk, being the risk of loss that may occur from the failure of any obligor to make the required repayments of exposures due to the Company as and when they fall due.

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). Under the new liquidity regulations the Company has largely implemented the underlining requirements for liquidity risk management including systems and controls and the introduction of the Individual Liquidity Adequacy Assessment (ILAA).

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 outside Egypt. The Customer Services area is able to offer fixed term deposits, plus current account services.

Lending

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

Treasury

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

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

Documentary Credits

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

Directors and company secretary

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

Dr Farouk Abdel Baki El-Okdah, Chairman
Mr Kazem Hassan Barakat, Deputy Chairman and Managing Director
Mr Mokhtar Abdel Gawad El Shennawy, Deputy Managing Director
Mr Tarek Hassan Nour Eldin Aly Amer
Mr Hussein Abdel Aziz Hussein
Mr Christopher Hayward Davis
Dr Ziad Ahmed Bahaa-Eldin
Mr Raymond Seamer
Mr Sherif Mohamed Aly Elwy

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 the Issued Share Capital, fully paid, amounted to £130,000,000 (2009 £130,000,000). Details of the Company's share capital are given in the note 15.

Employees

As at 30 June 2010 the Company had 54 permanent employees. Employees' compensation is related to performance and the Company encourages the involvement of all employees in the overall performance and profitability of the Company through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors. The Company has a pension scheme whereby members are entitled to a minimum of 10% contribution of the basic salary to the Group Personal Pension scheme. All employees enjoy life insurance cover to the extent of 4 times their basic salary. The Company also has a private medical insurance scheme, which covers employees and their dependents.

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

Political and charitable contributions

The Company made no political (2009 £Nil) and £1,200 charitable contributions (2009 £100) during the year.

Going Concern

The financial statements are prepared on a going concern basis as the Directors are satisfied that the Company has sufficient resources to continue in business for the foreseeable future. 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, cashflows, asset quality 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 an undrawn 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. The Bank is liable to pay interest at Libor plus 2% on any drawn amount. At year end, the Bank had not yet drawn on this facility.

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

Auditors

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 are 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 auditors are 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 auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board


Reg Ezzamel
Company Secretary

Trafalgar House
11 Waterloo Place
London SW1Y 4AU
24 September 2010

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

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

We have audited the financial statements of National Bank of Egypt (UK) Limited for the year ended 30 June 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 22. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 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 (APB'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.

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 2010 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.

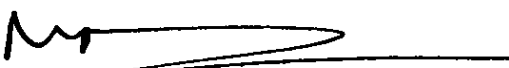
Opinion on other matter prescribed by the Companies Act 2006

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.



Manbinder Rana (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
Date 24 September 2010

Profit and loss account
for the year ended 30 June 2010

	Note	2010 £	£	2009 £	£
Interest receivable					
Interest receivable and similar income arising from debt securities		11,871,979		30,990,565	
Other interest receivable and similar income		6,792,289		26,036,475	
			18,664,268		57,027,040
Interest payable			(10,536,422)		(41,064,073)
Net interest income			8,127,846		15,962,967
Fees and commissions receivable			4,939,601		4,687,270
Foreign exchange dealing profits			77,771		(28,270)
Operating income			13,145,218		20,621,967
Administrative expenses	2		(3,772,796)		(4,100,092)
Depreciation	10		(61,326)		(207,535)
Other operating charges			(2,654,726)		(2,333,231)
			6,656,370		13,981,109
Provisions for bad and doubtful debts	8		-		(18,594,793)
Impairment allowance against debt securities	8/9		-		(21,487,208)
Gains on disposals of debt securities			352,952		81,377
Profit/ (Loss) on ordinary activities before tax	3		7,009,322		(26,019,515)
Tax (charge)/credit on profit/(loss) on ordinary activities	4		(1,978,310)		7,431,110
Profit/(Loss) on ordinary activities after tax			5,031,012		(18,588,405)

