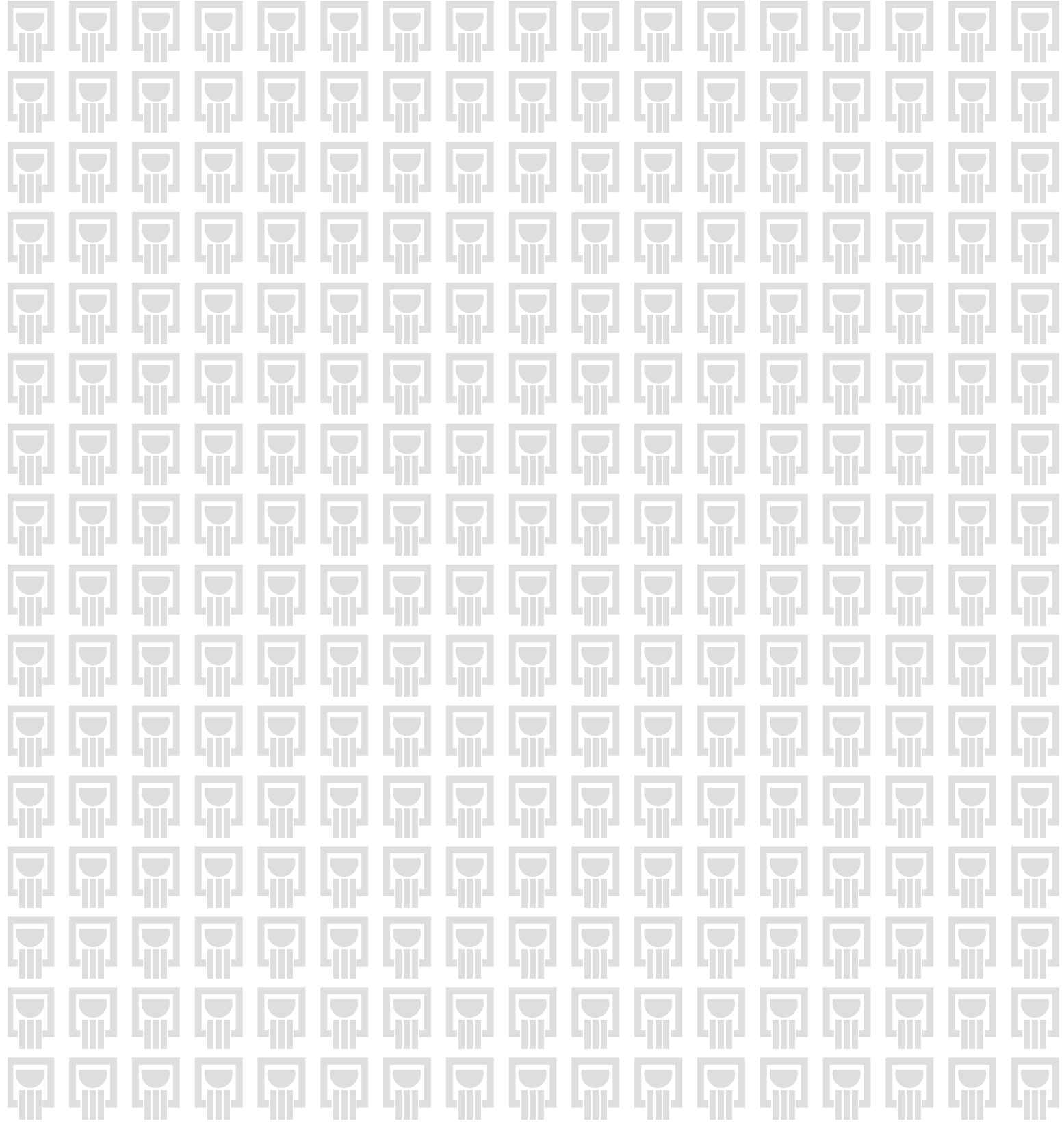




البنك الأهلي المصري
(الملكة المنحلة)

NATIONAL BANK OF EGYPT (UK) LIMITED



ANNUAL REPORT
2012



Board of Directors

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. Christopher Hayward Davis
Dr. Ziad Ahmed Bahaa-Eldin
Mr. Raymond Seamer
Mr. Sherif Mohamed Aly Elwy
Mr. El Sayed Mohamed Marzouk El Kosayar

