National Bank of Egypt (UK) Limited

Annual report and financial statements

Registered number 2743734

For the year ended 31 December 2023

Contents

Company Information

Board of Directors
Mr. Hisham Ahmed Okasha – Chairman, Non-Executive Director (appointed 30 May 2023)
Dr. Farouk Abdel Baki El-Okdah – Chairman, Non-Executive Director (resigned 30 May 2023)
Mrs. Lobna Hilal, Deputy Chairman, Independent Non- Executive Director (appointed 30 May 2023)
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director
Dr. Ziad Bahaa-Eldin, Non-Executive Director
Mr. Edward Marks, Independent Non-Executive Director
Mr. Sherif Amir Ahmed Riad, Non-Executive Director
Dr. Mohammed Maait, Non-Executive Director (appointed 13 March 2023)
Mr. David Somers, Independent Non-Executive Director (resigned 13 March 2023)
Mr. Ian Gray, Independent Non-Executive Director (appointed 30 May 2023)
Mrs. Dalia Abdallah Mohamed El-Baz, Non-Executive Director

Company Secretary: Dentons Secretaries Limited

Steering Committee
Mr. Hisham Ahmed Okasha – Chairman, Non-Executive Director
Mrs. Dalia Abdallah Mohamed El-Baz, Deputy Chairman, Non-Executive Director
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 Limited

Audit Committee
Mr. Edward Marks – Chairman, Independent Non-Executive Director
Dr. Ziad Bahaa-Eldin, Non-Executive Director
Mrs. Lobna Hilal, Independent Non-Executive Director
Audit Committee Secretary: Dentons Secretaries Limited

Risk and Compliance Committee
Mr. Edward Marks – Chairman, Independent Non-Executive Director
Dr. Ziad Bahaa-Eldin, Non-Executive Director
Mrs. Lobna Hilal, Independent Non-Executive Director
Risk Committee Secretary: Dentons Secretaries Limited

Remuneration Committee
Mrs. Lobna Hilal – Chairman, Independent Non-Executive Director
Mr. Edward Marks, Independent Non-Executive Director
Mr. Hisham Ahmed Okasha, Non-Executive Director
Remuneration Committee Secretary: Head of Human Resources

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

Company Information (continued)

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

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

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SWIFT: NBEGGB2L

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of National Bank of Egypt (UK) Limited for the year ending 31 December 2023, and I am encouraged to say that we have continued to enhance the Bank's product offering, diversified our sources of funding, and we have built on the firm foundations of 2022, to report an enhanced level of performance in 2023. This has been achieved despite slowing global momentum and continuing economic uncertainty as the world grapples with political and financial headwinds. There are some signs of optimism about the easing of inflationary pressures following looser labour market conditions and fading supply-chain pressures, but according to many economists, the weak economic outlook and geopolitical tensions are likely to be with us for some time, so that we as a Bank, will remain vigilant and agile to cope with these challenges going forward.

Retirement of Dr. Farouk El-Okdah

I would like to take this opportunity, to formally thank Dr. Farouk El-Okdah who stepped down from his role as Chairman and Non-Executive Director of the Bank on 30 May 2023, for his tireless service and commitment since his appointment as Chairman in March 2003, bringing to the Bank an unparalleled level of experience and knowledge, having been both the Chairman of National Bank of Egypt (NBE) and the Governor of the Central Bank of Egypt (CBE).

Geopolitical Situation

As we say goodbye to 2023, we must reflect on a year marked by escalating tensions and enduring conflicts, casting a long shadow across the globe. From the persistent strife in Ukraine, to war in Gaza and the volatile situation in the South China Sea, the world has witnessed a surge in geopolitical unrest. Europe has grappled with an escalating migrant crisis, while the United States has faced internal political challenges which could have global repercussions.

For Egypt, positive news is emerging including a significant investment by Abu Dhabi Developmental Holding Company (ADQ) of the UAE to develop the Ras El-Hikma area for which $35Bn of development rights were agreed and partially paid, an increase of the IMF facility to $8Bn, European support for Euro 7.4Bn, as well as other financing from development partners is in the pipeline. This will help put the Egyptian economy back on track. We remain confident that with support from international organisations and Gulf Cooperation Council (GCC) countries, that Egypt will weather this difficult period, as it has done throughout the Russia-Ukraine conflict. In terms of National Bank of Egypt (UK) Limited, its business model has proven to be remarkably resilient to challenges worldwide, in the UK and in Egypt.

Climate risk

Climate risk will have far-reaching impacts on global stability, with the effects already apparent in the form of extreme weather events, species extinction, rising sea levels and growing poverty in developing countries. Climate change has resulted in more frequent and severe weather events such as hurricanes, droughts, floods, and wildfires, which have damaged infrastructure and disrupted supply chains, leading to resource scarcity and economic instability. It has led to reduced precipitation levels in some parts of the world.

The Bank remains cognisant of potential physical and transition risks, and though our footprint is only modest, we believe that even small changes can accumulate to create an impact. We continue to closely monitor these risks and regulate where we choose to invest our asset book.

Strategic Developments

The Bank continues with the main tenets of its business strategy to seek greater funding diversification, build the loan book activity and a diverse portfolio of high-quality debt securities, and expand its trade finance business, ensuring always that the liquidity and capital indicators remain prudently

Chairman's Statement (continued)

above the risk appetite thresholds.

Financial Performance

For the year ending 2023, NBEUK had a good performance when compared with its previous years, ending the year at a profit after tax of £6.65m (2022- £5.70m). In line with the financial services sector, the Bank's interest margins and the yields on the Treasury holdings benefitted from the increase in interest rates arising from monetary tightening. The Net interest income increased, to £18.7m in 2023 from £8.4m in 2022. Commission and fee income generated from trade finance and other businesses including foreign exchange dealing decreased in 2023 to £7.3m from £13.8m in 2022, however the operating income rose from £22.2m to £26.0m. Although the operating expenses increased from £15.1m to £17.2m, but this was in line with the increase in operating income. At the same time, the asset quality remained strong and like last year, and I am pleased to inform that, after in depth analysis and challenge, there were no provisions required for the year.

Governance

The board continues to review the governance structure to ensure it is always in line with corporate governance best practices. In 2023 the Board and Committees were refreshed, and four new directors were welcomed to the board and its Committees (i.e. Steering Committee, Audit Committee, Risk & Compliance Committee and Remuneration Committee).

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 despite the challenges that the world faces we look forward to growing stronger together in the years ahead.

H. Okasha
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Hisham Ahmed Okasha
Chairman

Strategic Report

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

The Bank provides general banking services in the United Kingdom to private retail, 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.

Vision

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 seek greater funding diversification, build our loan book activity, and build a diverse portfolio of high-quality liquid assets, ensuring always that our liquidity and capital indicators remain prudently above our risk appetite thresholds.

The Bank's strategy rests on the following guiding principles:

i. Conservatism
ii. Managed growth
iii. Strict adherence to the Bank's risk appetite
iv. Appropriate risk/return consideration for each transaction and/or relationship
v. Building infrastructure to support future growth.

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 stakeholder expectations and regulatory 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 the volume and diversity of loans and advances, including syndicated facilities, diversifying away from geographical concentration risk. This growth can be used as a penetrating tool for the purpose of future enhancement of banking relationships with NBEUK's existing counterparties and other future targeted relationships;

- to further enhance and diversify our funding base to improve resilience to our funding and liquidity profile via the deposit aggregators. Further diversification is under consideration.

The strategy drivers are based on the strength of our parent in their home market, Egypt, combined with our historical experience in other 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 (i.e. Personal Banking, Lending, Treasury and Trade Finance). Deposits are taken from governmental agencies, individuals, financial institutions, deposit aggregators and corporate businesses in Egypt, the UK and elsewhere. NBEUK accumulates funds from deposits, equity and debt capital and these are deployed via corporate business and

Strategic Report (continued)

financial institutions through different bank business channels such as loans, debt securities, trade finance, unregulated mortgages and money market lending.

As a wholly owned subsidiary of National Bank of Egypt, NBEUK is adequately capitalised (in terms of retained profit, equity capital and subordinated loans) by the sole shareholder.

Business Model

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

Personal Banking: The Bank offers personal banking services in the UK to Egyptian nationals, Egyptian embassies and related offices and Egyptian corporate customers operating primarily outside Egypt. The key product offerings are fixed term deposits, plus current account services. The Bank completed all the requisite Consumer Duty analysis and adopted the necessary adjustments to ensure compliance by the go-live date of 31 July 2023.

Lending*:* Syndicated loans are provided for general funding requirements to banks, corporates and sovereign entities. Bilateral and/or direct loans, including unregulated Buy to Let mortgages, to customers, supporting working capital financing, capital expenditure and trading activities. The Bank is looking to grow this part of the business in 2024. The Bank also offers corporate and institutional banking facilities to 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. The Bank's Treasury 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.

Trade Finance: 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, confirming letters and discounting Letters of Credit and avalised Bills of Exchange is also provided if requested.

Business Review

As at 31 December 2023, the Bank had total assets of £1,351m. This increased by 1.9% from the previous year total assets of £1,326m. This increase of £25m was mainly due to additional money raised from Customer deposits, which were then used for providing Loans to Banks (£17.49m) and Loans to Customers (£15.36m). 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 52% of the Bank's assets are denominated in GB Sterling.

Net interest income increased from £8.36m in 2022 to £18.73m in 2023, an increase of 124%. This reflects the improvement of the Net Interest margin. The yield on interest bearing assets increased due to the rise in interest rates and overcoming the increase in cost of funding.

Fees and commissions income decreased to £6.61m from £12.32m, which represents a fall of 46.3%. This has been predominately due to lower Bank's trade finance business during the year.

Strategic Report (continued)

Operating expenses increased by 13.8% from £15.10m in 2022 to £17.18m in 2023. The Bank has managed to reduce its dependence on contract staff. However, headcount has increased.

An Operating profit of £8.83m for the year ended 31 December 2023 compares with a profit of £7.11m for the year ended 31 December 2022.

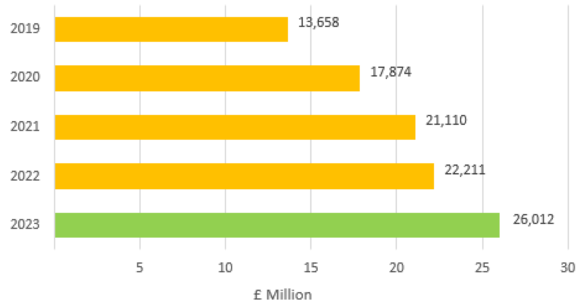
The Bank made a profit after tax of £6.65m compared to a profit of £5.70m the previous year.

The Bank maintained its traditional strengths during the year in terms of stable funding, adequate liquidity and robust capitalisation. The current disclosures provide an analysis which is consistent with the size and complexity of the business. The Bank continues to be well positioned to take advantage of the potential opportunities in the coming year and pursue its business objectives in a prudent and focused manner.

