

National Bank of Egypt

New York Branch



National Bank of Egypt Resolution Plan

Section 1: Public Section

December 2013

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National Bank of Egypt (“NBE”)

New York Branch



Resolution Plan

Section 1: Public Section

Introduction

This is the public section of the plan for resolution (“Resolution Plan”) prepared by the National Bank of Egypt and required pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and regulations of the Federal Deposit Insurance Corporation ("FDIC") and the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The initial Resolution Plan of the National Bank of Egypt is due on December 31, 2013, with annual updates thereafter.

The FDIC and the Federal Reserve have each, by rule and through the supervisory process, prescribed the assumptions, required approach and scope for these resolution plans, and have required that certain information be included in a public section of the resolution plans. This public section of National Bank of Egypt’s Resolution Plan adheres to these requirements.

NBE is defined as a "covered company" under the applicable rules because it is treated as a bank holding company and is supervised by the Federal Reserve and has consolidated assets of \$50 billion or more. As such, NBE must submit a plan for NBE’s rapid and orderly resolution of certain activities in the United States in the event of material financial distress or failure.

This Resolution Plan provides an evaluation by NBE as to how it can be resolved in the United States under the insolvency regime applicable to its businesses in a way that would not pose serious risk to the financial system. This requires NBE to map its core business lines and critical operations (if any) to material entities and provide information on its corporate structure, credit exposure, funding, capital, cash flows, and information with regard to its technology.

This Resolution Plan relates to the subsidiaries, branches, critical operations and core business lines that are domiciled in the United States or are conducted in whole or in material part in the United States. NBE is subject to regulation by its financial regulators primarily in Egypt. There are no requirements of the Egyptian financial authorities relating to recovery and resolution planning of NBE. This is different than the requirements imposed under U.S. law and regulations because of the substantial government ownership held by the Country of Egypt in NBE as noted below.

Description of National Bank of Egypt

National Bank of Egypt (NBE) was established on June 25, 1898 and is the oldest commercial bank in Egypt. NBE is the largest domestic bank in Egypt in terms of assets, branches, deposits and loans, employees and capital.



In the United States, NBE operates through a branch office located at 40 East 52nd Street, New York, New York 10022. This Branch is licensed by the New York State Department of Financial Services. This Branch is supervised by the Federal Reserve and the New York State Department of Financial Services as well as by the Central Bank of Egypt.

Throughout its long history, NBE's functions and roles have continually adapted to the different economic and political conditions in Egypt. In the past, NBE has functioned as the central bank of Egypt and continues to perform certain quasi-governmental support activities. NBE provides direct funding to the government through its extensive holdings of government securities.

NBE is the leading consumer bank in Egypt serving more households than any other bank. NBE holds more customer deposits than its competitors and has more than 400 branches and the largest branch network in Egypt.

Internationally, NBE operates through the National Bank of Egypt (UK) Limited; National Bank of Egypt (Sudan); NBE (DIFC) Limited; New York and Shanghai branches, plus representative offices in Johannesburg – South Africa, Dubai – UAE and Addis Ababa – Ethiopia.

I. Executive Summary of the Resolution Plan

1. The names of Material Entities

A "material entity" is defined as a "subsidiary or foreign office of the Covered Company that is significant to the activities of a critical operation or core business line."

Core business lines are defined as "those business lines of the Covered Company, including associated operations, services, functions and support that, in the view of the Covered Company, upon failure would result in a material loss of revenue, profit, or franchise value".

Critical operations are defined as "those operations of the Covered Company, including associated services, functions and support, the failure or discontinuance of which, in the view of the Covered Company or as jointly directed by the Board and the Corporation, would pose a threat to the financial stability of the United States".

In the view of management of NBE, there are no critical operations or core business lines conducted in the United States. The only entity that NBE operates in the U.S. is the New York Branch ("NBENY" or the "New York Branch"). NBENY does not conduct any core business lines or critical operations in the U.S., but engages in some banking activities such as Trade Finance, Treasury and Lending:

Trade Finance- Trade Finance supports cross-border trade for bank and corporate clients through commercial letters of credit, standby letters of credit, accepting and discounting drafts under letters of credit.

Treasury- Treasury is responsible for managing NBENY's, funding, liquidity risk and managing various risks created by the day-to-day activities of NBENY's operating businesses.



Lending- In addition to the Trade Finance products, NBENY makes secured and unsecured commercial loans through syndicated facilities.

2. Description of Core Business Lines

As noted above, in the view of management of NBE, there are no core business lines conducted in the United States.

