National Bank of Egypt (UK) Limited

Annual report and financial statements

Registered number 2743734

For the period ended 31 December 2021

Board of Directors
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. Mahmoud Montaser Ibrahim El-Sayed Al Asfar (resigned on 20th September 2021)
Mr. Sherif Amir Ahmed Riad (appointed on 20th September 2021)
Mr. Edward Marks
Mrs. Dalia Abdallah Mohamed El-Baz
Mrs Lobna Hilal, Non-Executive Director
Dr. Ziad Bahaa-Eldin
Mr. David Somers

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
Dr. Ziad Bahaa-Eldin
Mr. Edward Marks

Audit Committee Secretary
Dentons Secretaries Ltd

Risk Committee
Mr Edward Marks – Chairman (pending regulatory approval)
Mr. David Somers
Dr. Ziad Bahaa-Eldin

Risk Committee Secretary
Dentons Secretaries Ltd

Remuneration Committee
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Ahmed Okasha
Dr. Ziad Bahaa-Eldin

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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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 ending 31 December 2021. The Bank has opted to extend its accounting period to align dates with our parent company. However, I am disappointed to say that it has proved to be a challenging year for the United Kingdom and the Bank due to the ongoing impact of the Covid-19 pandemic, nevertheless, I would like to take this opportunity to thank all the staff of the Bank who have had to demonstrate impressive levels of resilience and professionalism throughout the period.

COVID-19

The Bank has in so far as possible avoided the worst of the economic ravages wrought by the COVID-19 pandemic, with our funding streams remaining largely intact and our investment portfolio proving to be resilient and robust.

Strategic Developments

The Bank has realigned its business strategy to seek greater funding diversification and to build our loan book activity, whilst maintaining a portfolio of high-quality debt securities, ensuring that our liquidity and capital indicators always remain prudently above the regulatory thresholds.

Premises

The Bank's relocation to our own property National Bank of Egypt House, 8-9 Stratton Street, London, W1J 8LF at the end of December 2020 was achieved without any disruption to our services, our internal systems, and our customers.

IBOR Transition

The Bank's 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, by 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

In our Climate Related Financial Disclosure report this year, we have been able to provide a level of disclosure that meets the regulatory recommendations and demonstrates an evolution of the Bank's response to climate change, in terms of our governance, our strategic and management approach. This year's exercise has helped us to further understand the climate challenges that the Bank faces and the potential financial risks that are associated to them.

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 is in the process of assessing our core business services and will outsource our review of 3rd party vendor documentation in line with regulatory requirement.

Financial Performance

For the period NBEUK can post a breakeven profit performance. Net interest income fell, in 2021, to £8.75m from £8.94 m[1] in 2020. Commission and fee income generated from trade finance and other businesses

[1] As described in Note 1b) to the financial statements, during the period the Company has taken the opportunity to re-present its income statement to enhance the ease of comprehension for users of the accounts and more accurately reflect the substance of the transactions. This has led to a change in certain comparative figures. See Note 1b) for further details.

including foreign exchange dealing increased in 2021 to £12.35m from £8.93m in 2020. Despite operating income rising from £17.87m to £21.11m, a greater than commensurate increase in costs eroded our operating profit to a small loss for the period, this was fortunately compensated by the subsequent reversal of an impairment. The Bank's capital and liquidity ratios remained above regulatory limits throughout the year.

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 an improved set of results in the year ahead.

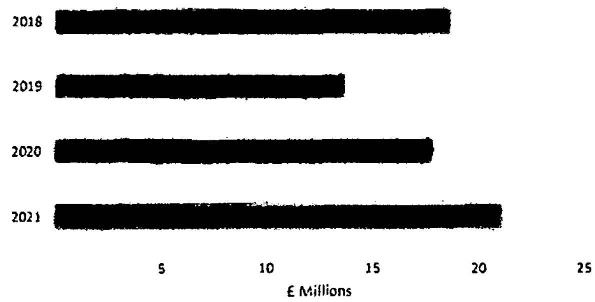
Dr. Farouk Abdel Baki El-Okdah
Chairman

Financial Highlights

Operating Income

£21,109,874

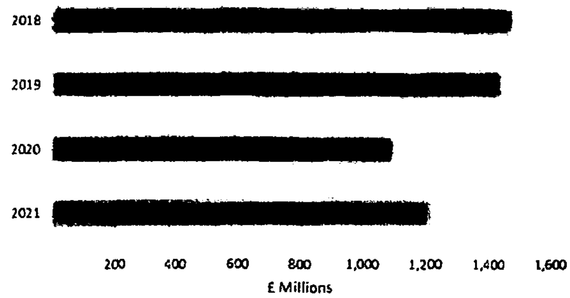
Operating income increased by 18.10%



Total Assets

£1,212,752,908

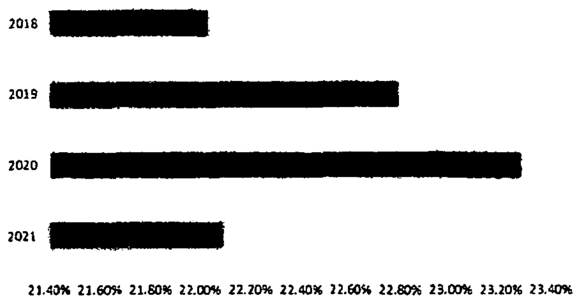
Total assets increased by 10.54%



Capital Ratio

22.10%

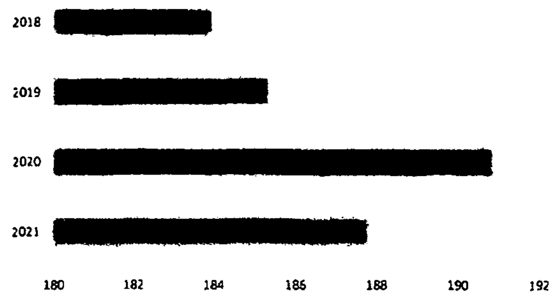
Capital Ratio remained above the ICG regulatory minimum of 16.1%



