Pillar 3 Disclosures
31 December 2024

NATIONAL BANK OF EGYPT (UK) LIMITED

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1. INTRODUCTION

National Bank of Egypt (UK) Limited or "the Bank" is authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA"). The Bank is incorporated in England and Wales. It is a wholly owned by the National Bank of Egypt. This document contains the Pillar 3 disclosures of National Bank of Egypt (UK) Limited for the year ended 31 December 2024.

Pillar 3 disclosures are intended to promote market discipline through transparency via periodic disclosures of regulator-specified metrics with accompanying narrative.

The disclosures have been prepared in accordance with the PRA rulebook disclosure part which, amongst other things, articulates the disclosure requirements of the UK CRR. The disclosures have been prepared purely for explaining the basis on which the Bank has prepared and disclosed certain capital requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement but are supplementary to the information contained in the Bank's financial statements. The disclosures are unaudited and are not required to be audited.

The Bank has a Pillar 3 policy that sets out the governance and controls covering these disclosures. All quantitative information in these disclosures has been prepared in accordance with the firm's regulatory reporting controls and the document, together with the policy and compliance assessment, is reviewed by appropriate governance committees in the firm and is approved by the Board.

I attest that, to the best of my knowledge, these disclosures have been prepared in accordance with the Bank's formal policies and internal systems and controls

Dr Yasser Hassan
CEO

2. KEY METRICS

Key regulatory metrics, as specified in the PRA rulebook, are provided in the following table (UK KM1).

The Bank's CET1 capital grew by the amount of retained earnings for the financial year, net of intangible assets booked, increasing CET1 capital by c.2%. Risk weighted assets decreased by c.5% over the same period, primarily as a result of changes in balance sheet mix. Consequently, the Bank's CET1 ratio increased from 15.1% to 16.3% and the Bank's total capital ratio grew from 17.9% to 19.3%. The bank's tier 2 capital is denominated in US dollars and is subject to exchange movements.

At the last Supervisory Evaluation and Review Process (SREP), the PRA set the Bank a Total Capital requirement ("TCR") of 12.8% of risk weighted assets. Over and above the TCR, the Bank is subject to the capital conservation buffer of 2.5% and an institution-specific countercyclical buffer of 0.3%. The Bank benefits from a strong leverage ratio, at 11.6%, both including and excluding balances at the Bank of England.

The Bank's average Liquidity Coverage ratio ("LCR") increased from 387% to 418% over the period and the average net stable funding ratio ("NSFR") increased from 176% to 194%.

Template UK KM1 – Key metrics

		31/12/2024	31/12/2023
	Available own funds (amounts) £000s		
1	Common Equity Tier 1 (CET1) capital	170,750	166,857
2	Tier 1 capital	170,750	166,857
3	Total capital	201,853	197,905
	Risk-weighted exposure amounts £000s		
4	Total risk-weighted exposure amount	1,047,061	1,103,441
	Capital ratios (as a percentage of risk-weighted exposure amount)		
5	Common Equity Tier 1 ratio (%)	16.31	15.12
6	Tier 1 ratio (%)	16.31	15.12
7	Total capital ratio (%)	19.28	17.94
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure		
UK 7a	Additional CET1 SREP requirements (%)	2.71	2.73
UK 7b	Additional AT1 SREP requirements (%)	0.91	0.91
UK 7c	Additional T2 SREP requirements (%)	1.20	1.22
UK 7d	Total SREP own funds requirements (%)	12.82	12.86
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)		
8	Capital conservation buffer (%)	2.50	2.50
9	Institution specific countercyclical capital buffer (%)	0.33	0.30
11	Combined buffer requirement (%)	2.83	2.80
UK 11a	Overall capital requirements (%)	15.65	15.66
12	CET1 available after meeting the total SREP own funds requirements (%)	9.10	7.89
	Leverage ratio		
13	Total exposure measure excluding claims on central banks (£000s)	1,469,717	1,382,667
14	Leverage ratio excluding claims on central banks (%)	11.6	12.1
	Additional leverage ratio disclosure requirements		
14b	Leverage ratio including claims on central banks (%)	11.6	12.1
	Liquidity Coverage Ratio		
15	Total high-quality liquid assets (HQLA) (Weighted value -average) £000s	161,608	170,092
UK 16a	Cash outflows - Total weighted value £000s	154,826	175,689
UK 16b	Cash inflows - Total weighted value £000s	374,963	303,103
16	Total net cash outflows (adjusted value) £000s	38,707	43,922
17	Liquidity coverage ratio (%)	418	387
	Net Stable Funding Ratio		
18	Total available stable funding £000s	923,549	811,359
19	Total required stable funding £000s	476,002	460,395
20	NSFR ratio (%)	194	176

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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. The Bank 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 the Bank 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. The Bank's management ensures that key material risks are always socialised up the chain. The Bank 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 their contracted financial obligations, resulting in a default situation and loss event. This risk is the main category of risk the Bank is exposed to. Credit risk comprises counterparty risk, settlement risk and concentration risk.