3. Summary financial information regarding assets, liabilities, capital and major funding sources

The following is the Bank's Consolidated Balance Sheet for the period ended June 30, 2012. For a more detailed discussion on each of the specific line captions on the Consolidated Balance Sheet, please refer to National Bank of Egypt's 2012 Annual Report.

National Bank of Egypt S.A.E.	Balance Sheet as of 06/30/2012		(EGP 000's)
	<u>06/30/2012</u>	<u>06/30/2011</u>	
<u>Assets</u>			
Cash and due from CBE	19,469,467	18,007,017	
Due from banks	16,986,283	29,284,812	
Treasury bills and government notes	67,698,848	77,293,627	
Trading financial assets	20,194	52,939	
Loans & advances to banks	408,139	142,998	
Loans & advances to customers	95,262,084	84,937,760	
Financial derivatives	57,821	73,395	
Financial investments	89,119,993	67,033,686	
Financial investments in subsidiaries & associates	8,134,384	7,640,311	
Other assets	21,702,598	19,885,654	
Real estate investments	206,534	176,500	
Deferred tax assets	700,850	520,396	
Fixed assets (net of accumulated depreciation)	1,692,494	1,359,895	
Total assets	321,459,689	306,408,990	
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks	3,763,372	9,601,996	
Customers' deposits	278,806,788	261,089,860	
Financial derivatives	61,118	86,868	
Other loans	11,638,044	10,347,080	
Other liabilities	9,203,371	7,904,053	
Current income tax liabilities	38,487	44,036	
Dividends payable	0	1,095,387	
Other provisions	2,977,126	2,116,194	
Pension benefits' liabilities	1,317,576	1,148,515	
Total liabilities	307,805,882	293,433,989	



Shareholders' equity		
Paid-up capital	7,000,000	7,000,000
Reserves	3,789,986	5,975,001
Retained profit (loss)	2,863,821	0
Total shareholders' equity	13,653,807	12,975,001
Total liabilities and shareholders' equity	321,459,689	306,108,990

Contingent liabilities and commitments

Liabilities against letters of guarantee, documentary credits and other commitments	150,294,981	147,946,554
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National Bank of Egypt - Capital Ratios

June 2012

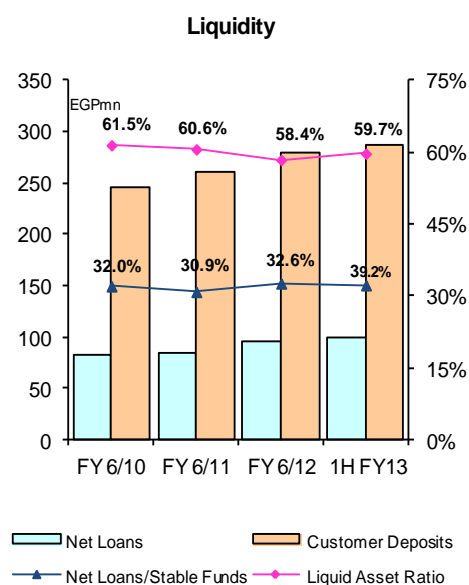
Capital Adequacy Ratio	8.80%
Core Capital Adequacy Ratio	6.94%
Total Capital to Total Assets	3.86%
Total Capital to Gross Loans	12.20%
Tier 1 Capital	EGP 9,781mm
Total Capital	EGP 12,393mm

Funding & Liquidity

Diversified sources of funding- As is the case with other Egyptian banks, NBE's principal source of funding is customer deposits. The customer deposit base funded EGP286 billion (USD45 billion) or 84% of total assets at end-December 2012. Supported by the most extensive nationwide branch network in the country, NBE's deep customer deposit base remains the largest by far in the Egyptian banking sector.

Customer deposit funding concentration remains low- NBE has a deep and diversified customer deposit base, with as much as 74% comprising household sector deposits, 9% from government, 5% from the corporate public sector and 1% from the corporate private sector. While there was no undue depositor concentration as at end-June 2012 with the largest twenty deposits forming 13% of the customer deposit base, more than one-half of these deposits belonged to Egyptian government entities operating in the service and industrial sectors.

Multiple sources of term debt- Medium-term funding funded a moderately higher than sector average 3.4% of total assets. Such funding includes an USD600mn (EGP3.5 billion) bond issued by Nile Finance, a financing subsidiary, under NBE guarantee. Other medium-term funds are provided by The Social Fund (EGP2.6 billion) and multilateral institutions including the African Development Bank (EGP1.3



billion) and the European Investment Bank (EGP0.3 billion).

