National Bank of Egypt (UK) Limited

Directors' report and financial statements

Registered number 2743734

For the year ended 30 June 2015

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 Rafaie
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,
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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, 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 2015.

During the year under review uncertainty has continued and recovery from the global downturn continues, but at a slow pace. Global economic growth is still weak, its fundamental dynamics are changing and with considerable downside risks. Economic activity in much of the world failed to reach levels required to rebuild sustainable consumer confidence and to promote renewed investment expenditure, with most major central banks maintaining interest rates at their unprecedented low levels. Concerns over deflationary trends particularly in the Eurozone grew.

Despite noticeable improvements in growth in developed economies such as the UK and the US, the slower pace of expansion in emerging economies such as Brazil, Russia, India and China constitutes a drag on global expansion. 2015 has seen a number of global challenges for the financial sector but resilience has allowed the industry to continue in its stride towards improvements and growth. The UK economy grew by 0.5% in the fourth quarter of 2014 with growth of 2.6% for the full year for 2014 and it is estimated to be 2.7% in 2015. However, the recent shockwaves of the Greek debt crisis have renewed Eurozone fears of a triple dip recession. Against the volatile markets of the advanced economies, the banking sector in NBEUK's core markets also continued to be challenging with difficult regional, political and business environments. Despite these challenges, the bank is pleased to report a stable financial performance, one which has exceeded the budget expectations for yet another year; this has been achieved while building up the bank's financial resources with both the level of capital and our diversified liquidity position being maintained comfortably above the regulatory requirement levels throughout the year.

While 2015 has been a year of noticeable change for NBEUK, due to the implementation by management of the new business strategy, which outlines the key financial objectives out until June 2017, the results for the year have been encouraging; highlighting the progress that has been made in our underlying business and in the expansion of its related products.

As a consequence NBEUK posted a strong profit performance highlighted by an increased operating income to £19.7m or 40.7% higher than the level of £13.9m in 2014. Net interest income also grew strongly, increasing by 50% to £6.6m above the level of £4.4m in 2014. This is in line with the projected extension of our portfolio of markets and products as per the approved budget for the year under review. Commissions and fees generated from trade finance and other business including foreign exchange dealing profits was up 38.62% in 2015 to £13m compared to £9.4m in 2014. Subsequently net profit after tax grew by 102.84% to £8.7m compared to £4.3m a year earlier and at 26% above the budget. 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 further upgrade of sovereign and counterparty ratings. Operating costs continued to be controlled and with the improved gross income for this year, NBEUK's cost to income ratio has significantly improved to 44.33% (2014: 56.65%). The marked improvement in the financial performance is based on the strength of our parent in their home market – Egypt, combined with our historical experience in emerging markets in terms of sourcing business and accepting risk.

We have continued to focus on high asset quality, improving the diversity of our lending profile while maintaining our robust risk management processes to minimise shareholder exposure whilst ensuring enhanced shareholders' return and we continue to closely monitor the global macroeconomic events proactively as these play a key role in determining our financial projections and budget for the year ahead.

The regulatory environment remained challenging with the introduction of the Delegated Act by the European Commission for Liquidity Management coupled with the PRA's related CRD IV Liquidity Policy and

Supervisory Statements together with the introduction of new Pillar 2 Liquidity Guidance (ILG) which will be implemented with effect from 1 October 2015. More stringent rules in relation to capital adequacy were introduced to ensure more resilient UK financial institutions with enhanced Pillar 2A and 2B capital to reflect the name-specific risk of regulated firms. The introduction of the new Senior Managers and Certification Regime, the Conduct and Cultural Risk Practises and Deposit Protection Revised Scheme and Recovery and Resolution directives will continue to add more evolving regulatory requirements to ensure banks are better prepared for future financial crisis. NBEUK continues to benefit from the strong capital adequacy and liquidity positions with full compliance in relation to the new and additional reporting requirements as both the Board and Management continue to promote and maintain sound internal control and corporate governance in compliance with applicable regulations.

