

Separate statement of financial position as at 31 March 2021

(All amounts in EGP 000)

| | <u>Note</u> | <u>31-Mar</u> <u>2021</u> | <u>31-Dec</u> <u>2020</u> |
|--|-------------|------------------------------|------------------------------|
| <u>Assets</u> | | | |
| Cash and balances with Central Bank of Egypt | | 4,861,590 | 8,075,506 |
| Due from banks | | 25,710,670 | 23,211,367 |
| Loans and advances to banks | | 196,909 | 206,507 |
| Loans and advances to customers | 4 | 36,875,887 | 36,314,668 |
| Financial derivatives | | 96,667 | 110,233 |
| Financial investments | 5 | 13,629,685 | 12,175,038 |
| Treasury bills | 6 | 31,912,544 | 33,687,617 |
| Investments in subsidiary | 7 | 35,517 | 35,517 |
| Intangible assets | | 162,433 | 176,293 |
| Other assets | | 2,025,467 | 1,849,088 |
| Deferred tax assets | | 106,189 | 102,288 |
| Investment property | | 81,377 | 83,527 |
| Fixed assets | | 497,843 | 466,178 |
| Total assets | | <u>116,192,778</u> | <u>116,493,827</u> |
| <u>Liabilities and shareholders' equity</u> | | | |
| <u>Liabilities</u> | | | |
| Due to banks | | 1,885,103 | 2,462,336 |
| Customers' deposits | 8 | 91,871,092 | 90,219,973 |
| Financial derivatives | | 94,209 | 189,733 |
| Subordinated loans | 14 | 2,072,000 | 2,072,000 |
| Other liabilities | | 3,808,921 | 4,978,729 |
| Other provisions | 9 | 400,552 | 455,960 |
| Current income tax | | 291,215 | 657,343 |
| Defined benefits obligations | | 475,326 | 460,160 |
| Total liabilities | | <u>100,898,418</u> | <u>101,496,234</u> |
| <u>Shareholders' equity</u> | | | |
| Paid-up capital | 10 | 2,795,567 | 2,795,567 |
| Amounts reserved under capital increase | 10 | 2,204,433 | - |
| Reserves | 11 | 4,387,089 | 4,386,162 |
| Retained earnings | | 5,907,271 | 7,815,864 |
| Total shareholders' equity | | <u>15,294,360</u> | <u>14,997,593</u> |
| Total liabilities and shareholders' equity | | <u>116,192,778</u> | <u>116,493,827</u> |

The accompanying notes form an integral part of these financial statements and are to be read therewith.

Rodney Todd Wilcox
(Deputy Chairman and CEO)

Auditors' report attached

Separate statement of income -For the Period ended 31 March 2021

| (All amounts in EGP 000) | For the period ended | |
|--|-----------------------------|-------------------------|
| | <u>31-Mar</u> | <u>31-Mar</u> |
| | <u>2021</u> | <u>2020</u> |
| Interest income from loans and similar income | 2,086,854 | 2,494,952 |
| Interest expense on deposits and similar expense | <u>(661,327)</u> | <u>(761,389)</u> |
| Net interest income | 1,425,527 | 1,733,563 |
| Fees and commissions income | 288,937 | 316,856 |
| Fees and commissions expense | <u>(44,063)</u> | <u>(43,348)</u> |
| Net fees and commissions income | 244,874 | 273,508 |
| Net trading income | 148,850 | 326,718 |
| Financial investment income | 2,180 | - |
| Credit impairment (charges) | (130,415) | (105,822) |
| Administrative expenses | (617,336) | (537,278) |
| Other operating income (expense) | <u>75,383</u> | <u>(5,646)</u> |
| Profit before income tax | 1,149,063 | 1,685,043 |
| Income tax expenses | <u>(332,099)</u> | <u>(466,235)</u> |
| Net profit for the Period | <u>816,964</u> | <u>1,218,808</u> |
| Earnings per share (EGP/Share) | | |
| Basic | <u>22.09</u> | <u>32.96</u> |

The accompanying notes form an integral part of these financial statements and are to be read therewith.