Strong headline liquidity ratios- NBE's key liquidity indicators are noticeably stronger than peer groups at private sector banks and even other state banks. Egyptian banks as a group exhibit high levels of liquidity reflecting the comparatively low share of loans in total assets coupled with the significant investment in T-bills.

As at end-December 2012, the ratios of net loans to both total customer deposits and stable funds edged forward to 35% and 32% respectively. NBE's already high liquid asset ratio rose slightly to 60% and remained stronger than the sector average of 50%.

The bulk (82%) of liquidity was invested in T-bills and government securities. The Bank continued to make very little use of interbank funding. Interbank liabilities funded just 2% of total assets, while interbank assets exceeded interbank liabilities by EGP4.2 billion at end-December 2012. Surplus foreign currency liquidity is channeled mainly into bank placements abroad.

Liquidity risk management- The processes of liquidity risk control carried out by the Assets and Liabilities Management Department in cooperation with the Treasury Department in the Bank includes the following:

- The daily funding is managed by monitoring and controlling the future cash flows to ensure the ability to fulfill all obligations and requirements. These include replenishment of funds as they mature or are borrowed by customers. The Bank maintains an active presence in the global money markets to ensure achievement of this target.
- Maintaining a portfolio of highly marketable assets, which can easily be liquidated to meet any unexpected interruption in cash flows.
- Monitoring liquidity ratios compared to the internal requirements of the Bank and the Central Bank of Egypt's requirements.
- Management of concentration and profiling debt maturities.

Monitoring and reporting take the form of cash flow measurements and projections for the next day, week, and month respectively. The starting point for these projections is the analysis of the contractual maturities of financial liabilities and expected collection dates of financial assets.

The Assets and Liabilities Management Department together with the Treasury Department control unmatched medium term assets, the level and type of the unutilized portion of loan commitments, the extent of utilizing debit current accounts advances and the impact of contingent liabilities such as guarantees and documentary credits.

4. Description of Derivative and Hedging Activities

Derivative instruments enable end-users to modify or mitigate exposure to credit or market risk. Customers use derivatives to mitigate or modify interest rate, credit, foreign exchange, equity



and commodity risks. NBE uses Derivatives to manage the interest rate risk imbedded in the Bank's USD and/or EUR Floating Certificates of Deposits. They are also used to hedge our corporate clients in FX and Interest Rates.

Interest rate contracts are used to minimize fluctuations in earnings that are caused by changes in interest rates. Foreign currency forward contracts are used to manage the foreign exchange risk associated with certain foreign currency-denominated (i.e., non-US dollar) assets and liabilities and forecasted transactions. NBE hedges FX exposures using Options. Interest Rate exposures are often hedged through Interest Rate Swaps. All Derivatives transactions are closed back-to-back with at least an "A" rated counterparty.

Derivatives Notional is USD 1.6 bn. of which \$784mm is allocated to a portfolio of foreign certificates of deposit and \$842mm represents clients' hedged notional.

5. Memberships in Material Payment, Clearing and Settlement Systems

National Bank of Egypt maintains membership and/or participates in systems to facilitate the clearing and settlement of customer security, derivative, and cash transactions. Certain of these organizations require members to support the financial obligations of other defaulting members. NBE does not view these exposures as material. The following are the most significant systems used:

Automated Clearing House (ACH) for all local currency payments in Egypt.

Check Clearing House for clearing of checks between banks in Egypt.

Misr Clearance Depository and Registration (MCDR) for stock market clearing.

Fedwire Funds Service ("Fedwire Funds") is a wire transfer services provider that is owned and operated by the Federal Reserve. Fedwire Funds is a real-time gross settlement system. Payments are continuously settled on an individual, order-by-order basis without netting.

The Society for Worldwide Interbank Financial Telecommunication, ("SWIFT") is a member-owned cooperative. SWIFT provides a telecommunication platform for the exchange of standardized financial messages between financial institutions and corporations.