The Bank's risk appetite has been revised in line with the approved strategy and the Bank has delivered enhanced Risk Management infrastructure, framework and practices with the risk limits and policies aligned to the yearly budget and day to day running of business to protect the interest of the Bank's customers and its stakeholders. NBEUK will continue to be proactive in responding to the ongoing economic recovery and more stringent regulatory developments through its conservative approach to risk and business.

On behalf of the Board of Directors, I would like to express my thanks to the Bank's Management and staff for their valuable contribution to NBEUK's success in 2015 and we look forward to further improvements to the Bank's results in the year ahead.

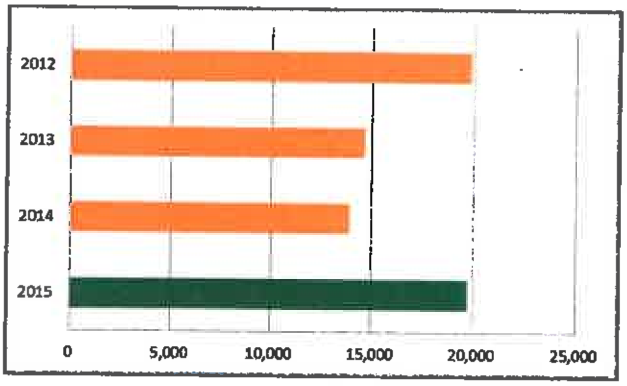
Dr. Farouk A. El Okdah
Chairman

Financial Highlights

Operating Income

£19.7m

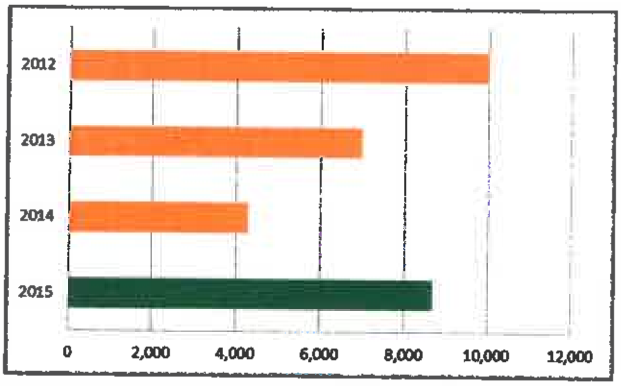
- Operating income increased 40.7%



Net Profit

£8.7m

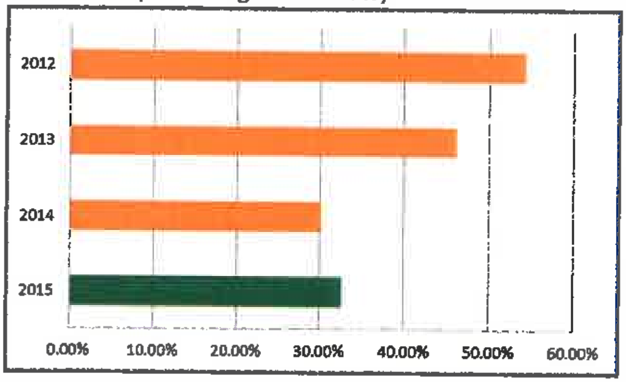
- Net profit after tax increased 102.3%



Capital Strength

32.6%

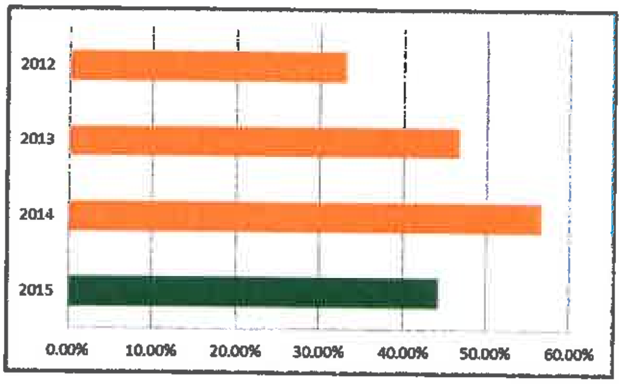
- Improved capital adequacy
  Tier 1 and Tier 2 capital as a percentage of RWA's (Risk weighted assets)