Company Secretary

Mr. Reg Egan

Management Committee

Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Tarek Hassan Nour Eldin Aly Amer
Mr. Kazem Hassan Barakat – Deputy Chairman and Managing Director
Mr. Mokhtar Abdel Gawad El Shennawy – Deputy Managing Director
Mr. Ismail Saleh – General Manager

Management Committee Secretary

Mr. Ahmed Maksoud – Deputy General Manager

Audit Committee

Mr. Christopher Hayward Davis – Chairman
Mr. Raymond Seamer
Mr. Hisham Okasha

Audit Committee Secretary

Mr. Brian William Turner – Head of Internal Audit

Solicitors

SNRDenton UK LLP
One Fleet Place
London EC4M 7WS

Auditor

Deloitte LLP
Hill House
1 Little New Street
London EC4A 3TR

Registered Office

11 Waterloo Place
London SW1Y 4AU
National Bank of Egypt (UK) Limited
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Registered in England No. 2743734

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Chairman's statement

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

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

Despite the challenges faced during the year under review, the Bank continued to demonstrate the success and viability of its core business model through another improved performance. By the end of the financial year, operating income of £19.9 million (2011: £14.3 million) and net profit after tax of £10 million (2011: £5.8 million) were achieved, and fee and commission income at £12.9 million was 109% higher than in the year earlier. As a result, fee based income comprised 65% (2011: 43%) of operating income, reflecting continued success in the implementation of our strategic focus on non-asset based, relationship orientated businesses. The Bank enjoys a strong liquidity position, a solid capital ratio of 54% with significant capital buffer, sound asset quality and dominant customer funding base.

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

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

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

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

Dr. Farouk A. El-Okdah
Chairman



Contents	Page
Directors' report	4-7
Directors' responsibilities statement	8
Independent auditor's report to the members of National Bank of Egypt (UK) Limited	9
Profit and loss account	10
Balance sheet	11
Reconciliation of movements in shareholders' funds	12
Notes to the financial statements	13-29
Five year summary	30



Directors' report

The Directors of National Bank of Egypt (UK) Limited (“the Company”) have pleasure in presenting their annual report, together with the financial statements and auditor’s report, for the year ended 30 June 2012.

Principal activities

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

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

Business Review

As at 30 June 2012, the Company had total assets of £1,128 million, which was a decrease of £292 million compared to 30 June 2011. The Company made a profit of £10.0 million after tax and provisions, compared to £5.8 million in the previous year. The banking environment continued to be challenging in 2011/2012 particularly the interbank markets.

During the year under review there was a net impairment rebate of £0.2 million. 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 2012 are shown on pages 10 to 29. The profit after taxation for the year amounts to £10,005,429 (2011: £5,792,999).

The Directors recommend a final dividend of £9,720,013 (7.47p per ordinary share) (2011: £nil) to be paid to ordinary shareholders on the Register of Members on 15th September 2012.

Financial Highlights 2011/12

Year on year, operating income at £19,863,813 (2011: £14,269,121) was 39.2% higher than last year. There was a reduction in net-interest income by 15.9% to £6,675,027 (2011: £7,935,024) reflecting both a reduction in the underlying loan book, and interest rate environment. Non-interest income increased by 108.2% from £6,334,097 in 2011 to £13,188,786 in 2012 due to increased trade finance volume and more profitable Foreign Exchange deals.

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

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

Risk Management

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

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



Under the Capital Requirements Directive, the Company has adopted the Standardised Approach to credit risk and the Basic Indicator Approach to operational risk. Details of the Company's financial risk management objectives and policies, including those in respect of financial instruments, and details of the Company's indicative exposure to risks are given in note 18. There was no change to the authorised and paid up capital during the year and the Company remains adequately capitalised with a strong capital buffer above the approved Individual Capital Guidance (ICG). The Company undertakes an internal assessment of the amount of capital which it requires to support its activities (the "ICAAP" process). This assessment has identified a number of other risks faced by the Company, which do not attract capital under the Pillar 1 rules. The Company has allocated additional capital for these Pillar 2 risks ("the Pillar 2 capital requirements") totalling £18 million at 30 June 2012 (2011: £27million). 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 underlining requirements for liquidity risk management including systems and controls. During the year under review the Company's approach to the liquidity risk management was documented in a comprehensive Individual Liquidity Adequacy Assessment ("ILAA") document, drawn up in accordance with the regulatory requirements. This document describes the Company's liquidity risk tolerance, including the methodologies for ensuring that risk is restricted within that tolerance. It analyses the sources of liquidity risk, and describes the assumptions and approach taken to stress testing in light of those risks. It also incorporates the Company's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Company to fail (reverse stress tests), as demanded by regulatory requirements. The ILAA document and other liquidity risk management tools were reviewed by the FSA SLRP team during the year with the final ILG letter communicated to the Bank setting out the ILG and other liquidity metrics subject to which the liquidity positions will be managed going forward. At 30 June 2012, the Board of Directors was satisfied that the Company's liquidity resources were sufficient to survive the stresses identified in the ILAA document, and comply with the approved ILG and other limits set by FSA.

