البنك الأهلي المصري

(المملكة المتحدة)

NATIONAL BANK OF EGYPT (UK) LIMITED

ANNUAL REPORT 2014

National Bank of Egypt (UK) Limited

Board of Directors
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Okasha – Deputy Chairman
Mr. Tarek Hassan Nour Eldin Aly Amer – Chief Executive Officer and Managing Director
Mr. Mokhtar Abdel Gawad El Shennawy – Deputy Managing Director
Mr. Mahmoud Montaser
Mr. Raymond Seamer
Mr. Nicholas Beecroft
Mr. Hussein Ismail El Refaei
Dr. Ziad Bahaa-Eldin

Company Secretary
Dentons Secretaries Ltd

Management Committee
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Okasha – Deputy Chairman
Mr. Tarek Hassan Nour Eldin Aly Amer – Chief Executive Officer 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 and Risk Committee
Mr. Raymond Seamer – Chairman
Mr. Nicholas Beecroft
Mr. El Sharif Abdel Razik

Audit Committee Secretary
Mr. Brian William Turner – Head of Internal Audit

Solicitors

Dentons
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
Wholly owned subsidiary of National Bank of Egypt
Registered in England No. 2743734

Website:www.nbeuk.com
Tel: 020 7389 1200
Fax: 020 7930 8882
SWIFT: NBEGGB2L

Chairman's statement

On behalf of the Board members, it gives me great pleasure to present the audited annual report and financial statements of National Bank of Egypt (UK) Limited ("NBEUK") for the year ending 30 June 2014.

During the year the world economy showed remarkable resilience in the face of renewed Eurozone crises, protracted growth in developed markets, geopolitical uncertainties, historically high oil prices and dollar weakness. The interest rate environment remained relatively low and there was a strong underlying growth momentum. The year proved challenging for the Bank with continued regional tensions and uncertainties in the MENA countries. Despite these challenges, the Bank continued to promote a stable financial performance, build resilient financial resources, and deliver sound capital and liquidity positions that remained comfortably above regulatory limits throughout the year. It was pleasing to see a tentative recovery in the UK's financial sector supported by a strong economic growth which is expected to witness an increase in excess of 3% at the end of the fourth quarter of 2014, however euro area credit risk concerns still have the potential to impede credit growth and in turn threaten what is still a fragile recovery.

Following the trend from recent years, NBEUK continued to demonstrate the success and viability of its core business model through another year of profitable performance. By the year end, operating income of GBP13.9M and net profit after tax of GBP4.3M were very credible in the circumstances. Costs continued to be controlled, but on the back of weaker revenues, NBEUK's cost to income ratio rose to 56.65% (2013: 47.61%) but it is expected to improve as the new strategy comes into effect which focuses on enlarged earnings and controlled costs going forward.

In 2013, a strategy for the next three years was developed to improve the Bank's efficiency and performance. Under this plan the Bank will diversify its markets in line with the relevant risk appetite covering a carefully selected growing emerging markets and product extension to restore the Bank's historical interest income trend and improve the overall profitability and earnings. However our fee income from trade finance is expected to be under pressure going forward with the improved stability of the political and economic situation in Egypt and the potential upgrade of sovereign and counterparty ratings. The strategy drivers are based on the strength of our parent in our home market, Egypt, combined with our historical experience in emerging markets in terms of sourcing business and accepting risk.

Regulations continued to evolve in the year under review, with the European Commission publishing the final capital directives and regulations, known as CRDIV/CRR, together with the regulatory technical standards (RTS) issued by the European Banking Authority with common reporting COREP capital, leverage and liquidity ratios in implementation of Basel III with effect from March 2014. NBEUK continues to benefit from the strong capital adequacy and liquidity positions with full compliance of the reporting requirements as both the Board and Management continue to promote and maintain sound corporate governance in compliance with applicable regulations, and annual reviews are conducted in all relevant business units.

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

Throughout the year, Management has been working on strengthening the risk management infrastructure to meet future challenges and to protect the interest of the Bank's customers and its stakeholders.

On behalf of the Board I would like to express my thanks to the Bank's staff for their loyalty and dedication in achieving these results and of course, to each of our customers and correspondent banks for continuing to entrust their business to us.

Dr. Farouk A. El-Okdah
Chairman

Contents

(NBEUK) 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 Bank is a wholly-owned subsidiary of the National Bank of Egypt, 1187 Corniche El Nil Street, Cairo, Egypt. NBEUK is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA).

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.

The Bank's approved three year strategic business plan 2015-2017 sets out the key financial objectives to restore the Bank's historical interest income trend and improve the overall profitability and earnings. According to the approved strategy, NBEUK's mission is to provide world class international banking services to Egyptian and Middle Eastern related businesses and governmental agencies and in doing so, become the first choice UK and European bank for Egyptian counterparties and other relationships from the Gulf region and North Africa. With our strong base of experience and market presence, we aim to grow each of our various strategic business lines in both market and product extensions.

The Bank's primary business objective is to provide a range of banking services to both its UK and international customers. Its strategy for doing so is as follows:

- protect the Banks capital and liquidity in line with PRA and FCA guidelines, and within internal risk management policies, with minimal exposure to market risk;
- to provide lending in trade finance to both financial institutions and large commodity corporate clients involved in trade predominantly to or from the Middle East and growing emerging markets;
- increase loans and advances including syndicated facilities and to be used as a penetrating tool for the purpose of future enhancement of trade relationships with NBEUKs existing counterparties and other future targeted relationships;
- to provide treasury services to customers and counterparties ; and
- to maintain asset quality whereby the overall investment grade of the balance sheet will be around 80%.

The strategy drivers are based on the strength of our parent in our home market, Egypt, combined with our historical experience in emerging markets in terms of sourcing business and accepting risk. In addition we are intent on building our funding base to be diversified, whilst maintaining liquidity and meeting all Regulatory requirements.