Tier 1 & Tier 2 Capital

£187,788,994

Capital strength decreased by 2.96% due to foreign exchange movements



	2021	2020	2019	2018
Financial Position (£'000)				
Operating income	21,110	17,874	13,658	18,636
Net profit	89	4,429	130	6,009
Total assets	1,212,753	1,097,233	1,434,693	1,471,021
Total investments	550,750	654,140	662,988	723,466
Total loans to customers	37,152	47,731	75,815	65,617
Shareholders' funds	154,505	154,416	149,987	149,856
Tier 1 & 2 capital (eligible capital)	187,789	190,812	185,322	183,929
Ratios (Percentage %)				
Capital adequacy	22.10%	23.28%	22.79%	22.03%
Cost income ratio	101%	70.99%	98.69%	60.03%
Return on equity	0.07%	3.41%	0.10%	4.62%
Return on shareholders' funds	0.06%	2.87%	0.09%	4.01%

Strategic Report

On 24 December 1992, NBEUK was granted the status of authorised institution under the UK Banking Act 1987 (since superseded by the Financial Services and Markets Act of 2000).

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

The 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 and corporate businesses both in Egypt and the UK. NBEUK accumulates funds from deposits, equity and debt capital and these are lent to corporate business and financial institutions through different bank business channels e.g. loans, debt securities, trade finance and money market lending.

As a wholly-owned subsidiary of National Bank of Egypt, NBEUK is adequately funded (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 to customers are to support working capital financing, capital expenditure and trading activities. The Bank is looking to rebuild this business in 2022. 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.

Business Review

As at 31 December 2021, the Bank had total assets of £1,213m. This was an increase from the previous period's total assets of £1,097m or 11% higher, this was due partly to an increase in bank loans. Between July 2020 and December 2021, $126 million was withdrawn by major depositors as a result of the pandemic. The Bank was able to fund the withdrawal using its stock of high-quality liquid assets. 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 84% of the Bank's assets are denominated in US Dollars. The Bank made a profit after tax of £0.09m compared to £4.4m the previous period, or a fall of 98% due to the significant challenges throughout the period.

Net interest income decreased from £8.9m (restated) in 2019/20 to £8.8m in 2020/21, a decrease of 2.1% reflecting the changes in the Bank's sources of funding. In addition, due to the strengthening of the Egyptian economy, the demand for funding from this region has decreased as the Bank faces increased competition to provide USD liquidity.

Fees and commissions increased to £10.2m from £7.3m, which represents a rise of 40.6%. This has been predominately generated by the Bank's trade finance business during the period under review.

The Bank maintained its traditional strengths during the period in terms of stable funding, adequate liquidity and robust capitalisation. 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 period. We then provide examples of key decisions we have made in the period, 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. The management 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 period 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. Immediately following the pandemic we encouraged staff to work remotely on flexible hours to ensure that their wellbeing was maintained.

- **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 period. 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 period, 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 significantly in technology in the period was driven by our desire to optimise our customer and staff experience. An example is the project to upgrade the core Treasury Banking system which is expected to be in production before December 2022. 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 period. This included the period in October 2021 when large withdrawals were made due to the pandemic.

- **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 and motivated our decision to appoint three new Board members in the period, ensuring the Board continues to have a varied and balanced skill set which will support the growth and success of the company for all stakeholders.

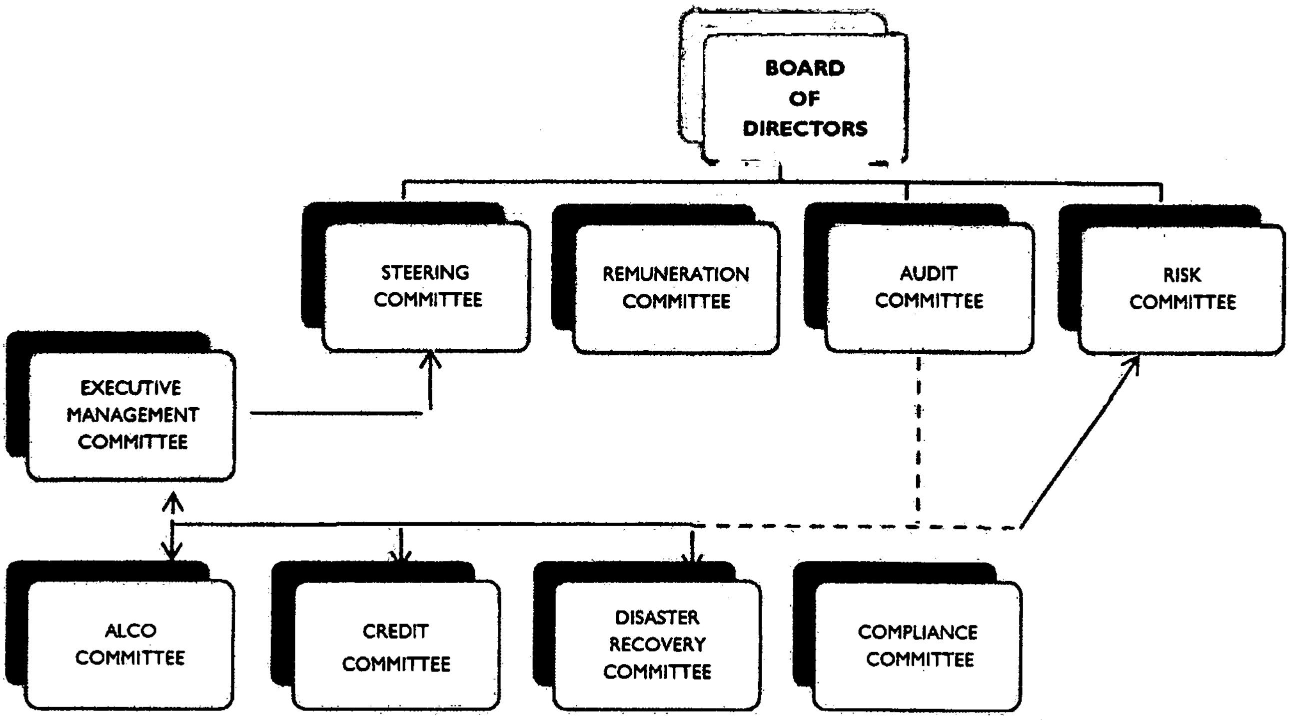
The Bank remained open throughout the pandemic. Staff not able to work from home worked from the office. Staff unable to perform their work function from home were placed on the furlough scheme. The withdrawal of customer funding was the most material impact caused by the pandemic.