Separate statement of Comprehensive income - For the period ended at 31 March 2021

| | <u>The period ended 31-Mar 2021</u> | <u>The period ended 43,921 2,020</u> |
|---|---|--|
| (All amounts in EGP 000) | | |
| Net profit for the Period | 816,964 | 1,218,808 |
| Net changes on fair value of financial investment through OCI | (139,398) | (68,475) |
| Expected credit loss on financial investment at faire value through OCI | 23,267 | 12,284 |
| Total impact related to other comprehensive income | <u>(116,131)</u> | <u>(56,191)</u> |
| Total other comprehensive income | <u><u>700,833</u></u> | <u><u>1,162,617</u></u> |

The accompanying notes form an integral part of these financial statements and are to be read therewith.

Separate statement of cash flows - For the period ended at 31 March 2021

| (All amounts in EGP 000) | <u>31-Mar</u> <u>2021</u> | <u>31-Mar</u> <u>2020</u> |
|--|--------------------------------------|--------------------------------------|
| Net cash flows (used in)/ generated from operating activities | 3,831,598 | 13,376,503 |
| Net cash flows (used in) generated from investing activities | (1,580,119) | 318,081 |
| Net cash flows (used in) financing activities | (367,333) | (3,942,938) |
| Net change in cash and cash equivalents during the period | <u>1,884,146</u> | <u>9,751,646</u> |
| Cash and cash equivalents at the beginning of the period | 21,875,925 | 14,304,525 |
| Cash and cash equivalents at the end of the period | <u>23,760,071</u> | <u>24,056,171</u> |
| Cash and cash equivalents are represented in: | | |
| Cash and balances with Central Bank of Egypt | 4,861,628 | 4,164,221 |
| Due from Banks | 25,720,261 | 26,528,811 |
| T Bills | 31,912,544 | 35,543,141 |
| Balance with Central Bank of Egypt as statutory reserve | (3,825,779) | (2,778,430) |
| Due from banks | (3,286,342) | (3,858,431) |
| T Bills of maturity more than 3 months from date of acquisition | (31,622,241) | (35,543,141) |
| Cash and cash equivalents | <u>23,760,071</u> | <u>24,056,171</u> |

The accompanying notes form an integral part of these financial statements and are to be read therewith.

Separate statement of changes in equity - For the Period ended at 31 March 2021

(All amounts in EGP 000)

| | Paid up capital | Reserves | Retained earnings | Total |
|--|------------------------|------------------|--------------------------|--------------------|
| Balances as of 1 January 2019 | 2,795,567 | 3,910,479 | 8,584,826 | 15,290,872 |
| Dividends paid for year 2019 | - | - | (3,942,938) | (3,942,938) |
| Transferred to legal reserve | - | 72,984 | (72,984) | - |
| Transferred to general reserve | - | 281,649 | (281,649) | - |
| Transferred to capital reserve | - | 11,504 | (11,504) | - |
| Net change in investments at fair value through other comprehensive income | - | (56,191) | - | (56,191) |
| Transferred to general risk reserve | - | 66,609 | (66,609) | - |
| Net profit for theThe period ended 31 March 2020 | - | - | 1,218,808 | 1,218,808 |
| Balances as of 31 March 2020 | 2,795,567 | 4,287,034 | 5,427,950 | 12,510,551 |
| Balances as of 31 December 2020 | 2,795,567 | 4,386,162 | 7,815,864 | 14,997,593 |
| Amounts reserved under capital increase | - | 2,204,433 | (2,204,433) | - |
| Dividends paid for year 2020 | - | - | (367,333) | (367,333) |
| Transferred to general reserve | - | 183,667 | (183,667) | - |
| Transferred to general bank risk reserve | - | (66,609) | 66,609 | - |
| Net change in investments at fair value through other comprehensive income | - | (116,131) | - | (116,131) |
| Transfer to Banking System Support and Development Fund | - | - | (36,733) | (36,733) |
| Net profit for theThe period ended 31 March 2021 | - | - | 816,964 | 816,964 |
| Balances as of 31 March 2021 | 2,795,567 | 6,591,522 | 5,907,271 | 15,294,360 |

The accompanying notes form an integral part of these financial statements and are to be read therewith.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

1. Background

HSBC Bank Egypt SAE provides retail, corporate and investment banking services in the Arab Republic of Egypt through 52 branches and 7 small units served by more than 1,635 staff at the date of the financial position.