NBEUK operates a simple banking model. Primarily it takes deposits from customers and lends to borrowers through its various business units. Deposits are taken from governmental agencies, individuals, financial institutions and corporate businesses both in Egypt and the UK. NBEUK accumulates funds from deposits, equity and debt capital and these are lent to corporate business and financial institutions through different bank business channels e.g. Loans, debt securities, trade finance and money market lending.

As a wholly-owned subsidiary of National Bank of Egypt, NBEUK is adequately funded by the sole shareholders. In addition, an organic growth will be adopted in line with the approved strategy whereby NBEUK retains the realised profit after taxes which improves the capital resources and provides additional capacity for future lending activities.

Business Model

The Bank operates a number of business lines which are described below:

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. The bank is looking to rebuild this business in 2014/15 after the financial crisis. The Bank also offers corporate and institutional banking facilities to correspondent banks.

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 previous difficult interest rate market conditions. The Treasury team operates a non- trading book. Foreign exchange services in all major currencies are also offered through traditional interbank channels within pre-determined risk limits. The Treasury team also manages the banks interest rate exposure, under set internal policies.

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.

Business Review

As at 30 June 2014, the Company held total assets of £1,191M. This was an increase from the previous year total assets as of £975M, due to increased customer deposits. The company made a profit after tax of £4.3M, compared to £7M the previous year. The banking market did recover slightly, but margins were particularly challenging.

The net interest income fell from £5.2M in 2012/13 to £4.4M in 2013/14 and fees and commissions increased marginally to £9.4M from £9.3M.

The company maintained its traditional strengths during the year in terms of stable funding, adequate liquidity and robust capitalisation. 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 2014 are shown on pages 16 to 19. The profit after taxation for the year amounts to £4,290,952 (2013: £6,981,187).

Financial Highlights 2013/14

Year on year, operating income at £13,944,092 (2013: £14,671,917) was 5% lower than last year. There was a reduction in net-interest income of 15% to £4,443,873 (2013: £5,219,194), representing a continuing downward trend. The reduction reflects both a reduction in the underlying total loan book, and the general interest rate environment. Non-interest income increased slightly by just less than 1% from £9,452,723 in 2013 to £9,500,219 in 2014.

Operating expenses increased from £6,968,931 in 2013 to £7,899,424 in 2014 (an increase of 13%), due to the investment in a number of projects and senior staff within the Bank.

The tax charge reduced from £2,200,778 in 2013 to £1,306,203 in 2014, due to lower gross profits, combined with a lower corporation tax rate.

Total assets, at £1,191,031,938 were £215,535,095 higher than the previous year.

Management Process

The Bank's performance is measured against a number of Key Performance Indicators (KPI's): profit, cost income ratio and return on Equity. The principal measurement is profitability against a predetermined budget which is set annually. Income results for the business are distributed daily, monthly and annually and are monitored closely by the Bank's senior management. The Directors of the bank receive profitability results at each board meeting, where a comprehensive review is undertaken. Other KPIs are also reported regularly, such as Capital Adequacy, net interest income and Liquidity. Regular stress tests (quarterly and with the capacity to increase the frequency of these tests in special circumstances, such as volatile market conditions or where requested by the regulatory body or by Senior Management and Board of Directors) are performed and reviewed on Capital positions and Liquidity by ALCO, and senior management. Risk and Audits reports are prepared quarterly for Audit and Risk Committee to review. In addition to the annual report, the MLRO provides monthly management information to Senior and Executive Management.

All exposures are managed within risk appetite parameters and policies agreed by the Board of Directors. Day-to-day exposure is monitored by Credit Control (for credit risk), and Financial Control (Capital and Liquidity) reporting any findings to the Risk Management Officer. The Board of Directors and Management continue to promote and maintain an effective corporate governance structure in compliance with the applicable regulatory requirements.

Expense payments follow guidelines set out in the Expense policy, and are regularly reviewed.

Principal Risks and Uncertainties

Within our simple business model, there are a number of potential risks and uncertainties that could have a severe impact on the Bank's performance and could cause actual results to differ materially from expected and historical achievements. NBEUK has a responsibility to identify these risks, understand the risks through analysis and put measures in place to mitigate these risks. This is to ensure that there are processes in place to minimise its impact.

The Board of Directors and Executive Management promote a responsible approach to risk, whereby the overall risk appetite is established by the Board and reviewed on a regular basis. Such appetite for risk is always governed by high quality risk assets, diverse lending portfolio, central oversight of risk across the Bank to ensure that the full spectrum of risks NBEUK is exposed to are adequately identified, measured, assessed, monitored, controlled and reported. The Risk Management function is complemented by all departments, business units and Board Committees in the process and management of certain categories of risks as detailed below.

The responsibility of Risk Management is fully vested in the Board of Directors, which in turn delegates this to Senior Management and the Board's Committees. NBEUK's management ensures that risk and risk management awareness is fully adhered to at all times. NBEUK avoids any business where associated risks cannot be objectively assessed, measured or managed. Various investment strategies and derivatives are used to mitigate the risks the Bank is exposed to and optimise investment performance.

The key risks inherent in our business model are:

- **Credit Risk**

  The Bank is exposed to credit risk, in that counterparty will fail to fulfil their obligations. Where the lending is unsecured, collateral is requested to minimise the risk of default by a customer. Credit risk is managed proactively by a robust Credit department and a Credit Committee comprised of senior management. Under the Capital Requirements Directive, the Company has adopted the Standardised Approach to credit risk.

  Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations resulting in a default situation and loss event. This risk is the main category of risk NBEUK is exposed to. Credit risk comprises counterparty risk, settlement risk and concentration risk. These risks arise in the Bank's normal course of business.

