National Bank of Egypt (UK) Limited

Annual report and financial statements

Registered number 2743734

For the year ended 30 June 2020

Board of Directors
Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Ahmed Okasha – Deputy Chairman
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director
Mr. Mokhtar Abdel Gawad El-Shennawy – Deputy Managing Director
Mr. Mahmoud Montaser Ibrahim El-Sayed Al Asfar
Mr. Nicholas Beecroft (resigned 31 December 2019)
Mr. Edward Marks (appointed 1 January 2020)
Mrs. Dalia Abdallah Mohamed El-Baz
Mrs. Lobna Hilal, Non-Executive Director (appointed 16 March 2020)
Dr. Ziad Bahaa-Eldin
Mr. David Somers

Company Secretary: Dentons Secretaries Ltd

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

Steering Committee Secretary
Mr. Ahmed Maksoud – Deputy General Manager and Chief Risk Officer

Audit Committee
Mr. David Somers – Chairman
Dr. Ziad Bahaa-Eldin
Mr. Edward Marks

Audit Committee Secretary
Dentons Secretaries Ltd

Risk Committee
Mr. David Somers – Chairman
Mr. Edward Marks
Dr. Ziad Bahaa-Eldin

Risk Committee Secretary
Dentons Secretaries Ltd

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

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

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

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

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CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the annual report and audited financial statements of National Bank of Egypt (UK) Limited (NBEUK) for the year ended 30 June 2020.

It has proved to be a challenging year for both business and banking due to the impact of the Covid-19 pandemic and due to ongoing geopolitical uncertainty with the ongoing trade tensions between the United States of America and China which has an indirect impact on NBEUK via currency fluctuations, bond prices, and market confidence. The continuing difficulties in achieving a satisfactory Brexit agreement have had no material impact on the Bank apart from volatility in the foreign exchange rates. At the time of preparing this statement, these Brexit-related and Covid-19 uncertainties look set to continue for much of 2020 and into 2021.

The Bank's profitability for the financial year has been impacted, directly and indirectly, by the Covid-19 pandemic. The direct impact has been recognised in greater levels of expenses incurred to meet the immediate challenges presented by the pandemic. These focused overheads have allowed the Bank to maintain an uninterrupted service to its customers and has included keeping the retail banking hall operational throughout the "Lockdown" while meeting government guidelines. The majority of staff has been able to carry out their duties remotely, working from home, using enhanced IT platforms. The Bank has suffered indirect impacts because of the pandemic as customers themselves have suffered from its influence. In particular market confidence has triggered some withdrawal of funding from the UK and this has had a significant bearing on the balance sheet footings. The pandemic has also had an adverse influence on bond prices and derivative valuations. However, the Bank is predicting that this effect will be short lived and volatility will decrease once the pandemic passes.

The UK and other governments have responded to the pandemic, cutting interest rates so that net interest income is further restrained by tight margins. While the Bank continues to face a number of challenges in the form of a declining corporate loan portfolio. Over 80% of the Bank's assets continue to be USD denominated which exposes the Bank to a foreign exchange translation risk in terms of its capital requirement. Yet, net interest income has increased by 24% compared with the prior year. This has been achieved because the Bank has been able to improve margins especially with the NBE group and other Egyptian banks.

Revenue from trade finance activity has increased by almost 63% compared to last year as a result of more oil related business from existing customers.

As a consequence of the above factors NBEUK is able to post a respectable profit performance. Net interest income rose, in 2020, to £10.3m from the level of £8.3m. Commission and fee income generated from trade finance and other businesses including foreign exchange dealing profits increased in 2020 to £9.0m from £5.3m in 2019. While fee income from trade finance is expected to continue to be under pressure due to competition in the market, the Bank will aim to build and diversify its target markets.

Going forward, given the limited trade finance opportunities, the strategy of the Bank will be based on improving our net interest margin by focusing on augmenting and diversifying our loan portfolio while continuing to maintain our robust risk management processes. The Bank attempts to take a pro-active, risk adverse approach rather than a reactionary one.

It is anticipated that the regulatory environment will continue to evolve and to make greater demands on banks as the regulators strive to build a more resilient financial system, to this end there are a number of significant legislative reviews currently taking place within the EU's regulatory framework. These include amendments to the Fourth Capital Requirements Directive (CRD IV), the further development of Capital Requirements Regulation (CRR-2) and the Bank Recovery and Resolution Directive (BRRD). Whilst the extended Senior Managers and Certification Regime, the Conduct and Cultural Risk Practices and Deposit Protection Revised Scheme and Recovery and Resolution directives have been designed to future-proof banks from financial shocks. The Board and Management continue to enhance the Bank's internal control and corporate governance to comply with all applicable regulatory thresholds and requirements.

The Bank's capital and liquidity ratios remained above regulatory limits throughout the year.

The Bank's risk appetite has been revised in line with the approved strategy and the Bank has delivered enhanced Risk Management infrastructure, framework and practices with the risk limits and policies aligned to the yearly budget and day-to-day running of business to protect the interest of the Bank's customers and its stakeholders. The Bank will continue to be as proactive as feasible in responding to the wider economic issues and the evolving regulatory landscape, through its conservative approach to risk and business.

Finally, the Bank has embarked on a project to purchase a freehold property in London. Details of this investment are shown in Note 27. This illustrates the Bank's long-term commitment to serve its customers with optimistic viewpoint in challenging times.

On behalf of the Board of Directors, I would like to express my thanks to the Bank's management and staff for their continued contribution to NBEUK's performance in 2021 and we look forward to an improved set of results in the year ahead.

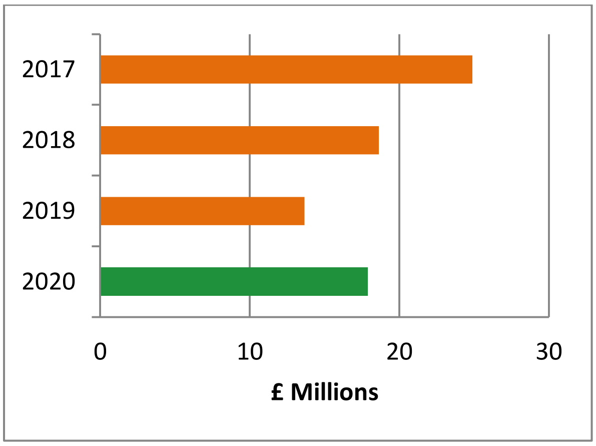
Dr. Farouk Abdel Baki El-Okdah
Chairman

Financial Highlights

Operating Income

£17,874,412

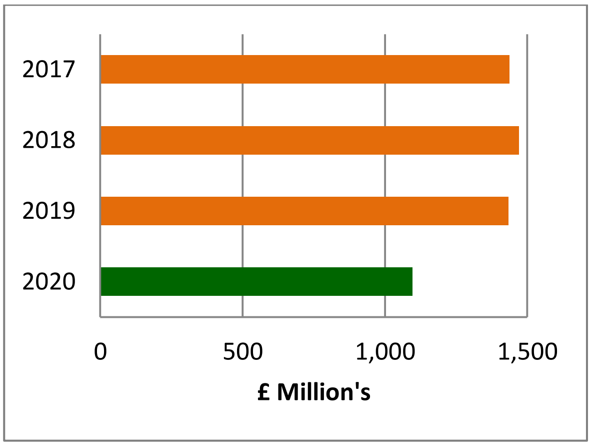
Operating income increased by 30.87%



Total Assets

£1,097,232,863

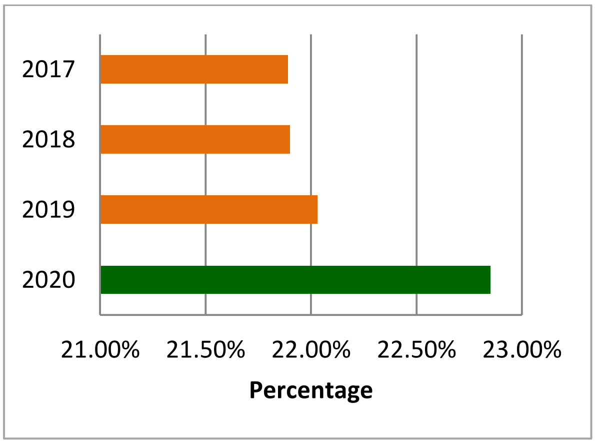
Total assets decreased 23.52%



Capital Ratio

23.90%

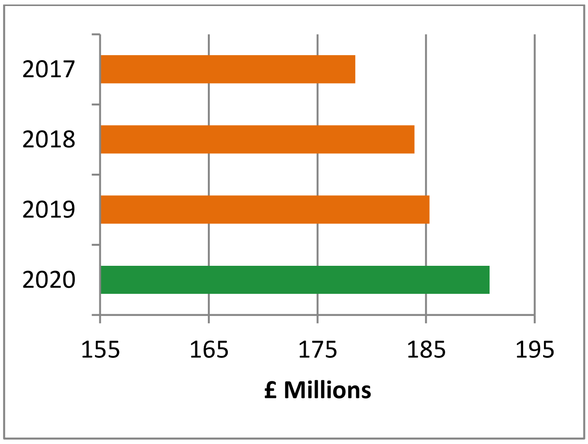
Capital Ratio remained above the ICG regulatory minimum of 16.1%