Cost Income Ratio

44.3%

Improved cost income ratio



£000's

	2015	2014	2013	2012
Financial Position				
Operating income	19,746	13,944	14,671	19,864
Net profit	8,713	4,291	6,981	10,005
Total assets	986,412	1,191,032	975,497	1,127,778
Total investments	494,963	583,487	547,371	659,936
Total loans to customer	88,887	68,111	89,075	68,165
Shareholders' funds	143,004	134,291	136,981	139,720
Tier 1 & 2 capital (eligible capital)	153,368	151,829	149,733	149,119
Ratios %				
Capital adequacy	32.63%	31.13%	46.19%	54.31%
Cost income ratio	44.33%	56.65%	46.89%	33.15%
Return on equity	6.70%	3.30%	5.37%	7.70%
Return on shareholders' funds	6.10%	3.20%	5.10%	7.16%

Strategic Report

(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 Bank's 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 NBEUK's 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 their 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 we take deposits from customers and then lend to borrowers through our 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, 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 2015/16 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 bank's 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 2015, the Company has total assets of £986M. This was a decrease from the previous year's total assets of £1,191M, due to a decrease in customer deposits. The company made a profit after tax of £8.7M, compared to £4.3M the previous year. The banking market did recover slightly, but margins were particularly challenging.

The net interest income increased from £4.4M in 2013/14 to £6.6M in 2014/15 and fees and commissions increased to £11.8M from £9.4M.

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 2015 are shown on pages 21 to 24. The profit after taxation for the year amounts to £8,713,438 (2014: £4,290,952).

Financial Highlights 2014/15

Year on year, operating income of £19,746,108 (2014: £13,944,092) was 41.6% higher than last year. There was an increase in net interest income of 48.4% to £6,593,534 (2014: £4,443,873). Non-interest income increased 38.4% from £9,500,219 in 2014 to £13,152,574 in 2015.

Operating expenses increased from £7,899,425 in 2014 to £8,756,002 in 2015 (an increase of 10.8%), due to the investment in a number of projects and senior staff within the Bank.

The tax charge increased from £1,306,203 in 2014 to £2,276,668 in 2015, due to higher gross profits, combined with a lower corporation tax rate.

Total assets, at £986,411,629 were £204, 620,309 lower 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 (Asset and Liability Committee), and senior management. Risk and Audits reports are prepared quarterly for the 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, a diverse lending portfolio, with a central oversight 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 a 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 FCA. 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 Bank's "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 Bank's 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 2015 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 2015 including retained profit was as follows:

	June 2014 **£000's**	**June 2015** **£000's**
Tier 1 Capital	134,291	134,291
Tier 2 Capital	17,538	19,077
Total eligible capital resources	151,829	153,368

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 2014 £000's	June 2015 £000's
Credit risk capital	39,012	37,598
Market risk capital	41	9
Counterparty risk capital	20	72
Operational risk	2,424	2,424
Total Pillar 1 Capital	41,497	40,103
Total Pillar 2A Capital	31,135	33,285
Total Capital Requirements	72,620	73,388

Risk weighted assets (RWA) were higher as at 30 June 2015 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 2014	June 2015
Capital surplus (£000's)	79,209	79,980
Capital adequacy ratio	31.13%	32.63%
Leverage ratio	9.47%	12.86%

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 basis of the assessment 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 Bank's strategy and plans. It is not foreseen that the balance sheet will grow substantially, but gradually as the Bank takes on more profitable assets.

By order of the board

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary

11 Waterloo Place
London SW1Y 4AU
18 September 2015

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 2015.

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
Mr Tarek Hassan Nour Eldin Aly Amer, Chief Executive Officer and Managing Director
Mr Mokhtar Abdel Gawad El Shennawy, Deputy Managing Director
Dr Ziad Ahmed Bahaa-Eldin
Mr Raymond Seamer
Mr Mahmoud Montaser Al-Asfar
Mr Nicholas Charles Beecroft
Mr Hussein Ismail El Refaie

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 (2014: £130,000,000). Details of the Company's share capital are given in note 15.

Employees

As at 30 June 2015 the Company had an average of 61 (2014: 54) 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 dependants.
The Company believes that it enjoys a good relationship with its staff.