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.

- **Risk 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.

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

- **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.

- **Disaster Recovery 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 1st 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 period, ended 31 December 2021 are shown on pages 33 to 36. The profit after taxation for the period amounts to £88,886 (2020: £4,429,341).

Financial Highlights 2020/21

For the period ended 31 December 2021, operating income of £21,109,874 (2020: £17,874,412) was 18.1% greater than last period. There was a decrease in net interest income of 2.1% to £8,755,235 (2020: £8,940,248 - restated). This is mainly as a result of a fall in total assets during the period. Net interest income and gross interest income have decreased.
Non-interest income increased by 51.8% - from £8,934,164 (restated) in 2020 to £12,354,639 in 2021. This activity remains very much concentrated on the oil imports into Egypt.

Operating expenses increased by 67.5% from £12,688,447 in 2020 to £21,254,826 in 2021. These increases were made mainly because the period is for eighteen months rather than twelve months. The Bank has managed to reduce its dependence on contract staff. However headcount has increased and premises costs were high due to ongoing costs associated with the office move.

An Operating loss of £144,952 for the period ended 31 December 2021 compares with a profit of £5,185,966 for the period ended 30 June 2020.

The tax charge decreased from £1,039,203 in 2020 to £209,949 in 2021, in line with the operating profit for the period. The tax charge for the period includes £145,519 for deferred tax. Only £64,430 is for current tax.

Total assets for the period ended 31 December 2021, at £1,212,752,908, were £115,520,042 higher, an increase of 10.5%, 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 period 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 these risks. This is to ensure that there are processes in place to minimise its impact.

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

The responsibility of Risk Management is fully vested in the Board of Directors, which in turn delegates this to Senior Management and the Board's Committees. NBEUK's management ensures that risk and risk management awareness is fully 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 period, 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 is inversely proportional to exchange 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 FCA. The majority of our interest-bearing liabilities and assets are based on floating rates, and so any interest rate mismatch is removed. Also, the majority of assets and liabilities are short dated, and therefore not subject to interest rate risk. At the end of December the Bank's sensitivity to a 200bp increased shift in interest rates was approximately £0.2m and to a negative £0.2m to a 200bp decrease on interest rates. Given that interest rates are currently very low, 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 period, 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. Between July 2020 and December 2021, $126 million was withdrawn by major depositors as result of the pandemic. The Bank was able to fund the withdrawal using its high-quality liquid assets. 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. This risk is also mitigated by regular contact with the Bank's auditor, membership of trade organisations and various professional bodies. The regulatory environment during current period remained as challenging 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 period 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 period continued to witness some significant regulatory changes in the UK banking industry. 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, 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 Compliance Committee and Audit Committee and Risk 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 Governance and Control 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.

During the period the Bank has undertaken a significant review to implement proportionate and risk based policies and procedures in compliance with the Money Laundering Regulation 2017, the FCA Handbook and industry guidance, and following consultation with professional advisers, management has concluded no provision for a possible regulatory fine is required.

- **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 2021 and throughout the period, NBEUK held capital levels in excess of that required by the Prudential Regulation Authority. The Bank's regulatory capital resources as at 31 December 2021 including retained profit was as follows:

	December 2021 **£000's**	June 2020 £000's
Tier 1 Capital	**154,505**	154,416
Tier 2 Capital	**33,284**	36,396
Total eligible capital resources	**187,789**	190,812

Tier 1 capital comprises share capital and the retained profit at the period-end 31 December 2021. 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 period-end:

	December 2021 **£000's**	June 2020 £000's
Credit risk capital	**62,276**	59,379
Market risk capital	**171**	57
Counterparty risk capital	**74**	70

Credit Valuation Adjustment (CVA)	**29**	32
Operational risk	**2,508**	2,859
Total Pillar 1 Capital requirement	**65,058**	62,397
Total Pillar 2A Capital requirement	**52,046**	43,678
Total Capital Requirements	**117,104**	106,075

Risk weighted assets (RWA) were higher as at 31 December 2021 due to some increases in the average weightings applied to certain categories of exposure.

	December 2021	June 2020
Capital surplus (£000's)	**70,596**	80,308
Capital adequacy ratio	**23.08%**	23.90%
Leverage ratio	**12.52%**	10.99%

The Bank was in compliance with the ICG requirements throughout the period 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.

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

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

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

Further details of the 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 continued to be controlled and monitored, and our regulatory requirements fulfilled. It is also expected that staffing levels are reviewed and resources realigned with the future needs to meet the Bank's strategy and plans. It is not foreseen that the balance sheet will grow substantially, but gradually as the Bank takes on more profitable assets. 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 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.

Approved/authorised for issue by the board of directors

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
16 May 2022

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 period ended 31 December 2021.

Directors

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

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. Mahmoud Montaser Ibrahim El-Sayed Al Asfar (resigned on 20th September 2021)
Mr. Sherif Amir Ahmed Riad (appointed on 20th September 2021)
Mr. Edward Marks
Mrs. Dalia Abdallah Mohamed El-Baz
Mrs Lobna Hilal, Non-Executive Director
Dr. Ziad Bahaa-Eldin
Mr. David Somers

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 period and remain in force at the date of this report.

Share Capital

During the period, 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 period ended 31 December 2021 the Bank had an average of 80 (2020: 76) 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 (2020: £265) during the period.

Dividend

The Directors recommend that no dividend be paid based on the 2021 financial statements (2020: 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, the outcome of various stress tests and capital resources in making their assessment. 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. The political and economic conditions in Egypt have improved in the last few months and the Directors are comfortable that such positive developments and noticeable stability will be positively reflected on the Bank's performance during 2022/2023. Such a conclusion will be extended to cover the going concern assumptions and outcome inherent on the issued statement given that the Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of any uncertainties. 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.

The confidence of the directors is illustrated by the fact that the Bank has embarked on a project to purchase freehold property in London. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements.