Tier 1 & Tier 2 Capital

£190,812,073

Capital strength increased by 2.96%



	2020	2019	2018	2017
Financial Position (£'000)				
Operating income	17,874	13,658	18,636	24,891
Net profit	4,429	130	6,009	11,514
Total assets	1,097,233	1,434,693	1,471,021	1,438,234
Total investments	654,140	662,988	723,466	604,679
Total loans to customers	47,731	75,815	65,617	110,146
Shareholders' funds	154,416	149,987	149,856	149,604
Tier 1 & 2 capital (eligible capital)	190,812	185,322	183,929	178,476
Ratios (Percentage %)				
Capital adequacy	23.28%	22.79%	22.03%	21.90%
Cost income ratio	70.99%	98.69%	60.03%	40.29%
Return on equity	3.41%	0.10%	4.62%	8.86%
Return on shareholders' funds	2.87%	0.09%	4.01%	7.70%

Strategic Report

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

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

The Bank provides general banking services in the United Kingdom to private and public sector customers, particularly to the Egyptian community, and conducts international banking business world-wide. The Bank participates actively in the inter-bank, foreign exchange and syndicated loans markets and in the finance of international trade and invests in gilt-edged securities and floating rate notes.

The Bank's key financial objectives are to restore the Bank's historical interest income trend and improve the overall profitability and earnings. According to the approved strategy, NBEUK's mission is to provide world-class international banking services to Egyptian and Middle Eastern related businesses and governmental agencies and in doing so, become the first choice UK and European bank for Egyptian counterparties and build upon existing relationships in the Gulf region and North Africa. With our strong base of experience and market presence, we aim to grow each of our various strategic business lines in both market and product extensions.

The Bank's primary business objective is to provide a range of banking services to both its UK and international customers. Its strategy for doing so is as follows:

- to protect the Bank's capital and liquidity in line with PRA and FCA guidelines, and within internal risk management policies, with minimal exposure to market risk;

- to provide lending in trade finance to both financial institutions and large commodity corporate clients involved in trade predominantly to or from the Middle East and growing emerging markets;

- to increase loans and advances, including syndicated facilities, and to be used as a penetrating tool for the purpose of future enhancement of trade relationships with NBEUK's existing counterparties and other future targeted relationships;

- to provide treasury services to customers and counterparties; and

- to maintain asset quality whereby the overall investment grade (BBB or higher) of the balance sheet will be around 75%.

The strategy drivers are based on the strength of our parent in their home market, Egypt, combined with our historical experience in emerging markets in terms of sourcing business and accepting risk. In addition we are intent on building our funding base to be diversified, whilst maintaining liquidity and meeting all Regulatory requirements.

NBEUK operates a traditional banking model. Primarily we take deposits from customers and then lend to borrowers through our various business units. Deposits are taken from governmental agencies, individuals, financial institutions and corporate businesses both in Egypt and the UK. NBEUK accumulates funds from deposits, equity and debt capital and these are lent to corporate business and financial institutions through different bank business channels e.g. loans, debt securities, trade finance and money market lending.

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

Business Model

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

Customer Services: The Bank offers banking services in the UK to Egyptian nationals, Egyptian embassies and related offices and Egyptian corporate customers operating primarily outside Egypt. The Customer Services area is able to offer fixed term deposits, plus current account services.

Lending*:* Syndicated loans are provided for general funding requirements to banks, corporates and sovereign entities. Bilateral and direct loans to customers are to support working capital financing, capital expenditure and trading activities. The Bank is looking to rebuild this business in 2020/21. The Bank also offers corporate and institutional banking facilities to correspondent banks by way of club deals and bilateral lending activities.

Treasury: Treasury activity is focused primarily on liquidity management, including the management of a portfolio of investments to assist with liquidity and enhance income, despite the previous difficult interest rate market conditions. The Treasury team operates a non-trading book. Foreign exchange services in all major currencies are also offered through traditional interbank channels within pre-determined risk limits. The Treasury team also manages the Bank's interest rate exposure, in line with applicable internal policies.

Documentary Credits: These activities have continued to be expanded internationally from the traditional Egyptian markets over the last few years, and there are both corporate and financial institutions as customers. The business includes issuing, advising and confirming letters of credit and guarantees.

Business Review

As at 30 June 2020, the Bank had total assets of £1,001m. This was a decrease from the previous year's total assets of £1,435m or 30% lower, this was due predominately to a fall in customer deposits. Between April 2020 and June 2020, $126 million was withdrawn by major depositors as a result of the pandemic. The Bank was able to fund the withdrawal using its stock of high quality liquid assets. The Bank remains sensitive to any deterioration in the value of the exchange rate between GB Sterling and the US Dollar, which can inflate the Bank's balance sheet as circa 84% of the Bank's assets are denominated in US Dollars. The Bank made a profit after tax of £4.4m compared to £0.13m the previous year, or an increase of 3,284% due to the significant challenges throughout the prior year.

Net interest income increased from £8.3m in 2018/19 to £10.3 in 2019/20 or an increase of 24.1% reflecting the changes in the Bank's sources of funding. In addition, due to the strengthening of the Egyptian economy, the demand for funding from this region has decreased as the Bank faces increased competition to provide USD liquidity. The deposit withdrawals as a result of the pandemic happened in Q4 and therefore had little impact on the Bank's profitability for the current year.

Fees and commissions increased to £7.3m from £4.5m, which represents a rise of 62.2%. This has been predominately generated by the Bank's trade finance business during the year under review.

The Bank maintained its traditional strengths during the year in terms of stable funding, adequate liquidity and robust capitalisation. The 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.

<u>Matters considered when promoting the success of the Bank</u>

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

Stakeholder engagement

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

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

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

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

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

- **Key decisions**

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

- **Technology investment**

The decision to invest significantly in technology in the year was driven by our desire to optimise our customer and staff experience. An example is the project to upgrade the core Treasury Banking system which is expected to be in production before June 2021. Investment in technology also enables staff to work more efficiently including being able to work from home during the pandemic. With better controls, using system automation to reduce and streamline manual work, employees are allowed time for more value adding activities, faster responses to customers and increased staff motivation.

- **Liquidity**

The Bank was able to meet all liquidity obligations using its counterbalancing capacity throughout the year. This included the period in June when large withdrawals were made due to the pandemic.

- **Director appointments**

We are conscious that culture is filtered down from the top of an organisation and we recognise the importance of diversity across the Board and the organisation as a whole. Board composition has always been an important focus and motivated our decision to appoint three new Board members in the year, ensuring the Board continues to have a varied and balanced skill set which will support the growth and success of the company for all stakeholders.

- **COVID-19**

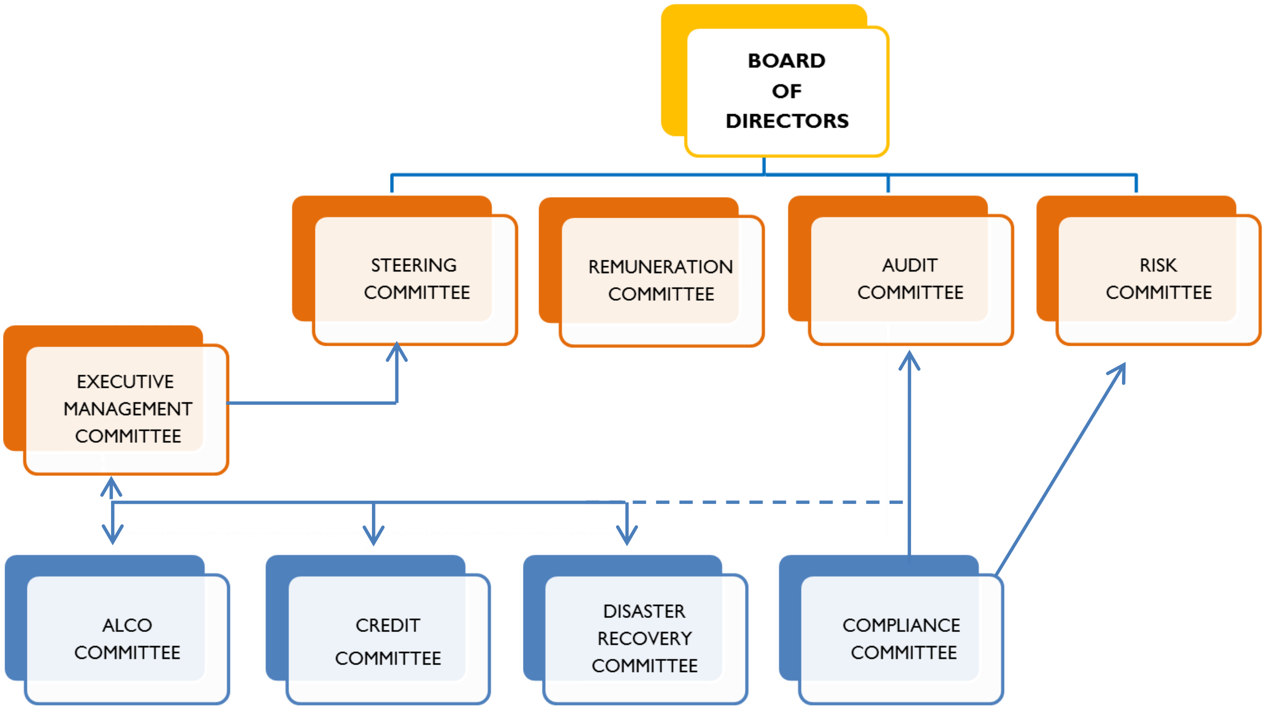
The Bank remained open throughout the pandemic. Staff not able to work from home worked from the office. Staff members unable to perform their work function from home were placed on the UK government's furlough scheme. The withdrawal of funding was the most material impact caused by the pandemic.