Political and charitable contributions

The Company made no political contributions (2014: £nil) and charitable contributions of £250 (2014: £200) during the year.

Dividend

The Directors recommend that a dividend of £8,713,438 be paid based on the 2015 financial statements (2014: £nil).

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 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

Dentons Secretaries Limited
Company Secretary
11 Waterloo Place
London SW1Y 4AU
18 September 2015

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 AUDITOR'S REPORT TO THE MEMBERS OF NATIONAL BANK OF EGYPT (UK) LIMITED

We have audited the financial statements of National Bank of Egypt (UK) Limited for the year ended 30 June 2015 which comprise 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 2015 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

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

18 September 2015

Profit and loss account
for the year ended 30 June 2015

	Notes	2015 £	£	2014 £	£
Interest receivable:					
Interest receivable and similar income arising from debt securities		11,729,452		6,341,730	
Other interest receivable and similar income		7,499,057		2,969,778	
			19,228,509		9,311,508
Interest payable			(12,634,975)		(4,867,635)
Net interest income			6,593,534		4,443,873
Fees and commissions receivable			12,965,674		9,353,444
Foreign exchange dealing profits			186,900		146,775
Operating income			19,746,108		13,944,092
Administrative expenses	2		(5,732,887)		(5,012,598)
Depreciation	10		(169,315)		(154,790)
Other operating charges			(2,853,800)		(2,732,037)
			10,990,106		6,044,667
Net impairment (debit)/credit	8		-		(447,512)
Profit on ordinary activities before tax	3		10,990,106		5,597,155
Tax charge on profit on ordinary activities	4		(2,276,668)		(1,306,203)
Profit on ordinary activities after tax			8,713,438		4,290,952

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

The notes on pages 24 to 41 form part of these financial statements.

Balance sheet
at 30 June 2015

	Notes	2015 £	£	2014 £	£
Assets					
Cash and balances at central banks			204,100		189,793
Loans and advances to banks	6		396,592,559		535,974,071
Loans and advances to customers	7		88,886,805		68,110,831
Debt securities	9		494,962,601		583,486,871
Tangible fixed assets	10		333,669		426,322
Other assets	11		135,361		26,323
Prepayments and accrued income			5,296,534		2,817,727
Total assets			986,411,629		1,191,031,938
Liabilities and shareholders' funds					
Deposits by banks	12		140,873,823		224,556,488
Customer accounts	13		677,513,746		810,706,863
Other liabilities and deferred income	14		2,407,053		2,948,697
Accruals			3,535,929		991,232
Subordinated debt	25		19,076,688		17,537,706
Shareholders' funds:					
Called up share capital	15	130,000,000		130,000,000	
Profit and loss account		13,004,390		4,290,952	
			143,004,390		134,290,952
Total liabilities and shareholders' funds			986,411,629		1,191,031,938

		2015 £	2014 £
Memorandum items			
Contingent liabilities:			
Acceptances and endorsements		183,855	774,408
Guarantees		1,953,428	2,286,589
Commitments:			
Other commitments	16	51,319,282	223,582,708
		53,456,565	226,643,705

The notes on pages 24 to 41 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 18 September 2015 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
for the year ended 30 June 2015

	Note	2015 £	2014 £
Net cash (outflow)/inflow from operating activities	21	**(91,768,515)**	82,214,660
Taxation		**(2,253,042)**	(1,756,143)
Capital expenditure and financial investment	22	**116,289,508**	(54,179,365)
Equity dividends paid		-	(6,981,187)
Increase in cash in the year	23	**22,267,951**	19,297,965

The notes on pages 24 to 41 form part of these financial statements

Reconciliation of movements in shareholders' funds
for the year ended 30 June 2015

	Called up share capital	Profit and loss account	Total
	£	£	£
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 2014	**130,000,000**	**4,290,952**	**134,290,952**
As at 30 June 2014	130,000,000	4,290,952	134,290,952
Dividend paid	-	-	-
Profit on ordinary activities after tax	-	8,713,438	8,713,438
As at 30 June 2015	**130,000,000**	**13,004,390**	**143,004,390**

The notes on pages 24 to 41 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.

