National Bank of Egypt (UK) Limited

Annual report and financial statements

Registered number 2743734

For the year ended 31 December 2022

Board of Directors
Dr. Farouk Abdel Baki El-Okdah – Chairman, Non-Executive Director
Mr. Hisham Ahmed Okasha – Deputy Chairman, Non-Executive Director
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director
Mr. Mokhtar Abdel Gawad El-Shennawy – Deputy Managing Director (resigned 31 December 2022)
Mr. Sherif Amir Ahmed Riad, Non-Executive Director
Mr. Edward Marks, Non-Executive Director
Mrs. Dalia Abdallah Mohamed El-Baz, Non-Executive Director
Mrs Lobna Hilal, Non-Executive Director
Dr. Ziad Bahaa-Eldin, Non-Executive Director
Mr. David Somers (resigned 13 March 2023), Non-Executive Director
Mr Mohammed Maait (appointed 13 March 2023), Non-Executive Director
Company Secretary: Dentons Secretaries Ltd

Steering Committee
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Ahmed Okasha – Deputy Chairman
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director
Mr. Mokhtar Abdel Gawad El-Shennawy – Deputy Managing Director
Mr. Moataz Ghanem – Deputy Managing Director

Steering Committee Secretary
Dentons Secretaries Ltd

Audit Committee
Mr. David Somers – Chairman - (resigned 13 March 2023)
Mr. Edward Marks – Chairman (Appointed 13 March 2023)
Dr. Ziad Bahaa-Eldin
Mrs Lobna Hilal

Audit Committee Secretary
Dentons Secretaries Ltd

Risk and Compliance Committee
Mr Edward Marks – Chairman
Mr. David Somers (resigned 13 March 2023)
Dr. Ziad Bahaa-Eldin
Mrs Lobna Hilal (appointed 13 March 2023)

Risk Committee Secretary
Dentons Secretaries Ltd

Remuneration Committee
Mrs Lobna Hilal – Chairman
Mr. Hisham Ahmed Okasha
Mr. Edward Marks

Solicitors
Dentons
One Fleet Place,
London, EC4M 7WS.

Auditor
Deloitte LLP, Statutory Auditor
1 New Street Square,
London,
EC4A 3HQ.

National Bank of Egypt (UK) Limited
Wholly-owned subsidiary of National Bank of Egypt
Registered in England No. 2743734

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SWIFT: NBEGGB2L

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of National Bank of Egypt (UK) Limited (NBEUK) for the year ended 31 December 2022. The Bank has had a good year in 2022 despite uncertainties in the domestic and global economies. The UK has faced a period of economic headwinds stemming from the impact of the COVID-19 pandemic and the war in Ukraine, both of which have pushed prices sharply upwards worldwide. The UK has not been spared the repercussions, but fortunately, the inflation outlook has improved after an episode of monetary tightening by the Bank of England. Rising energy prices have made their mark widely, including in our neighbouring countries. While we have benefitted from the higher cost of oil through our documentary credit flow, we acknowledge the effects of higher energy prices have had on world trade.

Ukraine Conflict

The conflict in Ukraine had a significant impact on our parent country of Egypt, due to its reliance on both Ukraine and Russia for wheat. Although the Egyptian state was quick to source alternative supplies, the conflict has exacerbated the inflationary pressures in the country, impacted FX reserves, devalued the currency, and unsettled global investors resulting in investment flowing out of the country. Fortunately, the rise in fuel prices has benefitted Egypt with gas and oil prices rising reducing pressure on the trade balance, tourism levels have risen, investment from the GCC region has latterly returned and the well-publicised IMF support package was approved, which has contributed to Egypt being forecast to record growth of between 3.5% and 5.0% in 2023.

Strategic Developments

The Bank continues with the main tenants of its business strategy to seek greater funding diversification, to build our loan book activity, and build a diverse 'hold-to-maturity' portfolio of high-quality debt securities, ensuring always that our liquidity and capital indicators remain prudently above both our internal and regulatory thresholds.

IBOR Transition

The Bank has aligned itself with the stated milestones of the Bank of England's - Working Group on Sterling Risk-Free Reference Rates (RFRWG) – through the adoption of ISDA protocols, by fully testing that the Bank's core banking system can link specific transitions to the SONIA base rate, adoption of a system capable of calculating Risk Free Rates (RFR), the creation of a daily file of RFR transactions and daily accruals together with look back calculation functionality, utilising the Master Risk Participation Agreement (MRPA) template wording received from the industry group and by clearly and transparently offering NBEUK's base rate online.

Environmental, Social, and Governance (ESG) – Climate Change

The Bank has ingrained the Climate Related Financial Disclosure into its regular suite of reports, to provide a level of disclosure to the regulator and demonstrates the Bank's continued evolution in response to climate change, in terms of our governance, our strategic and management approach. This ongoing exercise helps to educate the Bank to the climate challenges that we all face and the potential financial risks that are associated to them.

Board Effectiveness Review (BER)

In the year under review the Bank conducted a Board Effectiveness Review (BER) to conclude if the Board has the structure, processes, people, and performance to deliver. I am pleased to confirm that the Board was reviewed positively, and that the best practice suggestions have all now been incorporated as the Board remains committed to maintaining and evolving high standards of corporate governance throughout the organisation.

Consumer Duty
The Bank has looked to adopt the FCA's Consumer Duty rules and guidance ahead of their introduction in late July 2023. By incorporating this guidance and rules, the Bank's aim is to set higher and clearer standards of consumer protection within the Bank and to have an enhanced focus on delivering good outcomes for customers.

Operational Resilience
The PRA and the FCA have repeatedly stressed the importance of operationally resilience for consumers, firms, and financial markets. To this end, the Bank has employed a software as a service (SaaS) platform that helps the Bank to effectively administer our Business Continuity Management (BCM), including risk oversight, business impact analysis (BIA), plan development, exercise, testing and compliance. Furthermore, the Bank has assessed our core business services, independently tested our resilience, and outsourced our review of 3rd party vendor documentation in line with regulatory requirement.

Financial Performance
For the year NBEUK can post a profit performance which exceeds expectations. Despite comparative figures for 2021 being for eighteen months, Net interest income only fell, in 2022, to £8.36m from £8.76m in 2021. Commission and fee income generated from trade finance and other businesses including foreign exchange dealing increased in 2022 to £13.8m from £12.35m in 2021. Operating income rose from £21.11m to £22.21m. Expenses fell from £21.25m to £15.10m, but this was consistent with the relatively shorter accounting period. Therefore, I am pleased to present an Operating Profit for the year of £7.11m, and an after-tax net income of £5.7m.

On behalf of the Board of Directors, I would like to express once again my thanks to the Bank's management and staff for their continued contribution to NBEUK's performance and we look forward to growing stronger together in the years ahead.

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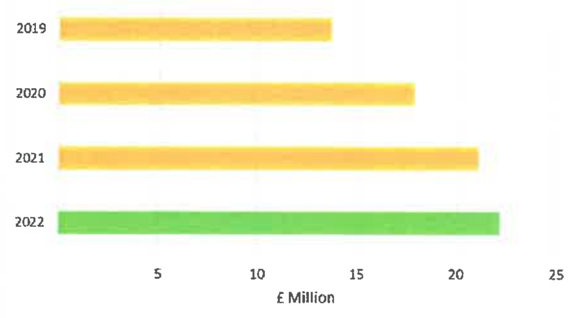
Dr. Farouk Abdel Baki El-Okdah
Chairman

Financial Highlights

Operating Income

£22,211,065

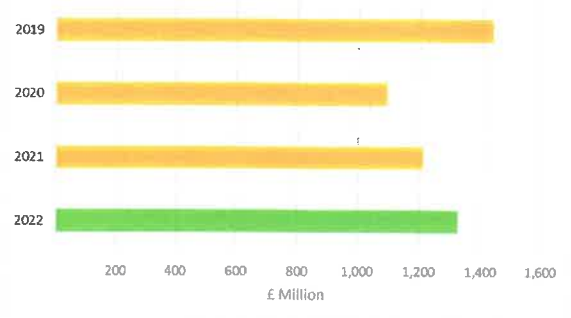
Operating income increased by 5%*



Total Assets

£1,326,047,320

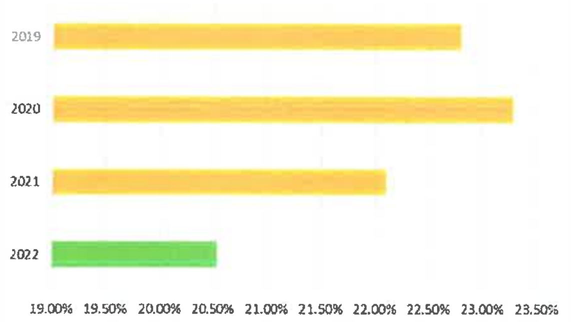
Total assets increased by 9%



Capital Ratio

20.54%

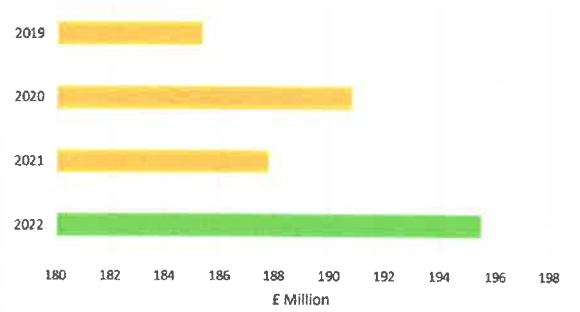
Capital Ratio remained above the ICG regulatory minimum of 16.1%



Tier 1 & Tier 2 Capital

£195,475,613

Capital strength increased by 4.1% partly due to foreign exchange movements



	2022	2021*	2020	2019
Financial Position (£'000)				
Operating income	22,211	21,110	17,874	13,658
Net profit	5,701	89	4,429	130
Total assets	1,326,047	1,212,753	1,097,233	1,434,693
Total investments	508,564	553,659	654,140	662,988
Total loans to customers	46,504	37,246	47,731	75,815
Shareholders' funds	160,206	154,505	154,416	149,987
Tier 1 & 2 capital (eligible capital)	195,476	187,789	190,812	185,322
Ratios (Percentage %)				
Capital adequacy	20.54%	22.10%	23.28%	22.79%
Cost income ratio	68.00%	101%	70.99%	98.69%
Return on equity	4.39%	0.07%	3.41%	0.10%
Return on shareholders' funds	3.56%	0.06%	2.87%	0.09%

*2021 figures relate to an 18-month period.