Covid–19

The risk assessment for the Covid-19 is ongoing. The Bank has managed to remain open throughout the pandemic and offered a continued service to customers. The UK economy is expected to contract by between 7% and 13% this period and GDP for 2021 is also expected to be around 1% to 7% below pre-crisis trends. While the Bank is not materially exposed to the sectors worst hit it has been significantly impacted in the following areas which are monitored closely on a daily basis

- **Liquidity**: The funding platform is relatively stable apart from significant withdrawals of deposit which happened during the period. This has been particularly noticeable as Egyptian Government agencies have acted to strengthen their position at home to address the crisis. However, the investment portfolio has proved to be resilient and robust, largely due to its inherent credit strength. The Bank has proactively monitored credit rating events of our counterparties and the issuers of our investment bond portfolio. The bank has also significantly increased its Liquidity Asset Buffer. Funding platform is relatively stable apart from significant withdrawals of deposit which happened during the period.
- **Staff**: A number of staff have suffered the effects of pandemic but have thankfully recovered. The bank maintains high safety standards and stresses that the health of the staff must remain a top priority.
- **Operational**: Measures have been put in place for staff to work from home efficiently. Where it has been necessary for staff to work from the office the bank has put in place procedures to meet government guidelines to ensure that safety standards are maintained. This has not had a material impact on expenses.

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.

Approved by the board of directors

Dentons Secretaries Limited

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
16 May 2022

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 period. 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 period. 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 2021 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 28.

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 matter that we identified in the current year was credit provisioning
Materiality	The materiality that we used in the current year was £773k (2020: £380k) which was determined on the basis of 0.5% of net assets (2020: 0.25% 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	There have been no significant changes in our audit approach.

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 included:

- Obtaining an understanding of management's going concern review process;
- Evaluating management's judgement paper, identifying the assumptions applied in the going concern assessment and testing the mechanical accuracy of the underlying data;
- Performing 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;
- testing of clerical accuracy of those forecasts and assessing historical accuracy of forecasts prepared by management ;
- reviewing management's going concern assessment as well as the ICAAP and ILAAP submissions to the PRA 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;
- performing other audit procedures including management enquiries and review of regulatory correspondence to test management's conclusions; and
- assessing the appropriateness of the going concern disclosures made in the financial statements in view of the FRC guidance.
- Evaluating the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.
Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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. Key audit matter title

Key audit matter description	Credit provisioning is an area where significant management judgement is applied in determining the necessity for, and then estimating the size of the impairment. Therefore, we determined that a potential risk of fraud lies within credit provisioning. Management has determined that the Loans and advances to customers balance of £37.2m (2020: £48.6m) does not require an impairment provision at period-end

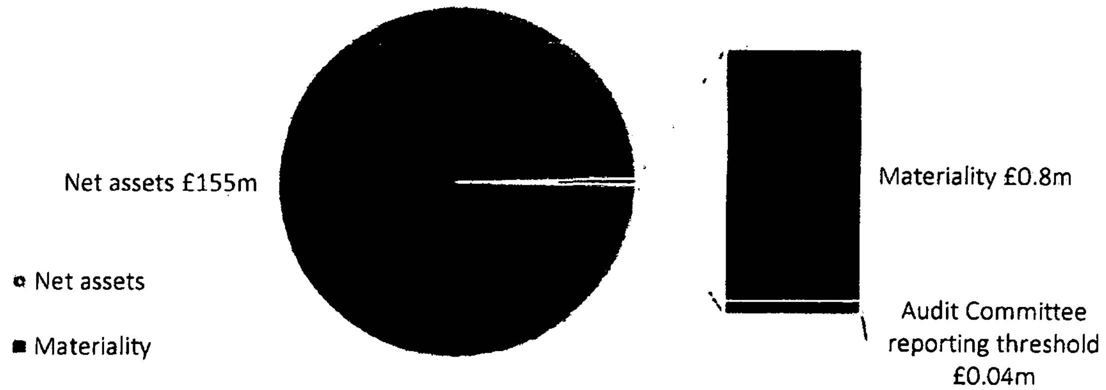
	(2020: £952k). The reason for the reduction is due to the settlement in the current period of the only fully impaired loan from the prior year. There are no additional impairment on existing loan balances. Management discloses information about credit risk in the Strategic Report as well as in the Notes to the Financial Statements (Note 1 – Accounting Policies and Note 6 – Provisions)
How the scope of our audit responded to the key audit matter	As part of our audit work we: • We obtained an understanding of the company's risk management and monitoring processes and relevant controls around credit provisioning. We also updated our understanding of the internal controls surrounding the lending and credit provisioning cycle and performed controls testing on the design and implementation. • We assessed the completeness of loan loss provisions by reviewing 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 challenged management's assessment considering the impairment indicators as described by FRS 102 as well as considering the change in the macroeconomic environment, • We reviewed the financial statement disclosures relating to the provisions to evaluate compliance with FRS 102.
Key observations	Based on the work performed, we have not identified any material misstatement.

6. Our application of materiality

6.1. 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	£773k (2020: £380k)
Basis for determining materiality	0.5% of net assets (2020: 0.25% 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.



6.2. 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 2021 audit (2020: 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.
c. the number of significant risks which relate to significant judgemental areas.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £37k (2020: £19k), 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.

7. An overview of the scope of our audit

7.1. 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.

7.2. 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.

8. 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.

9. 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.

10. 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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud[2]

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.

11.1. 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 bank 's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the bank'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; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, IT, credit and industry 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: credit provisioning. 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, 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified credit provisioning 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 management override and credit provisioning 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, the audit committee 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

12. 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.

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

In our opinion the information given in note 28 to the financial statements for the financial year ended 31 December 2021 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

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

14.1. 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.

14.2. 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.

15. Other matters which we are required to address

15.1. 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 12 years, covering the years ending 30 June 2010 to 31 December 2021.

15.2. 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).