Operating Income*

£26,012K (2022- £22,211K)

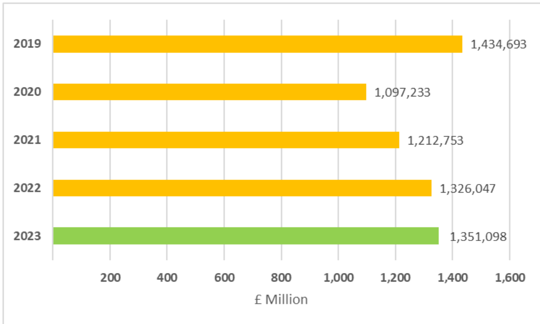
Operating income increased by 17%



Total Assets

£1,351,098K (2022- £1,326,047K)

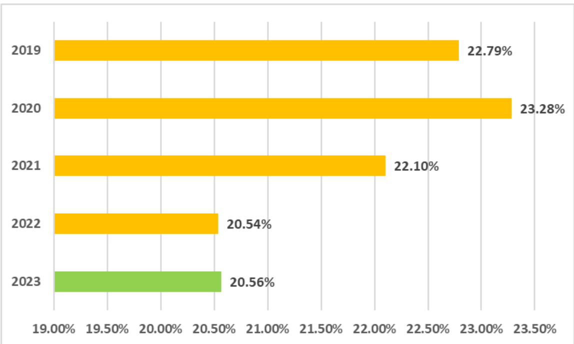
Total assets increased by 2%



Capital Ratio

20.56% (2022- 20.54%)

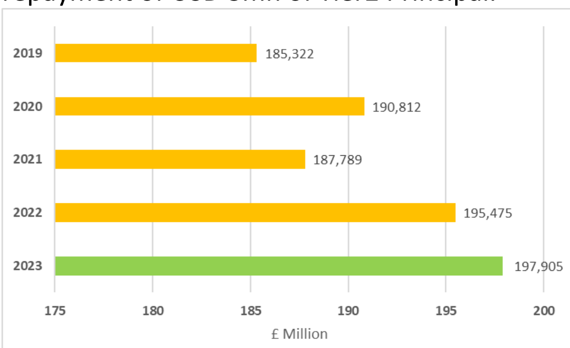
Capital Ratio remained above the Minimum ICG +PRA regulatory buffer of 15.70%



Tier 1 & Tier 2 Capital**

£197,905K (2022- £195,475K)

Capital strength increased only by 1% due to addition of profit which was partly offset by repayment of USD 3mn of Tier2 Principal.



Strategic Report (continued)

	2023	2022	2021*	2020
Financial Position (£'000)				
Operating income	26,012	22,211	21,110	17,874
Net profit	6,651	5,701	89	4,429
Total assets	1,351,098	1,326,047	1,212,753	1,097,233
Total investments	505,332	508,564	553,659	654,140
Total loans to customers	61,861	46,504	37,246	47,731
Shareholders' funds	166,857	160,206	154,505	154,416
Tier 1 & 2 capital (eligible capital) **	197,905	195,475	187,789	190,812
Ratios (Percentage %)				
Capital adequacy	20.56%	20.54%	22.10%	23.28%
Cost income ratio	66.05%	68.00%	101%	70.99%
Return on average shareholders' funds	4.07%	3.62%	0.07%	3.41%

***** *Starting from year 2021, the financial period changed from 30 June to 31 December. Hence, 2021 figures relate to an 18-month period from 1 July 2020 to 31 Dec 2021, while prior period relates to 1 July to 30 June.*
****** *Includes audited profit for the respective year*

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

Stakeholder engagement

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

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

- **Employees**
  We place a great deal of faith in our employees and how they help drive the success of our business through their high levels of expertise, passion and strong relationships with our customers and other external stakeholders. We aim to ensure that all of our employees feel valued and appreciated while working for NBEUK. We engage with our employees through a structured appraisal process to understand which policies employees value and what changes they would like to see implemented within the organisation. A summary of appraisals is reviewed by the Remuneration Committee. A particular area we have continued

Strategic Report (continued)

to focus on this year is training and development programmes for staff, to ensure we invest in and retain high calibre employees by developing, supporting and motivating them to perform at their full potential.

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

- **Regulators and Tax Authorities**
It is within the Bank's culture to promote high standards of conduct within the Bank and with all external parties. In particular, as directors of a regulated bank, holding customer deposits, safety, soundness and adherence to all relevant aspects of regulation is key to the Bank's business model. We and relevant staff maintain awareness of this through engagement with regulators, industry bodies, tax authorities and specialist advisers. This engagement is maintained through regulatory seminars, online forums, face to face meetings 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 as such is 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 the decisions we make consider the regulatory context and the full range of stakeholders mentioned above.

- **Technology investment**
During the year, a key priority has been to continue to invest in technology advancement in line with strategic objectives to optimise the customer experience, support business growth, and maintain operational resilience. Technology innovation is a key enabler of our business, as such, a programme of work is underway to implement a new integrated banking platform that will be a cornerstone in our digital transformation journey, providing advanced features that streamline our financial processes, improve risk management, and elevate the overall customer experience. Significant progress has been made over the past year establishing the foundation for this transformation initiative including the deployment of new infrastructure, network and security services. Over the coming year attention turns to the implementation of the banking applications. Planning, preparation and testing is in progress thanks to the collaborative effort of our teams across departments and demonstrates our collective commitment to delivering enhanced services to our clients, improving operational efficiency and underpinning our growth strategy. The investment in the new banking platform is a testament to our confidence in the future and, as such, will position us for sustained success in the dynamic landscape of the financial industry.

  Strengthening the infrastructure and investment in technology will simplify and automate the task of the employees where possible improving the efficiency. It will improve the customer experience providing them fast and flexible solutions. Technology enhancement will bring in efficiency and generate greater returns to shareholders. At the same time, the regulators will need to be kept updated of the changes in technology and maintaining operational resilience, and their observations if any will need to be addressed.

Strategic Report (continued)

- **Liquidity**

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

The Bank remains committed to diversifying our funding model. In the financial year 2023, this has in part been achieved through a strategic change in how the Bank sources most of our deposits. The Bank decided to increasingly utilise the opportunity from our on-boarding of two online deposit aggregator platforms.

This action facilitated the receipt of UK 'retail' deposits, that would have been previously unavailable to a Bank like NBEUK, with our modest single site footprint in the UK (as of 31 December 2023, the combined online deposit platform offering had generated long term retail deposits of GBP453m or 33.6% of our funding profile). These developments permitted a long-standing funding facility with a European Bank to mature in the prior year. Although this stock lending facility provided a source of long-term funding, it was increasingly restrictive in the scope of instruments that were considered acceptable, this in turn was starting to have a significant cost impact on the Bank, and so the strategic decision was taken to not renew the facility on maturity.

Diversification of funding will support the Bank with regulatory requirements from a liquidity perspective.

- **Diversity**

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.

Diversity will positively impact all the stakeholders of the bank.

Operational resilience

The Board continues to ensure that the banks management remain focused on the ability to meet the impact tolerances for the Important Business Services that have been set in relation to the regulations together with a programme to embed Operational Resilience within all the banks products and services. The bank established a project plan which was approved in 2022 to enhance the banks operational resilience capabilities based on the tolerances set and significant progress has been made developing the banks infrastructure which continues to be tested to confirm the bank remains within its agreed impact tolerances during a series of significant plausible scenario tests. To support this the bank has employed enhanced software as a service (Saas) platform which will enable the Bank to effectively administer our Business Continuity Management (BCM), including risk oversight, business impact analysis (BIA), plan development, exercise, testing and compliance, mapping and review of critical third-party vendors that support the banks infrastructure.

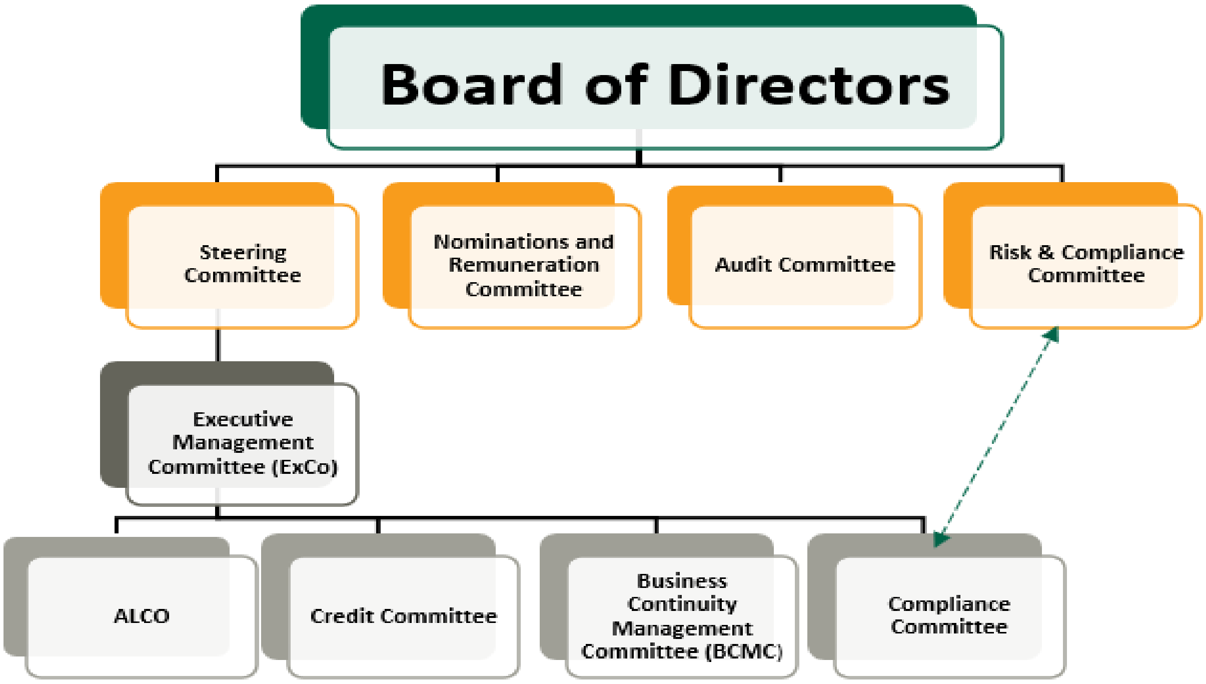
Governance

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.

Strategic Report (continued)

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.



Board Committees (reporting directly to the Board)

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

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

- **Risk & Compliance Committee:** The principal purpose of the Risk & Compliance 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. It also aims to avoid financial crime and ensure compliance with all regulatory directives. The Committee must satisfy itself that risks are in line with the Bank's risk profile, risk appetite and compliant with the risk policies and associated documents approved by the Board.

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

Strategic Report (continued)

Executive Committees (reporting to Board Committees)

- **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 risk and the related processes in the Bank. It is the authority and reference in the determination of the quality and control of credit within the Bank and its relevant credit risk assessment.

- **Business Continuity Management 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.

Management Process

The Bank's performance is measured against several Key Performance Indicators ("KPIs"): total assets, net profit, operating income, total investments, total loans to customers, cost income ratio, capital adequacy, shareholder's fund, and return on average shareholder's funds. The results of these KPIs are shown in the business review 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 at ALCO. In addition to the annual report, the Money Laundering Reporting Officer (MLRO) provides monthly management information to Senior and Executive Management. Compliance and the MLRO also report directly to the Board.

All exposures are managed within risk appetite parameters and policies agreed by the Board of Directors. Day-to-day exposure is monitored by Credit (for credit risk), and Finance (for Capital and Liquidity) and any findings are reported to Senior Management.

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.

Strategic Report (continued)

Principal Risks and Uncertainties

Within our simple business model, there are several potential risks and uncertainties that could have a severe impact on the Bank's performance and could cause actual results to differ materially from expected and historical achievements. NBEUK has a responsibility to identify these risks, understand the risks through analysis and put measures in place to mitigate them. This is to ensure that there are processes in place to minimise its impact.

The Board of Directors and Executive Management promote a responsible approach to risk, whereby the overall risk appetite is established by the Board and reviewed on annual 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 key material risks are always socialised up the chain. NBEUK avoids any business where associated risks cannot be objectively assessed, measured, or managed. Hedging and collateral are used to partially mitigate the risks the Bank is exposed to and optimise overall performance.

The key risks inherent in our business model are:

- **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. In particular, the Bank is conscious of the heightened risk caused by its Egyptian connections.

  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.

  Over the last year, NBEUK has focused on operating within an environment and with counterparties that fall with the risk appetite of the bank. 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 management of the Bank's credit risk exposures. This approach comprises credit limits which are established for all customers and relevant countries 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 counterparties.

Strategic Report (continued)

- **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, as it holds only a Banking Book.

  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 held against Bonds (Asset Swap) or Deposit positions and are therefore 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. The Bank has historically carried out business predominantly in USD, it is sensitive to movements in exchange rates. Income is earned in USD and reported in Sterling, so income reported is proportional to the exchange rates. Capital consumption is inversely proportional to exchange rates so this will compensate for deteriorations in revenue caused by exchange rates.

  The interest rate risk is managed as part of the daily monitoring within predetermined limits approved by the Board. The majority of our interest-bearing liabilities and assets are based on floating rates, and so any interest rate mismatch is largely removed. Also, the majority of assets and liabilities are short dated, and therefore subject to limited interest rate risk.