  The approach to credit risk management in the Bank 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 portfolio while making sure that an in-depth analysis and review is undertaken of new and existing counterparties.

- **Liquidity Risk**
  Liquidity risk is when the Bank is unable to retain or create sufficient cash resources to meet its commitments. The Bank manages liquidity mismatches within the guidelines of the liquidity policy approved by the Board and the pertaining established limits. The Bank's liquidity positions in different currencies are monitored by the Treasury Department with a daily liquidity report issued by the Finance Department and circulated to Senior management, Risk management, Treasury and Treasury Operations Departments to ensure that the PRA's minimum liquidity threshold is continually adhered to. The ALCO monitors the maturity profile on monthly basis.

  Liquidity risk is covered under the Bank's ILAAP policy. This document analyses the sources of liquidity risk and describes the assumptions and the approach taken to stress testing those risks. It also incorporates the Bank's liquidity contingency funding plans, the liquid asset buffer and identifies those risks which have the potential to cause the Bank to fail (stress and reverse stress tests) as determined by regulatory requirements.

- **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 Bank does not undertake proprietary trading activities, as it only maintains a Banking Book.

  Market risk exists for the Bank where it holds securities that are affected by market fluctuations. Investment and debt securities are held to maturity and therefore floating rate notes and other securities prices are of less concern. All Interest rate swaps are held against Bonds (“Asset Swaps”) or Deposit positions and are therefore effectively hedged. The market risk associated with Asset Swaps is limited to the interest rate spreads embedded in the transactions only. The Bank is exposed through daily foreign currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions.

- **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 through exposure to specific obligors (single name concentration) or from imperfect diversification with respect to economic sectors or geographical regions. The Bank’s exposures are in line with its risk appetite, with industry sector restrictions and jurisdictions governed by geographical concentrations limits determined on assigned credit ratings by Moody’s & Fitch.

  The Bank maintains a better diversified funding profile compared to last year comprised of an Egyptian government wholesale customer, bank deposits and a diversified pool of retail customers through several digital deposit aggregators.

- **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. The Bank 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, this results in a control environment which can evolve with changing business needs, thereby ensuring operational losses and disruptions within the business are kept to a minimum.

  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. The Bank uses the basic indicator approach to measure the capital requirements driven by operational risks, under which the Bank holds capital for operational risk equal to the average over the previous three years of a fixed percentage of positive annual gross income.

- **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 cascades throughout the Bank. The Bank 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 objectives of the Bank are taken into consideration and not hindered. The Bank remains 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.

- **Compliance Risk**
  Compliance Risk is overseen by the Executive Committee and Risk & Compliance 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, enhancing both the quantity and calibre of resources in the first line.
    - 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 the Bank are those events occurring inside the Bank or externally that may tarnish the Bank's reputation such that customers might be deterred from dealing with the Bank. 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.

4. OWN FUNDS

UK CC1 – Composition of regulatory own funds

The table below shows the composition of the bank's regulatory capital position. Column (b) references balance sheet components shown in table UK CC2. Only rows relevant to the bank are included.

		(a)	(b)
		Amounts	Reference letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	130,000	
	of which: Fully paid up capital instruments	130,000	(a)
2	Retained earnings	42,647	(b)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**172,647**	
	Common Equity Tier 1 (CET1) capital: regulatory adjustments		
8	Intangible assets (net of related tax liability) (negative amount)	- 1,897	-(d)
29	**Common Equity Tier 1 (CET1) capital**	**170,750**	
	Tier 2 (T2) capital: instruments		
46	Capital instruments and the related share premium accounts	31,103	(c)
51	**Tier 2 (T2) capital before regulatory adjustments**	**31,103**	
	Tier 2 (T2) capital: regulatory adjustments		
58	**Tier 2 (T2) capital**	**31,103**	
59	**Total capital (TC = T1 + T2)**	**201,853**	
60	**Total Risk exposure amount**	**1,047,061**	
	Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.3%	
62	Tier 1 (as a percentage of total risk exposure amount)	16.3%	
63	Total capital (as a percentage of total risk exposure amount)	19.3%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	15.6%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: countercyclical buffer requirement	0.3%	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	9.1%	

Template UK CC2 - reconciliation of regulatory own funds to balance sheet in the audited financial statements

		a	c
		Balance sheet as in published financial statements[1]	Reference
		As at period end	
Assets - *Breakdown by asset class according to the balance sheet in the published financial statements*			
1	Cash and balances at central banks	398	
2	Loans and advances to banks	654,586	
3	Loans and advances to customers	181,521	
4	Debt securities	488,087	
5	Derivatives	8,755	
6	Tangible fixed assets	42,218	
7	Intangible fixed assets	1,897	(d)
8	Prepayments and accrued income	1,263	
9	Current tax asset	-	
10	Other assets	230	
11	**Total assets**	**1,378,954**	
Liabilities - *Breakdown by liability class according to the balance sheet in the published financial statements*			
1	Deposits by banks	137,051	
2	Customer accounts	1,032,922	
3	Derivatives	1,044	
4	Other liabilities	742	
5	Current tax liabilites	447	
6	Deferred tax liabilities	686	
7	Accruals and deferred income	1,816	
8	Subordinated debt (including accrued interest of £497k)	31,600	(c)
9	**Total liabilities**	1,206,307	
Shareholders' Equity			
1	Called up share capital	130,000	(a)
2	Profit and loss account	42,647	(b)
3	**Total shareholders' equity**	172,647	