The Bank will adopt Financial Reporting Standards 102 ("FRS 102"), the financial reporting standard applicable in the UK and the Republic of Ireland for the yearly financial statements commencing 1 July 2015. The first reporting period will be for the year ended 30 June 2016.

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 or due.

(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

	2015 £	2014 £
Staff costs:		
Wages and salaries	4,349,382	3,767,698
Social security costs	484,692	435,696
Other pension costs	395,520	377,384
Other staff costs	484,817	417,356
Other administrative expenses	18,476	14,464
	5,732,887	5,012,598

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

The monthly average number of persons employed by the Company during the year was 61 (2014: 54).

3 Profit on ordinary activities before tax

(a) Is stated after charging:

	2015 £	2014 £
Audit Fees		
Fees payable to the Company's auditor for the audit of Company's annual accounts	90,000	85,000
Fees payable in respect of prior year audit (2014)	5,327	535
Total audit fees	95,327	85,535
Non-audit Fees		
Taxation compliance services	8,000	7,200
Other taxation advisory services	425	35,127
All other services	9,191	8,500
Total non-audit fees	17,616	50,827
Depreciation of tangible fixed assets	169,315	154,790
Operating lease rentals		
Operating lease rentals were:		
Land and building	468,849	467,134
Others	17,829	14,429
Total operating lease rentals	486,678	481,563

(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

	2015 £	2014 £
Current tax		
UK Corporation tax at 20.75% (2014: 22.5%) on the taxable profit for the year	**2,296,800**	1,259,716
Prior year adjustment	**(6,674)**	2,504
	2,290,126	1,262,220
Deferred tax charge (Credit)		
Income statement (credit)/charge	**(13,458)**	22,922
Difference in relation to tax rate change	-	(6,148)
Adjustment to prior year deferred tax	-	27,210
	(13,458)	43,983
Tax charge on profit on ordinary activities	**2,276,668**	1,306,203

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

The effective tax rate for the year is higher than the standard UK corporation tax rate of 20.75% (2014 22.5%). The differences are explained below:

	2015 £	2014 £
Current tax reconciliation		
Profit on ordinary activities before tax	**10,990,106**	5,597,155
Tax on profit on ordinary activities at standard rate	**2,280,447**	1,259,360
Tax effects of:		
Expenses not deductible for tax purposes	**2,391**	26,694
Depreciation for year in arrears of capital allowances	**13,963**	(26,338)
Reversal of provisions	-	-
Prior year adjustment	**(6,675)**	2,504
Total current tax charge (see 4 (a) above)	**2,290,126**	1,262,220

(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.

4 Taxation *(continued)*

(d) Deferred tax asset (liability)

Deferred income taxes are calculated on all temporary differences under the liability method using an effective rate of 20% (2014: 20%)

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

	2015 £	2014 £
At the beginning of the year	(44,382)	(398)
Income statement (credit)/charge	13,458	(22,922)
Difference in relation to tax rate charge	-	6,148
Prior Year adjustment	-	(27,210)
As at end of the year (see note 14)	**(30,924)**	(44,382)

The deferred tax asset consists of the following amounts:

	2015 £	2014 £
Accelerated tax depreciation	**(30,924)**	(44,382)
Net deferred tax (liability) (see note 14)	**(30,924)**	(44,382)

UK corporation tax is calculated at 20.75% (2014: 22.5%) of the estimated assessable profits for the year. The standard rate of UK corporation tax was 21% with effect from 1 April 2015.

5 Emoluments of directors

	2015 £	2014 £
Directors' fees and emoluments	**876,982**	1,173,122

There is no Director accruing benefits under a money purchase pension scheme (2014: None). The total remuneration and benefits of the highest paid Director were £414,644 (2014: £504,315).