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

The result for the year is derived entirely from continuing activities

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

The notes on pages 9 to 24 form part of these financial statements

Balance sheet
at 30 June 2010

	Note	2010 £	£	2009 £	£
Assets					
Cash and balances at central banks		212,140		169,952	
Loans and advances to banks	6	547,980,095		367,550,692	
Loans and advances to customers	7	76,026,935		106,572,701	
Debt securities	9	813,147,037		857,580,197	
Tangible fixed assets	10	139,624		180,901	
Other assets	11	10,436,269		9,952,739	
Prepayments and accrued income		4,379,493		5,031,886	
Total assets		1,452,321,593		1,347,039,068	
Liabilities and shareholders' funds					
Deposits by banks	12	217,191,968		362,688,111	
Customer accounts	13	1,105,039,628		856,020,019	
Other liabilities	14	4,520,503		5,863,964	
Accruals and deferred income		1,647,909		3,576,401	
Shareholders' funds					
Called up share capital	15	130,000,000		130,000,000	
Profit and loss account		(6,078,415)		(11,109,427)	
		123,921,585		118,890,573	
Total liabilities and shareholders' funds		1,452,321,593		1,347,039,068	
Memorandum items					
Contingent liabilities					
Acceptances and endorsements		777,167		3,293,485	
Guarantees		4,876,165		4,299,146	
Commitments					
Other commitments	16	59,299,579		73,252,197	
		64,952,911		80,844,828	

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 24 September 2010 and were signed on its behalf by

Director

MR KAZEM HASSAN BARAKAT
DEPUTY CHAIRMAN AND MANAGING DIRECTOR

Director

DR FAROUK ABDEL BAKI EL-OKDAH
CHAIRMAN

The notes on pages 9 to 24 form part of these financial statements

Reconciliation of movements in shareholders' funds
at 30 June 2010

	Called up share capital £	Profit and loss account £	Total £
As at 1 July 2008	100,000,000	12,478,978	112,478,978
Shares issued during the year	30,000,000	-	30,000,000
Loss on ordinary activities after tax	-	(18,588,405)	(18,588,405)
Dividend paid during the year	-	(5,000,000)	(5,000,000)
As at 30 June 2009	130,000,000	(11,109,427)	118,890,573
Shares issued during the year	-	-	-
Profit on ordinary activities after tax	-	5,031,012	5,031,012
Dividend paid during the year	-	-	-
As at 30 June 2010	130,000,000	(6,078,415)	123,921,585

The notes on pages 9 to 24 form part of these financial statements

Notes

(forming part of the financial statements)

1 Accounting policies

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

(a) Basis of preparation and accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of certain fixed assets and 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 director's report. The director's 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 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 22), 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 or expected losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case by case basis. The amount of specific provision raised is the Company's estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value

General provisions

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

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

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

(i) Fees and commission payable

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

(j) Taxation

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

	2010 £	2009 £
Staff costs		
Wages and salaries	2,786,167	3,095,657
Social security costs	347,011	378,482
Other pension costs	360,953	378,787
Other staff costs	257,037	223,511
Other administrative expenses	21,628	23,655
	<u>3,772,796</u>	<u>4,100,092</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 57 (2009 58)

3 Profit/(Loss) on ordinary activities before tax

(a) Is stated after the charging of

	2010 £	2009 £
Amount receivable by the auditors in respect of		
Audit of financial statements pursuant to legislation	68,000	85,000
Other services relating to taxes	-	4,300
All other services	15,072	-
	<u>83,072</u>	<u>89,300</u>
Operating lease rentals were		
Land and building	480,816	433,566
Others	7,312	7,334
	<u>488,128</u>	<u>440,900</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/(credit) in the year

	2010 £	2009 £
<i>Current tax</i>		
UK Corporation tax at 28% on the taxable profit for the year	-	-
Over provisions in prior years	-	(7,910)
Current years losses carried back	-	(3,672,544)
	<u>-</u>	<u>(3,680,454)</u>
<i>Deferred tax</i>	1,991,206	(3,750,656)
Adjustment to prior year deferred tax	(12,896)	
Tax charge/(credit) on profit/(loss) on ordinary activities	<u>1,978,310</u>	<u>(7,431,110)</u>