16. 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

David Roberts, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16 May 2022

Profit and loss account
for the period ended 31 December 2021

	Notes	**1 July 2020 to 31 December 2021 £**	1 July 2019 to 30 June 2020* £
Interest Income		**23,479,081**	37,527,991
Interest Expense		**(14,723,846)**	(28,587,743)
Net interest income		**8,755,235**	8,940,248
Fees and commissions income		**10,227,474**	7,275,800
Profit on sale of investments and debt securities		**1,937,399**	955,113
Foreign exchange dealing profits		**189,766**	703,251
		12,354,639	8,934,164
Operating income		**21,109,874**	17,874,412
Administrative expenses	3	**(12,064,461)**	(7,293,220)
Depreciation	4	**(1,273,488)**	(446,332)
Other operating charges	5	**(7,916,877)**	(4,948,895)
Operating Profit		**(144,952)**	5,185,966
Net impairment reversal	6	**443,787**	282,578
Profit on ordinary activities before tax		**298,835**	5,468,544
Tax charge on profit on ordinary activities	7	**(209,949)**	(1,039,203)
Profit on ordinary activities after tax		**88,886**	4,429,341
Other comprehensive income		-	-
Total comprehensive income		**88,886**	4,429,341

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

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

The notes on pages 36 to 57 form part of these financial statements.

*Re-presented (see note 1a).

Balance sheet
As at 31 December 2021

	Notes	31 December 2021		30 June 2020	
		£	£	£	£
Assets					
Cash and balances at central banks			302,328		253,903
Loans and advances to banks	8		577,213,067		387,816,115
Loans and advances to customers	9		37,151,779		47,731,036
Debt securities	10		550,750,341		654,140,350
Derivatives	14,15		378,832		184,278
Tangible fixed assets	11		41,363,058		740,966
Other assets			38,172		17,800
Current tax assets			116,855		-
Deferred tax assets			81,576		96,392
Prepayments and accrued income			5,356,899		6,252,022
- falling due within 1 year		5,227,126		6,248,421	
- falling due over 1 year		129,773		3,601	
Total assets			1,212,752,908		1,097,232,863
Liabilities and shareholder's funds					
Deposits by banks	12		756,896,286		463,119,263
Customer accounts	13		248,279,581		410,751,838
Derivatives	14,15		6,763,860		26,792,289
Other liabilities and deferred income	16		10,900,143		1,376,371
Current tax liabilities			-		54,687
Deferred tax liabilities			215,467		84,765
Accruals			1,908,577		4,241,576
Subordinated debt	17		33,284,024		36,395,988
Shareholders' funds:					
- Called up share capital	18	130,000,000		130,000,000	
- Retained Earnings – Prior Year		24,416,084		19,986,743	
- Profit and loss account		88,886		4,429,341	
Total liabilities and shareholder's funds			1,212,752,908		1,097,232,863

Memorandum items	Notes	31 December 2021		30 June 2020	
		£	£	£	£
Contingent liabilities:					
- Acceptances and endorsements			86,190		54,279
- Guarantees – Trade Finance			3,942,712		4,309,703
Commitments:					
- Other commitments	19		20,915,508		258,060,065
			24,944,410		262,424,047

The notes on pages 37 to 57 form part of these financial statements.

These financial statements of National Bank of Egypt (UK) Limited (registered number 2743734) were approved by the Board of Directors and authorised for issue on 16 May 2022 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 period ended 31 December 2021

	Notes	31 December 2021		30 June 2020	
		£	£	£	£
Net cash inflow/(outflow) from operating activities	20		**5,321,112**		(1,302,104)
Taxation			**(64,431)**		(995,331)
Net cash inflow/(outflow) from investing activities	21		**(5,782,456)**		50,448,892
Cash flows from financing activities					
Dividends paid			-		-
Financing			-		-
Net cash outflow from financing activities			-		-
Net (decrease)/increase in cash in the period			**(525,775)**		**48,151,457**
Cash and cash equivalents at the beginning of period			**54,252,810**		6,101,353
Cash and cash equivalents at the end of the period			**53,727,035**		54,252,810

Reconciliation of cash and cash equivalents

	31 December 2021	30 June 2020
	£	£
Cash and balances at central banks	**302,328**	253,903
Loans and advances to other banks repayable on demand	**53,424,707**	53,998,907
	53,727,035	54,252,810

The notes on pages 37 to 57 form part of these financial statements.

Statement of changes in equity
for the period ended 31 December 2021

	Notes	**Called up share capital**	**Profit and loss account**	**Total**
		£	£	£
As at 30 June 2019		130,000,000	19,986,743	149,986,743
Total comprehensive income		-	4,429,341	4,429,341
As at 30 June 2020		130,000,000	24,416,084	154,416,084
As at 30 June 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**

The notes on pages 37 to 57 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 period 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 17.

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.

Change of financial period

As explained in the Chairman's statement, the Company has changed its reporting period to the 31 December to align with that of its parent company's. Consequently, the Income Statement and related notes for 2022 cover an 18 month period and therefore may not be directly comparable to the prior period, which covered only a 12 month period.

Re-presentation of income statement

During the period the Company has reassessed the presentation of the profit and loss classification of the finance income on its debt securities and related interest rate swaps held in fair value hedge relationships of those securities. In the prior year gains and losses were reported across various line items: "Interest receivable and similar income arising from debt securities"; "Fair value adjustment on financial instruments"; and "Interest payable". All amounts have now been included within "Interest Income" to better reflect the fact that in aggregate the items represent the interest income achieved on the debt securities

To enable proper comparisons and in line with the treatment adopted for the 2021 income statement, the 2020 comparative information has also been re-presented as follows. The two financial statement lines previously presented: "Interest receivable and similar income arising from debt securities" and "Other interest receivable and similar income" have been combined and are now presented as one financial statement line, "Interest Income". The financial statement line, "Fair value adjustment on financial instruments", which totalled £(1,377,628) in 2021 has now been included in "Interest Income". The financial statement line, "Interest Payable" has been renamed, "Interest Expense" and £(11,378,392) of interest expense that was reported in this line is now reported in "Interest Income".

The total impact on 2020 has been to increase "interest income" by £19,222,166 and decrease "Net Interest Income" by £1,377,628, with no impact on Operating Income.

Going Concern

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' report. The Directors' report also describes the financial position of the 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 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 no significant impact on the Bank.

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.