  At the end of December 2023, the Bank's sensitivity to a 200bps increased shift in interest rates was approximately +£0.4m and -£0.4m to a 200bps decrease on interest rates. Interest rates have been low but have risen over 2023. Nevertheless, interest rate risk is not considered to be material.

- **Liquidity Risk**

  Liquidity risk is when NBEUK is unable to retain or create sufficient cash resources to meet its commitments. This happens when there is a shortfall in the amount available to NBEUK and the amount due to be paid out, which could either be due to a mismatch in funding versus deposits or a lack of liquid assets.

  NBEUK manages liquidity mismatches within the guidelines of the liquidity policy approved by the Board and the pertaining established limits. NBEUK's liquidity positions in different currencies are monitored by Treasury Department daily with a daily liquidity report issued by Financial Control Department and circulated to Senior management, Risk management, Treasury, Treasury and Operations Departments to ensure that PRA minimum liquidity threshold is continually always adhered to. The ALCO monitors the maturity profile on monthly basis.

  Liquidity risk is covered under the Bank's "Individual Liquidity Adequacy Assessment Process" (ILAAP) policy and regular stress tests are undertaken to ensure that we remain liquid at all times. Under the liquidity regulations the Bank has fully implemented the requirements for liquidity risk management including systems and controls. During the current year, the Bank's approach to the liquidity risk management was reviewed and documented in a revised comprehensive ILAAP document, drawn up in accordance with our strategy and regulatory requirements. This document 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.

Strategic Report (continued)

- **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".

  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. 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.

  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. The Bank has internal controls and monitoring systems in place around operations and IT related projects and enhancements, including improved information security standards.

  Operational risk is managed by all operational areas of the Bank on a day-to-day basis, but with oversight from Risk, Internal Audit and the Board. NBEUK uses the basic indicator approach to measure the capital requirements driven by operational risks. Under the basic indicator approach, NBEUK holds capital for operational risk equal to the average over the previous three years of a fixed percentage of positive annual gross income.

- **Country and Concentration Risk (Credit and Funding)**

  Credit concentration risk is the risk of loss arising because of a concentration of exposures due to imperfect diversification. This imperfect diversification can arise from the small size of a portfolio or many exposures to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions.

  In particular, the Bank's exposures, in line with its risk appetite, to certain destinations have comparative geographical concentrations, particularly in regards money market placements and enlarged trade finance activities in Egypt and lending exposures in emerging markets.

  NBEUK's primary mitigation against risks arising from concentrations in the asset book relate to its in-depth knowledge and experience regarding the specific exposures and the internal controls utilised in managing these exposures. In particular, the country and counterparty limits that it maintains.

  NBEUK maintains a better diversified funding profile versus last year with a major funding reliance on one Egyptian government wholesale customer, bank deposits and a diversified pool of retail customers through the digital deposit aggregators. Such risk is duly addressed in both approved ICAAP and ILAAP assessments.

- **Regulatory Risk**

  Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with regulatory requirements 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 well managed whilst the objective of NBEUK is taken into consideration and not hindered.

Strategic Report (continued)

The Bank operates in a highly regulated environment and is therefore subject to regulatory risk. The regulatory environment during current year remained as rigorous as the previous years, especially with the development of Common Reporting ("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 crisis and to promote financial stability going forward. Measures were implemented by the PRA and FCA to increase regulations within the financial sector, the Bank is keeping track of such regulatory enhancements and working to align to those on a timely manner.

The Bank has always been committed to treating our customers fairly and has 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. The aim is to ensure that management information is adequate to monitor the effectiveness of systems and controls designed to deliver fair treatment of customers.

- **Compliance Risk**

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

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

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

- **Reputational Risk**

  Reputational risk is defined as the risk of damage to an organization through loss of its reputation or standing. The main reputational risks facing NBEUK are those events occurring inside NBEUK or externally may tarnish the Bank's reputation such that customers might be deterred from dealing with the Bank.

  NBEUK has no 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.

Strategic Report (continued)

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.

Capital Management

As at 31 December 2023 and throughout the year, NBEUK held capital levels in excess of that required by the Prudential Regulation Authority. The Bank's regulatory capital resources as at 31 December 2023 including retained profit was as follows:

	31 December 2023 £000's	31 December 2022 £000's
Tier 1 Capital	**166,857**	160,206
Tier 2 Capital	**31,048**	35,269
Total eligible capital resources	**197,905**	195,475

The following table provides both the overall minimum capital requirements and capital adequacy position calculated in accordance with regulatory rules (the Pillar 1 requirements) in addition to NBEUK assessments of the Pillar 2 capital requests at the year-end:

	31 December 2023 £000's	31 December 2022 £000's
Credit risk capital	**72,426**	71,814
Market risk capital	**-**	90
Counterparty risk capital	**391**	677
Credit Valuation Adjustment (CVA)	**703**	908
Operational risk	**3,467**	2,632
Total Pillar 1 Capital requirement	**76,987**	76,121
Total Pillar 2A Capital requirement	**46,770**	46,243
Total Capital Requirements	**123,757**	122,364

Risk weighted assets (RWA) were higher as at 31 December 2023 due to some increases in the average weightings applied to certain categories of exposure.

	31 December 2023	31 December 2022
Capital surplus (£000's)	**74,147**	73,111
Capital adequacy ratio	**20.56%**	20.54%
Leverage ratio	**11.07%**	11.65%

Strategic Report (continued)

The Bank was in compliance with the Individual Capital Guidance ("ICG") requirements throughout the year including the requirements for the PRA buffer or the Capital Planning Buffer (CPB).

The Bank maintains sufficient liquidity to meet all known and likely demands which could be made upon it by its clients and ensures that such liquidity is available on a day-to-day basis in accordance with the liquidity guidelines and rules as set out in the approved ILAAP.

The Bank regards itself as a stand-alone entity, not relying on any related party for future liquidity support in the event of stress. Liquidity is managed by the Bank's Treasury operation, overseen and guided by ALCO, Senior Management and reporting to the Executive Committee, Risk and Compliance 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 most 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 on page 23.

Future Developments

The Directors expect the general activity to increase in the coming year once resourcing is settled and new opportunities are identified. It is expected that we continue to build our loan book. However, our risks must continue to be controlled and monitored. Where risk is concentrated, we will seek to diversify. Staffing levels are continually 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 will also undertake a key project in the coming year to upgrade its banking platform. This will improve efficiency and to accommodate future growth.

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 future financial stability, while exchange rate flexibility provides some support for exports and the UK's external stability.

On a more positive note, Egypt's economy saw several positive events in early 2024 including:

- An agreement with the UAE where the Abu Dhabi Developmental Holding Company (ADQ) sovereign wealth fund will make a front-loaded investment of USD 35bn to acquire the development rights to an urban development project in the Ras El Hikma.

- The country also floated its currency, to eliminate the gap to the parallel FX market. A successful adjustment is likely to support increased remittance & portfolio investment flows.

- IMF & Egypt had reached an agreement on a set of comprehensive policies & reforms needed to complete the 1st & 2nd reviews under the Extended Fund Facility (EFF) arrangement. Key economic reforms include a move to a flexible exchange rate system, tightening monetary & fiscal policies, and a slowdown in infrastructure spending to reduce inflation, and preserve debt sustainability, while

Strategic Report (continued)

fostering an environment that enables private sector activity. These policies will help preserve macroeconomic stability, restore confidence, and allow Egypt to manage the challenges associated with recent external shocks.

- The EU has agreed a support package of Euro 7.4bn in the form of concessional loans as well as grants to help with the migrants' problems.

As a result of the above changes, Credit ratings outlook switches to positive.

The Board recognised the importance of the Bank proceeding cautiously, and appropriate contingency plans were put in place. The Board continues to monitor macro-economic conditions in Egypt and beyond. This includes reviewing all assessments carried out by External Credit Assessment Institutions on an event driven basis and on a quarterly basis. Reports on the Egyptian economy and impact on the bank are regularly provided to the board and regulators.

Approved/authorised for issue by the board of directors:

R. Barham

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
18 April 2024

Directors' Report

The directors of National Bank of Egypt (UK) Limited (the Bank) have pleasure in presenting their annual report, together with the financial statements and auditor's report, for the year ended 31 December 2023.

Directors

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

Mr. Hisham Ahmed Okasha – Chairman, Non-Executive Director (appointed 30 May 2023)
Dr. Farouk Abdel Baki El-Okdah – Chairman, Non-Executive Director (resigned 30 May 2023)
Mrs. Lobna Hilal, Deputy Chairman, Independent Non- Executive Director (appointed 30 May 2023)

Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director

Mr. Edward Marks, Independent Non-Executive Director
Mr. Ian Gray, Independent Non-Executive Director (appointed 30 May 2023)
Dr. Ziad Bahaa-Eldin, Independent Non-Executive Director

Mrs. Dalia Abdallah Mohamed El-Baz, Non-Executive Director
Mr. Sherif Amir Ahmed Riad, Non-Executive Director
Dr. Mohammed Maait, Non-Executive Director (appointed 13 March 2023)
Mr. Hisham Ahmed Okasha, Non-Executive Director
Mr. David Somers, Non-Executive Director (resigned 13 March 2023)

Dentons Secretaries Limited – Company Secretary

Directors' Indemnities

The Bank has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Share Capital

During the year, the Bank's authorised share capital remained unchanged at £200,000,000. As at the reporting date Issued Share Capital, fully paid, amounted to £130,000,000 (2022: £130,000,000). Details of the Bank's share capital are given in note 18.

Employees

In the year ended 31 December 2023 the Bank had an average of 79 (2022: 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.

Political and charitable contributions

The Bank made no political contributions (2022: £nil) and charitable contributions of £377 (2022: £100) during the year.

Directors' Report (continued)

Dividend

The Directors recommend that no dividend be paid based on the 2023 financial statements (2022: 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, future and macroeconomic conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position, and risk profile. In addition, the Directors have considered the future projections of profitability, cash flows, asset quality, capital resources, liquidity, and the outcome of various stress tests in making their assessment.

After running the stresses, including the unlikely scenario of combined stress involving the collapse of Sterling, the deterioration of "Egyptian risk" and deterioration of the Banks ability to fund itself without paying above the market rates for funding, the Directors were able to demonstrate that the Bank was able maintain capital and liquidity surpluses. The capital position of £197.9m (2022 - £195.5m) in total capital resources, a capital adequacy ratio of 20.56% (2022 – 20.54%) generating a capital surplus of £74m (2022 - £73m), combined with an LCR ratio of 183% (2022 – 311%) as at 31 December 2023 supported the Banks ongoing ability to absorb and deal with these stresses over the forecasted years.

Concentration risk to Egyptian exposures is high but within the Banks risk appetite given that the Bank is 100% owned by an Egyptian state-owned parent Bank. The funding concentration risk has been significantly mitigated away from Egypt compared with 2022. The equivalent of more than £452M is now provided by Deposit Aggregators.

Egypt is currently enduring an economic stress, characterised by a weak local currency, high inflation and capital flight, all signs of a deepening debt crisis. These macroeconomic challenges have considerable repercussions for ordinary Egyptians, including increased poverty and unemployment. These socio-economic challenges will likely exacerbate in the coming year, especially considering the anticipated reduction in subsides like electricity subsidy and potential further devaluation of the Egyptian pound.

However, the IMF and Egypt have arrived at an agreement in principle over a new deal that should see the completion of the delayed first and second reviews and an upsizing of the current $3bn Extended Funding Facility. The Directors continue to closely monitor the economic developments in Egypt and expect that the improved stability will be positively reflected on the Bank's performance during 2023/24. The Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of any uncertainties.

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

No material uncertainties that may cast significant doubt about the ability of the company to continue as a going concern have been identified by the directors.

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

Directors' Report (continued)

Other Items covered in the Strategic Report

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

Auditor

Each person who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Bank's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

A resolution to reappoint Deloitte LLP as auditor of the Bank is to be proposed at the forthcoming Annual General Meeting.

Approved by the board of directors

R Barham

Dentons Secretaries Limited
Company Secretary
8-9 Stratton Street
London W1J 8LF
18 April 2024

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Bank and of the profit or loss of the Bank for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Bank's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2023 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 27.