Governance

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

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

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



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

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

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

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

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

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

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

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

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

Financial Results

The financial statements for the year, ended 30 June 2020 are shown on pages 32 to 35. The profit after taxation for the year amounts to £4,429,341 (2019: £130,300).

Financial Highlights 2019/20

For the year ended 30 June 2020, operating income of £17,874,412 (2019: £13,657,864) was 30.9% greater than last year. There was an increase in net interest income of 24.1% to £10,317,877 (2019: £8,315,646). This is mainly as a result of obtaining improved margins on transactions with National Bank of Egypt and other Egyptian banks. While net interest income increased, gross interest income decreased. Therefore, the net increase was due to a reduction in the cost of borrowing which was achieved through improved margins.
Non-interest income increased by 41.5% - from £5,342,218 in 2019 to £7,556,536 in 2020. This activity remains very much concentrated on the oil imports into Egypt.

Operating expenses decreased by 5.9% from £13,480,152 in 2019 to £12,688,447 in 2020. These savings were made mainly because the Bank has managed to reduce its dependence on contract staff.

Operating profit increased by 2,818% to £5,185,966 for the year ended 30 June 2020 from £177,712 for the year ended 30 June 2019.

The tax charge increased from £47,412 in 2019 to £1,039,203 in 2020, in line with the operating profit for the year.

Total assets for the year ended 30 June 2020, at £1,097,232,863 were £337,460,121 lower, a decrease of 23.5%, over the previous year. This was largely caused by the withdrawal of deposits by Egyptian state owned entities as a reaction to the Covid-19 pandemic and is not expected to be a permanent consequence.

Management Process

The Bank's performance is measured against a number of Key Performance Indicators (KPI's): total assets, net profit, operating income, cost income ratio, net interest income, total deposits and return on equity. The results of these KPI's are shown in the Financial Highlights above. The principal measurement is profitability against a predetermined budget which is set annually. Income results for the business are distributed daily, monthly and annually and are monitored closely by the Bank's senior management. The Directors of the Bank receive profitability results at each board meeting, where a comprehensive review is undertaken. Other KPIs are also reported regularly, such as Capital Adequacy which is maintained at a level above the ALCO limit of £10m, net interest income and Liquidity (the LCR and NSFR have remained above 100% throughout the year under review). Regular stress tests (quarterly and with the capacity to increase the frequency of these tests in special circumstances, such as volatile market conditions or where requested by the regulatory body or by Senior Management and Board of Directors) are performed and reviewed on Capital positions and Liquidity by ALCO (Asset and Liability Committee), and senior management. Risk and Audit reports are prepared quarterly for the Audit and Risk Committee to review. In addition to the annual report, the MLRO provides monthly management information to Senior and Executive Management.

All exposures are managed within risk appetite parameters and policies agreed by the Board of Directors. Day-to-day exposure is monitored by Credit Control (for credit risk), and Financial Control (Capital and Liquidity) reporting any findings to the Risk Management Officer. The Board of Directors and Management continue to promote and maintain an effective corporate governance structure in compliance with the applicable regulatory requirements.

Expense payments follow guidelines set out in the Expense policy, and are regularly reviewed.

<u>Principal Risks and Uncertainties</u>

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

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

The responsibility of Risk Management is fully vested in the Board of Directors, which in turn delegates this to Senior Management and the Board's Committees. NBEUK's management ensures that risk and risk management awareness is fully adhered to at all times. NBEUK avoids any business where associated risks cannot be objectively assessed, measured or managed. Various investment strategies and derivatives are used to mitigate the risks the Bank is exposed to and optimise investment performance.

The key risks inherent in our business model are:

Credit Risk

The Bank is exposed to credit risk, in that counterparties may fail to fulfil their obligations. Credit risk is managed proactively by a robust Credit department and a Credit Committee comprising of senior management. Under the Capital Requirements Directive, the Bank has adopted the Standardised Approach to credit risk.

Credit risk is defined as the likelihood that a customer or counterparty is unable to meet the contracted financial obligations, resulting in a default situation and loss event. This risk is the main category of risk NBEUK is exposed to. Credit risk comprises counterparty risk, settlement risk and concentration risk. These risks arise in the Bank's normal course of business.

Over the last year, NBEUK has focused on operating within an environment and with counterparties with which it is not only familiar, but also comfortable. The focus has been on familiarising the business with its existing customers while continuing to gradually increase its market share within growing emerging markets – particularly for trade finance business.

The approach to credit risk management is based on the foundation to preserve the independence and integrity of the credit risk assessment, management and reporting processes combined with clear policies, limits and approval structure which guide the day-to-day initiation and management of the Bank's credit risk exposures. This approach comprises credit limits which are established for all customers after a careful assessment of their credit standing. This has enabled a greater understanding of the risks involved within the existing portfolios, while making sure an in-depth analysis and review is undertaken of new and existing transactions. Conscious efforts have also been made to increase staff awareness on risk factors within transactions.

Market Risk
Market risk is the risk of a change in the market value, earnings or future cash flows of a portfolio of financial instruments, caused by the movements in market variables such as bond, equity or commodity prices, interest and exchange rates. NBEUK does not undertake proprietary trading activities therefore, no trading book is maintained.

Market risk exists for NBEUK where it holds securities that are affected by market fluctuations. Its investment and debt securities are held to maturity and therefore FRN's and other securities prices are of less concern. All Interest rate swaps are packaged within asset swaps and effectively hedged. Therefore the market risk associated with asset swaps is limited to the interest rate spreads embedded in the transactions only. NBEUK is exposed through daily currency open positions, but this is mitigated by the restrictions placed on the maximum position allowed on each currency and enforced stop-loss positions. Because the Bank carries out business predominantly in USD, it is sensitive to movements in exchange rates . Income is earned in USD and reported in Sterling so income reported is proportional to the exchange rates. Capital is inversely proportional to exchange so this will compensate for deteriorations in revenue caused by exchange rates.

The interest rate risk is managed as part of the daily monitoring within predetermined limits approved by the FCA. The majority of our interest-bearing liabilities and assets are based on floating rates, and so any interest rate mismatch is removed. Also, the majority of assets and liabilities are short dated, and therefore not subject to interest rate risk. At the end of June the Bank's sensitivity to a 200bp increased shift in interest rates was approximately £0.5m and to a negative £0.5m to a 200bp decrease on interest rates. Given that interest rates are currently very low, interest rate risk is not considered to be material.

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

Daily monitoring is undertaken to make sure there is a good mix of wholesale and retail deposits coupled with the support of a strong stock of high quality liquid assets, including High Quality Liquid Asset Buffer (HQLA) which has been a dependable source of liquidity.

Liquidity risk is covered under the Bank's "Individual Liquidity Adequacy Assessment Process" (ILAAP) policy and regular stress tests are undertaken to ensure that we remain liquid at all times. Under the liquidity regulations the Bank has fully implemented the requirements for liquidity risk management including systems and controls. During the current year the Bank's approach to the liquidity risk management was reviewed and documented in a revised comprehensive ILAAP document, drawn up in accordance with the regulatory requirements. Between April 2020 and June 2020, $126 million was withdrawn by major depositors as result of the pandemic. The Bank was able to fund the withdrawal using its high quality liquid assets. This document describes the Bank's liquidity risk tolerance, including the methodologies for ensuring that risk is restricted within that tolerance. It analyses the sources of liquidity risk, and describes the assumptions and approach taken to stress testing in light of those risks. It also incorporates the Bank's liquidity contingency funding plans, liquid asset buffer and identifies those risks which have the potential to cause the Bank to fail (reverse stress tests), as demanded by regulatory requirements.

Operational Risk
Operational risk is defined as the "risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems, or from external events". However, a defined operational risk management framework is effectively applied within the Bank, coupled with a high awareness of the underlying causes of operational risk at all levels within the business units, results in a control environment which is able to

evolve with changing business needs, thereby ensuring operational losses within the business are kept to a minimum.