  Over the last year, NBEUK has focused on operating within an environment and with counterparties with which it is not only familiar, but also comfortable. The focus has been on familiarising the business with its existing customers while continuing to gradually increase its market share within growing emerging markets – particularly for trade finance business.

  The approach to credit risk management is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structure which guide the day-to-day initiation and management of the Bank's credit risk exposures. This approach comprises credit limits which are established for all customers after a careful assessment of their credit standing. This has enabled a greater understanding of the risks involved within the existing portfolios, while making sure an in-depth analysis and review is undertaken of new and existing transactions. Conscious efforts have also been made to increase staff awareness on risk factors within transactions.

- **Market Risk**

  Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments, caused by the movements in market variables such as bond equity or commodity prices, interest and exchange rates. NBEUK does not undertake proprietary trading activities therefore no trading book is maintained.

  Market risk exists for NBEUK where it holds securities that are affected by market fluctuations. Its investment and debt securities are held to maturity and therefore FRN's and other securities prices are of less concern. NBEUK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

  The interest rate risk is managed as part of the daily monitoring within predetermined limits approved by the Board. The majority of our interest bearing liabilities and assets are based on floating rates, and so any interest rate mismatch is removed. Also, the majority of assets and liabilities are short dated, and therefore not subject to interest rate risk.

- **Liquidity Risk**

  Liquidity risk is when NBEUK is unable to retain or create sufficient cash resources to meet its commitment. This happens when there is a shortfall in the amount available to NBEUK and the amount due to be paid out, which could either be due to a mismatch in funding versus deposits or a lack of liquid assets.

  Daily monitoring is undertaken to make sure there is a good mix of wholesale and retail deposits coupled with the support of a strong stock of high quality liquid assets including Liquid Asset Buffer ("LAB") which has been a dependable source of liquidity.

  Liquidity risk is covered under the Banks "Individual Liquidity Adequacy Assessment ("ILAA") policy and regular stress tests are undertaken to ensure that we remain liquid at all times. Under the liquidity regulations the Company has fully implemented the requirements for liquidity risk management including systems and controls. During the year under review the Company's approach to the liquidity risk management was reviewed and documented in a revised comprehensive "Individual Liquidity Adequacy Assessment ("ILAA") document, drawn up in accordance with the regulatory requirements. This document describes the Company's liquidity risk tolerance, including the methodologies for ensuring that risk is restricted within that tolerance. It analyses the sources of liquidity risk, and describes the assumptions and approach taken to stress testing in light of those risks. It also incorporates the Company's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Company to fail (reverse stress tests), as demanded by regulatory requirements.

- **Operational Risk**

  Operational risk is defined as the "risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events". However, a defined operational risk management framework is effectively applied within the Bank, coupled with a high awareness of the underlying causes of operational risk at all levels within the business units, results in a control environment which is able to evolve with changing business needs, thereby ensuring operational losses within the business are kept to a minimum.

  NBEUK has placed particular emphasis on improving in this area in recent years and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

  Operational risk is managed by all operational areas of the Bank on a day-to-day basis, but with oversight from Financial Control, Risk, and Internal Audit.

- **Regulatory Risk**

  Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators.

  Regulatory risk governance must begin at the Board level and cascade throughout the Bank. NBEUK ensures there is governance through its compliance and audit functions, which in turn ensures there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. In this way regulatory risk is minimised whilst the objective of NBEUK is taken into consideration and not hindered.

  The Bank operates in a highly regulated environment and is therefore subject to regulatory risk in that it may find it does not comply with some aspect of the regulations, or wrongly reports figures to the regulators. Changes to the regulations are made frequently, and the Banks Financial Control and Risk areas ensure that the Bank is compliant with the rules at all times. This risk is also mitigated by regular contact with the company's auditor, membership of trade organisations and various professional bodies. The regulatory environment during the year under review remained as challenging as the previous years, especially with the advent of COREP, as UK regulators together with other global regulators continued to collaborate to establish more stringent banking rules in order to ensure banks are maintaining adequate capital and liquidity to survive any further global crisis and to promote financial stability going forward. Measures were implemented by the PRA and FCA to increase regulations within the financial sector, one of which included the requirements for recovery plans and resolution packs (RRP), which the Bank has updated, re-produced and re-submitted to the UK regulatory body during the year under review. Under the terms of the recently approved capital directives (CRD IV) implementation of Basel III is imminent and will play a significant role in determining how the Bank and other financial institutions globally undertake their business going forward. The new regulations require the Bank to apply common reporting standards (COREP) for capital adequacy and large exposures which involves significant system and control processes.

- **IT System and Control Risk**

  IT/Systems risk is the risk of a failure or an issue arising within a bank's primary systems, which might hinder the functionality of the business with unforeseeable consequences and eventually lead to a loss of revenue to the business.

  NBEUK understands the risk and reputation risk, addresses the issues and maintains the most up to date systems and anti-virus software to ensure a high level of IT security is sustained. The Bank has internal controls and monitoring systems in place around operations and IT related projects and enhancements.

The Bank has an established integrated Risk Management Function that clearly assigns ownership and management of specific risks to business units heads and senior management. This ensures that all of the principal risks are defined and recognised and that policies and procedures are in place to mitigate any such risk. 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.

As at 30 June 2014 and during the year, NBEUK held adequate capital as required by the Prudential Regulation Authority. The Bank's regulatory capital resources as at 30 June 2014 including retained profit was as follows:

	June 2013 £000's	**June 2014 £000's**
Tier 1 Capital	130,000	134,291
Tier 2 Capital	19,733	17,538
Total eligible capital resources	149,733	151,829

Tier 1 capital comprises share capital and the retained profit at the year-end 30 June 2014. Tier 2 capital comprises mainly issued term subordinated debt from the parent company.