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

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • going concern; and • loan loss provisions on loans and advances to customers with exposure to Egypt Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £1,667,000 which was determined on the basis of 1% of net assets of £166,700,000.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	In the current year, our risk on loan loss provisions was focused on loans and advances to customers with exposure to Egypt due to the increased stress in the economic outlook of Egypt.

4. Conclusions relating to going concern

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

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

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. Going concern

Key audit matter description	We have determined key audit matter related to going concern considering the challenges experienced in the Egyptian economy to which the company has significant direct and indirect exposure. The company is a separate legal entity in the UK regulated by the Prudential Regulation Authority ("PRA"). Our consideration of its ability to continue as a going concern is primarily focused on the level of liquidity and capital of this entity, with reference to future profitability, cashflows and ability to meet regulatory requirements. Whilst no default event was noted as at year end, the outlook for the economy remains uncertain. This may have an impact on the company's profitability, capital, liquidity and operations. In response, management have applied measures and prepared in-depth going concern analysis which included consideration of reasonable possible stress scenarios, including stresses in response to the macroeconomic conditions in Egypt. The results of this assessment indicate sufficient headroom in the company's financial position in the event of downturn scenarios. Therefore, management have concluded that the use of the going concern basis of accounting is appropriate. Management have disclosed information in relation to the use of the going concern basis of accounting in Note 1 - Accounting Policies to the financial statements.

How the scope of our audit responded to the key audit matter	We performed the following procedures:
	
	• We obtained an understanding of the relevant controls in the going concern assessment process;
	• We evaluated the management's going concern assessment, identifying the key assumptions applied in the assessment and testing the clerical accuracy of the underlying data;
	• We assessed the appropriateness of the key assumptions used in the profitability forecast through a retrospective review of the company's historic financial performance;
	• We tested the clerical accuracy of those forecasts and assessed historical accuracy of forecasts prepared by management;
	• With involvement of our regulatory specialists we assessed the capital and liquidity projections and the results of stress testing (including reverse stress tests), including assessed the appropriateness of assumptions related to further decline of the Egyptian economy used in the stress test scenario;
	• Specifically, in relation to potential further decline in the Egyptian economy:
	    o We evaluated external information, such as economic reports and relevant market data on the macroeconomic situation in Egypt and assessed management's analysis on the potential impact of a sovereign related credit event on the company;
	    o We also evaluated potential management's actions in the event of withdrawal of key deposits and increase in credit risk on material Egyptian exposures;
	    o We checked the credit profile of customers with exposure to Egypt

	for identifying any default indicators; • We performed management enquiries and reviewed regulatory correspondence to test management's conclusions; and • We evaluated the appropriateness of the going concern disclosures in Note 1 to the financial statements.
Key observations	Based on the work performed we are satisfied that the adoption of the going concern basis of accounting and the disclosure in respect of the company's ability to continue as a going concern are appropriate.

5.2. Loan loss provisions on loans and advances to customers with exposure to Egypt

Key audit matter description	Loan loss provisions is an area where significant management judgement is applied in determining the necessity for, and then estimating the size of the impairment. The increased stress in the economic outlook of Egypt increased the risk that the company may incur losses from default in exposures to Egypt and that these losses are not appropriately accounted for in the financial statements. There is significant judgement around the identification of impairment triggers, and where applicable, estimation of impairment provision on loans and advances to customers with exposure to Egypt. Therefore, we determined that a potential risk of fraud lies within loan loss provisions on loans and advances to customers with exposure to Egypt. Management has determined that the loans and advances to customers with exposure to Egypt balance of £46.7m at 31 December 2023 (2022: £35.1m) does not require an impairment provision at year-end (2022: nil). Management disclosed information about credit risk in the Strategic Report as well as in the Notes to the Financial Statements (Note 1 – Accounting Policies, Note 2-Critical accounting judgements and Note 6 – Provisions for bad and doubtful debts).
How the scope of our audit responded to the key audit matter	We performed the following procedures: • We obtained an understanding of the relevant controls in the credit provisions process; • We challenged management's assessment for all the loans and advances to customers with exposure to Egypt by performing an independent assessment of the FRS 102 indicators of impairment on an individual loan basis; • We evaluated management's assessment considering the change in the Egypt macroeconomic environment to which the customers with exposure to Egypt are exposed; and • We evaluated the appropriateness of the disclosures in Note 1 and Note 6 to the financial statements for their compliance with FRS 102.
Key observations	We concluded that the loan loss provisions on loans and advances to customers with exposure to Egypt is appropriate, and the disclosures in the financial statements are appropriate.

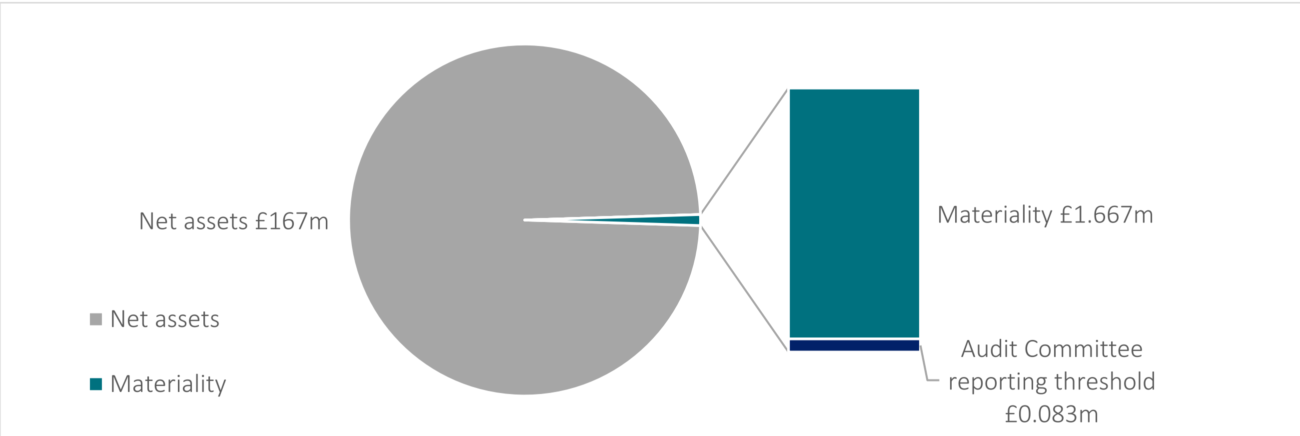
6. Our application of materiality

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	£1,667,000 (2022: £1,575,000)
Basis for determining materiality	1% of net assets of £166,700,000 (2022: 1% of net assets of £157,500,000)
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 of significance to the ultimate controlling party and a key performance metric to multiple stakeholders including the regulator; and • net assets is a more stable benchmark considering the volatility in the company'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 2023 audit (2022: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment and whether we were able to rely on controls;
b. our past experience of the audit, which has indicated a low number of corrected and uncorrected misstatements identified in prior periods; and
c. management's willingness to investigate and correct misstatements.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £83,300 (2022: £78,750), 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 the control environment

We have tested controls over interest income on loans and advances to banks (fixed placements) and debt securities (fixed rated securities), interest expense, on customer deposits, loans and advances to banks (fixed placements), debt securities (fixed rated securities) and customer deposits with the involvement of IT specialists, including the IT automated controls to take a control reliance approach for the year ended 31 December 2023.

The key IT systems relevant to the audit were Equation and Equation Trader. Equation is the core banking platform and general ledger of the company. Equation Trader is the deal input module of Equation. With conjunction of our IT specialists, we tested general IT controls related to these key systems.

We performed a fully substantive based audit with no controls reliance for the remaining sections. However, with the involvement of IT specialists, we obtained an understanding of relevant controls, including the IT controls, relating to key audit matters 5.1 and 5.2 and management override of control.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements. The company continues to develop its assessment of the potential impacts of climate-related risks, including climate change, as outlined on pages 5 and 68 of the Annual Report. The company assessed that there is no direct financial impact arising from climate-related risks to the financial statements and disclosed the same in Note 25 to the financial statements.

We performed inquiries of the management and reviewed the climate-related risk policy to obtain understanding of management's process and controls in considering the impact of climate risks and assess whether the risks identified by the entity are consistent with our understanding of the entity.

We read the climate-related disclosures 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

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 company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including valuations, IT, tax, credit and regulatory 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 loan loss provisions on loans and advances to customers with exposure to Egypt. 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 and tax legislation.

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

Audit response to risks identified

As a result of performing the above, we identified loan loss provisions on loans and advances to customers with exposure to Egypt as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, 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 HMRC, 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 26 to the financial statements for the financial year ended 31 December 2023 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 14 years, covering the years ending 30 June 2010 to 31 December 2023.

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.

Deloitte LLP

David Roberts, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
22 April 2024

Profit and Loss Account
for the year ended 31 December 2023

	Notes	**31 December 2023**	31 December 2022
		£	£
Interest receivable and similar income arising from debt securities		**29,488,710**	12,659,191
Other interest receivable and similar income		**46,402,568**	22,594,056
Total interest income		**75,891,278**	35,253,247
Interest and similar expense		**(57,165,609)**	(26,890,680)
Net interest income		**18,725,669**	8,362,567
Fees and commissions income		**6,611,004**	12,316,045
Profit on sale of investments and debt securities		**499,009**	1,252,198
Net foreign currency income		**176,126**	280,255
		7,286,139	13,848,498
Operating income		**26,011,808**	22,211,065
Staff cost	3	**(10,150,025)**	(8,523,451)
Depreciation and amortisation	4	**(1,183,345)**	(791,016)
Other operating charges	5	**(5,846,753)**	(5,788,032)
Operating Profit		**8,831,685**	7,108,566
Provisions for bad and doubtful debts	6	**-**	-
Profit on ordinary activities before tax		**8,831,685**	7,108,566
Tax charge on profit on ordinary activities	7	**(2,180,685)**	(1,407,287)
Profit on ordinary activities after tax		**6,651,000**	5,701,279
Other comprehensive income		**-**	-
Total comprehensive income		**6,651,000**	5,701,279

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

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

The notes on pages 40 to 70 form part of these financial statements.

Balance Sheet
As at 31 December 2023

	Notes	31 December 2023	31 December 2022
		£	£
Assets			
Cash and balances at central banks		**398,999**	402,993
Loans and advances to banks	8	**726,791,733**	709,298,405
Loans and advances to customers	9	**61,860,769**	46,503,635
Debt securities	10	**505,332,212**	508,564,166
Derivatives	15,16	**11,054,880**	16,652,823
Tangible fixed assets	11	**42,910,866**	41,786,772
Intangible fixed assets	12	**580,386**	569,392
Prepayments and accrued income		**1,410,882**	1,989,589
Current tax asset	7	**736,026**	188,232
Other assets		**21,241**	91,313
Total assets		**1,351,097,994**	1,326,047,320
Liabilities and shareholder's funds			
Deposits by banks	13	**193,404,628**	519,965,127
Customer accounts	14	**956,051,029**	608,680,668
Derivatives	15,16	**577,008**	205,870
Other liabilities		**648,940**	1,054,200
Deferred tax liabilities	7	**639,935**	187,556
Accruals and deferred income		**1,871,759**	478,286
Subordinated debt	17	**31,047,446**	35,269,364
Shareholders' funds:			
- Called up share capital	18	**130,000,000**	130,000,000
- Profit and loss account		**36,857,249**	30,206,249
Total liabilities and shareholder's funds		**1,351,097,994**	1,326,047,320

The notes on pages 40 to 70 form part of these financial statements.

These financial statements of National Bank of Egypt (UK) Limited (registered number 2743734) were approved by the Board of Directors and authorised for issue on 18 April 2024 and were signed on its behalf by:

H. Okasha

Director Mr. Hisham Ahmed Okasha
Chairman

Director Dr. Yasser Ismail Hassan
CEO & Managing Director

Statement of Changes in Equity
for the year ended 31 December 2023

	Notes	**Called up share capital**	**Profit and loss account**	**Total**
		£	£	£
As at 1 January 2022		130,000,000	24,504,970	154,504,970
Total comprehensive income		-	5,701,279	5,701,279
As at 31 December 2022		**130,000,000**	**30,206,249**	**160,206,249**
As at 1 January 2023		130,000,000	30,206,249	160,206,249
Total comprehensive income		-	6,651,000	6,651,000
As at 31 December 2023		**130,000,000**	**36,857,249**	**166,857,249**

The notes on pages 40 to 70 form part of these financial statements.