Strategic Report

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 Bank provides general banking services in the United Kingdom to private and public sector customers, particularly to the Egyptian community, and conducts international banking business. The Bank 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 key financial objectives are 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 build upon existing relationships in 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:

- to 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;

- to 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.

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 traditional 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, deposit aggregators 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, unregulated mortgages and money market lending.

As a wholly-owned subsidiary of National Bank of Egypt, NBEUK is adequately funded (in terms of capital, subordinated loans and short term funding) by the sole shareholder.

Business Model

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

Customer Services: The Bank 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, including unregulated mortgages, to customers are to support working capital financing, capital expenditure and trading activities. The Bank is looking to rebuild this business in 2023. The Bank also offers corporate and institutional banking facilities to correspondent banks by way of club deals and bilateral lending activities.

Treasury: Treasury activity is 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, in line with applicable 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.
of credit and guarantees.

Business Review

As at 31 December 2022, the Bank had total assets of £1,326m. This was an increase from the previous period's total assets of £1,213m or 9% higher, this was due partly to an increase in bank loans. The Bank remains sensitive to any deterioration in the value of the exchange rate between GB Sterling and the US Dollar, which can inflate the Bank's balance sheet as circa 68% of the Bank's assets are denominated in US Dollars. The Bank made a profit after tax of £5.7m compared to a profit of £0.1m the previous eighteen-month period.

Net interest income decreased from £8.8m in 2020/21 to £8.4m in 2022, a decrease of 4.5%. This reflects the change in period of account being offset by improvements in the Net Interest Margin.

Fees and commissions increased to £12.3m from £10.2m, which represents a rise of 20.4%. This has been predominately generated by the Bank's trade finance business during the year under review.

The Bank maintained its traditional strengths during the year in terms of stable funding, adequate liquidity and robust capitalisation. The current disclosures provide an analysis which is consistent with the size and complexity of the business. The Bank 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.

Matters considered when promoting the success of the Bank

Under Section 172(1) of the Companies Act 2006, the directors are required to consider a broad range of stakeholders when performing their duty to promote the success of the Bank.

We have developed into a successful business, driven by a focus on core values, a clear strategy and efforts to consider our stakeholders' interests throughout our decision-making process. In this statement we have detailed our key stakeholders, their importance to our business and how we have engaged with them throughout the year. We then provide examples of key decisions we have made in the year, describing how we considered stakeholders in these decisions and how the decisions will add long-term value.

Stakeholder engagement

We recognise and promote the importance of respectful business relationships with our stakeholders across all of our business lines, and we are committed to engaging with them to ensure we maintain long-term relationships and add long lasting value to the wider community in which we operate. Below we give examples of stakeholder engagement:

- **Shareholders**
  The Bank is a wholly-owned subsidiary of National Bank of Egypt and has common board members.

- **Employees**
  We place a great deal of faith in our employees and how they help drive the success of our business through their high levels of expertise, passion and strong relationships with our customers and other external stakeholders. We aim to ensure that all of our employees feel valued and appreciated while working for NBEUK. We engage with our employees through a structured appraisal process to understand which policies employees value and what changes they would like to see implemented within the organisation. A summary of appraisals is reviewed by the Remuneration Committee. The results allow us to analyse what is working well and to identify areas needing improvement to increase commitment to and success of the company and our customers. A particular area we have continued to focus on this year is training and development programmes for staff, to ensure we invest in and retain high calibre employees by developing, supporting and motivating them to perform at their full potential.

- **Customers**
  Customers remain at the heart of our business. Management has a customer focused strategy, which has been approved by the board, and mission, which is shown through our continuous interaction with customers via regular meetings and customer feedback programmes which take place throughout the year. These programmes allow us to have a deep understanding of our customers' needs and values and provide the opportunity for us to act upon the feedback they have given. This year, we have continued to focus on providing fast and flexible solutions for our customers and adapting to their needs, by investing in technology and our people.

- **Regulators and Tax Authorities**
  It is within the Bank's culture to promote high standards of conduct within the Bank and with all external parties. In particular, as directors of a regulated bank, holding customer deposits, safety, soundness and adherence to all relevant aspects of regulation is key to the Bank's business model. We and relevant staff maintain awareness of this through engagement with regulators, industry bodies, tax authorities and specialist advisers. This engagement is maintained through regulatory seminars, online forums and round table events. This has allowed us to stay on top of the increasing regulatory requirements and ensure we operate to the standard required.

Key decisions

Our strategy is focused on the long term, to operate and grow sustainable business in segments of the market that are under served by the large banks. The Bank's parent is 100% owned by the Egyptian State and not subject to the distractions of short-term share price fluctuations of the public markets. We make careful decisions to maintain strategic focus, control costs, invest and ensure sufficient capital and liquidity is held. All of the decisions we make consider the regulatory context and the full range of stakeholders mentioned previously.

- **Technology investment**

The decision to invest in technology in the year was driven by our desire to optimise our customer and staff experience and to maintain operational resilience. An example is the project to upgrade the core Treasury Banking system which is expected to be in production before December 2023. Investment in technology also enables staff to work more efficiently including being able to work from home during the pandemic. With better controls, using system automation to reduce and streamline manual work, employees are allowed time for more value adding activities, faster responses to customers and increased staff motivation.

- **Liquidity**

The Bank was able to meet all liquidity obligations using its counterbalancing capacity throughout the year.

- **Director appointments**

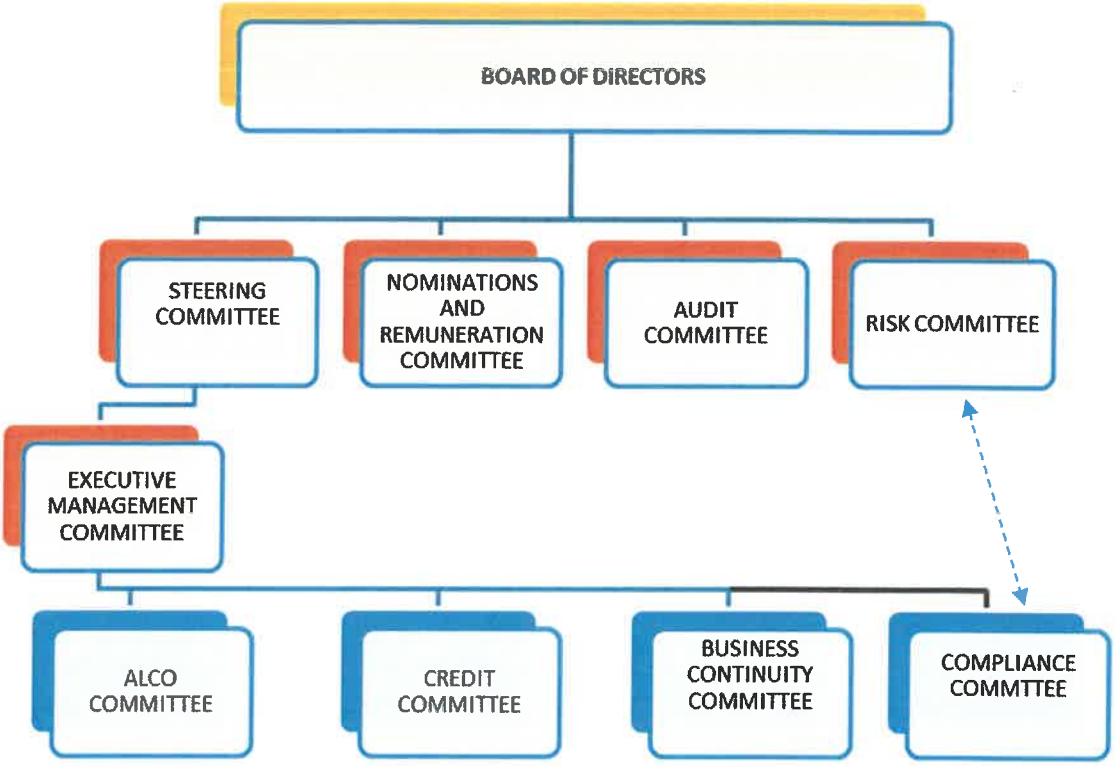
We are conscious that culture is filtered down from the top of an organisation and we recognise the importance of diversity across the Board and the organisation as a whole. Board composition has always been an important focus.

Governance

The executive governance structure benefits from clearly articulated governance principles and risk management objectives, underpinned by an articulation of the principal risk types incurred by the Bank and associated minimum controls for the management and reporting of these risks in accordance with the Bank's overall risk appetite. The Bank has adopted the market accepted 'three lines of defence' model with the Internal Audit function acting as the third line of defence and providing independent assurance to the Audit and Risk Committee on the appropriateness and effectiveness of the system of internal control.

The Board has ultimate responsibility for establishing, approving and periodically reviewing the strategy of the Bank and its governance framework. The Board oversees senior management to ensure that they manage the Bank's activities in a manner which is consistent with the strategy and governance framework.

The Board has established a number of Sub-Committees in order to enhance and streamline its decision making, as outlined below.



- **Steering Committee:** The principal purpose of the Steering Committee is to assist the Board in making decisions on matters delegated to it by the Board.

- **Audit Committee:** The principal purpose of the Audit Committee is to act as an oversight over the Bank's internal control systems, regular and annual financial reporting and the internal and external audit programmes. In addition, the committee will monitor the activities of the Bank to ensure that they are in keeping with the principles and strategy of the Bank. The Head of Internal Audit reports to the Chair of the committee

- **Risk & Compliance Committee:** The principal purpose of the Risk Committee is to assess, review and identify the key risks of the Bank as articulated in the strategy and business plan and to assess the effectiveness of the controls in place to manage those risks. The Committee must satisfy itself that risks are in line with the Bank's risk profile, risk appetite and compliant with the risk policies and associated documents approved by the Board.

- **Nominations and Remuneration Committee:** The Committee shall determine and agree significant developments for the remuneration of employees of the Bank as well as nominations.

- **Executive Management Committee (EXCO):** The principal purpose of EXCO is to oversee the day-to-day activities of the Bank including management of the Bank's Business and Compliance risks. In addition, the committee will monitor the activities of the Bank to ensure that they are in keeping with the principles and strategy of the Bank.

- **ALCO:** To manage effectively the assets and liabilities of the Bank and related market risks, ALCO's prudent broad risk management entails identifying, rationalising, measuring, managing, and reaffirming the risks that arise from both internal and external sources covering Pillar 1 risks and Pillar 2 risks.