HSBC Bank Egypt SAE is established according to the Investment Law, in accordance with the decision no.60 for year 1982 taken by the minister of investment and international co-operation and published in "El Waqaa El Masria" newspaper on 17 May 1982 in the Arab Republic of Egypt. The head office is located in Cairo. The Bank started its operation on the 15th of December 1982. The Bank's shares have been delisted from the Egyptian stock exchange market on the 31st December 2009.

The financial statements for the period ended 31 March 2021 have been approved for issuance by the Board of Directors on 18 May 2021.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Interim condensed financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

A. Basis of preparation of financial statements

The Interim condensed financial statements are prepared in accordance with the Central Bank of Egypt's (CBE) instructions approved by its Board of Directors on 16 December 2008 as amended by regulations issued on 26 February 2019.

The Interim condensed separate and consolidated financial statements of the Bank and its subsidiaries have been prepared in accordance with the relevant domestic laws and the Egyptian accounting standards, the subsidiaries companies are entirely included in the Interim condensed financial statements consolidated and these companies are the companies that the Bank - directly or indirectly has more than half of the voting rights or has the ability to control the financial and operating policies, regardless of the type of activity, the Bank's Interim condensed financial statements can be obtained from the Bank's management. The Bank accounts for investments in subsidiaries and associate companies in the separate financial statements at cost minus impairment loss.

The Interim condensed separate financial statements of the Bank should be read with its consolidated financial statements, for the year ended on 31 Dec 2020 to get complete information on the Bank's financial position, results of operations, cash flows and changes in ownership rights.

B. Fair value hierarchy

Fair values of financial assets and liabilities are determined according to the following hierarchy:

Level 1 – valuation technique using quoted market price: financial instruments with quoted prices for identical instruments in active markets that the bank can access at the measurement date.

Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where All significant inputs are observable.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

Level 3 – valuation technique with significant unobservable inputs: financial instruments valued using valuation techniques where one or more significant inputs are unobservable.

31-Mar-21

| | Level 2 | |
|---|-------------------------------------|-------------------|
| | Using observable inputs EGP '000 | Total EGP '000 |
| Recurring fair value measurements | | |
| Assets | | |
| Financial assets at fair value through other comprehensive income | 45,542,229 | 45,542,229 |
| Total | 45,542,229 | 45,542,229 |

31-Dec-20

| | Level 2 | |
|---|-------------------------------------|-------------------|
| | Using observable inputs EGP '000 | Total EGP '000 |
| Recurring fair value measurements | | |
| Assets | | |
| Financial assets at fair value through other comprehensive income | 45,862,655 | 45,862,655 |
| Total | 45,862,655 | 45,862,655 |

B. Credit risk

The Bank is exposed to the credit risk, which is the risk resulting from failure of one party to meet its contractual obligations towards the Bank. The credit risk is considered to be the most significant risk for the Bank. The Bank sets specific procedures to manage that risk. The credit risk in the lending and investments activities that are representing the Bank's assets contains debt instruments. The credit risk is also found in off-balance sheet financial instruments, like loan commitment. The managing and monitoring process on credit risk is centralized at credit risk team management at the risk department, which prepares reports for the Board of Directors and heads of units on a regular basis.

C.1. Credit risk measurement**Loans and advances to banks and customers**

Loans to customers and banks, financial investments debt securities, current accounts and deposits at banks are considered financial assets exposed to credit risk represented in the inability of those parties to settle part or whole of their indebtedness on the date of maturity. The Bank minimizes the effect of this risk by the following:

- Preparing detailed credit studies about customers and banks before dealing with them to assess and determine the rates of the credit risk rates related to these
- Obtaining adequate guarantees to reduce the possibility of loss in case of a customer or bank default
- Diversifying loans portfolio among various sectors to minimize the concentration of credit risk
- Monitoring and preparing regular studies on customers in order to evaluate their financial and credit position and estimate the required provisions for non-performing balances.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

The Bank evaluates the customer risk using internal policies for different customer categories. These policies are updated taking into consideration financial analysis and statistical analysis for each customer category in addition to the personal judgment of the credit officer to reach the appropriate grading. The customers are classified into 10 grading, which are divided into four ratings.