Further details of the Company's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, are published on the Company's website, www.nbeuk.com.

Customer Services

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

Lending

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

Treasury

Treasury activity focused primarily on liquidity management, including the management of a portfolio of investments to assist with liquidity and enhance income, despite the continuing difficult interest rate market conditions.



Directors' report (continued)

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

Documentary Credits

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

Directors and company secretary

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

Dr Farouk Abdel Baki El-Okdah, Chairman
Mr Kazem Hassan Barakat, Deputy Chairman and Managing Director
Mr Mokhtar Abdel Gawad El Shennawy, Deputy Managing Director
Mr Tarek Hassan Nour Eldin Aly Amer
Dr Ziad Ahmed Bahaa-Eldin
Mr Christopher Hayward Davis
Mr Raymond Seamer
Mr Sherif Mohamed Aly Elwy
Mr El Sayed Mohamed Marzouk El Kosayar
Mr Reg Egan (Company Secretary)

Directors' interests

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

Share capital

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

Employees

As at 30 June 2012 the Company had 55 (2011: 57) 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 their basic salary to the Group Personal Pension scheme. All employees enjoy life insurance cover to the extent of four times their basic salary. The Company also has a private medical insurance scheme, which covers employees and their dependents.

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

Political and charitable contributions

The Company made no political contributions (2011: £nil) and charitable contributions of £100 (2011: £1,480) during the year.

Going Concern

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



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

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

Auditor

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

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

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

A resolution to reappoint Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

Reg Egan
Company Secretary

Trafalgar House
11 Waterloo Place
London SW1Y 4AU
27 September 2012



Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Manbinder Rana FCA (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor

London, United Kingdom

Date: 27 September 2012



Profit and loss account

for the year ended 30 June 2012

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

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

The result for the year is derived entirely from continuing activities.

There were no other recognised gains and losses in the current or prior years other than the profit for the year. Accordingly, no statement of total recognised gains or losses has been prepared.

The notes on pages 13 to 29 form part of these financial statements.

Balance sheet

at 30 June 2012



	Note	2012		2011	
		£	£	£	£
Assets					
Cash and balances at central banks			151,059		219,976
Loans and advances to banks	6		395,602,918		611,436,089
Loans and advances to customers	7		68,165,499		84,294,716
Debt securities	9		659,935,725		719,528,660
Tangible fixed assets	10		198,218		212,992
Other assets	11		1,070,602		998,236
Prepayments and accrued income			2,653,644		2,869,660
Total assets			1,127,777,665		1,419,560,329
Liabilities and shareholders' funds					
Deposits by banks	12		147,052,888		212,386,112
Customer accounts	13		817,617,387		1,052,446,860
Other liabilities and deferred income	14		2,618,589		4,733,516
Accruals			1,649,548		1,607,445
Subordinated debt	22		19,119,240		18,671,812
Shareholders' funds:					
Called up share capital	15	130,000,000		130,000,000	
Profit and loss account		9,720,013		(285,416)	
			139,720,013		129,714,584
Total liabilities and shareholders' funds			1,127,777,665		1,419,560,329
Memorandum items					
Contingent liabilities:					
Acceptances and endorsements			114,425		499,431
Guarantees			3,378,106		6,357,235
Commitments:					
Other commitments	16		75,203,654		50,226,429
			78,696,185		57,083,095

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

Director Dr Farouk Abdel Baki El-Okdah
 Chairman

Director Mr Kazem Hassan Barakat
 Deputy Chairman and Managing Director

The notes on pages 13 to 29 form part of these financial statements.



Reconciliation of movements in shareholders' funds

at 30 June 2012

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

The notes on pages 13 to 29 form part of these financial statements.



1 Accounting policies

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

(a) Basis of preparation and accounting convention

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

Going Concern

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

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

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



1 Accounting policies (continued)

(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.

(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 net of depreciation and any provision for impairment.