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

The current tax charge for the year is nil (2009 higher than) the standard rate of corporation tax in the UK of 28% (2009 28%) Differences are explained below

	2010 £	2009 £
<i>Current tax reconciliation</i>		
Profit/(Loss) on ordinary activities before tax	<u>7,009,322</u>	<u>(26,019,515)</u>
Current tax at 28%	1,962,610	(7,285,464)
<i>Add effects of</i>		
Expenses not deductible for tax purposes	38,563	14,540
Depreciation for year in excess of capital allowances	(6,890)	35,023
Utilisation of tax losses	(1,991,206)	3,563,357
Tax loss carried forward adjustment	(3,077)	-
Over provision in prior years	-	(7,910)
	<u>-</u>	<u>(3,680,454)</u>
<i>Total current tax (credit)/charge (see 4 (a) above)</i>	<u>-</u>	<u>(3,680,454)</u>

(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 utilisation of current year losses carried forward and reversal of temporary differences

(d) Deferred tax asset

	2010 £	2009 £
At the beginning of the year	4,809,396	1,058,740
Movement in the year for profit carried forward	(1,978,310)	3,750,656
	<u>2,831,086</u>	<u>4,809,396</u>
As at end of the year (see note 11)	2,831,086	4,809,396

Notes (continued)

4 Taxation (continued)

(d) Deferred tax asset (continued)

The deferred tax asset consists of the following amounts

	2010 £	2009 £
Tax losses carried forward	1,772,346	3,750,656
Timing difference on creation of general provision for bad and doubtful debts	980,000	980,000
Capital allowances	<u>78,740</u>	<u>78,740</u>
Deferred tax asset (see note 11)	<u>2,831,086</u>	<u>4,809,396</u>

At the end of the year, all deferred tax assets were calculated at 28%. However, the rate is due to be reduced to 27% on 1 April 2011 – the amount of difference is considered to be immaterial and will be adjusted in 2010/11 financial year

5 Emoluments of directors

	2010 £	2009 £
Directors' fees and emoluments	<u>754,541</u>	<u>748,884</u>

There is no Director accruing benefits under a money purchase pension scheme (2009 None). The total remuneration and benefits of the highest paid Director were £214,498 (2009 £210,053)

6 Loans and advances to banks

(a) Residual maturity

	2010 £	2009 (As restated) £
Banks		
Repayable on demand	21,936,498	13,970,212
Other loans and advances		
Remaining maturity		
5 years or less but over 1 year	23,721,865	82,852,122
1 year or less but over 3 months	33,486,097	32,938,088
3 months or less	<u>438,097,799</u>	<u>221,838,414</u>
	517,242,259	351,598,836
Parent company		
Other loans and advances		
Remaining maturity		
5 years or less but over 1 year	-	-
3 months or less	<u>48,073,714</u>	<u>33,416,368</u>
Total	565,315,973	385,015,204
Bad and doubtful debt provision –general (Note 8)	(1,300,000)	(1,300,000)
Bad and doubtful debt provision –specific (Note 8)	<u>(16,035,878)</u>	<u>(16,164,512)</u>
Total	<u>547,980,095</u>	<u>367,550,692</u>

The balances have been restated due to a change in presentation. The general provision has been allocated between loans and advances to banks, customers and debt securities.

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

	2010 £	2009 £
<i>Total gross advances to banks located in</i>		
Europe and North America	449,922,910	286,033,754
Middle East	86,924,493	68,145,916
Rest of World	28,468,570	30,835,534
Total	565,315,973	385,015,204

7 Loans and advances to customers

(a) Residual maturity

	2010 £	2009 (As restated) £
Repayable on demand or at short notice	8,640,551	6,386,954
Other loans and advances		
Remaining maturity		
Over 5 years	-	-
5 years or less but over 1 year (includes staff loans)	40,253,804	87,209,806
1 year or less but over 3 months	29,314,796	14,733,603
3 months or less	688,546	872,619
<i>Sub-total</i>	78,897,697	109,202,982
Bad and doubtful debt provision – general (note 8)	(200,000)	(200,000)
Bad and doubtful debt provision – specific (note 8)	(2,670,762)	(2,430,281)
Total	76,026,935	106,572,701

The balances have been restated due to a change in presentation. The general provision has been allocated between loans and advances to banks, customers and debt securities.