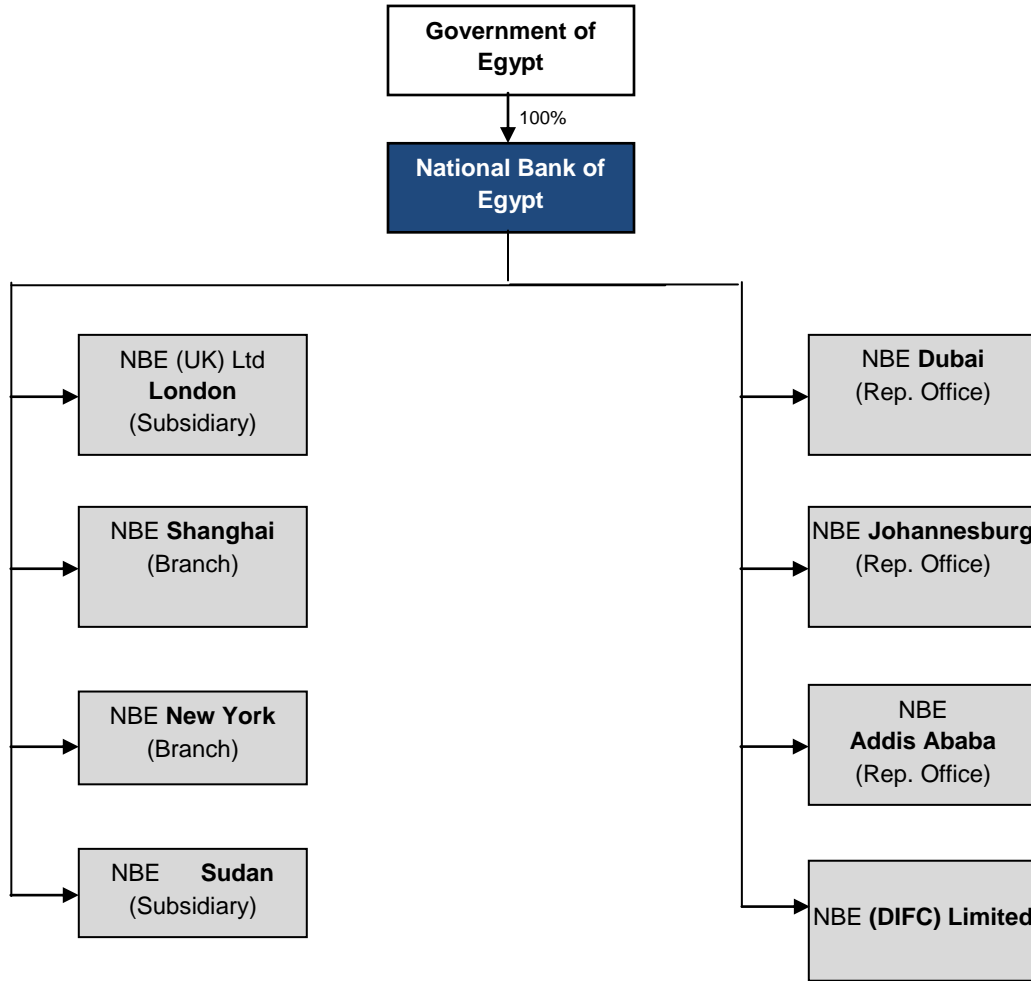
6. Description of Foreign Operations

International operations

In addition to dealing with over 1,000 correspondent banks worldwide, NBE has subsidiaries, branches and representative offices in strategic key markets including the United Kingdom and United States of America. The table below provides a high level illustration of NBE's current group structure.



Summary of the NBE group corporate structure



Subsidiary	Regulator
NBE (UK) Ltd	FSA
NBE Shanghai	Bank of China
NBE New York	The Federal Reserve Bank of New York NYS Department of Financial Services
NBE Sudan	the Central Bank Of Sudan
NBE Dubai (Rep. Office)	The Central Bank of the United Arab Emirates
NBE Johannesburg (Rep. Office)	The South African Reserve Bank
NBE Addis Ababa (Rep. Office)	The National Bank of Ethiopia
NBE (DIFC) Limited	DFSA, Dubai Financial Services Authority

NBE branches and subsidiaries are subject to regulation by the local supervisory authority corresponding to their respective jurisdictions.

7. Material Supervisory Authorities

The Central Bank of Egypt

The Central Bank of Egypt (CBE) is the regulatory authority of the banking sector in Egypt.

The main objectives and functions of the CBE are as follows:

- Formulating and implementing the monetary, credit & banking policies.
- Realizing price stability and ensuring the soundness of the banking system.
- Issuing banknotes and determining their denominations and specifications.
- Supervising the banking sector.
- Managing the foreign currency international reserves of the country.
- Regulating the functioning of the foreign exchange market.
- Supervising the national payments system.
- Recording and following up on Egypt's external debt (public and private)
- Anti money laundering and combating financing terrorism Regulations / Know your customers rules.