Cash Flow Statement
for the year ended 31 December 2023

	Notes	31 December 2023	31 December 2022 (Restated)*
		£	£
Cash flows from operating activities			
Profit before tax		**8,831,685**	7,108,566
Adjustments for:			
Depreciation and amortisation		**1,183,345**	791,016
Profits on sale of debt securities		**(499,009)**	(1,252,198)
Exchange effect related to investing and financing cash flows		**20,236,203**	(57,392,406)
Exchange effect related to cash and cash equivalents	20	**18,919,972**	(30,126,886)
Interest paid on sub-ordinated debt		**2,334,693**	1,160,495
Decrease / (increase) in:			
Loans and advances to banks	8(b)	**(168,779,227)**	(16,518,054)
Loans and advances to customers		**(15,357,134)**	(9,257,343)
Premium and discount on debt securities		**2,943,174**	1,583,671
Other assets		**70,072**	(53,141)
Prepayments and accrued income		**(186,700)**	(1,785,761)
Increase / (decrease) in:			
Deposits by banks and customer accounts		**20,809,862**	122,044,691
Other liabilities		**(312,646)**	(9,460,298)
Accruals and deferred income		**1,393,473**	(5,054)
Cash (used in) / generated from operations		**(108,412,237)**	6,837,298
Taxes paid	7	**(2,276,100)**	(1,425,000)
Net cash (used in) / generated from operating activities		**(110,688,337)**	5,412,298
Cash flows from investing activities			
Purchase of debt securities	10	**(375,419,963)**	(744,167,774)
Sale and maturity of debt securities	10	**362,873,587**	832,105,150
Sales of tangible fixed assets	11	**78,755**	9,124
Purchase of tangible fixed assets	11	**(2,057,779)**	(1,251,585)
Purchase of intangible assets	12	**(339,409)**	(541,661)
Cash flows from derivatives		**(2,040,676)**	(2,860,441)
Net cash (used in) / generated from investing activities		**(16,905,485)**	83,292,813
Cash flows from financing activities			
Dividends paid		**-**	-
Interest paid on sub-ordinated debt		**(2,334,693)**	(1,160,495)
Repayment of sub-ordinated debt	17	**(2,441,406)**	(2,491,694)
Net cash used in financing activities		**(4,776,099)**	(3,652,189)
Net (decrease) / increase in cash and cash equivalents		**(132,369,921)**	85,052,922
Cash and cash equivalents at the beginning of year	20	**459,632,745**	344,452,937
Effect of foreign exchange rate changes	20	**(18,919,972)**	30,126,886
Cash and cash equivalents at the end of the year	20	**308,342,852**	459,632,745

The notes on pages 40 to 70 form part of these financial statements.

*See note 1(b)

Notes to the Financial Statements

1 Accounting policies

General Information

National Bank of Egypt (UK) Limited is a private company, limited by shares, is a company incorporated in England and Wales under the Companies Act 2006.

The address of the registered office is given on page 3. The nature of the Bank's operations and its principal activities are set out in the strategic report on pages 7 to 21.

(a) Basis of preparation and accounting convention

The financial statements have been prepared in accordance with FRS 102 in conformity with the requirements of the Companies Act 2006. The accounting requirements of IAS 39 have been applied to financial instruments, instead of those under FRS 102.

At the date of authorisation of these financial statements there were no standards nor interpretations that were relevant to the Bank and in issue but not yet effective.

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

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

- Derivative financial instruments.

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

Going Concern

The Directors have a reasonable expectation that the Bank will have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The business activities, together with the factors likely to affect its future development, performance and position are set out in the Business Review which forms part of the Directors' report. The Directors' report also describes the financial position of the Bank, its cash flows, liquidity position and borrowing facilities, the Bank's objectives, policies and procedures for managing its capital, its financial risk management objectives, details of financial instruments, hedging activities and its exposure to credit risk and liquidity risk. The Bank has a proven and conservative business model and its performance has been resilient over the years as it has enjoyed a sound funding and liquidity position and adequate capital resources. Thus, the Directors continue to adopt a going concern basis of accounting in preparing these financial statements.

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

Notes to the Financial Statements

1 Accounting policies (continued)

(b) Restatement of cash and cash equivalents

During the year, the Company reassessed the purpose of short-term fixed placements within 'Loans and advances to banks', having a contractual maturity of three months or less. These are used for short-term cash commitments and short-term liquidity management and therefore meet the definition of cash equivalents as disclosed in Note 1(p).

In the prior year, these amounts were not classified as cash equivalents. The prior year cash flow statement figures have been restated in the current year to include a re-classification of these cash equivalents from line item 'Increase in loans and advances to banks' to line items 'Cash and cash equivalents at the end of the year' and 'Cash and cash equivalents at the beginning of the year' in the cash flow statement.

The effect of foreign exchange rates in cash and cash equivalents is now presented separately. Previously, it was presented as part of the reconciling items between profit before tax and net cash flow from operating activities.

Below is the summary of impact on cash flow statement:

	31 December 2022		
	As reported	Adjustment	As restated
	£	£	£
Cash and cash equivalents at the end of the year	43,356,127	416,276,618	459,632,745
Cash and cash equivalents at the beginning of the year	53,727,035	290,725,902	344,452,937
Effect of foreign exchange rate changes	-	30,126,886	30,126,886
Net cash flow from operating activities			
Increase in loans and advances to banks	(142,068,770)	125,550,716	(16,518,054)
Exchange effect related to cash and cash equivalents	-	(30,126,886)	(30,126,886)

There is no impact on the balance sheet and profit and loss as a result of above restatement.

(c) Financial instruments

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

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

(i) Financial assets and liabilities (excluding derivatives)

All financial assets and liabilities are initially measured at fair value. All of the Bank's financial assets excluding derivatives are classified as loans and receivables.

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 liabilities are held at amortised cost using the effective interest rate method.

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

Notes to the Financial Statements

1 Accounting policies (continued)

(c) Financial instruments (continued)

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.

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

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

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

(d) Impairment of assets

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

(i) Non-financial assets

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

(ii) Financial assets

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

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

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

Notes to the Financial Statements

1 Accounting policies (continued)

(d) Impairment of assets (continued)

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.

(i) 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.

(e) Foreign currencies

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

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

(f) Tangible fixed assets

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

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

Land and Building	15 - 50 years
Computer equipment and other fixed assets	3 - 5 years

(g) Intangible fixed assets

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment.

Amortisation of intangible assets is provided on a straight-line basis over estimated useful lives of 3- 5 years

(h) 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.

(i) 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.

(j) 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.

Notes to the Financial Statements

1 Accounting policies (continued)

(k) Foreign exchange dealing profits

Foreign exchange income arises from banking book foreign exchange transactions.

(l) 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.

(m) 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.

(n) Pension costs

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

(o) 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.

(p) Cash and cash equivalents

Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. For the purposes of the cash flow statement cash and cash equivalents comprise the following:

- Cash - cash on hand and balances at Nostro banks that are repayable on demand
- Cash equivalents - other short-term highly liquid investments, such as fixed placements with banks, that are readily convertible to known amounts of cash and are held for the purpose of meeting short-term cash commitments. These normally have maturity of three months or less from the date of transaction.

(q) Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured. Contingent liabilities are not recognised on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

Notes to the Financial Statements

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

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 such as 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 Staff cost

		31 December 2023	31 December 2022
		£	£
Staff costs:			
-	Wages and salaries	**7,764,300**	6,457,795
-	Social security costs	**776,696**	882,338
-	Other pension costs	**871,932**	574,696
-	Other staff costs	**737,097**	608,622
		10,150,025	8,523,451
Monthly average number of persons employed by the Bank			
-	Retail	**6**	6
-	Treasury	**3**	3
-	Documentary Credits and Corporate Lending	**5**	5
-	Support functions	**65**	62
		79	76

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

4 Profit on ordinary activities before tax

(a) Is stated after charging:

	31 December 2023	31 December 2022
	£	£
Audit Fees		
Fees payable to the Bank's auditor for the audit of Bank's annual accounts	230,000	188,500
Fees payable in respect of prior year audit	15,000	-
Total audit fees	**245,000**	188,500
Depreciation and amortisation	**1,183,345**	791,016
Operating lease rentals	**13,559**	33,145

(b) Is stated after including:

	31 December 2023	31 December 2022
	£	£
Foreign exchange dealing	**105,856**	296,339
Translation of assets and liabilities	**70,270**	(16,084)
	176,126	280,255

(c) 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

	31 December 2023	31 December 2022
	£	£
Operations	**3,947,486**	4,041,103
Premises	**1,407,746**	1,269,522
External	**491,521**	477,407
Other operating charges	**5,846,753**	5,788,032

6 Provisions for bad and doubtful debts

(a) Impairment charge

	31 December 2023	31 December 2022
	£	£
Net charge/(reversal) of provisions for bad and doubtful debts	-	-
Impaired assets written off	-	-
Net Impairment debit/credit	**-**	-

Notes to the Financial Statements *(continued)*

7 Taxation

(a) Current tax and deferred tax:

	31 December 2023	31 December 2022
	£	£
Current tax:		
UK corporation tax on profits for the period	**1,692,855**	1,304,194
Adjustment in respect of previous periods	**35,451**	49,429
Total current tax	**1,728,306**	1,353,623
Deferred tax:		
Origination and reversal of timing differences	**483,636**	98,367
Adjustment in respect of previous period	**(31,257)**	(44,703)
Effect of changes in tax rates	**-**	-
Total deferred tax	**452,379**	53,664
Total tax per profit and loss account	**2,180,685**	1,407,287

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

	31 December 2023	31 December 2022
	£	£
Profit for the year	**8,831,685**	7,108,566
Tax on profit at standard UK tax rate of 23.5% (2022: 19%)	**2,075,446**	1,350,628
Effects of:		
Expenses not deductible	**74,829**	37,867
Income not taxable	-	-
Adjustments from previous period	**4,194**	4,726
Impact of different tax rates	**26,216**	14,066
Tax charge for the period	**2,180,685**	1,407,287
Income tax expense reported in the profit and loss account	**2,180,685**	1,407,287

On 20 June 2023, the UK Government substantively enacted the Pillar Two income taxes legislation effective from 1 January 2024. Under the legislation, top-up tax may be due in respect of certain jurisdictions which are taxed at an effective tax rate of less than 15 percent. No top-up tax is expected in the UK on the basis that the jurisdictional Effective Tax Rate (ETR) significantly exceeds 15 percent and the company has no overseas branches or subsidiaries. Therefore, the impact of Pillar Two has not been considered further for the purposes of these financial statements. We will continue to monitor the position annually.