(b) Concentrations of exposure

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

	2010 £	2009 £
<i>Total gross advances to customers located in</i>		
Europe and North America	27,010,418	24,079,868
Middle East	34,377,013	63,412,571
Rest of World	17,510,266	21,710,543
Total	78,897,697	109,202,982

Notes (continued)

8 Provisions for bad and doubtful debts (As restated)

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

	Specific £	General £	Total £
Provisions at 30 June 2009	40,082,001	3,500,000	43,582,001
Charge for the year	-	-	-
Write off in year	-	-	-
Foreign exchange movement	1,142,770	-	1,142,770
Provisions at 30 June 2010	41,224,771	3,500,000	44,724,771
<i>Of which</i>			
Provision against loans and advances to banks-general	-	1,300,000	1,300,000
Provision against loans and advances to customers-general	-	200,000	200,000
Provision against debt securities- general	-	2,000,000	2,000,000
Provision against loans and advances to customers – specific	2,670,762	-	2,670,762
Provision against loans and advances to banks – specific	16,035,878	-	16,035,878
Provision against debt securities- specific	22,518,131	-	22,518,131
	41,224,771	3,500,000	44,724,771

The balances have been restated due to a change in presentation. The general provision has been allocated between loans and advances to banks, customers and debt securities.

(b) Non-performing loans

	2010 £	2009 £
Loans on which interest has been suspended (net of suspended interest)	33,043,587	36,906,337
Provisions for bad and doubtful debts	(18,706,640)	(18,594,793)
Total	14,336,947	18,311,544

(c) Impaired Debt Securities

	2010 £	2009 £
Debt Securities on which interest has been suspended (net of suspended interest)	30,974,049	30,090,076
Provisions for bad and doubtful debts	(22,518,131)	(21,487,208)
Total	8,455,918	8,602,868

Notes (continued)

9 Debt securities

	2010	2009 (As restated)
	£	£
Investment securities		
Issued by public bodies – government securities	150,000,000	119,941,444
Bank and building society certificates of deposit	-	20,000,000
Other debt securities	687,665,168	741,125,960
	<u>837,665,168</u>	<u>881,067,404</u>
Investment securities		
Listed on a UK recognised investment exchange	222,912,852	277,504,461
Other listed	322,417,411	359,468,117
Unlisted	292,334,905	244,094,826
	<u>837,665,168</u>	<u>881,067,404</u>
Matured past due	22,104,046	-
Due within one year	337,466,589	313,974,102
Due one year and over	478,094,533	567,093,303
	<u>837,665,168</u>	<u>881,067,405</u>
Impairment allowance- specific (note 8)	(22,518,131)	(21,487,208)
Impairment allowance- general (note 8)	<u>(2,000,000)</u>	<u>(2,000,000)</u>
	<u>813,147,037</u>	<u>857,580,197</u>

	Nominal value £	Net premium/ (discount) £	Net book Value £
Investment securities - movement			
Balance at 30 June 2009	860,273,729	(2,693,532)	857,580,197
Purchases	770,478,731	727,998	771,206,729
Sales/maturities	(834,582,613)	-	(834,582,613)
Amortisation of premium/discount	-	979,018	979,018
Exchange movements	19,340,529	(345,900)	18,994,629
Impairment allowance	(1,030,923)	-	(1,030,923)
Balance at 30 June 2010	<u>814,479,453</u>	<u>(1,332,416)</u>	<u>813,147,037</u>

	2010 £	2009 £
Investment securities - market value		
Issued by public bodies – government securities	149,916,000	119,969,000
Bank and building society certificates of deposit	-	20,047,600
Other debt securities	650,260,574	687,303,979
	<u>800,176,574</u>	<u>827,320,579</u>

The balances have been restated due to a change in presentation. The general provision has been allocated between loans and advances to banks, customers and debt securities.