The following table provides both the overall minimum capital requirements and capital adequacy position calculated in accordance with regulatory rules (the Pillar 1 requirements) in addition to NBEUK assessments of the Pillar 2 capital requests at the year-end:

	June 2013 £000's	**June 2014 £000's**
Credit risk capital	25,935	39,012
Market risk capital	56	41
Counterparty risk capital	43	20
Operational risk	2,440	2,440
Total Pillar 1 Capital	28,474	41,513
Total Pillar 2 Capital	21,356	31,135
Total Capital Requirements	49,830	72,648

Risk weighted assets (RWA) were higher as at 30 June 2014 in view of the increase in the balance sheet size, together with some increases in the average weightings applied to certain categories of the exposures. This increase in RWA led to a reduction in the amount of our capital surplus, the capital adequacy ratio and the leverage ratio as follows:

	June 2013	**June 2014**
Capital surplus (£000's)	99,903	79,181
Capital adequacy ratio	46.19%	31.13%
Leverage ratio	12.36%	10.70%

The Company was in compliance with the ICG requirements throughout the year including the requirements for Capital Planning Buffer ("CPB").

The Bank maintains sufficient liquidity to meet all known and likely demands which could be made upon it by its clients and ensures that such liquidity is available on a day-to-day basis in accordance with the liquidity guidelines and rules as set out in the approved ILAA.

Systematically most developed financial markets improved during the year and as the year progresses, confidence in emerging markets began to wane particularly as reflected in the reduction of the quantitative easing in the USA and the UK.

The Bank regards itself as a stand-alone entity, not relying on any related party for future liquidity support in the event of stress. Liquidity is managed by the Bank's Treasury operation, overseen and guided by ALCO, Senior Management and reporting to the Management Committee and the Board of Directors.

The market risk the Bank has is kept to a minimum, with careful monitoring of our investment portfolio, and fixed rate investments are hedged with interest rate swaps.

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.

The issue of the Bank as a going concern is mentioned within the Directors' report.

Future Developments

The Directors expect the general activity to increase in the coming year. It is expected that our loan books are rebuilt, our assets and liabilities diversified to other geographic region, however, our risks continued to be controlled and monitored, and our regulatory requirements fulfilled. It is also expected that staffing levels are reviewed and resources realigned with the future needs to meet the Banks strategy and plans. It is not foreseen that the balance sheet will grow substantially, but gradually the Bank takes on more profitable assets.

By order of the Board

Dentons Secretaries Limited
Company Secretary

11 Waterloo Place
London SW1Y 4AU

12 September 2014

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 2014.

Directors

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

Dr Farouk Abdel Baki El-Okdah, Chairman

Mr Hisham Ahmed Okasha, Deputy Chairman (appointed 13/9/13)

Mr Kazem Hassan Barakat, Deputy Chairman and Managing Director (retired 30/9/13)

Mr Tarek Hassan Nour Eldin Aly Amer, Chief Executive Officer and Managing Director (appointed 13/9/13)

Mr Mokhtar Abdel Gawad El Shennawy, Deputy Managing Director

Dr Ziad Ahmed Bahaa-Eldin (resigned 15/7/13, reappointed 23/5/14)

Mr Raymond Seamer

Mr Sherif Mohamed Aly Elwy (retired 13/9/13)

Mr El Sayed Mohamed Marzouk El Kosayar (retired 13/12/13)

Mr Mahmoud Montaser Al-Asfar (appointed 13/9/13)

Mr Nicholas Charles Beecroft (appointed 13/12/13)

Mr Hussein Ismail El Rafaei (appointed 14/3/14)

Dentons Secretaries Limited – Company Secretary

Directors' Indemnities

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

Share Capital

During the year, the Company's authorised share capital remained unchanged at £200,000,000. As at the reporting date Issued Share Capital, fully paid, amounted to £130,000,000 (2013: £130,000,000). Details of the Company's share capital are given in note 15.

Employees

As at 30 June 2014 the Company had an average of 54 (2013: 55) employees. Employees' compensation is related to performance and the Company encourages the involvement of all employees in the overall performance and profitability of the Company through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors. The Company has a pension scheme whereby members are entitled to a minimum of 10% contribution of their basic salary to the Group Personal Pension scheme. All employees enjoy life insurance cover to the extent of four times their basic salary. The Company also has a private medical insurance scheme, which covers employees and their dependents.

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

Political and charitable contributions

The Company made no political contributions (2013: £nil) and charitable contributions of £200 (2013: £100) during the year.

Dividend

The Directors recommend that no dividend be paid this year (2013: £6,981,187) and that the profit is retained in the Profit and Loss account.

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. The political and economic conditions in Egypt have improved in the last few months and the Directors are comfortable that such positive developments and noticeable stability will be positively reflected on the Bank's performance during 2015. Such a conclusion will be extended to cover the going concern assumptions and outcome inherent on the issued statement given that the Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of any uncertainties.

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

Dentons Secretaries Limited
Company Secretary

11 Waterloo Place
London SW1Y 4AU

12 September 2014

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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

We have audited the financial statements of National Bank of Egypt (UK) Ltd for the year ended 30 June 2014 which consists of the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 26. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Christopher Brough ACA (Senior Statutory Auditor) for and on behalf of Deloitte LLP

Chartered Accountants and Statutory Auditor
London, United Kingdom

Profit and loss account

for the year ended 30 June 2014

	Note	2014		2013	
		£	£	£	£
Interest receivable:					
Interest receivable and similar income arising from debt securities		**6,341,730**		7,010,808	
Other interest receivable and similar income		**2,969,778**		4,330,174	
			9,311,508		11,340,982
Interest payable			**(4,867,635)**		(6,121,788)
Net interest income			**4,443,873**		5,219,194
Fees and commissions receivable			**9,353,444**		9,274,468
Foreign exchange dealing profits			**146,775**		178,255
Operating income			**13,944,092**		14,671,917
Administrative expenses	2		**(5,012,598)**		(4,215,331)
Depreciation	10		**(154,788)**		(102,292)
Other operating charges			**(2,732,039)**		(2,651,308)
			6,044,667		7,702,986
Net impairment (charge) credit	8		**(447,512)**		1,478,979
Profit on ordinary activities before tax	3		**5,597,155**		9,181,965
Tax charge on profit on ordinary activities	4		**(1,306,203)**		(2,200,778)
Profit on ordinary activities after tax			**4,290,952**		6,981,187

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 20 to 38 form part of these financial statements.