The Company has applied the temporary exception issued by the FRC in July 2023 from the accounting requirements for deferred taxes in Paragraph 29 of FRS 102. Accordingly, the Company neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

Notes to the Financial Statements *(continued)*

7 Taxation *(continued)*

(b) Balance sheet amounts

	31 December 2023	31 December 2022
Current asset/(liability):	**£**	£
Corporation tax	**736,026**	188,232
	736,026	188,232
Deferred tax liabilities:		
Provision at start of the year	**187,556**	133,892
Adjustment in respect of prior period	**(31,257)**	(44,703)
Deferred tax charge to income statement for the period	**483,636**	98,367
Impact of change in rates	**-**	-
Provision at end of the year	**639,935**	187,556

	Booked 31 December 2023 £	Booked 31 December 2022 £
Fixed asset timing differences	**711,426**	296,988
Short term timing differences	**(71,491)**	(109,432)
	639,935	187,556
Deferred tax (asset):		
Recoverable within 12 months	**(58,745)**	(71,194)
Recoverable after 12 months	**(12,746)**	(38,238)
	(71,491)	(109,432)
Deferred tax liabilities:		
Payable within 12 months	**28,506**	31,119
Payable after 12 months	**682,920**	265,869
	711,426	296,988

Notes to the Financial Statements *(continued)*

8 Loans and advances to banks

(a) Residual maturity

	31 December 2023	31 December 2022
	£	£
Banks		
- Repayable on demand	**9,403,427**	42,952,908
	9,403,427	42,952,908
Other loans and advances with remaining maturity:		
- 3 months or less	**338,061,641**	409,003,000
- 1 year or less but over 3 months	**209,911,152**	77,532,363
- 5 years or less but over 1 year	**15,899,138**	19,933,555
	573,275,358	549,421,826
Related Parties		
Other loans and advances with remaining maturity:		
- Repayable on demand	**28,089**	227
- 3 months or less	**61,899,105**	84,934,037
- 1 year or less but over 3 months	**91,589,181**	46,894,973
- 5 years or less but over 1 year	-	28,047,342
	153,516,375	159,876,579
Bad and doubtful debt provision – specific (see note 6)	-	-
Total loans and advances to banks	**726,791,733**	709,298,405

(b) Contractual maturity

	31 December 2023	31 December 2022
	£	£
With original maturity of 3 months or less (see note 20)	**307,943,853**	459,229,752
With original maturity of more than 3 months	**418,847,880**	250,068,653
	726,791,733	709,298,405
Provision for bad and doubtful debt (see note 6)	**-**	-
	726,791,733	709,298,405

(c) Concentrations of exposure

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

	31 December 2023	31 December 2022
	£	£
Total gross advances to banks located in:		
Europe and North America	**305,399,165**	240,840,520
Middle East and Egypt	**408,136,022**	439,456,575
Rest of the world (Hong Kong and Japan)	**13,256,546**	29,001,310
Total	**726,791,733**	709,298,405

Notes to the Financial Statements *(continued)*

9 Loans and advances to customers

(a) Residual maturity

	31 December 2023	31 December 2022
	£	£
Repayable on demand	**5,002,559**	5,309,109
Other loans and advances with remaining maturity:		
- 3 months or less	**2,126,187**	13,115,434
- 1 year or less but over 3 months	**5,504,226**	6,443,366
- 5 years or less but over 1 year	**49,227,797**	21,635,726
Sub-total	**56,858,210**	41,194,526
Bad and doubtful debt provision – specific (see note 6)	**-**	-
Total	**61,860,769**	46,503,635

(b) Concentrations of exposure

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

	31 December 2023	31 December 2022
	£	£
Total gross advances to customers located in:		
- Europe and North America	**17,850,413**	6,344,117
- Middle East and Egypt	**43,127,670**	31,305,384
- Rest of the world (Pakistan and Bahamas)	**882,686**	8,854,134
Total	**61,860,769**	46,503,635

Notes to the Financial Statements *(continued)*

10 Debt securities

	31 December 2023	31 December 2022
	£	£
Debt securities		
Debt securities packaged in 'asset swaps'	**206,526,248**	229,494,910
Debt securities at amortised cost	**298,805,964**	279,069,256
	505,332,212	508,564,166
Debt securities		
Issued by public bodies – government securities	**192,504,359**	180,661,405
Other securities	**320,191,387**	343,276,052
Fair value adjustment (refer to note 16)	**(7,363,534)**	(15,373,291)
	505,332,212	508,564,166
Listed on a UK recognised investment exchange	**138,463,008**	95,604,204
Other listed	**207,006,747**	264,443,922
Unlisted	**167,225,991**	163,889,331
Fair value Adjustment (refer to note 16)	**(7,363,534)**	(15,373,291)
	505,332,212	508,564,166
Debt securities by maturity		
Due within one year	**161,273,802**	89,479,397
Due one year and over	**351,421,944**	434,458,060
Fair value Adjustment (refer to note 16)	**(7,363,534)**	(15,373,291)
	505,332,212	508,564,166

	31 December 2023	31 December 2022
Debt securities – market value		
Issued by public bodies – government securities	**183,507,378**	168,915,764
Other securities	**312,045,945**	327,635,419
	495,553,323	496,551,183

Notes to the Financial Statements *(continued)*

10 Debt securities (continued)

	Nominal Value	Net premium/ (discount)	Fair value adjustment	Accruals	Total
	£	£	£	£	£
Balance at 1 January 2023	**517,825,415**	**1,541,623**	**(15,373,291)**	**4,570,419**	**508,564,166**
Purchases	**375,419,963**	**(2,456,100)**	**-**	**-**	**372,963,863**
Sales/maturities	**(362,873,587)**	**(195,963)**	**-**	**-**	**(363,069,550)**
Amortisation of premium/discount	**-**	**207,898**	**-**	**-**	**207,898**
Exchange movements	**(22,049,451)**	**(59,878)**	**-**	**-**	**(22,109,329)**
Movement in Accruals	**-**	**-**	**-**	**765,407**	**765,407**
Fair value adjustment (refer to note 16)	**-**	**-**	**8,009,757**	**-**	**8,009,757**
Balance at 31 December 2023	**508,322,340**	**(962,420)**	**(7,363,534)**	**5,335,826**	**505,332,212**

	Nominal Value	Net premium/ (discount)	Fair value adjustment	Accruals	Total
	£	£	£	£	£
Balance at 1 January 2022	544,278,994	1,873,097	4,598,250	2,908,168	553,658,509
Purchases	744,167,774	2,074,312	-	-	746,242,086
Sales/maturities	(832,105,150)	(1,233,630)	-	-	(833,338,780)
Amortisation of premium/discount	-	(1,392,854)	-	-	(1,392,854)
Exchange movements	61,483,797	220,698	-	-	61,704,495
Movement in Accruals	-	-	-	1,662,251	1,662,251
Fair value adjustment (refer to note 16)	-	-	(19,971,541)	-	(19,971,541)
Balance at 31 December 2022	517,825,415	1,541,623	(15,373,291)	4,570,419	508,564,166

Notes to the Financial Statements *(continued)*

11 Tangible fixed assets

	Land and Building	Computer equipment and other fixed assets	Total
	£	£	£
Cost			
At 1 January 2023	42,680,575	1,033,712	43,714,287
Additions	**-**	**2,057,779**	**2,057,779**
Disposals	-	**(96,528)**	**(96,528)**
At 31 December 2023	**42,680,575**	**2,994,963**	**45,675,538**
Depreciation			
At 1 January 2023	1,137,123	790,392	1,927,515
Charge for year	**358,424**	**496,506**	**854,930**
Related to disposals	**-**	**(17,773)**	**(17,773)**
At 31 December 2023	**1,495,547**	**1,269,125**	**2,764,672**
Net book value			
At 31 December 2023	**41,185,028**	**1,725,838**	**42,910,866**
Net book value			
At 31 December 2022	41,543,452	243,320	41,786,772

12 Intangible fixed assets

	Computer software	Total
	£	£
Cost		
At 1 January 2023	2,373,240	2,373,240
Additions	**339,409**	**339,409**
Disposals	**-**	**-**
At 31 December 2023	**2,712,649**	**2,712,649**
Amortisation		
At 1 January 2023	1,803,848	1,803,848
Charge for year	**328,415**	**328,415**
Related to disposals	**-**	**-**
At 31 December 2023	**2,132,263**	**2,132,263**
Net book value		
At 31 December 2023	**580,386**	**580,386**
Net book value		
At 31 December 2022	569,392	569,392

Notes to the Financial Statements *(continued)*

13 Deposits by banks

With agreed maturity dates or periods of notice, by remaining maturity:		**31 December 2023** **£**	31 December 2022 £
Banks			
-	3 months or less but not repayable on demand	**109,169,904**	360,162,147
-	1 year or less but over 3 months	**48,262,541**	79,910,921
-	5 years or less but over 1 year	**18,918,364**	18,990,000
		176,350,809	459,063,068
-	Repayable on demand	**14,536,879**	17,241,118
		190,887,688	476,304,186
Related Parties			
-	3 months or less but not repayable on demand	**-**	15,146
-	1 year or less but over 3 months	**-**	-
-	5 years or less but over 1 year	**-**	41,528,239
		-	41,543,385
-	Repayable on demand	**2,516,940**	2,117,556
-		**2,516,940**	43,660,941
Total			
-	3 months or less but not repayable on demand	**109,169,904**	360,177,293
-	1 year or less but over 3 months	**48,262,541**	79,910,921
-	5 years or less but over 1 year	**18,918,364**	60,518,239
		176,350,809	500,606,453
-	Repayable on demand	**17,053,819**	19,358,674
		193,404,628	519,965,127

14 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:		**31 December 2023** **£**	31 December 2022 £
Customer accounts			
-	3 months or less but not repayable on demand	**314,194,343**	287,408,906
-	1 year or less but over 3 months	**469,589,609**	241,676,741
-	5 years or less but over 1 year	**104,139,214**	14,483,759
		887,923,166	543,569,406
-	Repayable on demand	**68,127,863**	65,111,262
		956,051,029	608,680,668

Notes to the Financial Statements *(continued)*

15 Financial Instruments

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

	31 December 2023	31 December 2022
	£	£
Financial assets at amortised cost		
- Loans and advances to banks	**726,791,733**	709,298,405
- Loans and advances to customers	**61,860,769**	46,503,635
- Debt securities packaged in 'asset swaps'	**206,526,248**	229,494,910
- Debt securities at amortised cost	**298,805,964**	279,069,256
	1,293,984,714	1,264,366,206
Financial assets at fair value		
- Exchange rate related contracts	**3,738,478**	1,237,025
Measured at fair value and designated in an effective hedging relationship		
- Interest rate swap contracts	**7,316,402**	15,415,498
	11,054,880	16,652,823
Financial liabilities at amortised cost		
- Deposits by banks	**193,404,628**	519,965,127
- Customer accounts	**956,051,029**	608,680,668
- Subordinated debt	**31,047,446**	35,269,364
	1,180,503,103	1,163,915,159
Financial liabilities at fair value		
- Exchange rate related contracts	**1,465**	129,232
Measured at fair value and designated in an effective hedging relationship		
- Interest rate swap contracts	**575,543**	76,638
	577,008	205,870

The Bank's income, expense, gains and losses in respect of financial instruments are summarised below:

	31 December 2023	31 December 2022
	£	£
Interest income and expense		
Total interest income for financial assets at amortised cost	**75,938,415**	34,610,966
Total interest expense for financial liabilities at amortised cost	**(57,165,609)**	(26,890,680)
	18,772,806	7,720,286
Fair value gains and losses		
On non-derivative financial assets designated in an effective hedging relationship	**8,009,757**	(19,971,541)
On derivative financial assets designated in an effective hedging relationship	**(7,813,811)**	14,147,704
On derivative financial liabilities designated in an effective hedging relationship	**(498,905)**	6,685,650
On derivative financial assets measured at fair value through profit or loss	**128,055**	(91,872)
On derivative financial liabilities measured at fair value through profit or loss	**127,767**	(127,660)
	(47,137)	642,281
Net interest income	**18,725,669**	8,362,567

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.

Notes to the Financial Statements (continued)

15 Financial Instruments (continued)

Fair values of financial assets and financial liabilities are determined as follows:

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

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

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

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

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

	31 December 2023			
	Total	**Level 1**	**Level 2**	**Level 3**
	£	**£**	**£**	**£**
Derivative assets				
Exchange rate related contracts	**3,738,478**	**-**	**3,738,478**	**-**
Interest rate swaps contracts	**7,316,402**	**-**	**7,316,402**	**-**
Total Derivative assets	**11,054,880**	**-**	**11,054,880**	**-**
Derivative liabilities				
Exchange rate related contracts	**1,465**	**-**	**1,465**	**-**
Interest rate swaps contracts	**575,543**	**-**	**575,543**	**-**
Total Derivative liabilities	**577,008**	**-**	**577,008**	-

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

Notes to the Financial Statements *(continued)*

16 Derivative financial instruments

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

	Due within a year		More than one year	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
	£	£	**£**	£
Assets				
Interest rate swap contracts	**181,109**	-	**7,135,293**	15,415,798
Exchange rate related contracts	**3,738,478**	1,237,025	-	-
	3,919,587	1,237,025	**7,135,293**	15,415,798
Liabilities				
Interest rate swap contracts	**-**	2,013	**575,543**	74,625
Exchange rate related contracts	**1,465**	129,232	**-**	-
	1,465	131,245	**575,543**	74,625

As at 31 December 2023, the notional value of the interest rate related contracts was £258,403,796 (31 December 2022: £228,211,212) and Exchange rate related contracts was £137,830,403 (31 December 2022: £178,150,662). 95% (31 December 2022: all) of 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.