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 or valuation			
At 30 June 2009	259,277	1,717,349	1,976,626
Additions	-	20,049	20,049
Disposals	-	-	-
At 30 June 2010	259,277	1,737,398	1,996,675
Accumulated depreciation			
At 30 June 2009	173,549	1,622,176	1,795,725
Charge for year	13,927	47,399	61,326
Related to disposals	-	-	-
At 30 June 2010	187,476	1,669,575	1,857,051
Net book value			
At 30 June 2010	71,801	67,823	139,624
At 30 June 2009	85,728	95,173	180,901

11 Other assets

	2010 £	2009 (As restated) £
Deferred tax asset (see note 4(d))	2,831,086	4,809,396
Foreign exchange contracts	52,637	22,110
Tax recoverable	-	4,948,655
Others	7,552,546	172,578
	10,436,269	9,952,739

The Other assets balance has been restated to ensure comparability of the financial statements.

Notes (continued)

12 Deposits by banks

	2010 £	2009 £
With agreed maturity dates or periods of notice, by remaining maturity		
<i>Banks</i>		
5 years or less but over one year	-	-
1 year or less but over 3 months	12,639,550	175,092,452
3 months or less but not repayable on demand	129,532,977	114,815,107
	<hr/>	<hr/>
Repayable on demand	142,172,527	289,907,559
	5,986,028	8,196,084
	<hr/>	<hr/>
	148,158,555	298,103,643
	<hr/>	<hr/>
<i>Parent company</i>		
3 months or less but not repayable on demand	67,699,880	63,792,071
Repayable on demand	1,333,533	792,396
	<hr/>	<hr/>
	69,033,413	64,584,467
	<hr/>	<hr/>
<i>Total</i>		
5 years or less but over one year	-	-
1 year or less but over 3 months	12,639,550	175,092,452
3 months or less but not repayable on demand	197,232,857	178,607,178
	<hr/>	<hr/>
Repayable on demand	209,872,407	353,699,630
	7,319,561	8,988,481
	<hr/>	<hr/>
	217,191,968	362,688,111
	<hr/>	<hr/>

13 Deposit by Customer accounts

	2010 £	2009 £
With agreed maturity dates or periods of notice, by remaining maturity		
5 years or less but over 1 year	427,322	-
1 year or less but over 3 months	30,475,214	15,134,526
3 months or less but not repayable on demand	1,032,135,437	802,766,713
	<hr/>	<hr/>
Repayable on demand	1,063,037,973	817,901,239
	42,001,655	38,118,780
	<hr/>	<hr/>
	1,105,039,628	856,020,019
	<hr/>	<hr/>

Notes *(continued)*

14 Other liabilities

	2010 £	2009 (As restated) £
Foreign exchange contracts	58,973	18,760
Other creditors	4,461,530	5,845,204
	<u>4,520,503</u>	<u>5,863,964</u>

The Other liabilities balance has been restated to ensure comparability of the financial statements

15 Called up share capital

	2010 £	2009 £
<i>Authorised</i>		
Ordinary shares of £1 each	200,000,000	200,000,000
	<u>200,000,000</u>	<u>200,000,000</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	130,000,000	130,000,000
	<u>130,000,000</u>	<u>130,000,000</u>

Notes (continued)

16 Commitments

(a) Other commitments

	2010 £	2009 £
Letters of credit – confirmed	24,367,154	39,640,725
Letters of credit - participation purchased	7,676,363	13,540,874
Forward deposits taken	5,930,696	19,194,826
Forward assets purchased	20,030,714	-
Loan commitments (undrawn credit lines)	1,294,652	875,772
	<u>59,299,579</u>	<u>73,252,197</u>

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

	£	£
Loan commitments – over one year	668,692	875,772
Loan commitments – one year or less	625,960	-
	<u>1,294,652</u>	<u>875,772</u>