6 Loans and advances to banks

(a) Residual maturity

	2015 £	2014 £
Banks		
Past due	5,042,302	5,745,378
Repayable on demand	47,406,725	25,278,020
	52,449,027	31,023,398
Other loans and advances with remaining maturity:		
5 years or less but over 1 year	19,076,688	-
1 year or less but over 3 months	11,751,621	143,839,016
3 months or less	253,552,289	365,062,623
	336,829,625	539,925,037
Related Parties		
Other loans and advances with remaining maturity:		
Repayable on demand	124,939	-
3 months or less	63,588,961	-
Total loans and advances to banks	400,543,525	539,925,037
Bad and doubtful debt provision – specific (see note 8)	(3,950,966)	(3,950,966)
Total	396,592,559	535,974,071

(b) Concentrations of exposure

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

	2015 £	2014 £
Total gross advances to banks located in:		
Europe and North America	114,581,331	440,411,563
Middle East and Egypt	165,387,498	55,457,542
Rest of World	120,574,696	44,055,932
Total	400,543,525	539,925,037

7 Loans and advances to customers

(a) Residual maturity

	2015 £	2014 £
Past due	1,845,457	1,868,949
Repayable on demand or at short notice	144,917	14,371,347
Other loans and advances with remaining maturity		
5 years or less but over 1 year (includes staff loans)	5,327,076	107,522
1 year or less but over 3 months	34,740	89,375
3 months or less	82,170,506	52,258,228
Sub-total	89,522,696	68,695,421
Bad and doubtful debt provision – specific (see note 8)	(635,891)	(584,590)
Total	88,886,805	68,110,831

(b) Concentrations of exposure

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

	2015 £	2014 £
Total gross advances to customers located in:		
Europe and North America	91,590	4,900,961
Middle East and Egypt	84,092,239	59,719,861
Rest of World	5,338,867	4,074,599
Total	89,522,696	68,695,421

8 Provisions for bad and doubtful debts

(a) Impairment Credit

	2015 £	2014 £
Net write back of provisions for bad and doubtful debts (see note 8(b))	-	2,079,865
Impaired assets written off	-	(2,527,377)
Net Impairment (Debit)/Credit	-	(447,512)

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

	Specific £	General £	Total £
Provisions at 30 June 2014	4,535,557	-	4,535,557
Additions during the year	-	-	-
Reversals of provision during the year due to recoveries	-	-	-
Foreign exchange movement	51,300	-	51,300
Provisions at 30 June 2015	**4,586,857**	-	**4,586,857**
Of which:			
Provision against loans and advances to banks	3,950,966	-	3,950,966
Provision against loans and advances to customers	635,891	-	635,891
	4,586,857	-	**4,586,857**

(c) Non-performing loans

	2015 £	2014 £
Loans on which interest has been suspended (net of suspended interest)	**6,887,760**	7,614,327
Provisions for bad and doubtful debts	**(4,586,857)**	(4,535,557)
Total	**2,300,903**	3,078,770

9 Debt securities

	2015	2014
	£	£
Investment securities		
Issued by public bodies – government securities	100,871,169	52,345,902
Other securities	375,656,238	507,686,018
	476,527,407	560,031,920
Related Parties	18,435,194	23,454,951
	494,962,601	583,486,871
Listed on a UK recognised investment exchange	25,472,941	59,227,806
Other listed	249,296,530	296,888,630
Unlisted	220,193,130	227,370,435
	494,962,601	583,486,871
Investment securities by maturity		
Due within one year	132,060,494	146,044,891
Due one year and over	362,902,107	437,441,980
	494,962,601	583,486,871

Investment securities - movement	Nominal value £	Net premium/ (discount) £	Net book Value £
Balance at 30 June 2014	581,841,919	1,644,952	583,486,871
Purchases	703,321,281	5,119,617	708,440,898
Sales/maturities	(820,219,865)	(4,587,203)	(824,807,068)
Amortisation of premium/(discount)	-	(785,311)	(785,311)
Exchange movements	28,543,471	83,740	28,627,211
Balance at 30 June 2015	493,486,806	1,475,795	494,962,601

	2015	2014
	£	£
Investment securities - market value		
Issued by public bodies – government securities	102,445,920	52,250,038
Other securities	403,041,070	532,555,681
	505,486,990	584,805,719