- **Credit Committee:** The Credit Committee is the main body responsible for the credit process in the Bank and is the authority and reference in the determination of the quality and control of credit within the Bank and its relevant credit risk assessment.

- **Business Continuity Committee:** Ensuring business continuity in the event of a significant interruption or disaster is of critical importance to NBEUK. The Committee provides direction for plan update formats, risk assessments, communication methods, testing and training.

- **Compliance Committee:** The purpose of this committee is to oversee the compliance and financial crime risks in the Bank, to ensure that the management of the Bank understands compliance risks to which NBEUK may be exposed and to have in place appropriate policies and procedures to manage such risks.

Interest Rate Benchmark Reform

As of 1 January 2022, NBEUK transitioned its GBP Libor linked assets to Compounding SONIA. Transitioning to USD risk free rates is not mandatory until mid-2023 when full transitioning should take place.

NBEUK accounted for the change to SONIA on its Interest Rate Swap contracts by registering with the International Swaps and Derivatives Associations (ISDA) Fall-back protocol which were made available at the end of 2020. The fall-back clauses were activated on 1st January 2022 and have resulted in the replacement of GBP Libor with term adjusted SONIA.

With the transition to SONIA risk free rates, NBEUK continues to adopt fair value hedging in accordance with its risk management and accounting policies for section 12 of FRS 102 for hedge accounting purposes.
NBEUK has implemented an appropriate Risk-Free-Rate (RFR) application which supports the recording and maintenance of our current and future RFR exposures in-line with appropriate regulatory and accounting standards.

During this transitional process, NBEUK has sought to manage all associated risks effectively including market, operational, financial and liquidity.

Financial Results

The financial statements for the year, ended 31 December 2022 are shown on pages 34 to 37. The profit after taxation for the year amounts to £5,701,279 (2021: £88,886).

Financial Highlights 2022

For the year ended 31 December 2022, operating income of £22,211,065 (2020/21: £21,109,874) was 5.2% greater than last period despite the last period being for eighteen months. There was a decrease in net interest income of 4.5% to £8,362,567 (2020/21: £8,755,235) . This is mainly because of a shorter accounting period. On an annualised basis Net Interest income has increased by 43% mainly because of improved Net Interest Margins. Gross interest income and gross interest expense have increased because benchmark rates have increased.

Non-interest income increased by 5.2% from £12,354,639 in 2021 to £13,848,498 in 2022. This activity remains very much concentrated on the oil imports into Egypt.

Operating expenses decreased by 29% from £21,254,826 in 2020/21 to £15,102,499 in 2022 because the prior period is for eighteen months rather than twelve months. On an annualised basis Operating expenses have increased by 6.5%. The Bank has managed to reduce its dependence on contract staff. However, headcount has increased, and premises costs were higher due to ongoing costs associated with the office move.

An Operating profit of £7,108,566 for the year ended 31 December 2022 compares with a loss of £144,952 for the period ended 31 December 2021.

The tax charge increased from £209,949 in 2021 to £1,407,287 in 2022, in line with the operating profit for the period. The tax charge for the period includes £53,664 for deferred tax. Only £1,353,623 is for current tax.

Total assets for the period ended 31 December 2022, at £1,326 million, were £113 million higher, an increase of 9.4%, over the previous period. This was largely caused by increased advances to banks.

Management Process

The Bank's performance is measured against a number of Key Performance Indicators (KPIs): total assets, net profit, operating income, cost income ratio, loans to customers and return on equity. No non-financial KPIs are disclosable. The results of these KPIs are shown in the Financial Highlights above. 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 which is maintained at a level above the ALCO limit of £10m, net interest income and Liquidity (the LCR and NSFR have remained above 100% throughout the year under review). 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 Audit 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 several 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 them. 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 always adhered to. 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 counterparties may fail to fulfil their obligations. Credit risk is managed proactively by a robust Credit department and a Credit Committee comprising of senior management. Under the Capital Requirements Directive, the Bank 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. All Interest rate swaps are packaged within asset swaps and effectively hedged. Therefore, the market risk associated with asset swaps is limited to the interest rate spreads embedded in the transactions only. 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. Because the Bank carries out business predominantly in USD, it is sensitive to movements in exchange rates. Income is earned in USD and reported in Sterling, so income reported is proportional to the exchange rates. Capital consumption is inversely proportional to exchange rates so this will compensate for deteriorations in revenue caused by exchange rates.

The interest rate risk is managed as part of the daily monitoring within predetermined limits approved by the PRA. 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 subject to limited interest rate risk. At the end of December 2022, the Bank's sensitivity to a 200bp increased shift in interest rates was approximately +£0.2m and -£0.2m to a 200bp decrease on interest rates. Interest rates have been low but have risen over 2022. Nevertheless, interest rate risk is not considered to be material.

- **Liquidity Risk**

Liquidity risk is when NBEUK is unable to retain or create sufficient cash resources to meet its commitments. 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 High Quality Liquid Asset Buffer (HQLA) which has been a dependable source of liquidity.

Liquidity risk is covered under the Bank's "Individual Liquidity Adequacy Assessment Process" (ILAAP) policy and regular stress tests are undertaken to ensure that we remain liquid at all times. Under the liquidity regulations the Bank has fully implemented the requirements for liquidity risk management including systems and controls. During the current year, the Bank's approach to the liquidity risk management was reviewed and documented in a revised comprehensive ILAAP document, drawn up in accordance with the regulatory requirements. This document describes the Bank'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 considering those risks. It also incorporates the Bank's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Bank 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 – begins 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. The regulatory environment during current year remained as rigorous as the previous years, especially with the development 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 approved capital directives (CRD IV), implementation of Basel III is largely complete, which plays a significant role in determining how the Bank and other financial institutions globally undertake their business going forward. The introduced regulations require the Bank to apply common reporting standards (COREP) for capital adequacy, liquidity adequacy, leverage, liquidity coverage ratio, net stable funding ratio, asset encumbrance, capital forecast (capital +), single customer view, the minimum requirements for own funds and eligible liabilities (MREL), additional liquidity monitoring metrics and large exposures which involves significant system and control processes.

The current year continued to witness some significant regulatory changes in the UK banking industry such as the development of the Credit Risk Regulations. To ensure that the Bank remains proactive, and not reactive, to such changes we have several measures to enhance our commitment to our customers. The Bank has always been committed to treating our customers fairly and have agreed measures, polices and internal governance to regularly review and monitor the application of treating the customers fairly and of conduct risk to all aspects of the Bank's customer business, with the aim of ensuring that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers, in compliance with data protection regulations.

The Bank has implemented the Senior Managers and Certification regimes, replacing the previous Approved Persons Regime. The key features of the introduced regimes are:

- An approval regime focused on senior management, with requirements on firms to submit robust documentation on the scope of those individuals responsibilities;
- A statutory requirement for senior managers to take responsible steps to prevent regulatory breaches in their areas of responsibility;
- A requirement on firms to certify as fit and proper any individual who performs a function that could cause significant harm to the firm or its customers, both on recruitment and annually thereafter; and
- A power for the regulator to apply enforceable Rules of Conduct to any individual who can impact their respective statutory objectives.

The Bank has identified, allocated and submitted the necessary applications for all selected senior managers at both grandfathering stage and after the effective date with the senior managers and certification staff training provided to all relevant staff to demonstrate their understanding of this important area.

- **Information Technology (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 reputational risk, addresses these 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, including improved information security standards.

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 Bank's risks are managed considering 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.

- **Compliance Risk**

The Bank's principal sources of Compliance Risk are:

- Enterprise-wide compliance risks including supervision and oversight, regulatory reporting and notifications, material outsourcing and / or failure to adequately implement existing and new regulatory requirements;

- Business related including the risk that the Bank fails to conduct its activities appropriately, which may include consumer treatment and / or complaints handling, as well as managing client money and assets; and

- Financial Crime matters which could include the Bank being used as a vehicle to facilitate financial crime, terrorism, breaches of sanctions applicable to the Bank and market abuse.

The Bank's objective is to comply with the letter and spirit of all applicable regulations and laws, and to embed a robust risk and compliance culture throughout the organisation which recognises that a higher level of risk is attached to many of the countries with which the Bank transacts.

The Compliance Department is responsible for:

- developing applicable principles, standards and guidelines for compliance, communicating them and verifying adherence;
- providing advice to individual business units on applicable laws, directives, standards, and regulations as well as providing compliance support;
- monitoring trades, transactions and business processes in order to identify any potential compliance risks;
- implementing any measures arising from the anti-money laundering programme;
- ensuring that any occurrences which give reason to suspect money laundering or the financing of terrorism are identified and reported to the relevant authorities;
- providing regular training and education for staff on applicable regulations, rules and internal standards;
- regulatory scanning to ensure that any relevant developments or emerging risks are identified and appropriately addressed; and
- communicating with regulators.

Compliance Risk is overseen by the Executive Committee and Risk & Compliance Committee, to whom the Head of Compliance provides a quarterly report. At an executive level, Compliance risk, including mitigation controls along with action and remediation plans, is overseen by the Executive Committee.

The Bank seeks to minimise the risk of compliance failure by seeking to:

- ensure an up-to-date understanding of regulatory requirements which need to be complied with;
- ensure that procedures and controls are in place and designed to minimise the risk of breaching those requirements;
- provide training for staff throughout the organisation aimed at promoting a good understanding of compliance and financial crime matters;
- in respect of regulatory requirements relating to sanctions, anti-money laundering and terrorist financing in particular, enhancing both the quantity and calibre of resources in the first line who are responsible for ensuring compliance, subject to oversight, and in the case of higher risk cases, additional due diligence by the second line compliance team; and
- undertaking a risk-based monitoring programme aimed at detecting shortcomings in, or failures of, compliance controls or processes.

- **Reputational Risk**

NBEUK has a very limited appetite for Reputational Risk, however it is recognised that Reputational Risk cannot be eradicated completely, and such risk is inherent within the banking environment and, in particular, in some of the higher risk countries within which NBEUK operates and conducts business. It is recognised that Reputational Risk can arise from a wide variety of sources, some controllable, some less so.

The Bank recognises that some of the countries in which its counterparties operate, results in an enhanced exposure to Reputational Risk. As a result, the Bank's principal defence against Reputational Risk is through adherence to its compliance objectives of operating in conformity with applicable laws and regulations. Robust governance and risk management frameworks are intended to safeguard the Bank from reputational damage that might arise from trading related losses.

