



National Bank of Egypt

New York Branch

Resolution Plan 2016



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Public Filing



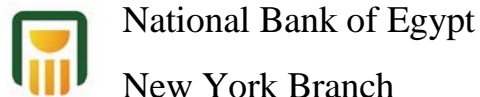
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Resolution Plan 2016

Introduction

This is the public section of the plan for resolution (“Resolution Plan”) prepared by the National Bank of Egypt (or “NBE”) 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 was submitted on December 27, 2013. This is the third resolution plan submitted by NBE.

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 334 branches and the largest branch network in Egypt.

Internationally, NBE operates through New York and Shanghai branches; the National Bank of Egypt (UK) Limited; National Bank of Egypt (Sudan); NBE (DIFC) Limited, and 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, discounting drafts under letters of credit and bank to bank reimbursement.

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, 2016 (Unaudited). 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 2016 Annual Report.

| National Bank of Egypt S.A.E. | Balance Sheet as of 06/30/2016 | | (EGP 000's) |
|--|---------------------------------------|--------------------------|--------------------|
| | <u>06/30/2016</u> | <u>06/30/2015</u> | |
| <u>Assets</u> | | | |
| Cash and balance with Central Bank | 30,442,946 | 53,222,385 | |
| Due from banks | 75,520,595 | 27,940,832 | |
| Treasury bills and government notes | 162,720,959 | 116,775,714 | |
| Trading financial assets | 92,577 | 7,820 | |
| Loans & advances to banks | 373,200 | 445,738 | |
| Loans & advances to customers | 220,648,312 | 146,259,656 | |
| Derivatives financial instruments | 36,239 | 29,057 | |
| Financial investments(Available for Sale & Held to Maturity) | 180,177,735 | 143,957,636 | |
| Investments in subsidiaries & associates | 7,644,667 | 8,260,157 | |
| Other assets | 22,400,425 | 19,345,649 | |
| Investment property | 1,668 | 1,798 | |
| Deferred tax assets | 0.00 | 368,465 | |
| Fixed assets (after depreciation) | 3,274,603 | 2,974,272 | |
| Total Assets | 703,333,926 | 519,589,179 | |
| <u>Liabilities and shareholders' equity</u> | | | |
| <u>Liabilities</u> | | | |
| Due to banks | 55,504,909 | 5,076,897 | |
| Due to Customers | 558,641,647 | 447,752,624 | |
| Derivatives financial instruments | 50,673 | 41,272 | |
| Other loans | 30,676,226 | 20,038,736 | |

| | | |
|-------------------------------|--------------------|--------------------|
| Other liabilities | 15,528,329 | 11,641,792 |
| Other provisions | 2,087,487 | 4,800,298 |
| Pension benefits' liabilities | 2,195,760 | 1,926,678 |
| Total Liabilities | 664,685,031 | 491,278,297 |

Shareholders' Equity

| | | |
|-------------------------------------|--------------------|--------------------|
| Issued and paid-up capital | 15,000,000 | 15,000,000 |
| Reserves | 11,179,474 | 8,219,992 |
| Retained earnings | 12,469,421 | 5,090,890 |
| Total Equity | 38,648,895 | 28,310,882 |
| Total Liabilities and Equity | 703,333,926 | 519,589,179 |

Contingent Liabilities and Commitments

| | | |
|--|-------------|-------------|
| Letters of guarantees, documentary credits and other commitments | 224,359,483 | 168,894,375 |
|--|-------------|-------------|

National Bank of Egypt - Capital Adequacy Ratios

June 2016

| | |
|-------------------------------|---------------|
| Capital Adequacy Ratio | 10.45% |
| Core Capital Adequacy Ratio | 8.56% |
| Total Capital Growth Rate | 29.21% |
| Total Capital to Total Assets | 5.07% |
| Total Capital to Gross Loans | 15.43% |
| Net profit | EGP 12,469 mm |
| Tier 1 Capital | EGP 29,225mm |
| Total Capital | EGP 35,693mm |

Funding & Liquidity

Diversified sources of funding- As is the case with other Egyptian banks, NBE's principal source of funding is customer deposits. Growth in NBE's customer deposits increased by 24% in the end of FY16, having increased by about 13% in FY15. The customer deposit base continued to fund a substantial EGP555 billion (USD63 billion) or 78% of total assets at end-June 2016.