Balance sheet

at 30 June 2014

	Note	2014		2013	
		£	£	£	£
Assets					
Cash and balances at central banks			**189,793**		194,226
Loans and advances to banks	6		**535,974,071**		336,253,120
Loans and advances to customers	7		**68,110,831**		89,074,843
Debt securities	9		**583,486,871**		547,371,201
Tangible fixed assets	10		**426,322**		381,740
Other assets	11		**26,323**		228,188
Prepayments and accrued income			**2,817,727**		1,993,525
Total assets			**1,191,031,938**		975,496,843
Liabilities and shareholders' funds					
Deposits by banks	12		**224,556,488**		158,761,402
Customer accounts	13		**810,706,863**		657,383,921
Other liabilities and deferred income	14		**2,948,697**		1,744,044
Accruals			**991,232**		893,342
Subordinated debt	25		**17,537,706**		19,732,947
Shareholders' funds:					
Called up share capital	15	**130,000,000**		130,000,000	
Profit and loss account		**4,290,952**		6,981,187	
			134,290,952		136,981,187
Total liabilities and shareholders' funds			**1,191,031,938**		975,496,843

	Note	2014	2013
		£	£
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements		**774,408**	539,287
Guarantees		**2,286,589**	4,024,554
Commitments:			
Other commitments	16	**223,582,708**	94,156,763
		226,643,705	98,720,604

The notes on pages 20 to 38 form part of these financial statements.

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 12 September 2014 and were signed on its behalf by:

Director — Dr Farouk Abdel Baki El-Okdah,
Chairman

Director — Mr Tarek Amer,
Chief Executive Officer and Managing Director

Cash flow statement

at 30 June 2014

	Note	2014 £	2013 £
Net cash inflow from operating activities	21	**82,214,660**	(113,659,118)
Taxation		**(1,756,143)**	(2,680,573)
Capital expenditure and financial investment	22	**(54,179,365)**	121,564,264
Equity dividends paid		**(6,981,187)**	(9,720,013)
Increase/(Decrease) in cash in the year	23	**19,297,965**	(4,495,440)

The notes on pages 20 to 38 form part of these financial statements.

Reconciliation of movements in shareholders' funds

at 30 June 2014

	Called up share capital £	Profit and loss account £	Total £
As at 30 June 2012	130,000,000	9,720,013	139,720,013
Dividend paid	–	(9,720,013)	(9,720,013)
Profit on ordinary activities after tax	–	6,981,187	6,981,187
As at 30 June 2013	**130,000,000**	**6,981,187**	**136,981,187**
As at 30 June 2013	130,000,000	6,981,187	136,981,187
Dividend paid	–	(6,981,187)	(6,981,187)
Profit on ordinary activities after tax	–	4,290,952	4,290,952
As at 30 June 2013	**130,000,000**	**4,290,952**	**134,290,952**

The notes on pages 20 to 38 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 and with special provisions of the large and medium-sized companies and groups (accounts and reports) Regulations 2008 relating to banking companies.

Going Concern

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

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

(b) Loans and advances

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

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

Specific provisions

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

General provisions

Consideration is given each year of whether an allowance for inherent losses is required for loans and debt securities for which no evidence of loss has been specifically identified on an individual basis (i.e. incurred but not yet reported) but are known from past experience to have deteriorated since the initial decision to lend or invest was made.

(c) Securities

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

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

1 Accounting policies *(continued)*

(d) 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.

(e) Tangible fixed assets

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

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

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

(f) Interest income and expense

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

(g) Fees and commission receivable

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

(h) 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.

(i) 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.

(j) Pension costs

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

1 Accounting policies *(continued)*

(k) Leases

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

(l) 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

	2014	2013
	£	£
Staff costs:		
Wages and salaries	**3,767,698**	3,141,510
Social security costs	**435,696**	380,069
Other pension costs	**377,384**	348,825
Other staff costs	**417,356**	332,293
Other administrative expenses	**14,464**	12,634
	5,012,598	4,215,331

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 54 (2013: 55).

3 Profit on ordinary activities before tax

(a) Is stated after charging:

	2014	2013
	£	£
Audit Fees		
Fees payable to the Company's auditor for the audit of Company's annual accounts	**85,000**	80,000
Fees payable in respect of prior year audit (2013)	**535**	20,836
Total audit fees	**85,535**	100,836
Non-audit Fees		
Taxation compliance services	**7,200**	6,600
Other taxation advisory services	**35,127**	15,975
All other services	**8,500**	22,771
Total non-audit fees	**50,827**	45,346
Depreciation of tangible fixed assets	**154,790**	102,292
Operating lease rentals		
Operating lease rentals were:		
Land and building	**467,134**	457,198
Others	**14,429**	10,615
Total operating lease rentals	**481,563**	467,813

(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

	2014	2013
	£	£
Current tax		
UK Corporation tax at 22.5% (2013: 23.75%) on the taxable profit for the year	**1,259,716**	1,859,134
Prior year adjustment	**2,504**	-
	1,262,220	1,859,134
Deferred tax charge (Credit)		
Income statement charge	**22,922**	337,943
Difference in relation to tax rate change	**(6,148)**	3,537
Adjustment to prior year deferred tax	**27,209**	164
	43,983	341,644
Tax charge on profit on ordinary activities	**1,306,203**	2,200,778