The following table shows the rating scale which reflects the range of default probabilities or payment delays by each credit rating category, which means that credit positions may transfer from one rating to other depending on the change in the expected degree of risk. The customer's rating and the rating process are reviewed when necessary. The Bank evaluates the rating process and their expectations regarding the customers' defaults.

Bank's internal ratings scale

| Rating description | Rating |
|----------------------|--------|
| Performing loans | 1-6 |
| Regular watching | 7 |
| Watch list | 8 |
| Non-performing loans | 9-10 |

The amount of default represents the outstanding balances at the time when a late settlement occurred, for example the loans expected amount of default represents its book value. For commitments, the default amount represents all actual withdrawals in addition to any withdrawals occurred until the date of the late payment, if any.

The expected losses or specific losses represent the Bank's loss expectation of when the settlement is due, which is loan loss percentage that differs according to the type of facility, the availability of guarantees and any other credit cover.

Debt instruments and Treasury bills

The same methods used for credit customers are used for debt instruments and Treasury bills. They represent better credit method and a readily available source to meet the funding requirements bills. The Bank uses external ratings such as Standard & Poor's rating, MERIS MODES rating and Fitch rating to manage its credit risk.

C.2. Limiting and preventing risks policies

The Bank manages and controls credit concentrations at the borrowers' level, groups of borrowers' level, industries level and countries level.

The Bank manages the credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single borrower or groups of borrowers and to the geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review when considered necessary. The top management reviews on regular basis the sectoral and country credit concentration.

Exposure to credit risk is also managed through regular analysis of the existing and potential borrowers' ability to meet their obligations and through changing the lending limits where appropriate.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

The following are other controls used by the Bank to limit the credit risk:

Collaterals

The bank uses different methods to limit its credit risk. One of these methods is accepting collaterals against loans and advances granted by the Bank. The Bank implements guidelines for collaterals to be accepted. The major types of collateral against loans and advances are:

- Real estate mortgage
- Business assets mortgage, such as machines and goods
- Financial instruments mortgage, such as debt and equity instruments

The Bank is keen to obtain the appropriate guarantees against corporate entities of long-term finance while individual credit facilities are generally unsecured.

In addition, to minimize the credit loss, the Bank will seek additional collaterals from all counterparties as soon as impairment indicators are noticed for a loan or advance.

The Bank determines type of collaterals held to secure financial assets other than loans and advances according to the nature of the instrument. Generally, debt securities and Treasury bills are unsecured except for asset-backed securities and similar instruments that are secured by a financial instrument portfolio.

Derivatives

The Bank maintains strict control limits over amounts and terms for the net value of opened derivative positions, i.e. the difference between purchase and sale contracts. In all cases, the amount subject to credit risk is limited to the current fair value of instruments in which the Bank could gain a benefit from it (i.e. assets that have positive fair value), which represents a small value of the contract or the notional value.

The Bank manages this credit risk, which is considered part of the total customer limit with expected market changes risk all together. Generally, no collateral is obtained for credit risk related to these instruments, except for marginal deposits required by the Bank from other parties.

Settlement risk arises when cash, equity instruments or other financial papers are used in the settlement process or if there is expectation to receive cash, equity instruments or other financial papers. Daily settlement limits are established for each counterparty to cover the aggregate settlement risk arising from the daily Bank transactions.

Master netting arrangements

The Bank further restricts its exposure to credit losses by entering into master netting arrangements with counterparties of significant volume of transactions. Generally, no netting is made between assets and liabilities at the balance sheet data relating to the master netting arrangements as aggregate settlements are made. However, the credit risk related to contracts to the favor of the Bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short period of time as it is affected by each transaction occurring in the arrangement.