NBEUK has placed particular emphasis on improving in this area in recent years and has put in place both the structure and personnel to ensure steady and continual movement towards meeting this objective.

Operational risk is managed by all operational areas of the Bank on a day-to-day basis, but with oversight from Financial Control, Risk, and Internal Audit.

Regulatory Risk

Regulatory risk is the risk to earnings, capital and reputation associated with a failure to comply with an increasing array of regulatory requirements and expectations from banking regulators.

Regulatory risk governance – begins at the Board level and cascade throughout the Bank. NBEUK ensures there is governance through its compliance and audit functions, which in turn ensures there is discipline and adherence towards maintaining regulatory requirements, while also deploying the effective resources needed to achieve them. In this way regulatory risk is minimised whilst the objective of NBEUK is taken into consideration and not hindered.

The Bank operates in a highly regulated environment and is therefore subject to regulatory risk. This risk is also mitigated by regular contact with the Bank's auditor, membership of trade organisations and various professional bodies. The regulatory environment during current year remained as challenging as the previous years, especially with the development of COREP, as UK regulators, together with other global regulators, continued to collaborate to establish more stringent banking rules in order to ensure banks are maintaining adequate capital and liquidity to survive any further global crisis and to promote financial stability going forward. Measures were implemented by the PRA and FCA to increase regulations within the financial sector, one of which included the requirements for recovery plans and resolution packs (RRP), which the Bank has updated, re-produced and re-submitted to the UK regulatory body during the year under review. Under the terms of the approved capital directives (CRD IV), implementation of Basel III is largely complete, which plays a significant role in determining how the Bank and other financial institutions globally undertake their business going forward. The introduced regulations require the Bank to apply common reporting standards (COREP) for capital adequacy, liquidity adequacy, leverage, liquidity coverage ratio, net stable funding ratio, asset encumbrance, capital forecast (capital +), single customer view, the minimum requirements for own funds and eligible liabilities (MREL), additional liquidity monitoring metrics and large exposures which involves significant system and control processes.

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

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

- An approval regime focused on senior management, with requirements on firms to submit robust documentation on the scope of those individuals responsibilities;
- A statutory requirement for senior managers to take responsible steps to prevent regulatory breaches in their areas of responsibility;

- A requirement on firms to certify as fit and proper any individual who performs a function that could cause significant harm to the firm or its customers, both on recruitment and annually thereafter; and
- A power for the regulator to apply enforceable Rules of Conduct to any individual who can impact their respective statutory objectives.

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

Information Technology (IT) System and Control Risk

IT/Systems risk is the risk of a failure or an issue arising within a bank's primary systems, which might hinder the functionality of the business with unforeseeable consequences and eventually lead to a loss of revenue to the business.

NBEUK understands the risk and reputational risk, addresses these issues and maintains the most up-to-date systems and anti-virus software to ensure a high level of IT security is sustained. The Bank has internal controls and monitoring systems in place around operations and IT related projects and enhancements, including improved information security standards.

The Bank has an established integrated Risk Management Function that clearly assigns ownership and management of specific risks to business units heads and senior management. This ensures that all of the principal risks are defined and recognised and that policies and procedures are in place to mitigate any such risk. The Bank's risks are managed taking into account several main principles, including management responsibilities for the management of risk and controls, assessment and measurement of all identified risks with acceptable balance between risk versus return, and undertaking an annual review of risk policies and the control framework to ensure optimal capital allocation and utilisation for relevant risks.

Compliance Risk

The Bank's principal sources of Compliance Risk are:

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

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

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

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

The Compliance Department is responsible for:

- developing applicable principles, standards and guidelines for compliance, communicating them and verifying adherence;

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

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

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

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

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

Reputational Risk

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

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

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

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

As at 30 June 2020 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 30 June 2020 including retained profit was as follows:

	June 2020 **£000's**	June 2019 £000's
Tier 1 Capital	**154,416**	149,987
Tier 2 Capital	**36,396**	35,336
Total eligible capital resources	**190,812**	185,323

Tier 1 capital comprises share capital and the retained profit at the year-end 30 June 2020. Tier 2 capital comprises mainly issued term subordinated debt from the parent Bank.

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

	June 2020 **£000's**	June 2019 £000's
Credit risk capital	**59,379**	62,034
Market risk capital	**57**	59
Counterparty risk capital	**70**	52
Credit Valuation Adjustment (CVA)	**32**	23
Operational risk	**2,859**	2,892
Total Pillar 1 Capital requirement	**62,397**	65,060
Total Pillar 2A Capital requirement	**43,678**	45,542
Total Capital Requirements	**106,075**	110,602

Risk weighted assets (RWA) were higher as at 30 June 2020 due to some increases in the average weightings applied to certain categories of exposure. The bank's Individual Capital Guidance (ICG) at the end of June 2020 declined to GBP106.1mn compared to GBP110.6mn in June 2019 or a fall of 4%.

	June 2020	June 2019
Capital surplus (£000's)	**80,308**	74,721
Capital adequacy ratio	**23.90%**	22.79%
Leverage ratio	**10.99%**	10.0%

The Bank was in compliance with the ICG requirements throughout the year including the requirements for the PRA buffer or the Capital Planning Buffer (CPB). The Bank maintains sufficient liquidity to meet all known and likely demands which could be made upon it by its clients and ensures that such liquidity is available on a day-to-day basis in accordance with the liquidity guidelines and rules as set out in the approved ILAAP.

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

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

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

Further details of the Bank's risk management policies, procedures and exposures, in compliance with the Pillar 3 requirements of the Capital Requirements Directive, are published on the Bank's website, www.nbeuk.com. The basis of the assessment of the Bank as a going concern is mentioned within the Directors' report.

Future Developments

The Directors expect the general activity to increase in the coming year. It is expected that our loan books are rebuilt, our assets and liabilities diversified to other geographic region, however, our risks continued to be controlled and monitored, and our regulatory requirements fulfilled. It is also expected that staffing levels are reviewed and resources realigned with the future needs to meet the Bank's strategy and plans. It is not foreseen that the balance sheet will grow substantially, but gradually as the Bank takes on more profitable assets. The Bank believes that the impact on the balance resulting from the pandemic has already been realised and further withdrawals are unlikely.

The UK is a large, diversified and competitive economy with high wealth levels and flexible labour and product markets. Its legal system is strong and long established. The credibility of the Bank of England should ensure financial stability, while exchange rate flexibility provides some support for exports and the UK's external stability. The Bank has to remain cautious, though, as potential upcoming challenges and risk to full recovery in the UK include the outcome of the UK's negotiations to leave the EU, economic instability in Russia and continued conflict in Syria and subdued growth in emerging markets such as China. Adding to this widespread market instability, NBEUK's core markets presented their own challenges, not least in the context of the continuing difficult political and business environment in the Bank's target markets.

The Board recognised the importance of the Bank proceeding cautiously, and appropriate contingency plans were put in place. The Bank has continued to operate throughout the pandemic and has strengthened its capacity for disaster recovery in the process.

Approved/authorised for issue by the board of directors

Dentons Secretaries Limited

Dentons Secretaries Limited - Company Secretary
11 Waterloo Place
London SW1Y 4AU
23 September 2020

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 30 June 2020.

Directors

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

Dr. Farouk Abdel Baki El-Okdah – Chairman
Mr. Hisham Ahmed Okasha – Deputy Chairman
Dr. Yasser Ismail Hassan – Chief Executive Officer and Managing Director (appointed 1 May 2020)
Mr. Mokhtar Abdel Gawad El-Shennawy – Deputy Managing Director
Mr. Mahmoud Montaser Ibrahim El-Sayed Al Asfar
Mr. Nicholas Beecroft (resigned 31 December 2019)
Mr. Edward Marks (appointed 1 January 2020)
Mrs. Dalia Abdallah Mohamed El-Baz
Mrs. Lobna Hilal – Non-Executive Director (appointed 16 March 2020)
Dr. Ziad Bahaa-Eldin
Mr. David Somers

Dentons Secretaries Limited – Company Secretary

Directors' Indemnities

The Bank has made qualifying third party indemnity provisions for the benefit of its directors which were made during the 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 (2019: £130,000,000). Details of the Bank's share capital are given in note 18.

Employees

In the year ended 30 June 2020 the Bank had an average of 76 (2019: 72) employees. Employee compensation is related to performance and the Bank encourages the involvement of all employees in the overall performance and profitability of the Bank through an objectives-based appraisal system which focuses on qualitative as well as quantitative factors.

- The Bank has a pension scheme whereby members are entitled to a minimum of 10% contribution of their basic salary to the Group Personal Pension scheme.
- All employees enjoy life insurance cover to the extent of four times their basic salary.
- The Bank also has a private medical insurance scheme, which covers employees and their dependants.
- The Bank believes that it enjoys a good relationship with its staff.

Political and charitable contributions

The Bank made no political contributions (2019: £nil) and charitable contributions of £265 (2019: £nil) during the year.

<u>Dividend</u>

The Directors recommend that no dividend be paid based on the 2020 financial statements (2019: no dividend was paid).