The Bank has implemented a range of initiatives to mitigate its exposure to Reputational Risks. These include:

- strategic alignment including strong Board oversight, integration of risk management into strategy setting and effective communications and brand building;
- cultural alignment built on strong corporate values, supported by appropriate performance incentives and a positive culture regarding compliance with laws and regulations;
- quality commitment including a focus on stakeholder interactions and open, transparent and quality public reporting;
- focusing on mainly non-complex products and a wholesale customer base, supported by a robust new product review and approval process;
- an operational focus on a strong control environment and appropriate organisational resilience; and
- a proactive corporate communications strategy designed to safeguard the reputation of the Bank.

As at 31 December 2022 and throughout the year, NBEUK held capital levels in excess of that required by the Prudential Regulation Authority. The Bank's regulatory capital resources as at 31 December 2022 including retained profit was as follows:

	December 2022 £000's	December 2021 £000's
Tier 1 Capital	**160,206**	154,505
Tier 2 Capital	**35,269**	33,284
Total eligible capital resources	**195,475**	187,789

Tier 1 capital comprises share capital and the retained profit at the year-end 31 December 2022. Tier 2 capital comprises mainly issued term subordinated debt from the parent Bank.

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:

	December 2022 £000's	December 2021 £000's
Credit risk capital	**71,814**	62,276
Market risk capital	**90**	171
Counterparty risk capital	**677**	74
Credit Valuation Adjustment (CVA)	**908**	29
Operational risk	**2,632**	2,508
Total Pillar 1 Capital requirement	**76,121**	65,058

Total Pillar 2A Capital requirement	**46,243**	52,046
Total Capital Requirements	**122,364**	117,104

Risk weighted assets (RWA) were higher as at 31 December 2022 due to some increases in the average weightings applied to certain categories of exposure.

	December 2022	December 2021
Capital surplus (£000's)	**73,111**	70,596
Capital adequacy ratio	**20.54%**	23.08%
Leverage ratio	**11.65%**	12.52%

The Bank was in compliance with the ICG requirements throughout the year including the requirements for the PRA buffer or the 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 ILAAP.

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 Bank's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, are published on the Bank'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 must continue 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. The Bank believes that the impact on the balance sheet resulting from the pandemic has already been realised and further withdrawals are unlikely.

The UK is a large, diversified, and competitive economy with high wealth levels and flexible labour and product markets. Its legal system is strong and long established. The credibility of the Bank of England should ensure financial stability, while exchange rate flexibility provides some support for exports and the UK's external stability.

The Bank must remain cautious, though, as potential upcoming challenges and risk to full recovery in the UK include the outcome of the UK's negotiations to leave the EU, economic instability in Russia and continued conflict in Syria and Ukraine, subdued growth in emerging markets such as China. Adding to this widespread market instability, NBEUK's core markets presented their own challenges, not least in the context of the continuing difficult political and business environment in the Bank's target markets.

The Board recognised the importance of the Bank proceeding cautiously, and appropriate contingency plans were put in place. The Bank has continued to operate throughout the pandemic and has strengthened its capacity for disaster recovery in the process. The Board continues to monitor macro-economic conditions in Egypt. This includes reviewing all assessments carried out by External Credit Assessment Institutions on an events driven basis and on a quarterly basis. Reports on the Egyptian economy and impact on the bank are regularly provided to the board and regulators.

Approved/authorised for issue by the board of directors:

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
30 May 2023

Directors' report

The directors of National Bank of Egypt (UK) Limited (the Bank) have pleasure in presenting their annual report, together with the financial statements and auditor's report, for the year ended 31 December 2022.

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, Non-Executive Director
Mr. Hisham Ahmed Okasha – Deputy Chairman, Non-Executive Director
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director
Mr. Mokhtar Abdel Gawad El-Shennawy – Deputy Managing Director (resigned 31 December 2022)
Mr. Sherif Amir Ahmed Riad, Non-Executive Director
Mr. Edward Marks, Non-Executive Director
Mrs. Dalia Abdallah Mohamed El-Baz, Non-Executive Director
Mrs Lobna Hilal, Non-Executive Director
Dr. Ziad Bahaa-Eldin, Non-Executive Director
Mr. David Somers (resigned 13 March 2023), Non-Executive Director
Mr Mohammed Maait (appointed 13 March 2023), Non-Executive Director

Dentons Secretaries Limited – Company Secretary

Directors' Indemnities

The Bank 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 Bank'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 (2020: £130,000,000). Details of the Bank's share capital are given in note 18.

Employees

In the year ended 31 December 2022 the Bank had an average of 75 (2021: 80) employees. Employee compensation is related to performance and the Bank encourages the involvement of all employees in the overall performance and profitability of the Bank through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors.

- The Bank 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 Bank also has a private medical insurance scheme, which covers employees and their dependants.
- The Bank believes that it enjoys a good relationship with its staff.

Political and charitable contributions

The Bank made no political contributions (2020: £nil) and charitable contributions of £100 (2021: £100) during the year.

Dividend

The Directors recommend that no dividend be paid based on the 2022 financial statements (2021: no dividend was paid).

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, capital resources, liquidity, and the outcome of various stress tests in making their assessment.

After running the stresses, including the unlikely scenario of combined stress involving a significant depreciation in the GBP to USD exchange rate, a further deterioration in the Egyptian economy and a deterioration of the Banks ability to fund itself without paying above the market rates for funding, the Directors were able to demonstrate that the Bank was able maintain capital and liquidity surpluses. The capital position of £195.5m (2021 - £187.8m) in total capital resources, a capital adequacy ratio of 20.54% (2021 – 23.08%) generating a capital surplus of £73m (2021 - £71m), combined with an LCR ratio of 311% (2021 – 306%) as at 31 December 2022 supported the Banks ongoing ability to absorb and deal with these stresses over the forecasted periods.

Concentration risk to Egyptian exposures is high but within the Banks risk appetite given that the Bank is 100% owned by an Egyptian state-owned parent Bank. The political and economic conditions in Egypt stabilised towards the end of 2022 following the agreement of the support package from the International Monetary Fund. Whilst progress to implement the actions agreed with the IMF has been slower than planned during 2023, the Directors continue to closely monitor the economic developments in Egypt and expect that the improved stability will be positively reflected on the Bank's performance during 2023/24. 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.

The Bank is a wholly owned subsidiary of National Bank of Egypt and the parent has shown continued support and may provide additional Tier 2 Capital if required.

The Directors have a reasonable expectation that the Bank will have adequate resources to continue in operational existence for the foreseeable future. Brexit is not expected to have a material impact on the going concern status of the Bank. The Bank has no direct exposures to the Ukraine or Russia and therefore no direct exposure to the war in Ukraine. However, the war has a significant impact on the macroeconomic outlook, especially for Egypt but has no significant impact on the going concern status for the Bank.

Further details regarding the adoption of the going concern basis can be found within Note 1 of the significant accounting policies in the financial statements.

Covid–19

The impact of the pandemic has ameliorated over 2022. The Bank has managed to remain open throughout the pandemic and offered a continued service to customers. The UK economy is expected to grow before 2024. Inflation is expected to be between 11-15% and GDP growth for 2022 is likely to be negative until the latter part of 2023.

Other Items covered in the Strategic report

Use of financial instruments exposure, risk management assessment, future developments and principal risks and uncertainties are currently included in the strategic report and forms part of this report by cross reference.

Auditor

Each person 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 Bank's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank'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 Bank is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
30 May 2023

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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 Bank and of the profit or loss of the Bank for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements 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 Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank 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 Bank 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 Bank'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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of National Bank of Egypt (UK) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the cash flow statement;
- the related notes 1 to 29.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • use of the going concern basis of accounting; and • loan loss provisioning on loans and advances to customers. Within this report, key audit matters are identified as follows:

	Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £1,575k which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In the current year we tested controls over interest income, interest expense and customer deposits to take a control reliance approach. We have classified the use of the going concern basis of accounting as a key audit matter in the current year given the challenges experienced in the Egyptian economy to which the Bank has significant direct and indirect exposure.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting is discussed in section 5.1.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Use of the going concern basis of accounting

Key audit matter description	The use of the going concern basis of accounting has become a key audit matter as a result of the macroeconomic challenges experienced in the Egyptian economy to which the Bank has significant direct and indirect exposure. The economic conditions deteriorated throughout 2022, which led to the involvement of the International Monetary Fund in December 2022. The Bank is a separate legal entity in the UK regulated by the Prudential Regulation Authority ("PRA"). Our consideration of its ability to continue as a going concern is primarily focused on the level of liquidity and capital of this entity, with reference to future profitability, cashflows and the ability to meet regulatory requirements.

Whilst no default event was noted as at the year-end, the outlook for the economy remains uncertain. This may have an impact on the Bank's profitability, capital, liquidity and operations. In response, management have applied measures and prepared in-depth going concern analysis which included consideration of reasonable possible stress scenarios, including stresses in response to the macroeconomic condition in Egypt. The results of this assessment indicate sufficient headroom in the Bank's financial position in the event of downturn scenarios. Therefore, management have concluded that the use of the going concern basis of accounting is appropriate.

Management disclosures information about going concern in the accounting policies in note 1 to the financial statements.

How the scope of our audit responded to the key audit matter

We completed the following procedures in relation to use of the going concern basis of accounting:

- obtained an understanding of management's going concern review process;
- evaluated management's judgement paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying data;
- performed sensitivity analysis on the key assumptions applied within management's judgement paper including forecasts, particularly in relation to potential effect upon the bank's capital;
- tested of clerical accuracy of those forecasts and assessing historical accuracy of forecasts prepared by management;
- assessed management's going concern assessment including the ICAAP and ILAAP with involvement of our in-house prudential risk specialists to assess management's capital and liquidity projections and the results of management's capital reverse stress testing;
- evaluated external information, such as economic reports and relevant market data on the macroeconomic situation in Egypt and assessed management's analysis on the on the potential impact on the Bank of sovereign related credit event;
- performed other audit procedures including management enquiries and review of regulatory correspondence to test management's conclusions; and
- evaluated the appropriateness of the going concern disclosures in Note 1 of the financial statements.

Key observations

Based on the work performed we are satisfied that the adoption of the going concern basis of accounting and the disclosure in respect of the company's ability to continue as a going concern are appropriate.