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

(b) 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 transaction price (including transaction costs).

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.

(c) *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)*

(d) Foreign currencies

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

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

(e) Tangible fixed assets

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

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

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

(f) 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.

(g) Fees and commission receivable

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

(h) 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.

(i) Foreign exchange dealing profits

Foreign exchange income arises from banking book foreign exchange transactions.

(j) 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.

(k) 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)*

(l) 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 period. Differences between contributions payable in the period and contributions actually paid are shown in either accruals or prepayments in the balance sheet.

(m) 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.

(n) 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.

2 Critical accounting judgements and key sources of estimation uncertainty *(continued)*

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

	December 2021	June 2020
	£	£
Staff costs:		
- Wages and salaries	**9,257,494**	5,549,275
- Social security costs	**1,095,343**	650,754
- Other pension costs	**867,278**	552,370
- Other staff costs	**750,622**	466,917
Other administrative expenses	**93,724**	73,904
	12,064,461	7,293,220

Monthly average number of persons employed by the Bank		
- Retail	**8**	11
- Treasury	**4**	3
- Documentary Credits	**5**	6
- Support functions	**63**	56
	80	76

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

In the eighteen months to December 2021, only five staff members were furloughed for one month but no claim was made.

4 Profit on ordinary activities before tax

(a) Is stated after charging:

	December 2021	June 2020
	£	£
Audit Fees		
Fees payable to the Bank's auditor for the audit of Bank's annual accounts	**170,000**	135,000
Fees payable in respect of prior year audit	**27,180**	134
Total audit fees	**197,180**	135,134
Depreciation of tangible fixed assets	**1,273,488**	446,332
Operating lease rentals		
Operating lease rentals were:		
- Land and building	**1,084,940**	911,170
- Others	**18,493**	15,905
Total operating lease rentals	**1,103,433**	927,075

(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

	December 2021	June 2020
	£	£
Operations	**4,921,125**	3,250,339
Premises	**2,346,016**	1,299,293
External	**649,736**	399,263
Other operating charges	**7,916,877**	4,948,895

6 Provisions for bad and doubtful debts

(a) Impairment charge

	December 2021	June 2020
	£	£
Net charge of provisions for bad and doubtful debts (see note 6(b))		-
Impaired assets written off	-	-
Net impairment debit/credit	-	-

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

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

	Specific	Total
	£	£
Provisions at 30 June 2019	1,217,118	1,217,118
Additions during the period	-	-
Release of provisions during the period	(282,578)	(282,578)
Foreign exchange movement	17,415	17,415
Provisions at 30 June 2020	951,955	951,955
Of which:		
Provision against loans and advances to customers	951,955	951,955
	951,955	951,955

(c) Non-performing loans

	December 2021	June 2020
	£	£
Loans on which interest has been suspended (net of suspended interest)	-	949,661
Provisions for bad and doubtful debts	-	(951,955)
Total	-	(2,294)

Notes to the Financial Statements *(continued)*

7 Taxation

(a) Current tax and deferred tax:

	December 2021	June 2020
	£	£
Current tax:		
UK corporation tax on profits for the period	**37,645**	973,422
Adjustment in respect of previous periods	**26,785**	21,910
Total current tax	**64,430**	995,332
Deferred tax:		
Origination and reversal of timing differences	**122,474**	86,406
Adjustment in respect of previous period	**(11,139)**	(32,215)
Effect of changes in tax rates	**34,184**	(10,319)
Total deferred tax	**145,519**	43,871
Total tax per profit and loss account	**209,949**	1,039,203

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

	December 2021	June 2020
	£	£
Profit for the period – continuing operations	**298,835**	5,468,543
Tax on profit at standard UK tax rate of 19% (2020: 19%)	**56,779**	1,039,023
Effects of:		
Expenses not deductible	**103,341**	20,804
Income not taxable	**-**	-
Adjustments from previous period	**15,646**	(10,305)
Tax rate changes	**34,184**	(10,319)
Tax charge for the period	**209,949**	1,039,203
Income tax expenses reported in the profit and loss account	**209,949**	1,039,203

Notes to the Financial Statements ***(continued)***

7 Taxation ***(continued)***

(b) Balance sheet amounts

Current assets/(liabilities):	**31 December 2021 £**	**30 June 2020 £**
Corporation tax	**116,855**	**(54,687)**
	166,855	**(54,687)**

Deferred tax (assets)/liabilities :		
Provision at start of period	**(11,627)**	(55,499)
Adjustment in respect of prior period	**(11,139)**	(32,215)
Deferred tax charge to income statement for the period	**122,474**	76,086
Impact of change in rates	**34,184**	-
Provision at end of period	**133,892**	(11,627)

	Booked 31 December 2021 £	**Booked 30 June 2020 £**
Fixed asset timing differences	**215,467**	84,765
Short term timing differences	**(81,576)**	(96,392)
	133,892	(11,627)

NBEUK cannot be certain that its deferred tax asset will unwind before 2021, so it has been recognised at a rate of 19% (2020: 17%), being the rate announced by the UK government in the Budget 2021 for periods after that time.

Deferred tax (asset):		
Recoverable within 12 months	**(19,374)**	(19,374)
Recoverable after 12 months	**(62,201)**	(77,018)
	(81,576)	(96,392)
Deferred tax liabilities:		
Payable within 12 months	**11,647**	84,765
Payable within 12 months	**203,820**	84,765
	215,467	84,765

8 Loans and advances to banks

(a) Residual maturity

	December 2021	June 2020
	£	£
Banks		
- Repayable on demand	**53,424,707**	53,998,907
	53,424,707	53,998,907
Other loans and advances with remaining maturity:		
- 5 years or less but over 1 year	-	8,087,997
- 1 year or less but over 3 months	**40,883,890**	117,450,206
- 3 months or less	**318,073,519**	208,279,005
	412,382,116	387,816,115
Related Parties		
Other loans and advances with remaining maturity:		
- Repayable on demand	**1**	-
- 1 year or less but over 3 months	**50,820,831**	-
- 3 months or less	**114,010,120**	-
	164,830,951	-
Bad and doubtful debt provision – specific (see note 6)	-	-
Total loans and advances to banks	**577,213,067**	387,816,115