<u>Going Concern</u>

The financial statements are prepared on the going concern basis. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions covering principal activities, strategic directions and challenges and uncertainties together with a review of the income statement, financial position and risk profile. In addition the Directors have considered the future projections of profitability, cash flows, asset quality, the outcome of various stress tests and capital resources in making their assessment. The Bank is a wholly-owned subsidiary of National Bank of Egypt and the parent has shown continued support and may provide additional Tier 2 Capital if required.

The Directors have a reasonable expectation that the Bank will have adequate resources to continue in operational existence for the foreseeable future. The political and economic conditions in Egypt have improved in the last few months and the Directors are comfortable that such positive developments and noticeable stability will be positively reflected on the Bank's performance during 2020/2021. Such a conclusion will be extended to cover the going concern assumptions and outcome inherent on the issued statement given that the Bank regards itself as a stand-alone, self-sufficient UK entity with adequate capital and liquidity resources that are sufficient in amount and quality to mitigate any unforeseeable implications of any uncertainties. Brexit is not expected to have a material impact on the going concern status of the Bank.

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

<u>COVID–19</u>

The risk assessment for the Covid-19 is ongoing. The Bank has managed to remain open throughout the pandemic and offered a continued service to customers. The UK economy is expected to contract by between 7% and 13% this year and GDP for 2021 is also expected to be around 1% to 7% below pre-crisis trends.

While the Bank is not materially exposed to the sectors worst hit it has been significantly impacted in the following areas which are monitored closely on a daily basis

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

Other Items covered in the Strategic report

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

Auditor

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

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

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

Deloitte LLP has acted as the auditor of the Bank for 10 years covering the years ending 30 June 2010 to 30 June 2020. The Bank's Audit Committee will be conducting a qualified selection procedure for a statutory auditor for financial periods commencing after 30 June 2020 to meet the requirements of the Statutory Auditors and Third Country Auditors Regulations 2016.

Approved by the board of directors

Dentons Secretaries Limited

Dentons Secretaries Limited - Company Secretary
11 Waterloo Place
London SW1Y 4AU
23 September 2020

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 period. In preparing these financial statements, the Directors are required to:

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

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

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

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the company's affairs as at 30 June 2020 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 cash flow statement;
- the statement of changes in equity; and
- the related notes 1 to 28.

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

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was credit provisioning.
Materiality	The materiality that we used in the current year was £380k (2019: £370k) which is approximately 0.25% of net assets (2019: 0.25% of net assets).
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Significant changes in our approach	There have been no significant changes in our audit approach.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

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. Credit Provisioning

Key audit matter description	Credit provisioning is an area where significant management judgement is applied in determining the necessity for, and then estimating the size of the impairment. Therefore, we determined that a risk of fraud lies within credit provisioning. Management has determined that the majority of the loan book does not require an impairment provision. The total amount of provisions at year-end is £952k (2019: £1,217k). Management disclose information about credit risk in the Strategic Report as well as in the Notes to the Financial Statements (Note 1 – Accounting Policies and Note 6 – Provisions).
How the scope of our audit responded to the key audit matter	• We understood the company's risk management and monitoring processes around credit provisioning. We obtained an understanding of the relevant controls around credit provisioning. • We assessed the completeness of loan loss provisions by reviewing all loans held by the company and assessed whether the company's decision for not providing a specific provision in respect of each loan or a collective provision for the loan portfolio was reasonable. We challenged management's assessment considering the impairment indicators as described by IAS 39 as well as considering the change in the macroeconomic environment. • We assessed whether the level of provision was appropriate by performing a benchmarking exercise to compare the provision for similar banks and by evaluating the history of loans in their 'good book' being delinquent and the quality of the loans that are currently part of the

	'good book'. • We reviewed the financial statement disclosures relating to the provisions to evaluate whether they were in compliance with FRS 102 (the Financial Reporting Standard applicable for the UK and Ireland).
Key observations	Based on the work performed, we concluded that the level of credit provisioning and disclosures presented in the financial statements is appropriate.

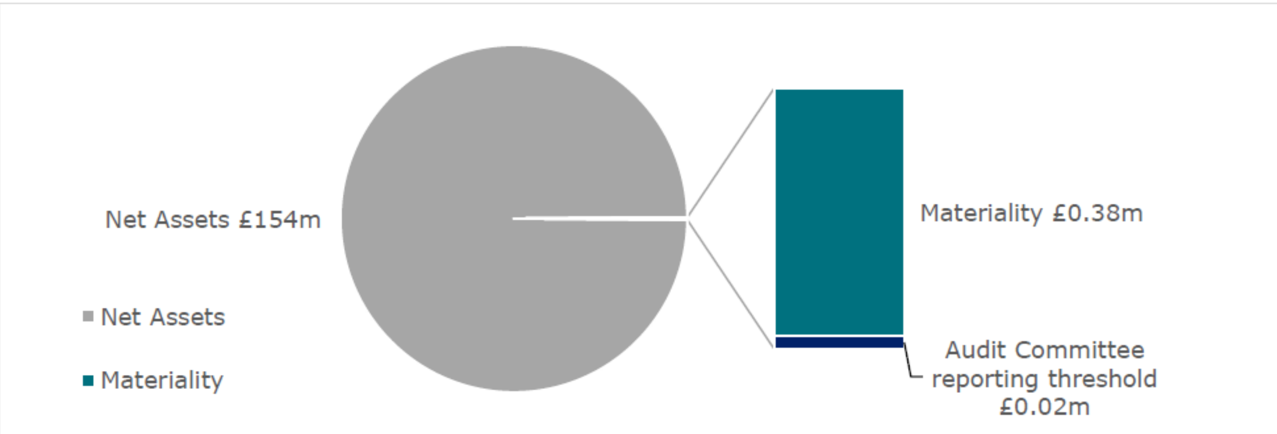
6. Our application of materiality

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	£380k (2019: £370k)
Basis for determining materiality	0.25% of net assets (2019: 0.25% of net assets)
Rationale for the benchmark applied	We have used 'Net assets' as the benchmark for the determination of audit materiality in the current period. This approach has been chosen taking into account the following key factors: • net assets is a key metric within the financial statements that the users, being the owners of the Bank, tend to focus on when evaluating the Bank's performance on a periodic basis; and • net assets is a more stable benchmark considering the volatility in the Bank's results on annual basis and is also a basis for regulatory capital.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered the following factors:

a. the quality of the control environment, and

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

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £19k (2019: £18.5k), 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.

8. Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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 and the audit committee about their own identification and assessment of the risks of irregularities;
- 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 involving relevant internal specialists, including tax, valuations, and IT regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

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

11.2. Audit response to risks identified

As a result of performing the above, we identified credit provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with FCA and PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

In our opinion the information given in note 28 to the financial statements for the financial year ended 30 June 2020 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

15.1. Auditor tenure

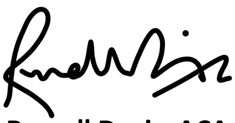
Following the recommendation of the audit committee, we were appointed by the board of directors on 11 May 2010 to audit the financial statements for the year ending 30 June 2010 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 11 years, covering the years ending 30 June 2010 to 30 June 2020.

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.



Russell Davis, ACA (senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 September 2020

Profit and loss account
for the year ended 30 June 2020

	Notes	**2020**	2019
		£	£
Interest receivable:			
Interest receivable and similar income arising from debt securities		**18,305,825**	21,913,460
Other interest receivable and similar income		**31,978,186**	34,131,798
		50,284,011	56,045,258
Interest payable		**(39,966,135)**	(47,729,612)
Net interest income		**10,317,876**	8,315,646
Fees and commissions receivable		**7,275,800**	4,488,574
Profit on sale of investments and debt securities		**955,113**	389,174
Foreign exchange dealing profits		**703,251**	349,984
Fair value adjustment on financial instruments	*14*	**(1,377,628)**	114,486
		7,556,536	5,342,218
Operating income		**17,874,412**	13,657,864
Administrative expenses	*3*	**(7,293,220)**	(8,062,945)
Depreciation	*4*	**(446,332)**	(262,174)
Other operating charges	*5*	**(4,948,895)**	(5,155,033)
Operating Profit		**5,185,966**	177,712
Net impairment debit	*6*	**282,578**	-
Profit on ordinary activities before tax		**5,468,544**	177,712
Tax charge on profit on ordinary activities	*7*	**(1,039,203)**	(47,412)
Profit on ordinary activities after tax		**4,429,341**	130,300
Other comprehensive income		**-**	-
Total comprehensive income		**4,429,341**	130,300

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

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

The notes on pages 35 to 55 form part of these financial statements.