5.2. Loan loss provisioning on loans and advances to customers

Key audit matter description

Loan loss provisioning is an area where significant management judgement is applied in determining the necessity for, and the size of the impairment. Therefore, we determined that a potential risk of fraud lies within loan loss provisioning.
Management has determined that the Loans and advances to customers balance of £46.5m (2021: £37.2m) does not require an impairment provision at year-end (2021: nil).

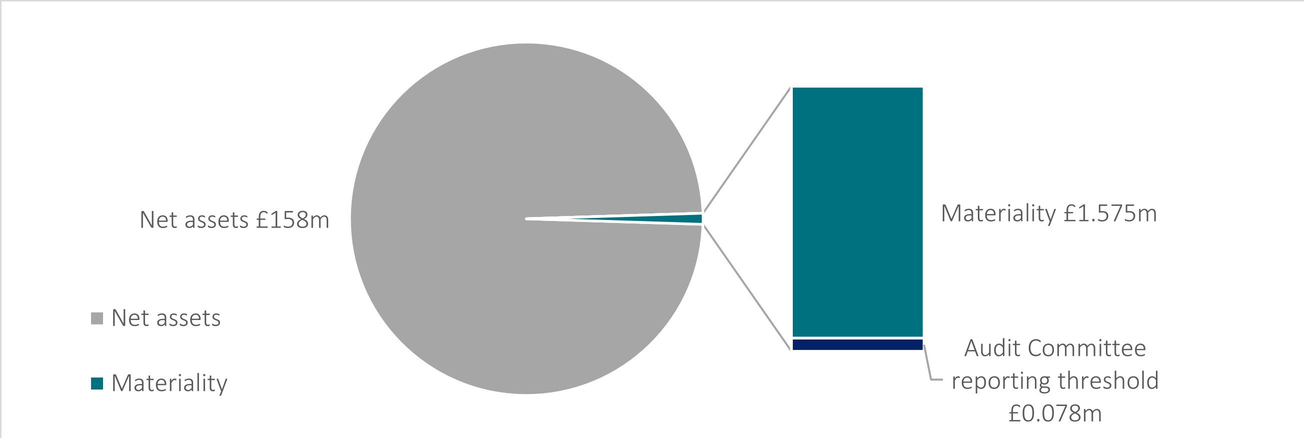
	Management discloses information about credit risk in the Strategic Report as well as in the Notes to the Financial Statements (Note 1 – Accounting Policies and Note 6 – Provision for bad & doubtful debts)
How the scope of our audit responded to the key audit matter	As part of our audit work: • we obtained an understanding of the company's risk management and monitoring processes and relevant controls around loan loss provisioning. We also obtained an understanding of the relevant controls surrounding the lending and loan loss provisioning cycle; • we assessed the completeness of loan loss provisions by assessing all loans held by the company and assessed whether the company's decision for not providing a specific provision in respect of each loan or a collective provision for the loan portfolio was reasonable. We evaluated management's assessment considering the impairment indicators as described by FRS 102 as well as considering the change in the Egyptian macroeconomic environment to which many of the company's customers are exposed; and • we assessed the financial statement disclosures relating to the provisions to evaluate compliance with FRS 102.
Key observations	Based on the work performed, we concluded that the loan loss provisioning is appropriate.

1. Our application of materiality

1.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.
Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£1,575k (2021: £773k)
Basis for determining materiality	1% of net assets (2021: 0.5% of net assets) We have increased the input factor due to professional judgement. There has been no history of material misstatement that may impact the users of financial statement.
Rationale for the benchmark applied	We have used 'Net assets' as the benchmark for the determination of audit materiality in the current period. This approach has been chosen taking into account the following key factors: • net assets is a key metric within the financial statements that the users, being the owners of the Bank, tend to focus on when evaluating the Bank's performance on a periodic basis; and • net assets is a more stable benchmark considering the volatility in the Bank's results on annual basis and is also a basis for regulatory capital.



1.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment; and
b. our past experience of audit, which has indicated a low number of corrected and uncorrected misstatements in prior periods.

1.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £78k (2021: £37k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

2. An overview of the scope of our audit

2.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Our risk assessment included considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures.

2.2. Our consideration of the control environment

We have tested controls over interest income, interest expense and customer deposits with the involvement of IT specialists, including the IT automated controls to take a control reliance approach for the year ended 31 December 2022.

We performed a fully substantive based audit with no controls reliance for the remaining sections. However, with the involvement of IT specialists, we obtained an understanding of relevant controls relating to significant risk areas, including the IT controls. This was performed over the key IT system to support an understanding of the controls environment.

2.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Bank's business and its financial statements. The Bank continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on page 2.

As a part of our audit, we have held discussions with the Bank management to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Bank's financial statements.

We read the climate related disclosures on the Chairman's Statement on page 2 to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

3. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

4. Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

5. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

6. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

6.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, Money Laundering Reporting Officer, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, IT and, credit specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: loan loss provisioning on loans and advances to customers. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the relevant provisions of the Prudential Regulation Authority (PRA) Rulebook, the Financial Conduct Authority (FCA) Handbook.

6.2. Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning on loans and advances to customers as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.
In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

7. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

8. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 29 to the financial statements for the financial year ended 31 December 2022 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

9. Matters on which we are required to report by exception

9.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have nothing to report in respect of these matters.

9.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

10.Other matters which we are required to address

10.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the board of directors on 11 May 2010 to audit the financial statements for the year ending 30 June 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 30 June 2010 to 31 December 2022.

10.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

11.Use of our report

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.

David Roberts, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 May 2023

Profit and loss account
for the year ended 31 December 2022

	Notes	1 January 2022 to 31 December 2022 £	1 July 2020 to 31 December 2021 £
Interest Income		**35,253,247**	23,479,081
Interest Expense		**(26,890,680)**	(14,723,846)
Net interest income		**8,362,567**	8,755,235
Fees and commissions income		**12,316,045**	10,227,474
Profit on sale of investments and debt securities		**1,252,198**	1,937,399
Foreign exchange dealing profits		**280,255**	189,766
		13,848,498	12,354,639
Operating income		**22,211,065**	21,109,874
Administrative expenses	3	**(8,523,451)**	(12,064,461)
Depreciation	4	**(791,016)**	(1,273,488)
Other operating charges	5	**(5,788,032)**	(7,916,877)
Operating Profit		**7,108,566**	(144,952)
Net impairment reversal	6	**-**	443,787
Profit on ordinary activities before tax		**7,108,566**	298,835
Tax charge on profit on ordinary activities	7	**(1,407,287)**	(209,949)
Profit on ordinary activities after tax		**5,701,279**	88,886
Other comprehensive income		**-**	-
Total comprehensive income		**5,701,279**	88,886

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

There was no other comprehensive income in the current year or prior period other than the profit for the year. Accordingly, no separate statement of other comprehensive income has been prepared.

The notes on pages 38 to 59 form part of these financial statements.

Balance sheet
As at 31 December 2022

	Notes	**31 December 2022**		31 December 2021*	
		£	£	£	£
Assets					
Cash and balances at central banks			**402,993**		302,328
Loans and advances to banks	8		**709,298,405**		577,701,208
Loans and advances to customers	9		**46,503,635**		37,246,292
Debt securities	10		**508,564,166**		553,658,509
Derivatives	14,15		**16,652,823**		378,832
Tangible fixed assets	11		**42,356,164**		41,363,058
Other assets			**91,313**		38,172
Current tax assets			**188,232**		116,855
Deferred tax assets	7		-		81,576
Prepayments and accrued income			**1,989,589**		1,866,078
- falling due within 1 year		**1,877,431**		1,736,305	
- falling due over 1 year		**112,158**		129,773	
Total assets			**1,326,047,320**		1,212,752,908
Liabilities and shareholder's funds					
Deposits by banks	12		**519,965,127**		758,172,551
Customer accounts	13		**608,680,668**		248,428,553
Derivatives	14,15		**205,870**		6,763,860
Other liabilities and deferred income	16		**1,054,200**		10,900,143
Deferred tax liabilities	7		**187,556**		215,467
Accruals			**478,286**		483,340
Subordinated debt	17		**35,269,364**		33,284,024
Shareholders' funds:					
- Called up share capital	18	**130,000,000**		130,000,000	
- Retained Earnings – Prior Year		**24,504,970**		24,416,084	
- Profit and loss account		**5,701,279**		88,886	
Total liabilities and shareholder's funds			**1,326,047,320**		1,212,752,908

Memorandum items		**31 December 2022**		31 December 2021	
		£	£	£	£
Contingent liabilities:					
- Acceptances and endorsements			**94,748**		86,190
- Guarantees – Trade Finance			**1,582,959**		3,942,712
Commitments:					
- Other commitments	19		**13,970,011**		20,915,508
			15,647,718		24,944,410

The notes on pages 38 to 59 form part of these financial statements.

*Re-stated (see note 1(b))

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 30 May 2023 and were signed on its behalf by:

Director Dr. Farouk Abdel Baki El-Okdah
Chairman

Director Dr. Yasser Ismail Hassan
CEO & Managing Director

Cash flow statement
for the year ended 31 December 2022

	Notes	**01 January 2022 to 31 December 2022 £**	1 July 2020 to 31 December 2021 £
Net cash inflow/(outflow) from operating activities	20	**(89,747,027)**	5,321,112
Taxation		**(1,425,000)**	(64,431)
Net cash inflow/(outflow) from operating activities)		**(91,172,027)**	**5,256,681**
Net cash inflow/(outflow) from investing activities	21	**83,292,813**	(5,782,456)
Cash flows from financing activities			
Dividends paid		**-**	-
Repayment of sub-ordinated debt		**(2,491,694)**	-
Net cash outflow from financing activities		**(2,491,694)**	-
Net decrease in cash in the year		**(10,370,908)**	(525,775)
Cash and cash equivalents at the beginning of year		**53,727,035**	54,252,810
Cash and cash equivalents at the end of the year		**43,356,127**	53,727,035

Reconciliation of cash and cash equivalents

	1 January 2022 to 31 December 2022 £	1 July 2020 to 31 December 2021 £
Cash and balances at central banks	402,993	302,328
Loans and advances to other banks repayable on demand	42,953,134	53,424,707
	43,356,127	53,727,035

The notes on pages 38 to 59 form part of these financial statements.