Largest customer deposit base in the market. Supported by the most extensive nationwide branch network in the country, and clearly perceived as being a systemically important bank that would receive direct government support in case of need, NBE has a competitive edge over many rival banks in gathering customer deposits. However, competition for deposits has mounted over the years as private sector banks focus their marketing efforts towards the retail market.

Customer deposit funding concentration remains low- NBE has a deep and diversified customer deposit base. While there was no undue depositor concentration as at end-June 2016, more than one-half of these deposits belonged to Egyptian government entities operating in the service and industrial sectors.

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 Egyptian T-bills. In NBE's case, the proportion of loans to total assets is one of the lowest in the market. Conversely, the bank's holding of T-bills and government securities are significantly larger than its private sector peers underscoring its close association with the sovereign.

As at end-June 2016, the ratios of net loans to total customer deposits and edged higher to 35.9% and, as credit expansion mildly outpaced customer deposits growth. NBE's already high liquid asset ratio of 63%, remained stronger than the sector average of 50%.

The bulk of liquidity was invested in Egyptian T-bills and government securities. The Bank continued to make very little use of interbank funding. Interbank liabilities funded just 7% of total assets, while interbank assets exceeded interbank liabilities by EGP20 billion at end- June 2016. Surplus foreign currency liquidity is channeled mainly into bank placements abroad.

Liquidity risk management- The processes of liquidity risk control is carried out by Market Risk Division and includes the following:

- Daily funding managed by monitoring and controlling future cash flows to ensure the fulfillment of 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.
- Liquidity risk management policy, procedures and limits are approved by the Board Of Directors. Segregation of duties between treasury, Asset Liability Management and liquidity risk on organizational structure and liquidity risk function is independent from front-office function.

The Asset Liability 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.

The relevant risk measures used by NBE to report risk exposures to its senior management and Board of Directors

- Effective risk management is fundamental to the success of the Bank and is recognized as one of the Bank's key priorities. Risk policies are subject to constant evaluations to ensure they meet the challenges and requirements of the markets in which the Bank operates, including regulatory standards and industry best practices.
- The Bank's Board of Directors, supported by an experienced senior management team and a centralized risk management group that is independent of the business lines, is actively engaged in setting and monitoring all risk management activities.
- Decision-making is highly centralized through a number of senior and executive risk management committees. The Board of Directors ensures that decision-making is aligned with the bank's strategies and risk appetite.
- The risk committees are responsible for the design and application of the Bank's risk management framework, and are independent of the Bank's business units. They provide oversight of credit, market, liquidity, structural foreign exchange, structural interest rate, models and operational risks.

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. All derivatives are restricted by the Central Bank of Egypt (the "CBE") except for hedging bank position and for client's needs, no speculation is permitted. NBE uses Derivatives to manage the interest rate risk imbedded in the Bank's USD and/or EUR Fixed 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 Outright Forwards and FX Swaps. 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.

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:

Real Time Gross Settlement (RTGS) SWIFT payment and transfers with local currency (EGP) between local banks through their account held with Central Bank of Egypt.

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.