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

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

(g) Interest income and expense

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

(h) Fees and commission receivable

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

(i) Fees and commission payable

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

(j) Taxation

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

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



1 Accounting policies (continued)

(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.

2 Administrative expenses

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

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

The average number of persons employed by the Company during the year was 55 (2011: 57).



Notes (continued)

3 Profit/(Loss) on ordinary activities before tax

(a) Is stated after charging:

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

(b) Segmental reporting

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

4 Taxation

(a) Analysis of tax charge in the year

	2012	2011
	£	£
Current tax		
UK Corporation tax at 25.5% (2011: 27.5%) on the taxable profit for the year	2,925,100	507,509
	2,925,100	507,509
Deferred tax charge		
Income statement charge	552,835	1,765,710
Difference in relation to tax rate change	39,267	103,890
Adjustment to prior year deferred tax	-	28,263
	592,102	1,897,863
Tax charge on profit on ordinary activities	3,517,202	2,405,372



4 Taxation (continued)

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

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 25.5% (2011: 27.5%). The current tax charge for the year is lower than 25.5% for the reasons set out in the following reconciliation:

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

(c) Factors that may affect future tax charge

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

(d) Deferred tax asset

	2012	2011
	£	£
At the beginning of the year	933,223	2,831,086
Income statement charge	(552,835)	(1,765,710)
Difference in relation to tax rate charge	(39,267)	(103,890)
Prior Year adjustment	-	(28,263)
As at end of the year (see note 11)	341,121	933,223
The deferred tax asset consists of the following amounts:		
Timing differences on general provision for bad and doubtful debts	324,000	910,000
Capital allowances	17,121	23,223
Net Deferred tax asset (see note 11)	341,121	933,223

UK corporation tax is calculated at 25.5% (2011:27.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was reduced from 26% to 24% with effect from 1 April 2012. The Finance Act 2012, which provides for a reduction in the main rate of UK corporation tax to 23% effective from 1 April 2013, was enacted on 3 July 2012. Since the 23% rate had not been substantially enacted at balance sheet date, the rates that have been reflected in these accounts are 26% for the period to 1 April 2012 and 24% to 30 June 2012. Management believe the impact of the further reduction in rate would not be material or significant.



Notes (continued)

5 Emoluments of directors

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

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

6 Loans and advances to banks

(a) Residual maturity

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

b) Concentrations of exposure

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

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



7 Loans and advances to customers

(a) Residual maturity

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

(b) Concentrations of exposure

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

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



Notes (continued)

8 Provisions for bad and doubtful debts

(a) Impairment Charge

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

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

	Specific £	General £	Total £
Provisions at 30 June 2011	35,340,503	3,500,000	38,840,503
Additions during the year	3,766,144	-	3,766,144
Reversals of provision during the year	(30,983,777)	(2,150,000)	(33,133,777)
Foreign exchange movement	(1,204,478)	-	(1,204,478)
Provisions at 30 June 2012	6,918,392	1,350,000	8,268,392

Of which:

Provision against loans and advances to banks	1,641,181	400,000	2,041,181
Provision against loans and advances to customers	5,277,211	250,000	5,527,211
Provision against debt securities - banks	-	600,000	600,000
Provision against debt securities - customers (corporate)	-	100,000	100,000
	6,918,392	1,350,000	8,268,392

(c) Non-performing loans

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

(d) Impaired Debt Securities

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



9 Debt securities

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

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



Notes (continued)

9 Debt securities (continued)

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

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

10 Tangible fixed assets

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

11 Other assets

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



12 Deposits by banks

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



Notes (continued)

13 Deposits by Customer accounts

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

14 Other liabilities

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

15 Called up Share Capital

	2012	2011
	£	£
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	130,000,000	130,000,000



16 Commitments

(a) Other commitments

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

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

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

Incurred on behalf of the parent company:

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

(b) Significant concentrations of contingent liabilities and commitments

Approximately 31% (2011: 57%) of total contingent liabilities and commitments relate to counterparties in Egypt.

(c) Foreign exchange contracts

In addition to the commitments disclosed above, there are outstanding forward foreign exchange contracts for purchases of £137,527,970 (2011: £221,792,114) and sales of £137,059,980 (2011: £223,406,656).

**17 Operating lease commitments**

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

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

18 Risk management

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

Major risks**Credit risk**

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

Interest rate risk

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

Risks may also be hedged through the use of interest rate swaps and forward rate agreements (note 19).