Statement of changes in equity
for the year ended 31 December 2022

	Notes	**Called up share capital**	**Profit and loss account**	**Total**
		£	£	£
As at 1 July 2020		130,000,000	24,416,084	154,416,084
Total comprehensive income		-	88,886	88,886
As at 31 December 2021		130,000,000	24,504,970	154,504,970
As at 31 December 2021		130,000,000	24,504,970	154,504,970
Total comprehensive income		-	5,701,279	5,701,279
As at 31 December 2022		**130,000,000**	**30,206,249**	**160,206,249**

The notes on pages 38 to 59 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding period.

(a) Basis of preparation and accounting convention

National Bank of Egypt (UK) Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006, whose financial statements comply with FRS 102. The accounting requirements of IAS 39 have been applied to financial instruments, instead of those under FRS 102.

The address of the registered office is given on page 1. The nature of the Bank's operations and its principal activities are set out in the strategic report on pages 6 to 20.

The financial statements have been prepared on a going concern basis under the historical cost convention modified to include the fair valuation of certain financial instruments. The following items are measured at fair value:

- Derivative financial instruments.

The functional currency of National Bank of Egypt (UK) Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Bank operates.

Going Concern

The Directors have a reasonable expectation that the Bank 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.

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 Bank, its cash flows, liquidity position and borrowing facilities, the Bank'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 Bank has a proven and conservative business model and its performance has been resilient over the years as it has enjoyed a sound funding and liquidity position and adequate capital resources. Thus, the Directors continue to adopt a going concern basis of accounting in preparing these financial statements.

In reaching this assessment the Directors have considered a wide range of range of information relating to present and future conditions. In addition to the severe but plausible stress testing of capital, liquidity and recoverability that the Bank is required to undertake, a series of more severe shocks were considered in response to the economic conditions in Egypt. After running the stresses, including the unlikely scenario of combined stress involving a significant depreciation in the GBP to USD exchange rate, a further deterioration in the Egyptian economy and a deterioration of the Banks ability to fund itself without paying above the market rates for funding, the Directors were able to demonstrate that the Bank was able maintain capital and liquidity surpluses.

(b) Restatement of balance sheet

During the year the Company has reassessed the presentation of the balance sheet classification of the interest receivable and interest payable on its financial assets and financial liabilities. In the prior year interest receivable of £3,490,822 was reported under 'Prepayments and accrued income'. These amounts have now been included across various line items 'Loans and advances to banks', 'Loans and advances to customers' and 'Debt securities' to better reflect amortised cost of respective financial assets.

In the prior year interest payable of £ 1,425,237 was reported under 'Accruals'. These amounts have now been included across line items 'Deposit by banks' and 'Customer accounts' to better reflect amortised cost of respective financial liabilities.

There is no impact to total assets and total liabilities as a result of above restatement.

1 Accounting policies *(continued)*

(c) Financial instruments

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified according to the substance of the contractual arrangements entered into.

(i) Financial assets and liabilities (excluding derivatives)

All of the Bank's financial assets are classified as loans and receivables and financial liabilities are held at amortised cost using the effective interest rate method. All financial assets and liabilities are initially measured at fair value.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market where it is expected that substantially all of the initial investment will be recovered, other than because of credit deterioration. Loans and receivables are subsequently carried at amortised cost using the EIR method and recorded net of provision for impairment losses.

Certain fixed rate debt securities are held in fair value hedge relationships with interest rate swaps and are termed 'asset swap' packages by the bank. This package includes the debt security carried at amortised costs and the associated fair value adjustment for the change in hedged risk.

Financial assets are derecognised when and only when: a) the contractual rights to the cash flow from the financial asset expire or are settled; b) the Bank transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or c) the Bank, despite having retained significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Derivative financial instruments

The Bank uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Bank does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(iii) Hedge accounting

The Bank designates certain derivatives as hedging instruments in respect of the interest rate risk for the fair value movements with recognised fixed rate debt instruments measured at fair value.

1 Accounting policies *(continued)*

At inception of the hedge relationship, the Bank documents the relationship between the hedging instrument and the hedged item, along with the clear identification of the risk in the hedged item that is being hedged by the hedging instrument. Furthermore, at the inception of the hedge and on an ongoing basis, the Bank assesses whether the hedging instrument is highly effective in offsetting the designated hedged risk.

For fair value hedges, changes in the fair value are recognised in the profit and loss account, together with changes in the hedged item.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting.

(d) *Impairment of assets*

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit and loss as described below:

(i) Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher or its fair value less costs to sell and its value in use.

(ii) Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

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

(iii) 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 and is the Bank's estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value.

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.

1 **Accounting policies** *(continued)*

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account. Income and expenses denominated in foreign currencies are converted into sterling at the month end rate for the month in which these transactions took place.

Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the year. Where the contracts arise as part of a deposit swap, the profits or losses are recognised evenly over the life of the related loans and deposits.

(f) Tangible fixed assets

Tangible fixed assets are stated at 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:

Leases of 50 years or more unexpired	15 - 20 years
Building	50 years
Computer equipment and other fixed assets	3 - 5 years

(g) Interest income and expense

Interest receivable and payable is accrued over the period of the related loans and deposits and these amounts relate to all interest-bearing financial assets and liabilities.

(h) 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.

(i) Profit on sale of investments and debt securities

Proceeds from the sale of investments and debt securities are credited to income and set against the net book value of those investments and debt securities at the time of sale.

(j) Foreign exchange dealing profits

Foreign exchange income arises from banking book foreign exchange transactions.

(k) 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.

(l) 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 Section 29 FRS 102.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Bank intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1 Accounting policies *(continued)*

(m) Pension costs

The Bank operates a defined contribution pension scheme. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contribution payable in the year. Differences between contributions payable in the year and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

(n) Leases

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the period of the lease, even if the payments are not made on such a basis.

(o) Government grants

Government grants in respect of furloughed staff are recognised as income in the period in which they become receivable.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimates
The Bank reviews its loans and advances on an individual basis to assess impairment on a periodic basis unless a known circumstance occurs at or before the scheduled review date. This review is used to determine whether an impairment loss should be recorded in the profit and loss account.

Judgements
The Bank makes a judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flow of a loan or advance. This evidence may include observable data indicating that there has been an adverse change in the payment status of the borrower e.g. payment delinquency or default. Additional observable data that would be considered is set out in Note 1 (c).

Notes to the Financial Statements *(continued)*

3 Administrative expenses

	1 January 2022 to 31 December 2022	1 July 2020 to 31 December 2021
	£	£
Staff costs:		
- Wages and salaries	**6,457,795**	9,257,494
- Social security costs	**882,338**	1,095,343
- Other pension costs	**574,696**	867,278
- Other staff costs	**526,432**	750,622
Other administrative expenses	**82,190**	93,724
	8,523,451	12,064,461

Monthly average number of persons employed by the Bank		
- Retail	**8**	9
- Treasury	**3**	3
- Documentary Credits and Corporate Lending	**11**	10
- Support functions	**53**	58
	75	80

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

4 Profit on ordinary activities before tax

(a) Is stated after charging:

	1 January 2022 to 31 December 2022	1 July 2020 to 31 December 2021
	£	£
Audit Fees		
Fees payable to the Bank's auditor for the audit of Bank's annual accounts	**188,500**	170,000
Fees payable in respect of prior year audit	-	27,180
Total audit fees	**188,500**	197,180
Depreciation of tangible fixed assets	**791,016**	1,273,488
Operating lease rentals		
Operating lease rentals were:		
- Land and building	-	1,084,940
- Others	**33,145**	18,493
Total operating lease rentals	**33,145**	1,103,433

(b) Segmental reporting

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

Notes to the Financial Statements *(continued)*

5 Other operating charges

	1 January 2022 to 31 December 2022	1 July 2020 to 31 December 2021
	£	£
Operations	**4,041,103**	4,921,125
Premises	**1,269,522**	2,346,016
External	**477,407**	649,736
Other operating charges	**5,788,032**	7,916,877

6 Provisions for bad and doubtful debts

(a) Impairment charge

	1 January 2022 to 31 December 2022	1 July 2020 to 31 December 2021
	£	£
Net charge/(reversal) of provisions for bad and doubtful debts (see note 6(b))		(443,787)
Impaired assets written off	-	-
Net Impairment debit/credit	-	(443,787)

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

	Specific	2022 Total
	£	**£**
Provisions at 31 December 2021	-	-
Additions during the year	-	-
Release of provisions during the year	-	-
Provision written off	-	-
Foreign exchange movement	-	-
Provisions at 31 December 2022	-	-
Of which:		
Provision against loans and advances to customers	-	-
	-	-

	Specific	Total
	£	£
Provisions at 30 June 2020	-	951,955
Additions during the period	-	-
Release of provisions during the period	-	(443,787)
Provision written off	-	(426,773)
Foreign exchange movement	-	(81,395)
Provisions at 31 December 2021	-	-
Of which:		
Provision against loans and advances to customers	-	-
	-	-

6 Provisions for bad and doubtful debts (continued)

(c) Non-performing loans

	1 January 2022 to 31 December 2022 £	1 July 2020 to 31 December 2021 £
Loans on which interest has been suspended (net of suspended interest)	-	-
Provisions for bad and doubtful debts	-	-
Total	-	-

7 Taxation

(a) Current tax and deferred tax:

	1 January 2022 to 31 December 2022 £	1 July 2020 to 31 December 2021 £
Current tax:		
UK corporation tax on profits for the period	1,304,194	37,645
Adjustment in respect of previous periods	49,429	26,785
Total current tax	1,353,623	64,430
Deferred tax:		
Origination and reversal of timing differences	98,367	122,474
Adjustment in respect of previous period	(44,703)	(11,139)
Effect of changes in tax rates	-	34,184
Total deferred tax	53,664	145,519
Total tax per profit and loss account	1,407,287	209,949

The charge for the period can be reconciled to the profit per the profit and loss account as follows:

	1 January 2022 to 31 December 2022 £	1 July 2020 to 31 December 2021 £
Profit for the period – continuing operations	7,108,566	298,835
Tax on profit at standard UK tax rate of 19% (2021: 19%)	1,350,628	56,779
Effects of:		
Expenses not deductible	37,867	103,341
Income not taxable	-	-
Adjustments from previous period	4,726	15,645
Tax rate changes	14,066	34,184
Tax charge for the period	1,407,287	209,949
Income tax expenses reported in the profit and loss account	1,407,287	209,949

Notes to the Financial Statements *(continued)*

7 Taxation *(continued)*

(b) Balance sheet amounts

	1 January 2022 to 31 December 2022	1 July 2020 to 31 December 2021
Current assets/(liabilities):	**£**	£
Corporation tax	**188,232**	116,855
	188,232	116,855

Deferred tax (assets)/liabilities :		
Provision at start of period	**133,892**	(11,627)
Adjustment in respect of prior period	**(44,703)**	(11,139)
Deferred tax charge to income statement for the period	**98,367**	122,474
Impact of change in rates	**-**	34,184
Provision at end of period	**187,556**	133,892

	Booked 31 December 2022	Booked 31 December 2021
	£	£
Fixed asset timing differences	**296,988**	215,467
Short term timing differences	**(109,432)**	(81,575)
	187,556	133,892

NBEUK cannot be certain that its deferred tax asset will unwind before 2023, so it has been recognised at a rate of 23.5% for 2023 and 25% thereafter. (2021: 19%), being the rate announced by the UK government in the Budget 2021 for periods after that time.