4 Taxation (*continued*)

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

The effective tax rate for the year is higher than the standard UK corporation tax rate of 22.5% (2013 23.75%). The differences are explained below:

	2014	2013
	£	£
Current tax reconciliation		
Profit on ordinary activities before tax	**5,597,155**	9,181,965
Tax on profit on ordinary activities at standard rate	**1,259,360**	2,180,717
Tax effects of:		
Expenses not deductible for tax purposes	**26,694**	20,984
Depreciation for year in excess of capital allowances	**(26,338)**	(21,942)
Reversal of provisions	**–**	(320,625)
Prior year adjustment	**2,504**	–
Total current tax charge (see 4 (a) above)	**1,262,220**	1,859,134

(c) Factors that may affect future tax charge

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

(d) Deferred tax asset (liability)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 20% (2013: 23%)

The movement on the deferred income tax account is as follows:

	2014	2013
	£	£
At the beginning of the year	**(398)**	341,246
Income statement charge	**(22,922)**	(337,943)
Difference in relation to tax rate charge	**6,148**	(3,537)
Prior Year adjustment	**(27,210)**	(164)
As at end of the year (see note 14)	**(44,382)**	(398)
The deferred tax asset consists of the following amounts:		
Timing differences on general provision for bad and doubtful debts	**–**	–
Accelerated tax depreciation	**(44,382)**	(398)
Net deferred tax (liability) (see note 14)	**(44,382)**	(398)

UK corporation tax is calculated at 22.5% (2013: 23.75%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was 21% with effect from 1 April 2014.

5 Emoluments of directors

	2014	2013
	£	£
Directors' fees and emoluments	**1,173,122**	613,924

There is no Director accruing benefits under a money purchase pension scheme (2013: None). The total remuneration and benefits of the highest paid Director were £504,315 (2013: £227,727). This amount includes the sum of £267,158 for compensation for loss of office arising from the retirement of one Director.

6 Loans and advances to banks

(a) Residual maturity

	2014	2013
	£	£
Banks		
Past due	**5,745,378**	7,052,479
Repayable on demand	**25,278,020**	5,975,622
	31,023,398	13,028,101
Other loans and advances with remaining maturity:		
5 years or less but over 1 year	**-**	-
1 year or less but over 3 months	**143,839,016**	61,631,342
3 months or less	**365,062,623**	239,234,046
	539,925,037	313,893,489
Related Parties		
Other loans and advances with remaining maturity:		
3 months or less	**-**	26,310,597
Total loans and advances to banks	**539,925,037**	340,204,086
Bad and doubtful debt provision – specific (See Note 8)	**(3,950,966)**	(3,950,966)
Total	**535,974,071**	336,253,120

b) Concentrations of exposure

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

	2014	2013
	£	£
Total gross advances to banks located in:		
Europe and North America	**440,411,563**	289,320,860
Middle East and Egypt	**55,457,542**	50,646,077
Rest of World	**44,055,932**	237,149
Total	**539,925,037**	340,204,086

7 Loans and advances to customers

(a) Residual maturity

	2014	2013
	£	£
Past due	**1,868,949**	2,822,586
Repayable on demand or at short notice	**14,371,347**	1,069,697
Other loans and advances with remaining maturity		
5 years or less but over 1 year (includes staff loans)	**107,522**	18,070,697
1 year or less but over 3 months	**89,375**	5,478,744
3 months or less	**52,258,228**	63,750,059
Sub-total	**68,695,421**	91,191,783
Bad and doubtful debt provision – specific (see note 8)	**(584,590)**	(2,116,940)
Total	**68,110,831**	89,074,843

(b) Concentrations of exposure

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

	2014	2013
	£	£
Total gross advances to customers located in:		
Europe and North America	**4,900,961**	112,545
Middle East and Egypt	**60,231,991**	86,458,440
Rest of World	**4,074,599**	4,620,798
Total	**69,207,551**	91,191,783

8 Provisions for bad and doubtful debts

(a) Impairment credit

	2014	2013
	£	£
Net write back of provisions for bad and doubtful debts (see note 8(b)	**2,079,865**	2,306,825
Impaired assets written off	**(2,527,377)**	(827,846)
Net Impairment (Debit)/Credit	**(447,512)**	1,478,979

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

	Specific	**General**	**Total**
	£	£	£
Provisions at 30 June 2013	6,067,906	-	6,067,906
Additions during the year	584,590	-	584,590
Reversals of provision during the year due to recoveries	(2,079,865)	-	(2,079,865)
Foreign exchange movement	(37,074)	-	(37,074)
Provisions at 30 June 2014	**4,535,557**	**-**	**4,535,557**
Of which:			
Provision against loans and advances to banks	3,950,966	-	3,950,966
Provision against loans and advances to customers	584,590	-	584,590
	4,535,556	**-**	**4,535,556**

(c) Non-performing loans

	2014	2013
	£	£
Loans on which interest has been suspended (net of suspended interest)	**7,614,327**	9,875,065
Provisions for bad and doubtful debts	**(4,535,557)**	(6,067,906)
Total	**3,078,770**	3,807,159

9 Debt securities

	2014 £	2013 £
Investment securities		
Issued by public bodies – government securities	**52,345,902**	31,996,000
Other securities	**507,686,018**	496,916,715
	560,031,920	528,912,715
Related Parties	**23,454,951**	18,458,486
	583,486,871	547,371,201
Investment securities listing information		
Listed on a UK recognised investment exchange	**59,227,806**	45,724,487
Other listed	**296,888,630**	301,513,558
Unlisted	**227,370,435**	200,133,157
	583,486,871	547,371,201
Investment securities by maturity		
Due within one year	**146,044,891**	235,246,833
Due one year and over	**437,441,980**	312,124,368
	583,486,871	547,371,201