Forward foreign currency contracts are valued using quoted forward exchange rates and yield curves derived from quoted interest rate matching maturities of the contracts.

Interest rates swaps 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 value hedges

Interest rate swap contracts

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date that are designated and effective as hedging instruments carried at fair value:

	Average contract fixed interest rate		Notional Principal value		Fair value	
	2023	2022	**2023**	2022	**2023**	2022
	%	%	**£**	£	**£**	£
Outstanding receive floating pay fixed contracts						
Less than 1 year	**-**	1.38	**-**	700,000	**-**	(2,013)
1 to 2 years	**5.36**	-	**43,925,014**	-	**1,542,901**	-
2 to 5 years	**3.89**	3.92	**98,494,391**	167,585,216	**4,190,015**	11,752,480
5 years or more	**4.92**	4.01	**60,984,391**	59,925,996	**826,834**	3,588,693
			203,403,796	228,211,212	**6,559,750**	**15,339,160**

Notes to the Financial Statements *(continued)*

16 Derivative financial instruments (continued)

During the year, the hedges were on average 99.93% effective in hedging the fair value exposures to interest rate movements and as a result a negative fair value adjustment of £303k (2022: positive fair value adjustment of £862k) was included in profit and loss.

During the year as a result of hedging £8.01m (2022: £19.97m) of loss on the bond amount was recognised in the profit or loss and at the same time £8.31m (2022: £20.83m) gain on the interest rate swap was included in the profit or loss.

17 Subordinated debt

On 2 November 2010, the Bank drew down $30 million of unsecured subordinated debt from its parent company. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is to be amortised according to the loan agreement, by $6 million each year and the final instalment repayable on maturity. Interest is charged at 3 months Term SOFR plus 226.161 basis points. The date of the maturity of the debt is extended to 25 February 2029.

In January 2017, the Bank drew-down an additional $15 million (out of $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 an amortising basis at $3 million per year and the final tranche on maturity. Interest is charged at 6 months Term SOFR plus 242.826 basis points. The date of the final maturity of the debt is 21 September 2026. $3 million out of $12 million (2022: $3 million) was repaid to the parent company in September 2023. The interest expense during the year amounted to £2,429,159 (2022: £1,415,865).

	2023	2022
	£	£
Opening balance 1 January	**35,269,364**	33,284,024
Repayment of principal	**(2,441,406)**	(2,491,694)
Accrued interest movement	**92,614**	385,643
Exchange movements	**(1,873,126)**	4,091,391
Closing balance 31 December	**31,047,446**	35,269,364

18 Called up Share Capital

	31 December 2023	31 December 2022
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**130,000,000**	130,000,000
	130,000,000	130,000,000

19 Contingent liabilities and commitments

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured.

Notes to the Financial Statements *(continued)*

19 Contingent liabilities and commitments (continued)

The following table summarises the nominal principal amount of contingent liabilities and commitments which are not recorded on-balance sheet:

	31 December 2023	31 December 2022
	£	£
Acceptances and endorsements	**549,411**	94,748
Guarantees	**1,631,000**	1,582,959
Letters of credit	**79,919,524**	13,970,011
	82,099,935	15,647,718

Incurred on behalf of the parent Bank:

	31 December 2023	31 December 2022
	£	£
Letters of credit	**43,021,580**	420,913
	43,021,580	420,913

20 Analysis of cash and cash equivalents

	1 January 2023 (Restated)*	Cash flow	Exchange Movement	**31 December 2023**
	£	**£**	**£**	**£**
Cash				
Cash and balances at central banks	402,993	681	(4,675)	**398,999**
Loans and advances to banks	42,953,135	(32,230,986)	(1,290,633)	**9,431,516**
Cash equivalents				
Loans and advances to banks	416,276,617	(100,139,616)	(17,624,664)	**298,512,337**
	459,632,745	(132,369,921)	(18,919,972)	**308,342,852**

	1 January 2022	Cash flow	Exchange Movement	31 December 2022 (Restated)*
	£	**£**	**£**	**£**
Cash				
Cash and balances at central banks	302,328	93,435	7,230	402,993
Loans and advances to banks	53,424,708	(14,566,587)	4,095,014	42,953,135
Cash equivalents				
Loans and advances to banks	290,725,901	99,526,074	26,024,642	416,276,617
	344,452,937	85,052,922	30,126,886	459,632,745

Cash equivalents comprise of short-term fixed placements within loans and advances to banks which are held for the purpose of meeting short-term cash commitments.
*See note 1(b)

Notes to the Financial Statements *(continued)*

21 Operating lease commitments

As at 31 December 2023, the total future minimum lease payments are as follows:

	31 December 2023	31 December 2022
	£	£
Operating lease commitments which expire:		
Within 1 year	**13,559**	14,237
Between 1 and 5 years	**84,998**	18,908
More than 5 years	**4,250**	-
	102,807	33,145

22 Emoluments of directors

	31 December 2023	31 December 2022
	£	£
Directors' fees and emoluments	**1,116,037**	1,323,415

There is no Director accruing benefits under a money purchase pension scheme (2022: None). The total remuneration and benefits of the highest paid Director were £659,137 (2022: £539,480).

Last year in 2022, Mr. Mokhtar Abdel Gawad El-Shennawy was an Executive Director of the Bank who stepped down on 31 December 2022. However, in the current year 2023, Dr. Yasser Ismail Hassan was the only Executive member on the Board.

23 Related party disclosures

During the year, the Company received fees and commission of £6,233,342 (2022: £11,854,800), Interest income of £11,153,136 (2022: £5,617,634) and paid interest expenses £97,408 (2022: £270,098) to the parent National Bank of Egypt, Head office, Cairo.

As at the year end, the Company had loans of £153,516,375 outstanding (2022: £159,876,579) and deposits of £33,564,386 (2022: £78,930,305) from its parent National Bank of Egypt, Head office, Cairo. The Bank holds nil (2022: £41,528,239) as collateral deposits as at reporting date.

There were no debt securities held at year end with National Bank of Egypt, Head office, Cairo or its subsidiaries (2022: nil). During the year, there were no new loans issued to officers of the Bank (2022: Nil). All related party transactions are conducted at arm's length.

There are no material related party transactions with key management, and persons connected with them, other than remuneration disclosed in Note 22.

24 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 ultimate controlling party and the group, for which consolidated accounts are prepared. The parent Bank is incorporated in Egypt. Copies of the group accounts for the National Bank of Egypt can be obtained from National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt.

Notes to the Financial Statements *(continued)*

25 Financial Risk Management

Credit Risk

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

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

	31 December 2023	31 December 2022
	£	£
Debt securities	**505,973,733**	508,859,617
Loans and advances to banks	**726,791,733**	709,298,405
Loans and advances to customers	**61,860,769**	46,503,635
Derivatives	**11,054,880**	16,652,823
Letter of Credit	**79,919,524**	13,970,011
Guarantees	**1,631,000**	1,582,959
Acceptances and endorsements	**549,411**	94,748
	1,387,781,050	1,296,962,198

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

	31 December 2023	31 December 2022
	£	£
Cash collateral	**102,977,031**	66,783,447
Residential real estate	**6,773,000**	2,567,377
	109,750,031	69,350,824

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Credit Risk (continued)

An analysis of the exposures based on credit ratings provided by external rating agencies is as follows:

As at 31 December 2023	**Debt securities**	**Loans and advances to banks**	**Loans and advances to customers**	**Derivatives**	**Letter of Credit**	**Guarantees**	**Acceptances and endorsements**	**Total**
Credit rating	£	£	£	£	£	£	£	£
AAA	**33,618,793**	**31,392,440**	-	-	-	-	-	**65,011,233**
AA	**128,477,893**	**74,995,197**	-	-	**8,690,877**	-	-	**212,163,967**
A	**192,529,665**	**235,296,067**	-	-	**6,952,702**	**60,000**	-	**434,838,434**
BBB	**79,185,130**	**18,364,559**	-	-	-	-	-	**97,549,689**
BB	-	-	-	-	-	-	-	-
B	-	-	-	-	-	-	-	-
CCC	**79,525,786**	**256,837,497**	-	-	**54,210,743**	**554,075**	**307,568**	**391,435,669**
CC	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-
Unrated	**(7,363,534)**	**109,905,973**	**61,860,769**	**11,054,880**	**10,065,202**	**1,016,925**	**241,843**	**186,782,058**
	505,973,733	**726,791,733**	**61,860,769**	**11,054,880**	**79,919,524**	**1,631,000**	**549,411**	**1,387,781,050**

As at 31 December 2022	Debt securities	Loans and advances to banks	Loans and advances to customers	Derivatives	Letter of Credit	Guarantees	Acceptances and endorsements	Total
Credit rating	£	£	£	£	£	£	£	£
AAA	73,376,365	-	-	-	-	-	-	73,376,365
AA	81,757,072	76,034,939	-	-	-	-	-	157,792,011
A	167,354,348	153,783,883	-	-	-	-	-	321,138,231
BBB	109,613,529	79,092,693	-	-	3,306,908	-	-	192,013,130
BB	-	-	-	-	-	-	-	-
B	84,626,697	281,830,794	-	-	663,379	503,654	94,748	367,719,272
CCC	-	-	-	-	-	-	-	-
CC	-	-	-	-	-	-	-	-
C	-	-	-	-	-	-	-	-
Unrated	(7,868,394)	118,556,096	46,503,635	16,652,823	9,999,724	1,079,305	-	184,923,189
	508,859,617	709,298,405	46,503,635	16,652,823	13,970,011	1,582,959	94,748	1,296,962,198

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. The Company does not undertake proprietary trading activities, therefore, no trading book is maintained. Market risk for the Company exists for securities that are affected by market fluctuations. The 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.

(i) Foreign currency risk

The Company is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions. The Bank's net open foreign exchange positions are monitored on a daily basis and managed by the treasury front office. As most of the transactions are back-to-back therefore the Bank is not exposed to material foreign currency risk.

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Market Risk (continued)

(i) Foreign currency risk (continued)

	31 December 2023	31 December 2022
	£	£
Net open position		
US Dollars	**2,708,013**	329,788
EURO	**Nil**	70,712
Other foreign currencies	**Nil**	Nil

The functional currency of the Bank's operations is Sterling. The net impact on profit and loss of a 10% appreciation in USD would be negative £246k (2022: negative £30k) and positive £301k (2022: positive £37k) for a 10% depreciation in USD.