Deferred tax (asset):		
Recoverable within 12 months	**(71,194)**	(19,375)
Recoverable after 12 months	**(38,238)**	(62,201)
	(109,432)	(81,576)

Deferred tax liabilities:		
Payable within 12 months	**31,119**	11,647
Payable within 12 months	**265,869**	203,820
	296,988	215,467

8 Loans and advances to banks

(a) Residual maturity

	December 2022 £	December 2021* £
Banks		
- Repayable on demand	**42,952,908**	53,424,707
	42,952,908	53,424,707
Other loans and advances with remaining maturity:		
- 3 months or less	**409,003,000**	318,140,472
- 1 year or less but over 3 months	**77,532,363**	40,883,890
- 5 years or less but over 1 year	**19,933,555**	-
	549,421,826	412,449,069
Related Parties		
Other loans and advances with remaining maturity:		
- Repayable on demand	**227**	1
- 3 months or less	**84,934,037**	114,431,307
- 1 year or less but over 3 months	**46,894,973**	50,820,831
- 5 years or less but over 1 year	**28,047,342**	-
	159,876,579	165,252,139
Bad and doubtful debt provision – specific (see note 6)	-	-
Total loans and advances to banks	**709,298,405**	577,701,208

(b) Concentrations of exposure

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

	December 2022 £	December 2021* £
Total gross advances to banks located in:		
Europe and North America	**240,840,520**	165,765,838
Middle East and Egypt	**439,456,575**	411,925,192
Rest of the world	**29,001,310**	10,178
Total	**709,298,405**	577,701,208

*Restated (see note 1(b)

Notes to the Financial Statements *(continued)*

9 Loans and advances to customers

(a) Residual maturity

		December 2022 £	December 2021* £
Past due		**-**	-
Repayable on demand		**5,309,109**	5,266,161
Other loans and advances with remaining maturity:			
-	3 months or less	**13,115,434**	4,890,139
-	1 year or less but over 3 months	**6,443,366**	50,000
-	5 years or less but over 1 year	**21,635,726**	27,039,992
Sub-total		**41,194,526**	31,980,131
Bad and doubtful debt provision – specific (see note 6)		**-**	-
Total		**46,503,635**	37,246,292

(b) Concentrations of exposure

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

		December 2022 £	December 2021* £
Total gross advances to customers located in:			
-	Europe and North America	**6,344,117**	5,279,393
-	Middle East and Egypt	**31,305,384**	31,966,899
-	Rest of World	**8,854,134**	-
Total		**46,503,635**	37,246,292

*Restated (see note 1(b))

Notes to the Financial Statements *(continued)*

10 Debt securities

	December 2022	December 2021*
	£	£
Investment securities		
Investments packaged in 'asset swaps'	**229,494,910**	207,680,929
Investments at amortised cost	**279,069,256**	345,977,580
	508,564,166	553,658,509
Investment securities		
Issued by public bodies – government securities	**180,661,405**	190,299,362
Other securities	**343,276,052**	358,760,897
Interest rate fair value adjustment (refer to note 15)	**(15,373,291)**	4,598,250
	508,564,166	553,658,509
Related Parties	-	-
	508,564,166	553,658,509
Listed on a UK recognised investment exchange	**95,604,204**	28,434,886
Other listed	**264,443,922**	241,247,062
Unlisted	**163,889,331**	279,378,311
Interest rate fair value Adjustment (refer to note 15)	**(15,373,291)**	4,598,250
	508,564,166	553,658,509
Investment securities by maturity		
Due within one year	**89,479,397**	255,840,841
Due one year and over	**434,458,060**	293,219,418
Interest rate fair value Adjustment (refer to note 15)	**(15,373,291)**	4,598,250
	508,564,166	553,658,509

*Restated (See note 1(b))

	December 2022	December 2021
	£	£
Investment securities - market value		
Issued by public bodies – government securities	**168,915,764**	255,069,969
Other securities	**327,635,419**	297,163,851
	496,551,183	552,233,820

Notes to the Financial Statements *(continued)*

10 Debt securities (continued)

2022	Nominal Value	Net premium/ (discount)	Fair value adjustment	Accruals	Net book Value
Investment securities - movement	**£**	**£**	**£**	**£**	**£**
Balance at 31 December 2021	**544,278,994**	**1,873,097**	**4,598,250**	**2,908,168**	**553,658,509**
Purchases	**744,167,774**	**2,074,312**			**746,242,086**
Sales/maturities	**(832,105,150)**	**(1,233,630)**			**(833,338,780)**
Amortisation of premium/discount	**-**	**(1,392,854)**			**(1,392,854)**
Exchange movements	**61,483,797**	**220,698**			**61,704,495**
Movement in Accruals				**1,662,251**	**1,662,251**
Fair value adjustment (refer to note 15)	**-**	**-**	**(19,971,541)**		**(19,971,541)**
Balance at 31 December 2022	**517,825,415**	**1,541,623**	**(15,373,291)**	**4,570,419**	**508,564,166**

2021	Nominal Value	Net premium/ (discount)	Fair value adjustment	Accruals	Net book Value
Investment securities - movement	£	£	£	£	£
Balance at 30 June 2020	631,329,181	577,989	22,233,180	-	654,140,350
Purchases	809,701,331	2,764,437			812,465,768
Sales/maturities	(848,414,201)	(575,460)			(848,989,661)
Amortisation of premium/discount	-	(840,819)			(840,819)
Exchange movements	(48,337,317)	(53,050)			(48,390,367)
Movement in Accruals				2,908,168	2,908,168
Fair value adjustment (refer to note 15)	-	-	(17,634,930)		(17,634,930)
Balance at 31 December 2021	544,278,994	1,873,097	4,598,250	2,908,168	553,658,509

11 Tangible fixed assets

	Leases of 50 years or more unexpired	Building	Computer equipment and other fixed assets	Total
	£		£	£
Cost				
At 30 June 2020	259,276	-	3,261,992	3,521,268
Additions	-	41,232,789	674,483	41,907,272
Disposals	-	-	(1,102,099)	(1,102,099)
At 31 December 2021	259,276	41,232,789	2,834,377	44,326,442
Additions	-	1,188,510	604,735	1,793,245
Disposals	-	-	(32,160)	(32,160)
At 31 December 2022	**259,276**	**42,421,299**	**3,406,952**	**46,087,527**
Accumulated depreciation				
At 30 June 2020	243,188	-	2,537,114	2,780,302
Charge for period	16,088	485,415	771,985	1,273,488
Related to disposals	-		(1,090,407)	(1,090,407)
At 31 December 2021	259,276	485,415	2,218,692	2,963,383
Charge for year		392,432	398,584	791,016
Related to disposals			(23,036)	(23,036)
At 31 December 2022	**259,276**	**877,847**	**2,594,240**	**3,731,363**
Net book value				
At 31 December 2022	**-**	**41,543,452**	**812,712**	**42,356,164**
Net book value				
At 31 December 2021	-	40,747,374	615,684	41,363,058

Notes to the Financial Statements *(continued)*

12 Deposits by Banks

With agreed maturity dates or periods of notice, by remaining maturity:	**December 2022** **£**	December 2021* £
Banks		
- 3 months or less but not repayable on demand	**360,162,147**	457,132,094
- 1 year or less but over 3 months	**79,910,921**	236,847,703
- 5 years or less but over 1 year	**18,990,000**	19,350,000
	459,063,068	713,329,797
- Repayable on demand	**17,241,118**	6,175,708
	476,304,186	719,505,505
Related Parties		
- 3 months or less but not repayable on demand	**15,146**	17,434
- 1 year or less but over 3 months	**-**	-
- 5 years or less but over 1 year	**41,528,239**	36,982,248
	41,543,385	36,999,682
- Repayable on demand	**2,117,556**	1,667,364
-	**43,660,941**	38,667,046
Total		
- 3 months or less but not repayable on demand	**360,177,293**	457,149,528
- 1 year or less but over 3 months	**79,910,921**	236,847,703
- 5 years or less but over 1 year	**60,518,239**	56,332,248
	500,606,453	750,329,479
- Repayable on demand	**19,358,674**	7,843,072
	519,965,127	758,172,551

*Restated (See Note1(b)

13 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:	**December 2022** **£**	December 2021* £
Customer accounts		
- 3 months or less but not repayable on demand	**287,408,906**	77,947,248
- 1 year or less but over 3 months	**241,676,741**	24,039,519
- 5 years or less but over 1 year	**14,483,759**	91,412,935
	543,569,406	193,399,702
- Repayable on demand	**65,111,262**	55,028,851
	608,680,668	248,428,553

*Restated (See Note 1(b))

Notes to the Financial Statements *(continued)*

14 Financial Instruments

The carrying value of the Bank's financial assets and liabilities are summarised by category below:

	December 2022 £	December 2021 £
Financial assets at amortised cost		
- Loans and advances to banks	**709,298,405**	577,701,208
- Loans and advances to customers	**46,503,635**	37,246,292
- Debt securities	**508,564,166**	553,658,509
	1,264,366,206	1,168,606,009
Financial assets at fair value		
- Exchange rate related contracts	**1,237,025**	2,008
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets	**15,415,798**	376,824
	16,652,823	378,832
Financial liabilities at amortised cost		
- Deposits by banks	**519,965,127**	758,172,551
- Customer accounts	**608,680,668**	248,428,553
- Subordinated debt	**35,269,364**	33,284,024
	1,163,915,159	1,039,885,128
Financial liabilities at fair value		
- Exchange rate related contracts	**129,232**	1,572
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities	**76,638**	6,762,288
	205,870	6,763,860

The Bank enters into various derivative financial instruments as principal to manage balance sheet interest rate risk and forward foreign exchange risk. Interest rate contracts and forward foreign exchange contracts are valued at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

Fair values of financial assets and financial liabilities are determined as follows:
The fair values of financial assets and liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices. Other non-derivative financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions based on quoted prices for debt securities and dealer quotes for similar instruments. There has been no transfer of levels during the year.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

• **Level 1** – The best evidence of fair value is a quoted price for an identical asset in an active market. This category comprises of debt securities and floating rate agreements as observable prices are available in the market.