Credit-related commitment

The primary purpose of these commitments is to ensure that funds are available to customer when required. Guarantees and standby letters of credit are of the same credit risks as loans. Documentary

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

and commercial letters of credit, which are issued by the Bank on behalf of customers, by which authorizing a third-party to draw within a certain limit in accordance to specific terms and conditions and guaranteed by the goods under shipment, are of lower risk than a direct loan.

Credit-related commitment represents the unused portion of credit limit of loans, guarantees or letters of credit. With respect to credit risk related to credit-related commitments, the Bank is exposed to probable loss of amount equal to the total unused limit. However, the probable amount of loss is less than the unused limit commitments as most commitments represent commitments to customers maintaining certain credit standards. The Bank monitors the maturity term of the credit commitments because long-term commitments are of higher credit risk than short-term commitments.

C.3. Impairment and provisioning policies

The internal rating systems described in Note (C.1) focus more on credit quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date for financial reporting purposes are losses that have been incurred and based on objective evidence of impairment, as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial Statements are usually lower than the expected amount determined from the expected loss models used.

Credit quality of financial instruments

Credit Review and Risk Identification teams regularly review exposures and processes in order to provide an independent, rigorous assessment of the credit risk management framework across the HSBC Bank, reinforce secondary risk management controls and share best practice. Internal audit, as a tertiary control function, focuses on risks with a global perspective and on the design and effectiveness of primary and secondary controls, carrying out oversight audits via the sampling of global/regional control frameworks, themed audits of key or emerging risks and project audits to assess major change initiatives.

The five credit quality classifications defined below each encompass a range of more granular, internal credit rating grades assigned to wholesale and retail lending businesses, as well as the external ratings attributed by external agencies to debt securities.

C.4. Measurement module banking general risk

In addition to the four categories of credit rating indicated in note (C.1), the management makes more detailed groups in accordance with the CBE requirements. Assets exposed to credit risk in these categories are classified according to detailed conditions and terms depending on the information related to the customer, their activities, financial position and payment schedules.

The Bank calculates the provisions required for impairment of assets exposed to credit risk, including commitments relating to credit on the basis of rates determined by CBE. In case, the provision for impairment losses according to credit worthiness rules issued by CBE exceeds the provision required according to discounted cash flow and historical default rates methods, this increase shall be debited from the retained earnings and credited to the 'general banking risk reserve' under the equity caption. This reserve is regularly adjusted with this increase and decrease, to equal the amount of increase and decrease in the two provisions. This reserve is not distributable. Note (19) shows the 'general banking risk reserve' movement during the period.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

Below is a statement of institutional worthiness according to internal ratings, compared to CBE ratings and rates of provisions needed for assets impairment related to credit risk

| CBE classification | CBE Categorization | CBE Rating |
|---------------------------|---------------------------|-------------------|
| 1 | Low risk | - |
| 2 | Average risk | 1% |
| 3 | Satisfactory risk | 1% |
| 4 | Reasonable risk | 2% |
| 5 | Acceptable risk | 2% |
| 6 | Marginally | 3% |
| 7 | Watch list | 5% |
| 8 | Substandard | 20% |
| 9 | Doubtful | 50% |
| 10 | Bad debts | 100% |

Capital adequacy ratio reached 23.26% as of 31 March 2021, 24.48% as of 31 December 2020

3. Significant accounting estimates and assumptions

The Bank makes subjective estimates and judgments that affect the reported amounts of assets and liabilities in the next financial period. Consistent estimations and judgments are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable through the available information and circumstances.

A - Impairment losses for loans and advances

The Bank reviews the portfolio of loans and advances at least quarterly. The Bank uses discretionary judgment on determining whether it is necessary to record impairment loss in the income statement. The Bank has to identify if there is objective evidence indicating a decline in the expected future cash flows from loan portfolio before identifying any decline on an individual basis. This evidence includes data indicating negative changes in a borrower's portfolio ability to repay the Bank, or local or economic circumstances related to default. On scheduling future cash flows, the management uses past experience to determine the credit impairment loss for assets when there is objective evidence of impairment similar to that of the portfolio in question. The methods and assumptions used in estimating both the amount and timing of the future cash flows are reviewed on a regular basis to minimize any discrepancy between the estimated loss and actual loss based on experience.