10 Tangible fixed assets

	Leases of 50 years or more unexpired £	Computer equipment and other fixed assets £	Total £
Cost			
At 30 June 2014	259,276	2,046,786	2,306,062
Additions	-	76,662	76,662
Disposals	-	(18,402)	(18,402)
At 30 June 2015	**259,276**	**2,105,046**	**2,364,322**
Accumulated depreciation			
At 30 June 2014	243,188	1,636,552	1,879,740
Charge for year	13,926	155,389	169,315
Related to disposals		(18,402)	(18,402)
At 30 June 2015	**257,114**	**1,773,539**	**2,030,653**
Net book value			
At 30 June 2015	**2,162**	**331,507**	**333,669**
At 30 June 2014	16,088	410,234	426,322

11 Other assets

	2015 £	2014 £
Other assets	135,361	26,323

12 Deposits by banks

	2015	2014
	£	£
With agreed maturity dates or periods of notice, by remaining maturity:		
Banks		
1 year or less but over 3 months	-	6,254,289
3 months or less but not repayable on demand	57,908,513	125,173,625
	57,908,513	131,427,914
Repayable on demand	15,149,378	11,823,616
	73,057,891	143,251,530
Related Parties		
5 years or less but over 1 year		-
1 year or less but over 3 months	65,632,825	62,298,363
3 months or less but not repayable on demand	-	17,537,706
Repayable on demand	2,183,107	1,468,889
	67,815,932	81,304,958
Total		
5 years or less but over 1 year	-	-
1 year or less but over 3 months	65,632,825	68,552,652
3 months or less but not repayable on demand	57,908,513	142,711,331
	123,541,338	211,263,983
Repayable on demand	17,332,485	13,292,505
	140,873,823	224,556,488

13 Deposit by Customer accounts

	2015	2014
	£	£
With agreed maturity dates or periods of notice, by remaining maturity:		
5 years or less but over 1 year	-	67,678
1 year or less but over 3 months	302,963,670	104,961,958
3 months or less but not repayable on demand	216,303,814	653,797,213
Repayable on demand	158,246,262	51,880,014
	677,513,746	810,706,863
	677,513,746	810,706,863

14 Other liabilities and deferred income

	2015 £	2014 £
Foreign exchange payables	-	-
Taxation	496,800	459,716
Other creditors	1,879,329	2,444,599
Deferred tax liabilities (see note 4 (d))	30,924	44,382
	2,407,053	2,948,697

15 Called up Share Capital

	2015 £	2014 £
Allotted, called up and fully paid		
Ordinary shares of £1 each	130,000,000	130,000,000

16 Commitments

(a) *Other commitments*

	2015 £	2014 £
Letters of credit - confirmed	14,024,812	21,756,489
Letters of credit - participation purchased	36,367,022	199,753,798
Forward deposits taken	277,448	2,072,421
Forward assets purchased	-	-
Loan commitments (undrawn credit lines)	650,000	
	51,319,282	223,582,708

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:

	2015 £	2014 £
Letters of credit – confirmed	2,553,256	1,962,937

(b) *Significant concentrations of contingent liabilities and commitments*

Approximately 97.4% (2014: 99.6%) 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 £62,974,190 (2014: £47,070,812) and sales of £63,579,341 (2014: £47,228,718).

17 Operating lease commitments

As at 30 June 2015, the Company had the following non-cancellable operating lease commitments:

	2015		2014	
	£	£	£	£
	Land and buildings	Other	Land and buildings	Other
Operating lease commitments which expire:				
Within 1 year	472,691	7,580	464,470	7,180
Between 1 and 5 years	1,926,132	24,635	1,890,445	7,180
More than 5 years	225,094	-	700,429	-
	2,623,917	32,215	3,055,344	14,360

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 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 2015, 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 1 year	More than 1 year but not more than 5 years	More than 5 years	Non-interest bearing	TOTAL
	£	£	£	£	£	£	£
Assets	696,633,334	27,860,508	5,366,908	163,438,382	-	93,112,497	986,411,629
Liabilities	(813,330,786)	(2,166,980)	(14,621,105)	-	-	(156,292,758)	(986,411,629)
Off-balance sheet items	249,283,480	-	-	(249,283,480)			-
Gap	132,586,028	25,693,528	(9,254,197)	(85,845,098)		(63,180,261)	-
Cumulative	132,586,028	158,279,556	149,025,359	63,180,261	63,180,261	-	-