14. Financial Instruments (continued)

• **Level 2** – When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted. This category comprises of foreign exchange contracts, interest rate swaps, valued using data such as yield curves and exchange rates, requiring little management judgement.

• **Level 3** – If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

		2022		
	Total	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**	**£**
Derivative assets				
Foreign exchange contracts	**1,237,025**	-	**1,237,025**	-
Interest rate swaps	**15,415,798**	-	**15,415,798**	-
Total Derivative assets	**16,652,823**	-	**16,652,823**	-
Derivative liabilities				
Foreign exchange contracts	**129,232**	-	**129,232**	-
Interest rate swaps	**76,638**	-	**76,638**	-
Total Derivative liabilities	**205,870**	-	**205,870**	-

		2021		
	Total	Level 1	Level 2	Level 3
	£	£	£	£
Derivative assets				
Foreign exchange contracts	2,008	-	2,008	-
Interest rate swaps	376,824	-	376,824	-
Total Derivative assets	378,832	-	378,832	-
Derivative liabilities				
Foreign exchange contracts	1,572	-	1,572	-
Interest rate swaps	6,762,288	-	6,762,288	-
Total Derivative liabilities	6,763,860	-	6,763,860	-

15 Derivative financial instruments

The Bank enters into various derivative financial instruments as principal to manage balance sheet interest rate risk and forward foreign exchange risk. At the year end, the principal amounts of derivatives that are designated and effective as hedging instruments and those which are carried at fair value were:

	Due within a year		More than one year	
	2022	2021	**2022**	2021
	£	£	**£**	£
Assets				
Interest rate contracts	-	36,812	**15,415,798**	340,013
Forward foreign exchange contracts	**1,237,025**	2,008	-	-
	1,237,025	38,820	**15,415,798**	340,013
Liabilities				
Interest rate contracts	**2,013**	297,889	**74,625**	6,464,339
Forward foreign exchange contracts	**129,232**	1,572	-	-
	131,245	299,461	**74,625**	6,464,339

All interest rate swap contracts exchanging fixed rate interest amounts for floating rate interest amounts are designated and effective as fair value hedges in respect of interest rates. During the year, the hedges were on average 99.75% effective in hedging the fair value exposures to interest rate movements and as a result a positive fair value adjustment of £ 862k (2021: £1,205k) was included in profit and loss.
During the year as a result of hedging £19.97m (2021: £17.63m) of loss on the bond amount was recognised in the profit or loss at the same time that £20.83m (2021: £18.83m) gain on the interest rate swap was included in the profit or loss.

16 Other liabilities and deferred income

	December 2022	December 2021
	£	£
Other creditors	**1,054,200**	10,900,143
	1,054,200	10,900,143

17 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 to be amortised according to the loan agreement, by $6 million each year and the final instalment repayable on maturity. Interest is charged at 3 months LIBOR plus 200 basis points. The date of the maturity of the debt is extended to 25 February 2029.

In April 2017, the Bank drew-down additional $15 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 an amortising basis at $3 million per year and the final tranche on maturity. Interest is charged at 3 months LIBOR plus 200 basis points. The date of the final maturity of the debt is 26 January 2027. $3 million out of $15 million was repaid to the parent company in September 2022. The interest expense during the year amounted to £1,415,865 (2021: £1,187,765).

Opening balance 01 January 2022	33,284,024
Repayment	(2,491,694)
Accrued interest	385,643
Exchange movements	4,091,391
Closing balance 31 December 2022	35,269,364

18 Called up Share Capital

	December 2022	December 2021
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**130,000,000**	130,000,000
	130,000,000	130,000,000

19 Commitments

(a) Other commitments

	December 2022	December 2021
	£	£
Letters of credit - confirmed	**13,970,011**	20,915,508
	13,970,011	20,915,508

Incurred on behalf of the parent Bank:

	December 2022	December 2021
	£	£
Letters of credit - confirmed	**420,913**	-
	420,913	-

(b) Significant concentrations of contingent liabilities and commitments

Approximately 22.5% (2021: 49.7%) of total contingent liabilities and commitments relate to counterparties in Egypt.

Notes to the Financial Statements *(continued)*

20 Reconciliation of operating profit to operating cash flows

	01 January 2022 to 31 December 2022	01 July 2020 to 31 December 2021
	£	£
Profit before tax	**7,108,566**	(144,952)
Depreciation	**791,016**	1,285,181
Profit on sale of investment debt securities	**(1,252,198)**	(1,937,399)
Exchange effect related to investing and financing cash flow	**(57,392,406)**	44,717,185
Operating cash flows before movement in working capital.	**(50,745,022)**	43,920,015
(Increase)/decrease in accrued income and prepayments	**(1,785,761)**	895,122
Decrease in accruals and deferred income	**(5,054)**	(2,332,999)
Increase in loans and advances to banks and customers	**(151,326,113)**	(178,439,940)
Increase in deposits by banks and customer accounts	**122,044,691**	131,304,766
Decrease in premium and discount on debt securities	**1,583,671**	642,290
Decrease in other assets	**(53,141)**	(118,227)
(Decrease)/increase in other liabilities	**(9,460,298)**	9,450,085
Cash inflow/(outflow) from operating activities	**(89,747,027)**	5,321,112

21 Net cash flows from investing activities

	01 January 2022 to December 2022	01 July 2020 to 31 December 2021
	£	£
Capital expenditure and financial investment		
Purchase of investment securities	**(744,167,774)**	(809,701,331)
Sale and maturity of investment securities	**832,105,150**	848,414,201
Sale of tangible fixed assets	**9,124**	-
Purchase of tangible fixed assets	**(1,793,246)**	(41,907,272)
Cash flows from derivatives	**(2,860,441)**	(2,588,054)
Net cash (outflow)/inflow	**83,292,813**	(5,782,456)

22 Operating lease commitments

As at 31 December 2022, the total future minimum lease payments are as follows:

	£ December 2022	£ December 2021
Operating lease commitments which expire:		
Within 1 year	**14,237**	12,895
Between 1 and 5 years	**18,908**	16,119
More than 5 years	**-**	-
	33,145	49,179

23 Assets and liabilities denominated in foreign currencies

	December 2022	December 2021
	£	£
Denominated in US Dollar	**902,279,986**	974,923,789
Denominated in other currencies	**69,961,909**	3,550,770
Total assets	**972,241,895**	978,474,559
Denominated in US Dollar	**901,950,199**	973,325,249
Denominated in other currencies	**69,891,197**	3,550,770
Total liabilities	**970,841,396**	976,876,019

The functional currency of the Bank's operations is Sterling. The net impact of a 10% appreciation in USD would be positive £140K (2021:£160k) and negative £140k (2021: £160k) for a 10% depreciation in USD .

24 Emoluments of directors

	December 2022	December 2021
	£	£
Directors' fees and emoluments	**1,323,415**	1,824,252

There is no Director accruing benefits under a money purchase pension scheme (2021: None). The total remuneration and benefits of the highest paid Director were £539,480 (2021: £766,376).

25 Related party disclosures

During the year, the Bank received fees and commission of £11,854,800 (2021: £8,146,699), Interest income £5,617,634 (2021: £2,561,793) and paid interest expenses £270,098 (2021: £268,036) to the parent National Bank of Egypt, Head office, Cairo.

As at the year end, the Bank had loans outstanding of £159,876,579 (2021: £165,252,139) and deposits of £78,930,305 (2021: £71,951,070) from its parent National Bank of Egypt, Head office, Cairo. The Bank holds £41,528,239 (2021: £36,982,249) as collateral deposits as at reporting date.

There were no debt securities held at year end with National Bank of Egypt, Head office, Cairo or its subsidiaries (2021: nil). During the year, there were no new loans issued to officers of the Bank (2021: Nil). All related party transactions are conducted at arm's length.

There are no material related party transactions with key management, and persons connected with them, other than remuneration disclosed in Note 24.

26 Ultimate parent Bank and parent undertaking of larger group of which the Bank is a member

The Bank 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 Bank 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.

Notes to the Financial Statements *(continued)*

27 Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Bank's loans and advances to banks. Loans and advances to customers and debt securities.

The Bank's maximum exposure to credit risk before taking account of any collateral and other credit risk mitigations, by class of financial instrument is shown in the table below:

	December 2022	December 2021
	£	£
Debt securities	**508,859,617**	553,658,509
Loans and advances to banks	**709,298,405**	577,701,208
Loans and advances to customers	**46,503,635**	37,246,292
Derivatives	**16,652,823**	378,832
Letter of Credit	**13,970,011**	20,915,508
Guarantees	**1,582,959**	3,942,712
Other commitments	**94,748**	86,190
	1,296,962,198	1,193,929,251

The value of collaterals held by the bank by collateral type.

	December 2022	December 2021
	£	£
Cash collateral	**66,783,447**	79,583,240
Residential real estate	**2,567,377**	-
	69,350,824	79,583,240

28 Subsequent events

There have been no material post-balance sheet events which would require disclosure or adjustment to the Financial Statements for 31 December 2022.

29 Country-by-Country Disclosures

The Capital Requirements (Country-by-Country) Regulations came into effect on 1 January 2014 and places certain reporting obligations on financial institutions that are within the scope of the European Union's Capital Requirements Directive (CRD IV). The objective of the reporting requirements is to provide increased transparency regarding the activities of the institution.

The National Bank of Egypt (UK) Ltd is a UK registered entity with no subsidiaries and has filed a UK Country-by-Country report in accordance with the accounting framework FRS 102.

The Bank received no public subsidies during the year to 31 December 2022 (2021: Nil).

Country	Type of Operations	Net Income from Continuing operations (£)	Profit/(loss) before tax (£)	Corporation tax paid (£)	Average number of employees
United Kingdom	PRA and FCA regulated Banking	22,211,065	7,108,566	1,425,000	75