[1]NBE UK has the same cope of consolidation for statutory and regulatory reporting

5. OWN FUNDS REQUIREMENTS AND RISK-WEIGHTED EXPOSURE AMOUNTS

Template UK OVC – Internal capital adequacy assessment process ("ICAAP") information

Legal basis	Row number	Free format
Article 438(c) CRR	(b)	The PRA conducts a periodic supervisory review and evaluation process ("SREP") of NBE UK. The result of the last SREP was that the bank was set a total capital requirement of 12.8%, of which 7.2% is to be met with CET1 capital

Template UK OV1 – Own funds requirements and risk-weighted exposure amounts

The table below shows the composition of the bank's own funds requirements and risk-weighted assets. Only rows relevant to the bank are included.

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		a	b	c
		31/12/2024	31/12/2023	31/12/2024
1	Credit risk (excluding CCR)	988,313	1,046,427	79,065
2	Of which the standardised approach	988,313	1,046,427	79,065
6	Counterparty credit risk - CCR	12,424	13,681	994
7	Of which the standardised approach	7,385	4,893	591
UK 8b	Of which credit valuation adjustment - CVA	5,039	8,789	403
21	Market risk	-	-	-
23	Operational risk	46,325	43,333	3,706
UK 23a	Of which basic indicator approach	46,325	43,333	3,706
29	**Total**	**1,047,061**	**1,103,441**	**83,765**

6. DIRECTORSHIPS AND DIVERSITY AND INCLUSION STATEMENT

Number of directorships

As at 31 December 2024, the number of other directorships held by Board Members are set out below:

Director	Position	Number of Directorships
Mrs Lobna Hilal	Chairman	5
Mr Mohamed Mahmoud Ahmed Eletrebi	Deputy Chairman	7
Mrs Soha El-Turky	Non-Executive Director	8
Dr Yasser Hassan	CEO	3
Mr Sherif Riad	Non-Executive Director	3
Mr Ian Gray	Non-Executive Director	4
Mr Edward Marks	Non-Executive Director	0
Dr Mohamed Maait	Executive Director	1

Diversity & Inclusion statement

Individuals with different cultures, perspectives and experiences are at the heart of the way the Bank works. We want to recruit, develop and retain the most talented people, regardless of their background and make best use of their talents. We seek to develop a work environment where we treat all employees as individuals, fairly and in a consistent way. We work within the spirit and the practice of the Equality Act 2010 by promoting a culture of respect and dignity and actively challenging discrimination, should it ever arise. We remove unnecessary barriers for our employees' seeking opportunities through training and development, promotion and career planning. We continue to support our leaders, managers and employees to demonstrate the principles of diversity and inclusion in their everyday activities, roles and functions.

The Bank is committed to promoting equality and diversity and promoting a culture that actively values difference and recognises that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way we work. The Bank aims to be an inclusive organisation, committed to providing equal opportunities throughout employment including in the recruitment, training and development of employees, and to pro-actively tackling and eliminating discrimination. Equality and diversity at the Bank - we consider that equality means breaking down barriers, eliminating discrimination and ensuring equal opportunities and access for all groups in employment. We consider diversity to mean celebrating difference and valuing everyone. Each person is an individual with visible and non-visible differences and by respecting this everyone can feel valued for their contributions which is beneficial not only for the individual but for the Bank too. We acknowledge that equality and diversity are not inter-changeable but inter-dependent. There can be no equality of opportunity if difference is not valued and harnessed.

Every employee is entitled to a working environment that promotes dignity, equality and respect for all. The Bank will not tolerate any acts of unlawful or unfair discrimination (including harassment) committed against an employee, contractor, job applicant or visitor because of a protected characteristic:

- sex;
- gender reassignment;
- marriage and civil partnership;
- pregnancy and maternity;
- race (including ethnic origin, colour, nationality and national origin);
- disability;
- sexual orientation;
- religion and or belief; and
- age.

Discrimination on the basis of work pattern (part-time working, fixed term contract, flexible working) which is unjustifiable will also not be tolerated. All employees are encouraged to develop their skills and fulfil their potential and to take advantage of training, development and progression opportunities in the Bank. Selection for employment, promotion, training, or any other benefit is on the basis of aptitude and ability. The Bank will capture applicants' diversity demographics as part of its recruitment processes to promote the elimination of unlawful discrimination.

All promotion decisions are made on the basis of merit and will not be influenced by any of the protected characteristics listed above. Promotion opportunities are monitored to ensure equality of opportunity at all levels. Where appropriate, steps will be taken to identify and remove unnecessary or unjustifiable barriers to promotion.