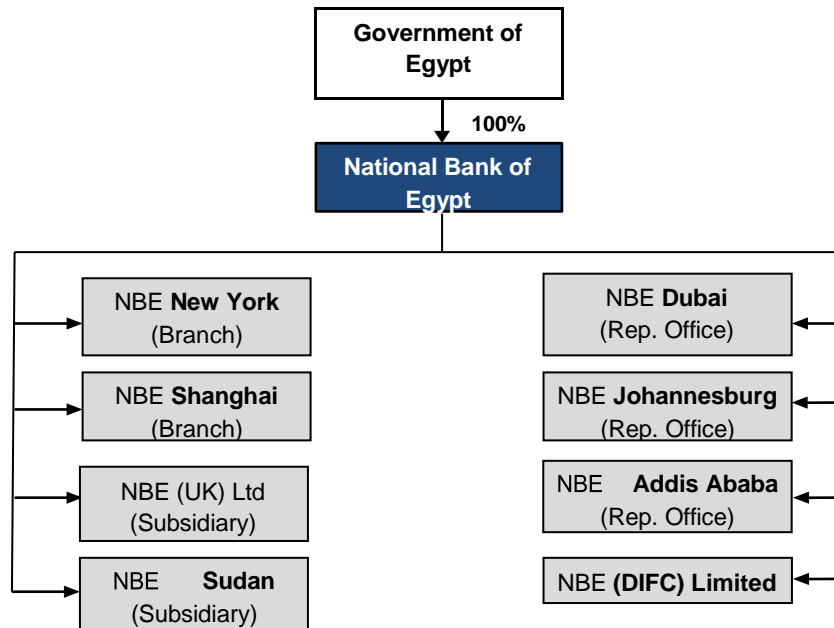
Fedwire Funds Service ("Fedwire Funds") is a wire transfer services provider that is owned and operated by the Federal Reserve. Fedwire Funds is a real-time gross settlement system. Payments are continuously settled on an individual, order-by-order basis without netting.

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

In addition to dealing with 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



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

| Subsidiary/ Foreign BR./ Rep. Office | Regulator |
|--------------------------------------|--|
| NBE (UK) Ltd (Subsidiary) | Financial Conduct Authority |
| NBE Shanghai (Branch) | Bank of China |
| NBE New York (Branch) | Federal Reserve Bank of New York and New York State Department of Financial Services |
| NBE Sudan (Subsidiary) | Central Bank Of Sudan |
| NBE Dubai (Rep. Office) | Central Bank of the United Arab Emirates |
| NBE Johannesburg (Rep. Office) | South African Reserve Bank |
| NBE Addis Ababa (Rep. Office) | National Bank of Ethiopia |
| NBE (DIFC) Limited | Dubai Financial Services Authority |

7. Material Supervisory Authorities

The Central Bank of Egypt

The 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

NBE NY 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 Ahmed Okasha | ▪ Chairman |
| Mr. Mahmoud Montasser Ibrahim | ▪ Deputy Chairman |
| Mr. Yehia Abu El Fotouh Ibrahim | ▪ Deputy Chairman |
| Mr. Hussein Ahmed Ismail Refaei | ▪ Board Member |
| Mr. Adel Hosny Hussein Hosny | ▪ Board Member |
| Mr. Hussein Moharam Hussein Gawdat El Grettily | ▪ Board Member |
| Mr. Mohamed Mahdly Abbas Seif El Nasr | ▪ Board Member |
| Ms. Abla Mohy El-Din Abd El-Latif | ▪ Board Member |
| Mr. El- Sherif Abdel Razek | ▪ Group Head-Compliance & Corporate Governance |
| Mr. Tarek Fahmy | ▪ Group Head-Internal Audit Group |
| Mrs. Ghada El Bialy | ▪ Group Head- Correspondent Banking & Treasury |
| Mr. Amr Mostafa | ▪ Head of Treasury |
| Mr. Hesham El-Safty | ▪ Head of Correspondent Banking |
| Mr. Samir Shaalan | ▪ Head of Information Technology |
| Mr. Mohamed Gohar Ahmed | ▪ Head of Legal Affairs |
| Mr. Ayman Ali Rezk | ▪ Head of market risk |

- New York Branch

| | |
|------------------|---------------------------|
| Khaled Elghorab | ▪ General Manager |
| Ahmed Elsherbini | ▪ Chief Operation Officer |
| Sherif Hanna | ▪ 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 NBE NY. 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.