Investment securities – movement	Nominal value £	Net premium/ (discount) £	Net book value £
Balance at 30 June 2013	547,096,942	274,259	547,371,201
Purchases	318,991,360	1,762,161	320,753,521
Sales/maturities	(266,638,129)	(135,399)	(266,773,528)
Amortisation of premium/(discount)	–	(274,697)	(274,697)
Exchange movement	(17,608,254)	18,628	(17,589,626)
Balance at 30 June 2014	**581,841,919**	**1,644,952**	**583,486,871**

9 Debt securities *(continued)*

	2014 £	2013 £
Investment securities – market value		
Issued by public bodies – government securities	**52,250,038**	31,942,503
Other securities	**532,555,681**	514,319,281
	584,805,719	546,261,784

10 Tangible fixed assets

	Leases of 50 years or more unexpired £	Computer equipment and other fixed assets £	Total £
Cost			
At 30 June 2013	259,276	1,859,218	2,118,494
Additions	–	199,370	199,370
Disposals	–	(11,802)	(11,802)
At 30 June 2014	**259,276**	**2,046,786**	**2,306,062**
Accumulated depreciation			
At 30 June 2013	229,258	1,507,496	1,736,754
Charge for year	13,930	140,858	154,788
Related to disposals	–	(11,802)	(11,802)
At 30 June 2014	**243,188**	**1,636,552**	**1,879,740**
Net book value			
At 30 June 2014	**16,088**	**410,234**	**426,322**
At 30 June 2013	30,019	351,721	381,740

11 Other assets

	2014 £	2013 £
Other assets	**26,323**	228,188

12 Deposits by banks

	2014	2013
	£	£
With agreed maturity dates or periods of notice, by remaining maturity:		
Banks		
1 year or less but over 3 months	**6,254,289**	2,218,229
3 months or less but not repayable on demand	**125,173,625**	77,388,613
	131,427,914	79,606,842
Repayable on demand	**11,823,616**	7,854,482
	143,251,530	87,461,324
Related Parties		
5 years or less but over 1 year	**–**	–
1 year or less but over 3 months	**62,298,363**	67,054,720
3 months or less but not repayable on demand	**17,537,706**	–
Repayable on demand	**1,468,889**	4,245,358
	81,304,958	71,300,078
Total		
5 years or less but over 1 year	**–**	–
1 year or less but over 3 months	**68,552,652**	69,272,949
3 months or less but not repayable on demand	**142,711,331**	77,388,613
	211,263,983	146,661,562
Repayable on demand	**13,292,505**	12,099,840
	224,556,488	158,761,402

13 Deposits by Customer accounts

	2014	2013
	£	£
With agreed maturity dates or periods of notice, by remaining maturity:		
5 years or less but over 1 year	**67,678**	72,707
1 year or less but over 3 months	**104,961,958**	180,165,755
3 months or less but not repayable on demand	**653,797,213**	396,907,745
Repayable on demand	**51,880,014**	80,237,715
	810,706,863	657,383,922

14 Other liabilities and deferred income

	2014	2013
	£	£
Foreign exchange payables	**-**	20,114
Taxation	**459,716**	953,640
Other creditors	**2,444,599**	769,892
Deferred tax liabilities (see note 4 (d))	**44,382**	398
	2,948,697	1,744,044

15 Called up Share Capital

	2014	2013
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**130,000,000**	130,000,000

16 Commitments

(a) Other commitments

	2014 £	2013 £
Letters of credit - confirmed	21,756,489	35,295,977
Letters of credit - participation purchased	199,753,798	32,888,246
Forward deposits taken	2,072,421	1,220,765
Forward assets purchased	-	24,751,775
	223,582,708	94,156,763

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

Incurred on behalf of the parent company:

	2014 £	2013 £
Letters of credit – confirmed	1,962,937	5,898,470

(b) Significant concentrations of contingent liabilities and commitments

Approximately 99.6% (2013: 70%) 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 £47,070,812 (2013: £39,504,412) and sales of £47,228,718 (2013: £39,411,266).

17 Operating lease commitments

As at 30 June 2014, the Company had the following non-cancellable operating lease commitments:

	2014		2013	
	£ Land and buildings	£ Other	£ Land and buildings	£ Other
Operating lease commitments which expire:				
Within 1 year	464,470	7,180	467,388	7,180
Between 1 and 5 years	1,890,445	7,180	1,903,114	14,360
More than 5 years	700,429	-	1,199,904	-
	3,055,344	14,360	3,570,406	21,540

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 and Risk Committee Credit Committee; Asset and Liability 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 miss-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 re-pricing date.

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

At 30 June 2014, 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	935,309,277	130,601,997	70,150,824	48,599,275	-	6,370,565	1,191,031,938
Liabilities	(1,026,759,712)	(4,524,918)	(17,092,298)	(67,678)	-	(142,587,332)	(1,191,031,938)
Off-balance sheet items	9,353,443	-	-	(9,353,443)	-	-	-
Gap	(82,096,992)	126,077,079	53,058,526	39,178,154	-	(136,216,767)	-
Cumulative	(82,096,992)	43,980,087	97,038,613	136,216,767	136,216,767	-	-

18 Risk management *(continued)*

At 30 June 2013, 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	862,258,632	55,586,796	32,888,246	18,417,418	-	6,345,751	975,496,843
Liabilities	(814,819,706)	(1,164,107)	(15,039,080)	-	-	(144,473,950)	(975,496,843)
Off-balance sheet items	10,524,239	-	-	(10,524,239)	-	-	-
Gap	57,963,165	54,422,689	17,849,166	7,893,179	-	(138,128,199)	-
Cumulative	57,963,165	112,385,854	130,235,020	138,128,199	138,128,199	-	-

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 PRA and FCA 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 PRA and FCA 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.