18 Risk management *(continued)*

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 1 year	More than 1 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	-	6,955,155	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	-	-

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:

	2015			2014		
	Principal amount £	**Positive fair values £**	**Negative fair values £**	Principal amount £	Positive fair values £	Negative fair values £
Interest rate related Contracts:						
Interest rate swaps	**252,462,928**	**-**	**14,680,932**	9,353,443	-	505,385
Exchange rate related Contracts	**62,974,190**	**166,148**	**774,388**	47,070,812	63,792	213,389

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 2015, there were 67 interest rate swaps outstanding (2014: 6).

Maturity analysis:

	2015 Interest rate swaps	
	Notional values £	**Fair values £**
Maturity:		
1 year or less	**3,179,448**	**(54,685)**
5 years or less but over 1 year	**249,283,480**	**(14,626,248)**

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

Notes *(continued)*

19 Derivative and exchange rate contracts *(continued)*

	2015 Exchange rate related contracts	
	Notional values	**Fair values**
	£	**£**
Maturity:		
within 1 year	-	-
5 years or less but over 1 year	**62,974,190**	**(608,240)**

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

20 Assets and liabilities denominated in foreign currencies

	2015	2014
	£	£
Denominated in Sterling	**223,609,644**	240,702,030
Denominated in US Dollar	**752,090,226**	930,193,304
Denominated in other currencies	**10,711,759**	20,136,604
Total assets	**986,411,629**	1,191,031,938
Denominated in Sterling	**230,677,695**	219,069,958
Denominated in US Dollar	**740,070,625**	959,023,561
Denominated in other currencies	**15,663,309**	12,938,419
Total liabilities	**986,411,629**	1,191,031,938

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

21 Reconciliation of operating profit to operating cash flows

	2015 £	2014 £
Operating profit	10,990,106	6,044,667
Accrued income and prepayments	(2,478,807)	(824,202)
Accruals and deferred income	2,544,697	97,890
Provision for bad and doubtful debts	-	2,079,865
Loans and advances written off net of recoveries	-	(2,527,377)
Depreciation and amortisation	169,315	154,790
Interest on subordinated debt	437,391	417,831
Profits on sale of investment debt and equity securities	(1,065,002)	(4,788)
Provisions for liabilities and charges	51,301	728,388
Other non-cash movements	(27,525,620)	14,976,554
Net cash (outflow)/inflow from trading activities	(16,876,619)	21,143,618
Net cash inflow from operating activities comprises:		
Loans and advances to banks and customers	140,807,881	(160,182,929)
Deposits by banks and customer accounts	(216,875,782)	219,118,028
Debt securities in issue	1,850,313	279,485
Other assets	(109,038)	201,865
Other liabilities	(565,270)	1,654,593
Net cash (outflow)/inflow from operating activities	(91,768,515)	82,214,660

22 Analysis of cash flows

	2015 £	2014 £
Capital expenditure and financial investment		
Purchase of investment securities	(708,440,898)	(320,753,521)
Sale and maturity of investment securities	824,807,068	266,773,528
Purchase of tangible fixed assets	(76,662)	(199,372)
Net cash outflow	116,289,508	(54,179,365)

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

	At 30/6/14	Cash flow £	At 30/06/2015 £
Cash and balances at central banks	189,793	14,307	**204,100**
Loans and advances to other banks repayable on demand	25,278,020	22,253,644	**47,531,664**
	25,467,813	22,267,951	**47,735,764**

24 Related party disclosures

During the year, the Company received fees and commission of £9,584,125 (2014: £7,107,024), Interest income of £155,613 (2014: £4,571) and paid interest expenses £194,863 (2014: £185,126) to the parent National Bank of Egypt, Head office, Cairo.

24 Related party disclosures *(continued)*

As at the year end, the Company had loans outstanding of £63,588,961 (2014: £nil) and deposits of £86,892,620 (2014: £98,842,664) 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 £18,435,194 (2014: £23,454,951).

During the year, there were no new loans issued to officers of the Company (2014: 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 23 February 2024. The interest payable during the year amounted to £434,866 (2014: £417,831).

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.