At 30 June 2012, the interest rate risk comprises:

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non- interest bearing	Total
	£	£	£	£	£	£	£
Assets	987,174,731	92,375,701	21,685,998	19,357,009	-	7,184,226	1,127,777,665
Liabilities	(958,567,395)	(5,535,057)	(13,873,152)	(2,091,408)	-	(147,710,653)	(1,127,777,665)
Off-balance sheet items	38,256,006	(6,373,080)	(21,685,998)	(10,196,928)	-	-	-
Gap	66,863,342	80,467,564	(13,873,152)	7,068,673	-	(140,526,427)	-
Cumulative	66,863,342	147,330,906	133,457,754	140,526,427	140,526,427	-	-



18 Risk management (continued)

At 30 June 2011, the interest rate risk comprised:

	Less than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than one year	More than one year but not more than 5 years	More than 5 years	Non- interest bearing	Total
	£	£	£	£	£	£	£
Assets	1,129,130,827	208,206,817	31,228,053	36,408,975	2,728,646	11,857,011	1,419,560,329
Liabilities	(1,236,467,405)	(30,863,868)	(7,189,381)	(4,687,776)	-	(140,351,899)	(1,419,560,329)
Off-balance sheet items	35,342,316	(3,912,491)	-	(31,429,825)	-	-	-
Gap	(71,994,262)	173,430,458	24,038,672	291,374	2,728,646	(128,494,888)	-
Cumulative	(71,994,262)	101,436,196	125,474,868	125,766,242	128,494,888	-	-

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

Liquidity risk

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

Foreign exchange risk

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

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

Operational risk

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



Notes (continued)

19 Derivative and exchange rate contracts

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

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

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

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

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

At 30 June 2012, there were 10 swaps outstanding (2011: 5).

Maturity analysis:

	2012	
	Notional values £	Fair values £
<i>Maturity:</i>		
1 year or less	34,432,158	(776,888)
5 years or less but over 1 year	10,196,928	(324,385)
	2011	
	Notional values £	Fair values £
<i>Maturity:</i>		
1 year or less	5,423,414	(120,880)
5 years or less but over 1 year	35,342,317	(2,162,304)



20 Assets and liabilities denominated in foreign currency

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

The functional currency of the Company's operations is Sterling.

21 Related party disclosures

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

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

22 Subordinated debt

On 2 November 2010, the Bank drew-down \$30 million of unsecured subordinated debt from its parent company. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable on maturity. Interest is charged at 3 months LIBOR plus 200 basis points. The date of the maturity of the debt is 22 February 2019. The interest payable during the year amounted to £461,342.

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

The Company is a wholly-owned subsidiary of National Bank of Egypt which is the smallest and largest group, for which consolidated accounts are prepared. The parent company is incorporated in Egypt. Copies of the group accounts for the National Bank of Egypt can be obtained from National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt.

24 Post balance sheet events

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



Five-Year Summary

	2012	2011	2010	2009	2008
	£m	£m	£m	£m	£m
Net Operating Income	13.3	7.7	6.7	14.0	12.5
Net Provisions and Write-Offs	0.2	0.4	0.0	(40.0)	(0.4)
Profit before taxation	13.5	8.2	7.0	(26.0)	12.1
Taxation	(3.5)	(2.4)	(2.0)	7.4	(3.6)
Profit after Taxation	10.0	5.8	5.0	(18.6)	8.5
Issued Share Capital	130.0	130.0	130.0	130.0	100.0
Total Shareholders' Funds	139.7	129.7	123.9	118.9	112.5
Deposits by Banks	147	212	217	363	594
Customer Accounts	818	1,052	1,105	856	630
Loans and Advances to Banks	396	611	548	368	543
Loans and Advances to Customers	68	84	76	106	108
Debt Securities	660	720	813	858	687
Total Assets	1,128	1,420	1,452	1,347	1,351
Capital Ratios %					
– Risk Asset Ratio	54.3	35.4	25.5	21.7	16.3
– Shareholders Funds to Total Assets	12.4	9.1	8.5	8.8	8.3
Return on Share Capital %					
– profit before taxation	10.4	6.3	5.4	(20.0)	12.1
– profit after taxation	7.7	4.5	3.9	(14.3)	8.5
Return on Total Shareholders' Funds %					
– profit before taxation	9.7	6.3	5.7	(21.9)	10.8
– profit after taxation	7.2	4.5	4.1	(15.6)	7.6