Incurred on behalf of the parent company

	2010 £	2009 £
Letters of credit – confirmed	13,208,453	25,684,719

(b) Significant concentrations of contingent liabilities and commitments

Approximately 90% (2009 67%) 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 £297,348,636 (2009 £180,485,302) and sales of £289,658,128 (2009 £184,597,059)

Notes (continued)

17 Operating lease commitments

As at 30 June 2010, the Company had the following non cancellable annual operating lease commitments

	2010		2009	
	£	£	£	£
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire				
Within 1 year	-	-	-	-
Between 1 and 5 years	-	13,572	441,702	7,312
More than 5 years	4,896,105	-	-	-
	<u>4,896,105</u>	<u>13,572</u>	<u>441,702</u>	<u>7,312</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 2010, the interest rate risk comprises

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	Non interest bearing	Total
	£	£	£	£	£	£
Assets	1,242,616,347	117,752,594	5,007,678	65,577,351	21,367,623	1,452,321,593
Liabilities	(1,243,363,201)	(53,819,887)	(20,328,162)	(427,322)	(134,383,021)	1,452,321,593
Off-balance sheet items	42,346,932	17,221,205	-	(59,568,137)	-	-
Gap	<u>41,600,078</u>	<u>81,153,912</u>	<u>(15,320,484)</u>	<u>5,581,892</u>	<u>(113,015,398)</u>	<u>-</u>
Cumulative	<u>41,600,078</u>	<u>122,753,990</u>	<u>107,433,506</u>	<u>113,015,398</u>	<u>-</u>	<u>-</u>

Notes (continued)

18 Risk management (continued)

At 30 June 2009, the interest rate risk comprised

	Less than 3 months £	More than 3 months but not more than 6 months £	More than 6 months but not more than one year £	More than one year but not more than 5 years £	Non interest bearing £	Total £
Assets	1,241,720,472	26,806,063	6,075,703	63,465,336	8,971,494	1,347,039,068
Liabilities	(1,143,771,496)	(33,613,713)	(4,623,704)	-	(165,030,155)	(1,347,039,068)
Off-balance sheet items	57,375,052	12,773,558	(12,151,407)	(57,997,203)	-	-
Gap	155,324,028	5,965,908	(10,699,408)	5,468,133	(156,058,661)	-
Cumulative	155,324,028	161,289,936	150,590,528	156,058,661	-	-

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 regularly monitors the positions taken on a daily basis.

Operational risk

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

Notes (continued)

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

	2010			2009 (As restated)		
	Principal amount £	Positive fair values £	Negative fair values £	Principal amount £	Positive fair values £	Negative fair values £
Interest rate related Contracts						
Interest rate swaps	59,568,137	-	4,108,759	70,148,609	-	4,412,984
Exchange rate related Contracts	297,348,636	8,610,189	979,985	180,485,302	22,110	4,118,854

Balance has been restated to ensure comparability of the financial statements

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 2010, there are 7 swaps outstanding (2009: 9). There was no unrealised swap gain or loss outstanding at year end (2009: £Nil)

Maturity analysis

	2010	
	Interest rate swaps	
	Notional values £	Fair values £
Maturity		
1 year or less	6,676,905	(147,730)
5 years or less but over 1 year	52,891,232	(3,961,029)
	2009	
	Interest rate swaps	
	Notional values £	Fair values £
Maturity		
1 year or less	12,151,407	(472,705)
5 years or less but over 1 year	57,997,202	(3,940,279)

Notes (continued)

20 Assets and liabilities denominated in foreign currency

	2010 £	2009 £
Denominated in Sterling	256,386,731	289,212,232
Denominated in US Dollar	844,071,816	668,781,149
Denominated in other currencies	351,863,046	389,045,687
Total assets	1,452,321,593	1,347,039,068
Denominated in Sterling	238,341,182	288,111,421
Denominated in US Dollar	1,103,032,120	827,929,186
Denominated in other currencies	110,948,291	230,998,461
Total liabilities	1,452,321,593	1,347,039,068

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 (2009 Nil) As at the year end, there were no loans outstanding (2009 Nil)

22 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 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