(b) Concentrations of exposure

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

	December 2021	June 2020
	£	£
Total gross advances to banks located in:		
Europe and North America	**165,625,771**	91,933,166
Middle East and Egypt	**411,577,127**	265,748,982
Rest of the world	**10,169**	30,133,967
Total	**577,213,067**	387,816,115

9 Loans and advances to customers

(a) Residual maturity

	December 2021 £	June 2020 £
Past due	-	1,352,246
Repayable on demand	**5,266,161**	54,492
Other loans and advances with remaining maturity:		
- 5 years or less but over 1 year	**27,039,992**	-
- 1 year or less but over 3 months	**50,000**	-
- 3 months or less	**4,795,626**	47,276,253
Sub-total	**37,151,779**	48,682,991
Bad and doubtful debt provision – specific (see note 6)	-	(951,955)
Total	**37,151,779**	47,731,036

(b) Concentrations of exposure

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

	December 2021 £	June 2020 £
Total gross advances to customers located in:		
- Europe and North America	**5,266,161**	54,492
- Middle East and Egypt	**31,885,618**	48,628,499
- Rest of World	-	-
Total	**37,151,779**	48,682,991

Notes to the Financial Statements *(continued)*

10 Debt securities

	December 2021	June 2020
	£	£
Investment securities		
Investments packaged in 'asset swaps'	**206,590,056**	373,317,867
Investments at amortised cost	**344,160,285**	280,822,483
	550,750,341	654,140,350
Investment securities		
Issued by public bodies – government securities	**189,275,634**	158,355,710
Other securities	**356,876,457**	473,551,460
Interest rate fair value adjustment (refer to note 15)	**4,598,250**	22,233,180
	550,750,341	654,140,350
Related Parties	**-**	-
	550,750,341	654,140,350
Listed on a UK recognised investment exchange	**28,287,972**	31,860,682
Other listed	**239,954,690**	335,973,624
Unlisted	**277,909,429**	264,072,865
Interest rate fair value Adjustment (refer to note 15)	**4,598,250**	22,233,180
	550,750,341	654,140,350
Investment securities by maturity		
Due within one year	**252,932,673**	74,237,659
Due one year and over	**293,219,418**	557,669,512
Interest rate fair value Adjustment (refer to note 15)	**4,598,250**	22,233,180
	550,750,341	654,140,350

	Nominal Value	Net Premium / (Discount)	Fair Value Adjustment	2021 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**		**812,465,769**
Sales/maturities	**(848,414,201)**	**(575,460)**		**(848,989,661)**
Amortisation of premium/discount	**-**	**(840,819)**		**(840,819)**
Exchange movements	**(48,337,318)**	**(53,050)**		**(48,390,367)**
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	550,750,341

Investment securities - movement	Nominal value £	Net premium/ (discount) £	Fair value adjustment £	2020 Net book Value £
Balance at 30 June 2019	659,700,039	1,112,603	2,174,938	662,987,580
Purchases	264,104,012	126,532	-	264,230,544
Sales/maturities	(311,429,958)	(262,866)	-	(311,692,823)
Amortisation of premium/discount	-	(431,542)	-	(431,542)
Exchange movements	18,955,089	33,261	-	18,988,349
Fair value adjustment (refer to note 15)	-	-	20,058,242	20,058,242
Balance at 30 June 2020	631,329,181	577,989	22,233,180	654,140,350

	December 2021 £	June 2020 £
Investment securities - market value		
Issued by public bodies – government securities	**255,069,969**	162,953,660
Other securities	**297,163,851**	483,060,013
	552,233,820	646,013,673

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**	**2,834,376**	**44,326,441**
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**
Net book value				
At 31 December 2021	**-**	**40,747,374**	**615,684**	**41,363,058**
Net book value				
At 30 June 2020	16,088	-	724,878	740,966

Notes to the Financial Statements *(continued)*

12 Deposits by Banks

With agreed maturity dates or periods of notice, by remaining maturity:	December 2021 £	June 2020 £
Banks		
- 5 years or less but over 1 year	**19,350,000**	202,199,935
- 1 year or less but over 3 months	**236,847,703**	32,351,990
- 3 months or less but not repayable on demand	**455,873,263**	190,914,828
	712,070,966	425,466,753
- Repayable on demand	**6,175,708**	4,284,312
	718,246,674	429,751,065
Related Parties		
- 5 years or less but over 1 year	**36,982,248**	-
- 1 year or less but over 3 months	**-**	-
- 3 months or less but not repayable on demand	**-**	32,351,990
	36,982,248	32,351,990
- Repayable on demand	**1,667,364**	1,016,208
	38,649,612	33,368,198
Total		
- 5 years or less but over 1 year	**56,332,249**	202,199,935
- 1 year or less but over 3 months	**236,847,703**	32,351,990
- 3 months or less but not repayable on demand	**455,873,263**	223,266,818
	749,053,215	457,818,743
- Repayable on demand	**7,843,071**	5,300,519
	756,896,286	463,119,262

13 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:	December 2021 £	June 2020 £
Customer accounts		
- 5 years or less but over 1 year	**91,412,935**	118,119
- 1 year or less but over 3 months	**24,039,519**	126,597,814
- 3 months or less but not repayable on demand	**77,799,389**	228,814,162
	193,251,843	355,530,095
- Repayable on demand	**55,027,738**	55,221,743
	248,279,581	410,751,838

14 Financial Instruments

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

	December 2021	June 2020
	£	£
Financial assets at fair value		
- Exchange rate related contracts	2,008	184,278
	2,008	184,278
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets	376,824	-
	378,832	184,278
Financial liabilities at fair value		
- Exchange rate related contracts	1,572	472,678
	1,572	472,678
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities	6,762,288	26,319,611
	6,763,860	26,792,289

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 period.

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, foreign exchange contracts and floating rate agreements as observable prices are available in the market.

• **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 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.