The Egyptian Financial Supervisory Authority

The Egyptian Financial Supervisory Authority (EFSA) was established in 2009, and is responsible for supervising and regulating non-banking financial markets and instruments, including the Capital Markets, the Stock Exchange, and all activities related to Insurance Services, Mortgage Finance, Financial Leasing, Factoring and Securitization. EFSA's role is to regulate the markets and ensure stability and competitiveness to attract more local and foreign investments.

The Egyptian Money Laundering Combating Unit

The Egyptian Money Laundering Combating Unit (EMLCU) is the Egyptian Financial Intelligence Unit responsible for combating money laundering and terrorist financing in Egypt. It was established in 2002.

Its mission is to improve AML systems in financial institutions in Egypt in order to prevent processing criminal proceeds, or financing terrorism. The Egyptian Money Laundering Combating Unit is responsible for receiving, analyzing and disseminating financial disclosures to the competent authorities.

EMLCU receives suspicious transactions reports from financial institutions, and takes the necessary examination and investigation measures in coordination with the competent authorities.



U.S Bank Supervisory System

NBENY is subject to the supervision and examination of the New York State Department of Financial Services. The Federal Reserve supervises and examines NBENY and acts as the umbrella supervisor for NBE with regard to any activities in the U.S.

8. Principal Officers

Head Office

Mr. Hesham Okasha	▪ Chairman
Mr. Sherif Elwi	▪ Deputy Chairman
Mr. Mahmoud Montasser	▪ Deputy Chairman
Mr. Hussein El- Refai	▪ CFO- Finance
Mr. El- Sherif Abdel Razek	▪ Group Head-Compliance & Corporate Governance
Mr. Tarek Fahmy	▪ Group Head-Internal Audit Group
Mr. Yehia Abou El Fettouh	▪ Group Head-Corporate Credit Risk , Debt Recovery & Restructuring
Mrs. Zeinab Hashim	▪ Group Head-Treasury & Correspondent Banking
Mr. Ihab El Wazzan	▪ Head of Information Technology
Mr. Mohamed Gohar	▪ Head of Legal Affairs

New York Branch

Khaled Elghorab	▪ General Manager
Ahmed Elsherbini	▪ First Vice President, Trade Finance
Sherif Hanna	▪ First Vice President, Treasurer

9. Corporate governance structure for Resolution Planning and Related Processes

As noted elsewhere, NBE does not have, and is not required to have, a Resolution Plan and does not engage in resolution planning pursuant to the requirements of its home country regulator. The resolution planning process at NBE is largely managed out of the United States. The NBE resolution planning process was approved by the Board of Directors, and the Executive Committee of the Board will have final approval of the Resolution Plan. The governance structure for the US resolution planning effort consists of the active involvement of the senior officers of the New York Branch. These senior officers represent the business and supervisory functions at NBENY. This group is responsible for reviewing and approving the resolution planning process in the United States. Upon completion in the United States, the Resolution Plan will be reviewed and approved by numerous departments within NBE, including Risk, Information Technology, Treasury and Compliance, and ultimately approved as required by NBE's Board of Directors.

10. Description of Material Management Information Systems

NBE utilizes MIS for risk management, loan and deposit origination, accounting, portfolio management, trading and investment management, financial, and regulatory reporting, as well as internal management reporting and analysis. NBE's US operations rely on robust management information systems and reporting to monitor financial health, risk and operations. Software is generally acquired and supported by third-party vendors. NBE has a control environment with policies and procedures to ensure the systems producing MIS are dependable and maintained and operated in a manner that will support NBE's business. These policies and procedures govern information security, data protection, technology developments and improvement and business continuity. NBE has developed and supports the necessary MIS infrastructure to conduct its business, control its risks and fulfill its internal and regulatory reporting obligations.

11. High-level description of resolution strategy including such items as the range of potential purchasers of the company, its material entities and core business lines

As noted above, NBE does not have, and is not required to have, a Resolution Plan and does not engage in resolution planning pursuant to the requirements of its home country regulator. NBENY is aware that any resolution activity in the U.S. of NBENY will be conducted by the New York State Department of Financial Services pursuant to the provisions of New York Banking Law governing the liquidation of branches of foreign banks operating in New York. In view of this manner of resolution, NBENY has adopted a Plan that focuses on coordination with the New York State Department of Financial Services in regard to the liquidation of the New York Branch. This action Plan includes preparation of all financial and business information relevant to the liquidation of the Branch. This Plan is based in part on the steps required for a voluntary liquidation of a branch of a foreign bank under Section 605 of the New York Banking Law.