Balance sheet
As at 30 June 2020

	Notes	**2020**		2019	
		£	**£**	£	£
Assets					
Cash and balances at central banks			**253,903**		283,962
Loans and advances to banks	*8*		**387,816,115**		686,418,347
Loans and advances to customers	*9*		**47,731,036**		75,814,873
Debt securities	*10*		**654,140,350**		662,987,580
Derivatives	*14,15*		**184,278**		1,248,117
Tangible fixed assets	*11*		**740,966**		654,010
Other assets			**17,800**		15,845
Deferred tax assets			**96,392**		103,580
Prepayments and accrued income			**6,252,022**		7,166,669
- falling due within 1 year		**6,248,421**		7,139,164	
- falling due over 1 year		**3,601**		27,505	
Total assets			**1,097,232,863**		1,434,692,983
Liabilities and shareholders' funds					
Deposits by banks	*12*		**463,119,263**		349,649,998
Customer accounts	*13*		**410,751,838**		885,146,080
Derivatives	*14,15*		**26,792,289**		4,141,652
Other liabilities and deferred income	*16*		**1,376,371**		2,282,632
Current tax liabilities			**54,687**		8,496
Deferred tax liabilities			**84,765**		48,081
Accruals			**4,241,576**		8,093,612
Subordinated debt	*17*		**36,395,988**		35,335,689
Shareholders' funds:					149,986,743
- Called up share capital	*18*	**130,000,000**		130,000,000	
- Retained Earnings – Prior Year		**19,986,743**		19,856,443	
- Profit and loss account		**4,429,341**		130,300	
Total liabilities and shareholders' funds			**1,097,232,863**		1,434,692,983

Memorandum items		**2020**		2019	
		£	**£**	£	£
Contingent liabilities:					
- Acceptances and endorsements			**54,279**		353,015
- Guarantees – Trade Finance			**4,309,703**		3,217,467
Commitments:					
- Other commitments	*19*		**258,060,065**		59,035,339
			262,424,047		62,605,821

The notes on pages 35 to 55 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 23 September 2020 and were signed on its behalf by:

Director **Dr. Farouk Abdel Baki El-Okdah**
Chairman

Director **Dr. Yasser Ismail Hassan**
CEO & Managing Director

Cash flow statement
for the year ended 30 June 2020

	Notes	**2020** £	**2020** £	2019 £	2019 £
Net cash (outflow)/inflow from operating activities	*20*		**(1,302,104)**		(103,137,444)
Taxation			**(995,331)**		(780,110)
Net cash inflow/ (outflow) from investing activities	*21*		**50,448,892**		105,572,166
Cash flows from financing activities					
Dividends paid			**-**		-
Financing			**-**		-
Net cash outflow from financing activities			**-**		-
Net increase/(decrease) in cash in the year			**48,151,457**		1,654,612
Cash and cash equivalents at the beginning of year			**6,101,353**		4,446,741
Cash and cash equivalents at the end of the year			**54,252,810**		6,101,353

Reconciliation of cash and cash equivalents

	2020 £	**2020** £	2019 £	2019 £
Cash and balances at central banks		**253,903**		283,962
Loans and advances to other banks repayable on demand		**53,998,907**		5,817,391
		54,252,810		6,101,353

The notes on pages 35 to 55 form part of these financial statements.

Statement of changes in equity
for the year ended 30 June 2020

	Notes	**Called up share capital**	**Profit and loss account**	**Total**
		£	£	£
As at 30 June 2018		130,000,000	19,856,443	149,856,443
Dividend paid		-	-	-
Total comprehensive income		-	130,300	130,300
As at 30 June 2019		**130,000,000**	**19,986,743**	**149,986,743**
As at 30 June 2019		130,000,000	19,986,743	149,986,743
Dividend paid		-	-	-
Total comprehensive income			4,429,341	4,429,341
As at 30 June 2020		**130,000,000**	**24,416,084**	**154,416,084**

The notes on pages 35 to 55 form part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

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

(a) Basis of preparation and accounting convention

National Bank of Egypt (UK) Limited is a private company, limited by shares, incorporated in England and Wales under the Companies Act 2006, whose financial statements comply with FRS102. The address of the registered office is given on page 1. The nature of the Bank's operations and its principal activities are set out in the strategic report on pages 6 to 17.

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

- Fixed rate bonds; and
- 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 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. Brexit is not expected to have any material impact on the Bank apart from volatility in foreign exchange movements.

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.

(b) Financial instruments

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

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

(i) Financial assets and liabilities

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or Loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs). As at 30 June 2020 no financial assets were classified as 'AFS'.

Debt instruments, other than fixed rate bonds which are packaged in 'asset swaps' and measured after adjusting for interest rate risk, that meet the following conditions are subsequently measured at amortised cost using the effective interest method:

> (a) Returns to the holder are (i) a fixed amount; or (ii) a fixed rate of return over the life of the instrument; or (iii) a variable return that, throughout the life of the instrument, is equal to a single referenced quoted or observable interest rate; or (iv) some combination of such fixed rate and variable rates, providing that both are positive.
>
> (b) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.

1 Accounting policies *(continued)*

(c) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in relevant taxation or law.

(d) There are no conditional returns or repayment provisions except for the variable rate return described in (a) and prepayment provisions described in (c).

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

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

(ii) Derivative financial instruments

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

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

(iii) Hedge accounting

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

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.

The effective portion of changes in the fair value of the designated hedging instrument is not recognised in the Profit and Loss Account and is offset against the fair value of the hedged item due to interest rate risk.

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

(c) *Impairment of assets*

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

(i) Non-financial assets

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

1 Accounting policies *(continued)*

(ii) Financial assets

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

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

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

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

(iii) Specific provisions

Specific provisions represent the quantification of the actual losses from identified accounts and are deducted from loans and advances on the balance sheet. The amount of the specific provision raised is assessed on a case-by-case basis and is the Bank's estimate of the amount needed to reduce the carrying value of the asset to its expected net realisable value.

(iv) Collective provisions

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.

(d) Foreign currencies

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

Forward foreign exchange contracts are valued at the market rates applicable to their respective maturities at the balance sheet date, and the resulting profits or losses included in the profit and loss account for the 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.

(e) Tangible fixed assets

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

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

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

(f) Interest income and expense

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

1 Accounting policies *(continued)*

(g) Fees and commission receivable

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

(h) Profit on sale of investments and debt securities

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

(i) Foreign exchange dealing profits

Foreign exchange income arises from banking book foreign exchange transactions.

(j) Fees and commission payable

Fees and commissions payable on borrowings are charged to the profit and loss account when the related service is performed or over the life of the borrowing.

(k) Taxation

Current tax is provided on amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and for accounting purposes and which have arisen but not reversed by the balance sheet date, except as otherwise required by Section 29 FRS 102.

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

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

(l) Pension costs

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

(m) Leases

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

(n) Government grants

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

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

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

Notes to the Financial Statements *(continued)*

3 Administrative expenses

	2020	2019
	£	£
Staff costs:		
- Wages and salaries	**5,549,275**	6,493,118
- Social security costs	**650,754**	546,052
- Other pension costs	**552,370**	478,768
- Other staff costs	**466,917**	490,484
Other administrative expenses	**73,904**	54,523
	7,293,220	8,062,945
Monthly average number of persons employed by the Bank		
- Retail	**11**	11
- Treasury	**3**	4
- Documentary Credits	**6**	6
- Support functions	**56**	51
	76	72

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

By the end of May 2020, 13 staff had been furloughed for two months for which the Bank claimed £64K from the government's grant scheme. By the end of June 2020, only five staff members were furloughed for one month for which the Bank claimed £12K. The Bank claimed a total of £76 K from the governments grant scheme during the year. No further claims were made post year end.

4 Profit on ordinary activities before tax

(a) Is stated after charging:

	2020	2019
	£	£
Audit Fees		
Fees payable to the Bank's auditor for the audit of Bank's annual accounts	**135,000**	135,000
Fees payable in respect of prior year audit	**134**	802
Total audit fees	**135,134**	135,802
Non-audit Fees		
Assurance services	**-**	-
Total non-audit fees	**-**	-
Depreciation of tangible fixed assets	**446,332**	262,174
Operating lease rentals		
Operating lease rentals were:		
- Land and building	**911,170**	804,463
- Others	**15,905**	17,271
Total operating lease rentals	**927,075**	821,734

(b) Segmental reporting

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

Notes to the Financial Statements *(continued)*

5 Other operating charges

	2020	2019
	£	£
Operations	**3,250,339**	3,570,040
Premises	**1,299,293**	1,152,417
External	**399,263**	432,576
Other operating charges	**4,948,895**	5,155,033

6 Provisions for bad and doubtful debts

(a) Impairment charge

	2020	2019
	£	£
Net charge of provisions for bad and doubtful debts (see note 6(b))		-
Impaired assets written off	-	-
Net Impairment debit/credit	**-**	-

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

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

	Specific	Collective	2019 Total
	£	£	£
Provisions at 30 June 2018	1,173,620	-	1,173,620
Additions during the year	-	-	-
Foreign exchange movement	43,498	-	43,498
Provisions at 30 June 2019	1,217,118		1,217,118
Of which:			
Provision against loans and advances to customers	1,217,118	-	1,217,118
	1,217,118	-	1,217,118

(c) Non-performing loans

	2020	2019
	£	£
Loans on which interest has been suspended (net of suspended interest)	**949,661**	1,208,871
Provisions for bad and doubtful debts	**(951,955)**	(1,217,118)
Total	**(2,294)**	(8,247)