14. Financial Instruments

	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**	**2,008**	**376,824**	**-**
Derivative liabilities				
Foreign exchange contracts	**1,572**	**1,572**	**-**	**-**
Forward Rate Agreements	**-**	**-**	**-**	**-**
Interest rate swaps	**6,762,288**	**-**	**6,762,288**	**-**
Total Derivative liabilities	**6,763,860**	**1,572**	**6,762,288**	**-**

	2020			
	Total	Level 1	Level 2	Level 3
	£	£	£	£
Derivative assets				
Foreign exchange contracts	184,278	184,278	-	-
Total Derivative assets	184,278	184,278	-	-
Derivative liabilities				
Foreign exchange contracts	472,678	472,678	-	-
Interest rate swaps	26,319,611	-	26,319,611	-
Total Derivative liabilities	26,792,289	472,678	26,319,611	-

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 period end, the principal amounts of derivatives that are designated and effective as hedging instruments and those which are not carried at fair value were:

	Due within a year		More than one year	
	2021	2020	**2021**	2020
	£	£	**£**	£
Assets				
Interest rate contracts	**36,812**		**340,013**	-
Forward foreign exchange contracts	**2,008**	184,278	**-**	184,278
	38,820	184,278	**340,013**	184,278
Liabilities				
Interest rate contracts	**297,889**	110,816	**6,464,339**	26,208,795
Forward foreign exchange contracts	**1,572**	472,678	**-**	-
	299,461	583,494	**6,464,339**	26,208,795

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 period, 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 £1,205k (2020: £1,378k) was included in profit and loss.
During the period as a result of hedging £17.63m (2020: £22.23m) of loss on the bond amount was recognised in the profit or loss at the same time that £18.83m (2020: £26.32m) loss on the interest rate swap was included in the profit or loss.

16 Other liabilities and deferred income

	December 2021	June 2020
	£	£
Taxation	**-**	54,687
Other creditors	**10,900,143**	1,376,371
Deferred tax liabilities (see note 7 (b))	**215,467**	84,765
	11,096,610	1,515,823

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 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 Bank. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable on maturity and 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. The interest payable during the period amounted to £1,118,765 (2020: £1,381,124).

18 Called up Share Capital

	December 2021	June 2020
	£	£
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 2021	June 2020
	£	£
Letters of credit - confirmed	**20,915,508**	31,953,188
Letters of credit - participation purchased	-	226,106,877
	20,915,508	258,060,065

Incurred on behalf of the parent Bank:

	December 2021	June 2020
	£	£
Letters of credit - confirmed	-	-
Letters of credit - participation purchased	-	63,242,760
	-	63,242,760

(b) Significant concentrations of contingent liabilities and commitments

Approximately 99.8% (2020: 99.8%) of total contingent liabilities and commitments relate to counterparties in Egypt.

20 Reconciliation of operating profit to operating cash flows

	December 2021 £	June 2020 £
Profit before tax	**(144,952)**	5,185,966
Accrued income and prepayments	**895,122**	914,647
Accruals and deferred income	**(2,332,999)**	(3,852,036)
Depreciation	**1,285,181**	446,332
Interest on subordinated debt	**1,118,765**	1,381,124
Profit on sale of investment debt and equity securities	**1,937,399**	955,113
Other non-cash movements	**43,598,420**	(19,258,499)
Net cash inflow from trading activities	**46,356,937**	(14,227,353)
Net cash inflow/(outflow) from operating activities comprises:		
Loans and advances to banks and customers	**(178,439,940)**	375,132,748
Deposits by banks and customer accounts	**131,304,766**	(360,924,977)
Debt securities in issue	**(3,232,508)**	(420,498)
Other assets	**(118,227)**	(1,954)
Other liabilities	**9,450,084**	(860,070)
Net cash inflow/(outflow) from operating activities	5,321,112	(1,302,104)

21 Net cash flows from investing activities

	December 2021 £	June 2020 £
Capital expenditure and financial investment		
Purchase of investment securities	**(809,701,331)**	(264,104,012)
Sale and maturity of investment securities	**848,414,201**	311,429,958
Purchase of tangible fixed assets	**(41,907,272)**	(533,288)
Cash flows from derivatives	**(2,588,054)**	3,656,235
Net cash (outflow)/inflow	(5,782,456)	50,448,893

22 Operating lease commitments

As at 31 December 2021, the total future minimum lease payments are as follows:

	December 2021 £ Land and Buildings	December 2021 £ Other	June 2020 £ Land and Buildings	June 2020 £ Other
Operating lease commitments which expire:				
- Within 1 year	**314,202**	**12,895**	434,295	10,725
- Between 1 and 5 years	-	**16,119**	-	38,454
- More than 5 years	-	-	-	-
	434,295	49,179	434,295	49,179

Notes to the Financial Statements *(continued)*

23 Assets and liabilities denominated in foreign currencies

	December 2021	June 2020
	£	£
Denominated in US Dollar	975,366,088	923,336,614
Denominated in other currencies	237,367,820	1,444,685
Total assets	1,212,733,908	924,781,299
Denominated in US Dollar	975,366,088	922,839,228
Denominated in other currencies	237,367,820	1,441,486
Total liabilities	1,212,733,908	924,280,714

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

24 Emoluments of directors

	December 2021	June 2020
	£	£
Directors' fees and emoluments	1,824,252	1,102,341

There is no Director accruing benefits under a money purchase pension scheme (2020: None). The total remuneration and benefits of the highest paid Director were £402,008 (2020: £766,376).

25 Related party disclosures

During the period, the Bank received fees and commission of £8,146,699 (2020: £5,736,205), Interest income £2,561,793 (2020: £4,195,847) and paid interest expenses £268,036 (2020: £995,606) to the parent National Bank of Egypt, Head office, Cairo.

As at the period end, the Bank had loans outstanding of £164,830,952 (2020: Nil) and deposits of £36,982,249 (2020: £33,368,198) from its parent National Bank of Egypt, Head office, Cairo.

There was no debt securities held at period end with National Bank of Egypt, Head office, Cairo or its subsidiaries (2020: nil). During the period, there were no new loans issued to officers of the Bank (2020: Nil).

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.

27 Subsequent events

There have been no material post-balance sheet events which would require disclosure or adjustment to the Financial Statements for 31 December 2021.

28 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 period to 31 December 2021 (2020: 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	21,109,874	298,835	154,500	80