19 Derivative and exchange rate contracts

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

	2014			2013		
	Principal amount	**Positive fair values**	**Negative fair values**	Principal amount	Positive fair values	Negative fair values
	£	**£**	**£**	£	£	£
Interest rate related Contracts:						
Interest rate swaps	**9,353,443**	**-**	**505,385**	10,524,239	-	441,034
Exchange rate related Contracts	**47,070,812**	**63,792**	**213,389**	39,504,412	194,373	105,055

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 2014, there were 6 interest rate swaps outstanding (2013: 6).

Maturity analysis:

	2014 Interest rate swaps	
	Notional values	**Fair values**
	£	**£**
Maturity:		
5 years or less but over 1 year	**9,353,443**	**(505,385)**

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

19 Derivative and exchange rate contracts *(continued)*

	2014	
	Exchange rate related contracts	
	Notional values	**Fair values**
	£	**£**
Maturity:		
within 1 year	**47,070,812**	**(149,597)**

	2013	
	Exchange rate related contracts	
	Notional values	Fair values
	£	£
Maturity:		
within 1 year	39,504,412	89,318

20 Assets and liabilities denominated in foreign currencies

	2014	2013
	£	£
Denominated in Sterling	**240,702,030**	218,320,915
Denominated in US Dollar	**930,193,304**	720,299,194
Denominated in other currencies	**20,136,604**	36,876,734
Total assets	**1,191,031,938**	975,496,843
Denominated in Sterling	**219,069,958**	218,928,870
Denominated in US Dollar	**959,023,561**	744,223,937
Denominated in other currencies	**12,938,419**	12,344,036
Total liabilities	**1,191,031,938**	975,496,843

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

21 Reconciliation of operating profit to operating cash flows

	2014	2013
	£	£
Operating profit	**6,044,667**	7,702,986
Accrued income and prepayments	**(824,202)**	660,119
Accruals and deferred income	**97,890**	(849,018)
Provision for bad and doubtful debts	**2,079,865**	2,306,825
Loans and advances written off net of recoveries	**(2,527,377)**	(827,846)
Depreciation and amortisation	**154,790**	102,292
Interest on subordinated debt	**417,831**	455,451
Profits on sale of investment debt and equity securities	**(4,788)**	(157,726)
Provisions for liabilities and charges	**728,388**	(7,497,240)
Other non-cash movements	**14,976,554**	(8,701,921)
Net cash inflow from trading activities	**21,143,618**	(6,806,078)
Net cash inflow from operating activities comprises:		
Loans and advances to banks and customers	**(160,182,929)**	41,399,087
Deposits by banks and customer accounts	**219,118,028**	(148,524,952)
Debt securities in issue	**279,485**	(267,651)
Other assets	**201,865**	501,293
Other liabilities	**1,654,593**	39,183
Net cash inflow from operating activities	**82,214,660**	(113,659,118)

22 Analysis of cash flows

	2014	2013
	£	£
Capital expenditure and financial investment		
Purchase of investment securities	**(320,753,521)**	(256,888,149)
Sale and maturity of investment securities	**266,773,528**	378,738,227
Purchase of tangible fixed assets	**(199,372)**	(285,814)
Net cash outflow	**(54,179,365)**	121,564,264

23 Analysis of the balances of cash as shown in the balance sheet

	At 30/6/14	Cash flow	At 30/06/2013
	£	£	£
Cash and balances at central banks	**189,793**	(4,433)	194,226
Loans and advances to other banks repayable on demand	**25,278,020**	19,302,398	5,975,622
	25,467,813	19,297,965	6,169,848

24 Related party disclosures

During the year, the Company received fees and commission of £7,107,024 (2013: £8,323,810), Interest income of £4,571 (2013: £155,731) and paid interest expenses £185,126 (2013: £285,978) to the parent National Bank of Egypt, Head Office, Cairo.

As at the year end, the Company had no loans outstanding (2013: £26,310,597) and deposits of £98,842,664 (2013: £71,300,078) from its parent National Bank of Egypt, Head Office, Cairo.

It also held debt securities at year end with Nile Finance, a subsidiary of National Bank of Egypt, Head Office, Cairo, totalling £23,454,951 (2013: £18,458,486).

During the year, there were no new loans issued to officers of the Company (2013: nil).

25 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 £417,831 (2013: £455,451).

26 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.

Five-Year Summary

	2014	2013	2012	2011	2010
	£m	£m	£m	£m	£m
Net Operating Income	6.0	7.7	13.3	7.7	6.7
Net Provisions and Write-Offs	(0.4)	1.5	0.2	0.4	0.0
Profit before taxation	5.6	9.2	13.5	8.2	7.0
Taxation	1.3	(2.2)	(3.5)	(2.4)	(2.0)
Profit after Taxation	4.3	7.0	10.0	5.8	5.0
Issued Share Capital	130	130.0	130.0	130.0	130.0
Total Shareholders' Funds	134.3	137.0	139.7	129.7	123.9
Deposits by Banks	225	159	147	212	217
Customer Accounts	811	657	818	1,052	1,105
Loans and Advances to Banks	536	336	396	611	548
Loans and Advances to Customers	68	89	68	84	76
Debt Securities	583	547	660	720	813
Total Assets	1,191	975	1,128	1,420	1,452
Capital Ratios %					
– Risk Asset Ratio	31.1	46.2	54.3	35.4	25.5
– Shareholders Funds to Total Assets	11.3	14.0	12.4	9.1	8.5
Return on Share Capital %					
– profit before taxation	4.3	7.1	10.4	6.3	5.4
– profit after taxation	3.3	5.4	7.7	4.5	3.9
Return on Total Shareholders' Funds %					
– profit before taxation	4.2	6.7	9.7	6.3	5.7
– profit after taxation	3.2	5.1	7.2	4.5	4.1