Notes to the Financial Statements *(continued)*

7 Taxation

(a) Current tax and deferred tax:

	2020	2019
	£	£
Current tax:		
UK corporation tax on profits for the period	**973,422**	8,496
Adjustment in respect of previous periods	**21,910**	(5,587)
Total current tax	**995,332**	2,909
Deferred tax:		
Origination and reversal of timing differences	**86,406**	44,153
Adjustment in respect of previous period	**(32,215)**	4,998
Effect of changes in tax rates	**(10,319)**	(4,648)
Total deferred tax	**43,871**	44,503
Total tax per profit and loss account	**1,039,203**	47,412

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

	2020	2019
	£	£
Profit for the period – continuing operations	**5,468,543**	177,712
Tax on profit at standard UK tax rate of 19% (2019: 19%)	**1,039,023**	33,765
Effects of:		
Expenses not deductible	**20,804**	18,883
Income not taxable	**-**	-
Adjustments from previous period	**(10,305)**	(589)
Tax rate changes	**(10,319)**	(4,648)
Tax charge for the period	**1,039,203**	47,412
Income tax expenses reported in the profit and loss account	**1,039,203**	47,412

Notes to the Financial Statements *(continued)*

7 Taxation *(continued)*

(b) Balance sheet amounts

	30 June 2020 £	30 June 2019 £
Current liabilities:		
Corporation tax	**54,687**	8,496
	54,687	8,496
Deferred tax (net asset position for 2020 and 2019):		
Provision at start of period	**(55,499)**	(100,002)
Adjustment in respect of prior year	**(32,215)**	4,998
Deferred tax charge to income statement for the period	**76,086**	39,505
Provision at end of period	**(11,627)**	(55,499)

	Booked 30 June 2020 £	Booked 30 June 2019 £
Fixed asset timing differences	**84,765**	48,081
Short term timing differences	**(96,392)**	(103,580)
	(11,627)	(55,499)

NBEUK cannot be certain that its deferred tax asset will unwind before 2021, so it has been recognised at a rate of 17% (2019: 17%), being the rate announced by the UK government in the Budget 2019 for periods after that time.

Deferred tax (asset):		
Recoverable within 12 months	**(19,374)**	(17,335)
Recoverable after 12 months	**(77,018)**	(86,245)
	(96,392)	(103,580)
Deferred tax liabilities:		
Payable within 12 months	**84,765**	48,081
	84,765	48,081

Notes to the Financial Statements *(continued)*

8 Loans and advances to banks

(a) Residual maturity

	2020	2019
	£	£
Banks		
- Repayable on demand	**53,998,907**	5,817,391
	53,998,907	5,817,391
Other loans and advances with remaining maturity:		
- 5 years or less but over 1 year	**8,087,997**	7,852,375
- 1 year or less but over 3 months	**117,450,206**	176,707,258
- 3 months or less	**208,279,005**	366,477,130
	387,816,115	556,854,154
Related Parties		
Other loans and advances with remaining maturity:	**-**	
- Repayable on demand	**-**	-
- 1 year or less but over 3 months	**-**	129,564,193
- 3 months or less	**-**	-
	-	129,564,193
Bad and doubtful debt provision – specific (see note 6)	-	-
Total loans and advances to banks	**387,816,115**	686,418,347

(b) Concentrations of exposure

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

	2020	2019
	£	£
Total gross advances to banks located in:		
Europe and North America	**91,933,166**	101,454,928
Middle East and Egypt	**265,748,982**	405,300,668
Rest of the world	**30,133,967**	179,662,751
Total	**387,816,115**	686,418,347

9 Loans and advances to customers

(a) Residual maturity

	2020	2019
	£	£
Past due	**1,352,246**	1,520,796
Repayable on demand	**54,492**	7,928,931
Other loans and advances with remaining maturity:		
- 5 years or less but over 1 year	**-**	-
- 1 year or less but over 3 months	**-**	25,000
- 3 months or less	**47,276,253**	67,557,264
Sub-total	**48,682,991**	77,031,991
Bad and doubtful debt provision – specific (see note 6)	**(951,955)**	(1,217,118)
Total	**47,731,036**	75,814,873

(b) Concentrations of exposure

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

	2020	2019
	£	£
Total gross advances to customers located in:		
- Europe and North America	**54,492**	65,167
- Middle East and Egypt	**48,628,499**	76,966,824
- Rest of World	**-**	-
Total	**48,682,991**	77,031,991

Notes to the Financial Statements *(continued)*

10 Debt securities

	2020	2019
	£	£
Investment securities		
Investments packaged in 'asset swaps'	**373,317,867**	274,116,438
Investments at amortised cost	**280,822,483**	388,871,142
	654,140,350	662,987,580
Investment securities		
Issued by public bodies – government securities	**158,355,710**	67,530,428
Other securities	**473,551,460**	593,282,214
Interest rate fair value Adjustment (refer to note 15)	**22,233,180**	2,174,938
	654,140,350	662,987,580
Related Parties	**-**	-
	654,140,350	662,987,580
Listed on a UK recognised investment exchange	**31,860,682**	35,324,042
Other listed	**335,973,624**	305,982,991
Unlisted	**264,072,865**	319,505,609
Interest rate fair value Adjustment (refer to note 15)	**22,233,180**	2,174,938
	654,140,350	662,987,580
Investment securities by maturity		
Due within one year	**74,237,659**	75,754,350
Due one year and over	**557,669,512**	585,058,292
Interest rate fair value Adjustment (refer to note 15)	**22,233,180**	2,174,938
	654,140,350	662,987,580

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

Notes to the Financial Statements *(continued)*

Investment securities - movement	Nominal value £	Net premium/ (discount) £	Fair value adjustment £	2019 Net book Value £
Balance at 30 June 2018	731,095,721	1,795,427	(9,425,131)	723,466,017
Purchases	127,161,366	-	-	127,161,366
Sales/maturities	(223,995,595)	(192,702)	-	(224,188,297)
Amortisation of premium/discount	-	(555,923)	-	(555,923)
Exchange movements	25,438,547	65,801	-	25,504,348
Fair value adjustment (refer to note 15)	-	-	11,600,069	11,600,069
Balance at 30 June 2019	659,700,039	1,112,603	2,174,938	662,987,580

	2020	2019
	£	£
Investment securities - market value		
Issued by public bodies – government securities	**162,953,660**	68,611,825
Other securities	**483,060,013**	598,643,403
	646,013,673	667,255,228

11 Tangible fixed assets

	Leases of 50 years or more unexpired	**Computer equipment and other fixed assets**	**Total**
	£	**£**	**£**
Cost			
At 30 June 2019	259,276	2,728,704	2,987,980
Additions	-	533,288	533,288
Disposals	-	-	-
At 30 June 2020	**259,276**	**3,261,992**	**3,521,268**
Accumulated depreciation			
At 30 June 2019	243,188	2,090,782	2,333,970
Charge for year	-	446,332	446,332
Related to disposals	-	-	-
At 30 June 2020	**243,188**	**2,537,114**	**2,780,302**
Net book value			
At 30 June 2020	**16,088**	**724,878**	**740,966**
Net book value			
At 30 June 2019	16,088	637,922	654,010

Notes to the Financial Statements *(continued)*

12 Deposits by Banks

With agreed maturity dates or periods of notice, by remaining maturity:	**2020 £**	2019 £
Banks		
- 5 years or less but over 1 year	**202,199,935**	196,309,384
- 1 year or less but over 3 months	**32,351,990**	-
- 3 months or less but not repayable on demand	**190,914,828**	65,237,127
	425,466,753	261,546,511
- Repayable on demand	**4,284,312**	11,839,023
	429,751,065	273,385,534
Related Parties		
- 5 years or less but over 1 year	**-**	**-**
- 1 year or less but over 3 months	**-**	75,340,440
- 3 months or less but not repayable on demand	**32,351,990**	-
	32,351,990	75,340,440
- Repayable on demand	**1,016,208**	924,025
	33,368,198	76,264,465
Total		
- 5 years or less but over 1 year	**202,199,935**	196,309,384
- 1 year or less but over 3 months	**32,351,990**	75,340,440
- 3 months or less but not repayable on demand	**223,266,818**	65,237,127
	457,818,743	336,886,951
- Repayable on demand	**5,300,519**	12,763,047
	463,119,262	349,649,998

13 Customer accounts

With agreed maturity dates or periods of notice, by remaining maturity:	**2020 £**	2019 £
Customer accounts		
- 5 years or less but over 1 year	**118,119**	2,077,483
- 1 year or less but over 3 months	**126,597,814**	520,642,558
- 3 months or less but not repayable on demand	**228,814,162**	293,567,616
	355,530,095	816,287,657
- Repayable on demand	**55,221,743**	68,858,423
	410,751,838	885,146,080