B - Impairment of available-for-sale equity investments

The Bank recognizes impairment loss relating to available-for-sale equity investments when there is a significant or prolonged decline in the fair value below its cost. A judgment is required to determine that the decline is significant or prolonged. In making this judgment, the Bank evaluates among other factors the volatility in share price. In addition, impairment loss is recognized when there is evidence of deterioration in the investee's financial position or operating/finance cash flow industry and sector performance technology changes.

C - Fair value of derivatives

Fair value of financial instruments not quoted in an active market is determined using valuation techniques. These techniques (as models) are tested and reviewed yearly using qualified independently

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

personnel other than those who prepared the techniques. All the models were prepared before and after using them to ensure that their results reflect accurate data and prices comparable to the market. These models are used to the extent it is practical actual data; however, some areas such as credit risk related to the Bank and counterparty volatility and correlations require management estimations. Changes in these estimation factors can affect the financial instrument's fair value disclosure. For example, to the extent that management uses credit marginal less than 20 points, the estimated net fair value of derivatives amounted to EGP 96,667 thousand in assets against EGP 94,209 thousand in liabilities.

D - Income tax

The Bank is subject to income tax which requires the use of estimates to calculate the income tax provision. There are a number of complicated processes and calculations to determine the final income tax. The Bank records a liability related to the tax inspection estimated results. When there is a difference between the final result of the actual tax inspection and the amounts previously recorded by the Bank, such differences will be recorded in the period/year where differences are noted. Income tax and deferred tax will be recorded in that period/year.

4. Loans and advances to customers**Provision for impairment losses:**

| | <u>31-Mar-21</u> <u>EGP000</u> | <u>31-Dec-20</u> <u>EGP000</u> |
|---|---|---|
| Retail: | | |
| Overdrafts | 62,316 | 57,601 |
| Credit cards | 1,380,847 | 1,404,560 |
| Personal loans | 4,136,777 | 4,195,543 |
| Mortgage loans | 1,582 | 1,858 |
| Total | <u>5,581,522</u> | <u>5,659,562</u> |
| Corporate loans including small loans: | | |
| Overdrafts | 2,819,566 | 2,910,366 |
| Direct loans | 21,711,429 | 20,313,218 |
| Syndicated loans | 10,352,498 | 10,918,385 |
| Total | <u>34,883,493</u> | <u>34,141,969</u> |
| Total loans and advances to customers | <u>40,465,015</u> | <u>39,801,531</u> |
| Less: expected credit loss " ECL" | (2,690,421) | (2,645,955) |
| Less: interest in suspense | (898,707) | (840,908) |
| Net | <u>36,875,887</u> | <u>36,314,668</u> |

During the period ended 31 March 2021, the Bank has accepted trading financial securities with a fair value amounting to EGP 561,850 thousand as a commercial loan guarantee.

Expected credit loss:

The expected credit loss movement for loans and advances to customers classified according to their types is as follows:

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(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

31-Mar-21

| | Retail | | | | EGP000 |
|---|--------------|---------------|----------------|----------------|---------------|
| | Overdrafts | Credit cards | Personal loans | Mortgage loans | Total |
| Balance at beginning of the period | 6,110 | 44,639 | 66,955 | 10 | 117,714 |
| Impairment losses charged | (2,741) | 2,013 | (4,738) | 40 | (5,426) |
| Amounts written off during the period | (195) | (12,305) | (15,722) | - | (28,222) |
| Amounts recovered during period | 26 | 2,377 | 3,581 | - | 5,984 |
| Foreign revaluation difference related to provision | (5) | (38) | (56) | - | (99) |
| Balance at the end of the period | 3,195 | 36,686 | 50,020 | 50 | 89,951 |

| | Corporate | | | EGP000 |
|---|----------------|------------------|------------------|------------------|
| | Overdrafts | Direct loans | Syndicated loans | Total |
| Balance at beginning of the period | 389,889 | 1,891,317 | 247,035 | 2,528,241 |
| Impairment losses charged | 560,321 | (422,233) | (28,200) | 109,888 |
| Amounts written off during the period | (32,170) | - | - | (32,170) |
| Foreign revaluation difference related to provision | - | (5,489) | - | (5,489) |
| Balance at the end of the period | 918,040 | 1,463,595 | 218,835 | 2,600,470 |