As at 31 December 2023	**USD**	**Other foreign currencies**	**USD**	**Other foreign currencies**
	£	**£**	**£**	**£**
	+10%	**+10%**	**-10%**	**-10%**
Assets				
Cash and balances at central banks	**(11,269)**	**(2,211)**	**13,774**	**2,702**
Loans and advances to banks	**(36,362,663)**	**(822,550)**	**44,443,255**	**1,005,337**
Loans and advances to customers	**(3,793,232)**	**-**	**4,636,172**	**-**
Debt securities	**(29,205,552)**	**(401,900)**	**35,695,674**	**491,212**
Other assets	**(1,733)**	**-**	**2,118**	**-**
Prepayments and accrued income	**(3,729)**	**30**	**4,558**	**(37)**
	(69,378,178)	**(1,226,631)**	**84,795,551**	**1,499,214**
Liabilities and shareholder's funds				
Deposit by banks	**(14,281,811)**	**(775,837)**	**17,455,546**	**948,245**
Customer accounts	**(40,172,922)**	**(474,234)**	**49,100,239**	**579,619**
Accruals and deferred income and other liabilities	**(11,776,633)**	**22,365**	**14,393,663**	**(27,336)**
Subordinated Debt	**(2,822,495)**	**-**	**3,449,716**	**-**
Shareholder's funds	**(78,134)**	**1,075**	**95,497**	**(1,314)**
	(69,131,995)	**(1,226,631)**	**84,494,661**	**1,499,214**
Net position	**(246,183)**	**-**	**300,890**	**-**

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Market Risk (continued)

(i) Foreign currency risk (continued)

As at 31 December 2022	USD	Other foreign currencies	USD	Other foreign currencies
	£	£	£	£
	+10%	+10%	-10%	-10%
Assets				
Cash and balances at central banks	(7,220)	(1,178)	8,824	1,440
Loans and advances to banks	(42,043,723)	(3,108,200)	51,386,772	3,798,912
Loans and advances to customers	(3,468,351)	-	4,239,095	-
Debt securities	(36,441,418)	(3,250,795)	44,539,510	3,973,194
Other assets	(8,113)	-	9,916	-
Prepayments and accrued income	(56,629)	-	69,214	-
	(82,025,454)	(6,360,173)	100,253,331	7,773,546
Liabilities and shareholder's funds				
Deposit by banks	(35,824,238)	(9,088,044)	43,785,179	11,107,610
Customer accounts	(37,014,852)	(488,961)	45,240,374	597,619
Accruals and deferred income and other liabilities	(5,853,170)	3,228,070	7,153,875	(3,945,419)
Subordinated Debt	(3,206,306)	-	3,918,818	-
Shareholder's funds	(96,907)	(4,810)	118,442	5,878
	(81,995,473)	(6,353,745)	100,216,688	7,765,688
Net position	(29,981)	(6,428)	36,643	7,858

(ii) Interest rate risk

Interest rate risks in the banking book may arise from a number of sources including risk related to the mismatch of re-pricing of assets and liabilities and off- balance sheet short and long-term positions. Also risks arising from hedging exposure to one interest rate with exposure to a rate which re-prices under slightly different conditions (basis risk).

The interest rate risk is managed by the Company as part of the daily monitoring within predetermined limits approved by the Board and endorsed by the PRA. The interest-bearing liabilities and assets are either based on floating rates, where any interest rate mismatch is removed, or fixed fate which are generally matched, so the mismatch is minimised. Furthermore, the majority of assets and liabilities are short dated and subject to limited interest rate risk.

As at 31 December 2023, the net impact on the profit and loss to a 200bps increase in interest rates is +£373k (31 December 2022: +£150k) and -£393k (31 December 2022: -£156k) to a 200bps decrease in interest rates.

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Market Risk (continued)

(ii) Interest rate risk (continued)

The table below is based on the earlier of the periods to the next interest rate pricing date or the contractual maturities of financial assets and liabilities.

As at 31 December 2023	Overnight to 3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	£	£	£	£	£	£	£
Assets							
Cash and balances at central banks	-	-	-	-	-	398,999	398,999
Loans and advances to banks	460,596,527	122,123,161	144,072,045	-	-	-	726,791,733
Loans and advances to customers	56,101,869	5,682,014	-	-	-	76,886	61,860,769
Debt securities	244,040,100	23,933,534	19,745,439	163,992,282	60,984,391	(7,363,534)	505,332,212
Derivatives	-	-	-	-	-	11,054,880	11,054,880
Tangible fixed assets	-	-	-	-	-	42,910,866	42,910,866
Intangible fixed assets	-	-	-	-	-	580,386	580,386
Other assets	-	-	-	-	-	21,241	21,241
Current tax assets	-	-	-	-	-	736,026	736,026
Prepayments and accrued income	-	-	-	-	-	1,410,882	1,410,882
	760,738,496	151,738,709	163,817,484	163,992,282	60,984,391	49,826,632	1,351,097,994
Liabilities and shareholder's funds							
Deposit by banks	157,940,481	35,464,147	-	-	-	-	193,404,628
Customer accounts	502,315,652	216,737,620	219,386,921	17,610,836	-	-	956,051,029
Derivatives	-	-	-	-	-	577,008	577,008
Other liabilities	-	-	-	-	-	648,940	648,940
Deferred tax liabilities	-	-	-	-	-	639,935	639,935
Accruals and deferred income	-	-	-	-	-	1,871,759	1,871,759
Subordinated Debt	31,047,446	-	-	-	-	-	31,047,446
Shareholder's funds	-	-	-	-	-	166,857,249	166,857,249
	691,303,579	252,201,767	219,386,921	17,610,836	-	170,594,891	1,351,097,994
Other items							
Interest rate swaps (notional)	148,403,797	30,000,000	25,000,000	(142,419,406)	(60,984,391)	-	-
Net position	217,838,714	(70,463,058)	(30,569,437)	3,962,040	-	(120,768,259)	-
Cumulative gap	217,838,714	147,375,656	116,806,219	120,768,259	120,768,259	-	
Net present value of sensitivity to positive shift	(508,980)	486,860	415,283	(20,117)	-	-	373,046
Net present value of sensitivity to negative shift	519,984	(499,762)	(429,384)	16,477	-	-	(392,685)

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Market Risk (continued)

(ii) Interest rate risk (continued)

As at 31 December 2022	Overnight to 3 months	3-6 months	6 months to 1 year	1-5 years	Over 5 years	Non-interest bearing	Total
	£	£	£	£	£	£	£
Assets							
Cash and balances at central banks	-	-	-	-	-	402,993	402,993
Loans and advances to banks	590,060,681	74,800,847	41,114,618	3,322,259	-	-	709,298,405
Loans and advances to customers	42,551,231	3,887,783	-	-	-	64,621	46,503,635
Debt securities	204,215,600	1,541,625	28,305,648	229,948,588	59,925,996	(15,373,291)	508,564,166
Derivatives	-	-	-	-	-	16,652,823	16,652,823
Tangible fixed assets	-	-	-	-	-	41,786,772	41,786,772
Intangible fixed assets						569,392	569,392
Other assets	-	-	-	-	-	91,313	91,313
Current tax assets	-	-	-	-	-	188,232	188,232
Prepayments and accrued income	-	-	-	-	-	1,989,589	1,989,589
	836,827,512	80,230,255	69,420,266	233,270,847	59,925,996	46,372,444	1,326,047,320
Liabilities and shareholder's funds							
Deposit by banks	398,525,967	79,910,921	-	41,528,239	-	-	519,965,127
Customer accounts	443,713,417	41,278,492	109,205,001	14,483,758	-	-	608,680,668
Derivatives	-	-	-	-	-	205,870	205,870
Other liabilities	-	-	-	-	-	1,054,200	1,054,200
Deferred tax liabilities	-	-	-	-	-	187,556	187,556
Accruals and deferred income	-	-	-	-	-	487,286	487,286
Subordinated Debt	35,269,364	-	-	-	-	-	35,269,364
Shareholder's funds	-	-	-	-	-	160,206,249	160,206,249
	478,982,781	41,278,492	109,205,001	14,483,758	-	162,132,161	1,326,047,320
Other items							
Interest rate swaps (notional)	227,511,212	-	-	(167,585,216)	(59,925,996)	-	-
Net position	585,355,943	38,951,763	(39,784,735)	51,201,873	-	(115,759,717)	-
Cumulative gap	585,355,943	624,307,706	584,522,971	635,724,844	635,724,844	519,965,127	
Net present value of sensitivity to positive shift	(443,332)	286,937	543,886	(237,727)	-	-	149,764
Net present value of sensitivity to negative shift	453,052	(294,620)	(562,422)	248,484	-	-	(155,506)

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Liquidity Risk

Liquidity risk arises from the mismatch of the timing of cash flows relating to assets and liabilities. It is when there is a shortfall in the amount available to the Company to meet its commitments. Liquidity risk is covered under the liquidity policy of the Company which is approved by the Board under guidelines issued by the PRA. Daily monitoring is undertaken to ensure that the funding requirements can be met at all times and there is a good mix of wholesale and retail deposits coupled with stock of high-quality liquid assets. Management uses a daily liquidity gap analysis by currency for financial assets and liabilities to monitor liquidity risk based on remaining contractual maturities. The sources and maturities of assets and liabilities are closely monitored, and regular stress tests are undertaken to assess the liquidity risk.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables drawn up based on the undiscounted cash flows of financial liabilities based on which the Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the reporting date.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total	Carrying amount
	£	£	£	£	£	£	£
As at 31 December 2023							
Deposit by banks	**108,895,275**	**18,791,685**	**49,742,612**	**19,648,567**	**-**	**197,078,139**	**193,404,628**
Customer accounts	**176,653,721**	**209,628,598**	**487,435,807**	**107,094,019**	**-**	**980,812,145**	**956,051,029**
Other liabilities	**28,679**	**-**	**691,261**	**-**	**-**	**719,940**	**648,940**
Accruals and deferred income	**-**	**329,809**	**313,450**	**-**	**-**	**643,259**	**1,871,759**
Subordinated Debt	**200,109**	**474,687**	**1,649,250**	**15,766,864**	**24,085,891**	**42,176,801**	**31,047,446**
	285,777,784	**229,224,779**	**539,832,380**	**142,509,450**	**24,085,891**	**1,221,430,284**	**1,183,023,802**
As at 31 December 2022							
Deposit by banks	173,776,876	207,388,289	81,697,583	60,518,239	-	523,380,987	519,965,127
Customer accounts	167,624,959	186,680,883	249,319,209	15,459,605	-	619,084,656	608,680,668
Other liabilities	71,847	-	249,860	-	-	321,707	321,707
Accruals and deferred income	-	318,272	160,014	-	-	478,286	1,210,779
Subordinated Debt	161,149	420,312	1,542,209	18,741,581	27,054,276	47,919,527	35,269,364
	341,634,831	394,807,756	332,968,875	94,719,425	27,054,276	1,191,185,163	1,165,447,645

Notes to the Financial Statements *(continued)*

25 Financial Risk Management (continued)

Liquidity Risk (continued)

The following tables details the Company's liquidity analysis for its derivative financial instruments based on contractual maturities. The table has been drawn up on the undiscounted net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross outflows on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date.

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Over 5 years	Total
	£	£	£	£	£	£
As at 31 December 2023						
Net settled:						
Interest rate swaps	**(54,965)**	**816,337**	**5,616,282**	**12,127,653**	**1,479,779**	**19,985,086**
Gross settled (cash outflow only):						
Foreign exchange forward contract	**(1,852,718)**	**(1,205,467)**	**(2,172,746)**	**-**	**-**	**(5,230,931)**
Currency swaps	**(48,581,534)**	**(33,912,060)**	**(46,402,572)**	**-**	**-**	**(128,896,165)**
	(50,489,217)	**(34,301,190)**	**(42,959,036)**	**12,127,653**	**1,479,779**	**(114,142,010)**
As at 31 December 2022						
Net settled:						
Interest rate swaps	283,041	901,112	3,570,723	12,881,788	1,590,221	19,226,885
Gross settled (cash outflow only):						
Foreign exchange forward contract	(1,959,325)	(68,866)	(622,791)	-	-	(2,650,982)
Currency swaps	(130,066,460)	(16,865,158)	(27,673,715)	-	-	(174,605,333)
	(131,742,744)	(16,032,912)	(24,725,783)	12,881,788	1,590,221	(158,029,430)

Climate change

The Board recognised that NBEUK can be exposed to risks arising from climate change. As such, a policy was developed and approved by the board for climate-related financial risk. This risk is closely monitored, and quarterly update of our impacted exposure is reported to the Steering Committee, Risk and Compliance committee and the Board. Climate change financial risk is also embedded in the ICAAP. The consideration related to climate risk and monitoring of financial impact of climate change is also presented on page 5 of the Annual Report. As at 31 December 2023, there is no direct financial impact arising from climate related risk recognised in the financial statements.

Capital management

The Directors apply Common Equity Tier 1 Capital and Tier 2 Capital for capital management purposes. The principal objectives in managing capital are to ensure it is sufficient to participate in lines of business and to meet capital adequacy requirements of the Prudential Regulation Authority. Common Equity Tier 1 is measured as share capital and reserves less regulatory deductions. Tier 2 capital consists of subordinated debt from the parent Bank as detailed in note 17. All the regulatory capital adequacy requirements were met during the year.

Notes to the Financial Statements *(continued)*

26 Country-by-Country Disclosures

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

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

The Bank received no public subsidies during the year to 31 December 2023 (31 December 2022: 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	26,011,808	8,831,685	2,276,100	79

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 2023.