Notes to the Financial Statements *(continued)*

14 Financial Instruments

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

	2020	2019
	£	£
Financial assets at fair value		
- Exchange rate related contracts	**184,278**	1,257
- Forward Rate Agreements	**-**	552,589
	184,278	553,846
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial assets	**-**	694,271
	184,278	1,248,117
Financial liabilities at fair value		
- Exchange rate related contracts	**472,678**	1,387
- Forward Rate Agreements	**-**	-
	472,678	1,387
Measured at fair value and designated in an effective hedging relationship		
- Derivative financial liabilities	**26,319,611**	4,140,265
	26,792,289	4,141,652

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

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

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

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

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

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

Notes to the Financial Statements *(continued)*

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

	Total	Level 1	Level 2	Level 3
		2019		
	£	£	£	£
Derivative assets				
Foreign exchange contracts	1,257	1,257	-	-
Forward Rate Agreements	552,589	-	552,589	-
Interest rate swaps	694,271	-	694,271	-
Total Derivative assets	1,248,117	1,257	1,246,860	-
Derivative liabilities				
Foreign exchange contracts	1,387	1,387	-	-
Forward Rate Agreements	-	-	-	-
Interest rate swaps	4,140,266	-	4,140,266	-
Total Derivative liabilities	4,141,652	1,387	4,140,266	-

	2020	2019
Fair value gains and losses	**£**	£
On financial assets measured at fair value through profit or loss	**(369,568)**	513,620
On derivative financial assets designated in an effective hedging relationship	**22,246,908**	3,033,878
On derivative financial liabilities designated in an effective hedging relationship	**(22,783,677)**	(3,470,855)
On financial liabilities measured at fair value through profit or loss	**(471,291)**	37,842
Net fair value gain/(loss)	**(1,377,628)**	114,485

15 Derivative financial instruments

The Bank enters into various derivative financial instruments as principal to manage balance sheet interest rate risk and forward foreign exchange risk. At the year end, the principal amounts of derivatives that are designated and effective as hedging instruments and those which are not carried at fair value were:

	Due within a year		More than one year	
	2020	2019	**2020**	2019
	£	£	**£**	£
Assets				
Interest rate contracts	**-**	125,127	-	567,144
Forward foreign exchange contracts	**184,278**	1,257	-	-
Forward rate agreements	**-**	552,589	-	-
	184,278	678,973	**-**	567,144
Liabilities				
Interest rate contracts	**110,816**	-	**26,208,795**	4,140,265
Forward foreign exchange contracts	**472,678**	1,387	**-**	-
Forward rate agreements	**-**	-	**-**	-
	583,494	1,387	**26,208,795**	4,140,265

All interest rate swap contracts exchanging fixed rate interest amounts for floating rate interest amounts are designated and effective as fair value hedges in respect of interest rates. During the period, the hedges were on average 97.51% effective in hedging the fair value exposures to interest rate movements and as a result a negative fair value adjustment of -£1,378k (2019: £114k) was included in profit and loss.
During the period as a result of hedging £22.23m (2019:£2.17m) of gain on the bond amount was recognised in the profit or loss at the same time that £26.32m (2019:£2.74m) loss on the interest rate swap was included in the profit or loss.

16 Other liabilities and deferred income

	2020	2019
	£	£
Taxation	**54,687**	8,496
Other creditors	**1,376,371**	2,282,632
Deferred tax liabilities (see note 7 (b))	**84,765**	48,081
	1,515,823	2,339,209

17 Subordinated debt

On 2 November 2010, the Bank drew down $30 million of unsecured subordinated debt from its parent Bank. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable on maturity. Interest is charged at 3 months LIBOR plus 200 basis points. The date of the maturity of the debt is extended to 25 February 2029.

In April 2017, the Bank drew down additional $15 million of unsecured subordinated debt from its parent Bank. The agreement stipulates that the debt will be subordinated to the Bank's senior liabilities. The debt is repayable on maturity and interest is charged at 3 months LIBOR plus 200 basis points. The date of the maturity of the debt is extended to 25 February 2029. The interest payable during the year amounted to £1,381,124 (2019: £1,591,612).

Notes to the Financial Statements *(continued)*

18 Called up Share Capital

	2020	2019
	£	£
Allotted, called up and fully paid		
Ordinary shares of £1 each	**130,000,000**	130,000,000
	130,000,000	130,000,000

19 Commitments

(a) Other commitments

	2020	2019
	£	£
Letters of credit - confirmed	**31,953,188**	35,846,586
Letters of credit - participation purchased	**226,106,877**	23,188,753
	258,060,065	59,035,339

Incurred on behalf of the parent Bank:

	2020	2019
	£	£
Letters of credit - confirmed	**-**	12,341,209
Letters of credit - participation purchased	**63,242,760**	21,608,112
	63,242,760	33,949,321

(b) Significant concentrations of contingent liabilities and commitments

Approximately 99.8% (2019: 97%) of total contingent liabilities and commitments relate to counterparties in Egypt.

Notes to the Financial Statements *(continued)*

20 Reconciliation of operating profit to operating cash flows

	2020	2019
	£	£
Operating profit	**5,185,966**	177,712
Accrued income and prepayments	**914,647**	(968,360)
Accruals and deferred income	**(3,852,036)**	1,777,940
Depreciation	**446,332**	262,174
Interest on subordinated debt	**1,381,124**	1,591,612
Profit on sale of investment debt and equity securities	**955,113**	389,174
Other non-cash movements	**(19,258,499)**	(25,723,813)
Net cash inflow from trading activities	**(14,227,353)**	(22,493,561)
Net cash inflow/(outflow) from operating activities comprises:		
Loans and advances to banks and customers	**375,132,748**	(28,757,882)
Deposits by banks and customer accounts	**(360,924,977)**	(43,539,450)
Debt securities in issue	**(420,498)**	(9,131,480)
Other assets	**(1,954)**	3,215
Other liabilities	**(860,070)**	781,714
Net cash inflow/(outflow) from operating activities	**(1,302,104)**	(103,137,444)

21 Net cash flows from investing activities

	2020	2019
	£	£
Capital expenditure and financial investment		
Purchase of investment securities	**(264,104,012)**	(127,161,366)
Sale and maturity of investment securities	**311,429,958**	223,995,595
Purchase of tangible fixed assets	**(533,288)**	(471,366)
Cash flows from derivatives	**3,656,235**	9,209,303
Net cash (outflow)/inflow	**50,448,893**	105,572,166

22 Operating lease commitments

As at 30 June 2019, the total future minimum lease payments are as follows:

	2020		2019	
	£	£	**£**	£
	Land and Buildings	**Other**	Land and Buildings	Other
Operating lease commitments which expire:				
- Within 1 year	**434,295**	**10,725**	775,141	15,905
- Between 1 and 5 years	**-**	**38,454**	778,941	38,924
- More than 5 years	**-**	**-**	-	-
	434,295	**49,179**	1,554,082	54,829

23 Assets and liabilities denominated in foreign currencies

	2020	2019
	£	£
Denominated in US Dollar	**923,336,614**	1,200,097,844
Denominated in other currencies	**1,444,685**	6,509,455
Total assets	**924,781,299**	1,206,607,299
Denominated in US Dollar	**922,839,228**	1,199,469,377
Denominated in other currencies	**1,441,486**	6,473,325
Total liabilities	**924,280,714**	1,205,942,702

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

24 Emoluments of directors

	2020	2019
	£	£
Directors' fees and emoluments	**1,102,341**	1,248,888

There is no Director accruing benefits under a money purchase pension scheme (2019: None). The total remuneration and benefits of the highest paid Director were £402,008 (2019: £492,728).

25 Related party disclosures

During the year, the Bank received fees and commission of £5,736,205 (2019: £3,278,975), Interest income £4,195,847 (2019: £5,034,823) and paid interest expenses £995,606 (2019: £3,414,983) to the parent National Bank of Egypt, Head office, Cairo.

As at the year end, the Bank had no loans outstanding (2019: £129,564,193) and deposits of £33,368,198 (2019: £111,600,154) from its parent National Bank of Egypt, Head office, Cairo.

There was no debt securities held at year end with National Bank of Egypt, Head office, Cairo or its subsidiaries (2019: nil). During the year, there were no new loans issued to officers of the Bank (2019: nil).

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

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

The Bank is a wholly-owned subsidiary of National Bank of Egypt which is the smallest and largest group, for which consolidated accounts are prepared. The parent Bank is incorporated in Egypt. Copies of the group accounts for the National Bank of Egypt can be obtained from National Bank of Egypt, 1187 Corniche El Nil, Cairo, Egypt.

27 Subsequent events

On the 14 July 2020, the Bank purchased freehold property in West London for approximately £43.2 million. The bank intends to relocate to this property by February 2021. The new address shall be 8-9 Stratton Street, London W1J 8LF

28 Country-by-Country Disclosures

The Capital Requirements (Country-by-Country) Regulations came into effect on 1 January 2014 and places certain reporting obligations on financial institutions that are within the scope of the European Union's Capital Requirements

Notes to the Financial Statements *(continued)*

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 30 June 2020 (2019: 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	17,874,412	5,468,544	910,000	76