31-Dec-20

| | Retail | | | | EGP000 |
|---|--------------|---------------|----------------|----------------|----------------|
| | Overdrafts | Credit cards | Personal loans | Mortgage loans | Total |
| Balance at beginning of the year | 1,354 | 14,405 | 34,958 | 4 | 50,721 |
| Impairment losses reversed | 4,732 | 30,537 | 35,463 | 6 | 70,738 |
| Amounts written off during the year | (26) | (6,017) | (8,177) | - | (14,220) |
| Amounts recovered during year | 49 | 5,714 | 4,704 | - | 10,467 |
| Foreign revaluation difference related to provision | 1 | - | 7 | - | 8 |
| Balance at the end of the year | 6,110 | 44,639 | 66,955 | 10 | 117,714 |

| | Corporate | | | EGP000 |
|---|----------------|------------------|------------------|------------------|
| | Overdrafts | Direct loans | Syndicated loans | Total |
| Balance at beginning of the year | 757,117 | 1,056,854 | 368,479 | 2,182,450 |
| Impairment losses charged | (296,120) | 840,758 | (28,200) | 516,438 |
| Amounts written off during the year | (74,986) | - | (92,239) | (167,225) |
| Amounts recovered during year | 5,416 | 1,150 | - | 6,566 |
| Foreign revaluation difference related to provision | (1,538) | (7,445) | (1,005) | (9,988) |
| Balance at the end of the year | 389,889 | 1,891,317 | 247,035 | 2,528,241 |

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

5. Financial investments

| | <u>31-Mar-21</u> <u>EGP000</u> | <u>31-Dec-20</u> <u>EGP000</u> |
|---|-----------------------------------|-----------------------------------|
| <u>Financial Investments at Other comprehensive income</u> | | |
| Equity instruments unlisted (at cost) | 31,151 | 31,151 |
| Debt instruments listed (at FMV) * | 13,572,400 | 12,118,332 |
| Debt instruments unlisted (Mutual fund) ** | 26,134 | 25,555 |
| | <u>13,629,685</u> | <u>12,175,038</u> |
| Total financial investments | <u>13,629,685</u> | <u>12,175,038</u> |
| Current balances | 975,950 | 469,623 |
| Non-current balances | 12,653,735 | 11,705,415 |
| | <u>13,629,685</u> | <u>12,175,038</u> |
| Fixed interest Debt instruments | 13,572,400 | 12,118,332 |
| | <u>13,572,400</u> | <u>12,118,332</u> |

Financial Investments at fair value through other comprehensive income rather than T-Bills

| | <u>EGP000</u> |
|--|-------------------|
| <u>31-Mar-21</u> | |
| Balance at beginning of the period/year | 12,175,038 |
| Additions | 2,071,329 |
| Disposals (sale/redemption) | (545,078) |
| Monetary assets revaluation | (818) |
| Loss from change in FMV | (70,786) |
| Balance at end of the period | <u>13,629,685</u> |
| <u>31-Dec-20</u> | |
| Balance at beginning of the period/year | 5,994,683 |
| Additions | 9,568,908 |
| Disposals (sale/redemption) | (3,398,397) |
| Monetary assets revaluation | (59,840) |
| Gain from change in FMV | 69,684 |
| Balance at end of the year | <u>12,175,038</u> |

* Debt instruments include local bonds amounting to EGP 13,572,400 thousand (EGP 12,118,332 in 31 December 2020) secured by the Egyptian Ministry of Finance.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

6. Treasury bills

| | <u>31-Mar-21</u> <u>EGP000</u> | <u>31-Dec-20</u> <u>EGP000</u> |
|--|-----------------------------------|-----------------------------------|
| Treasury bills – Egyptian ** | 29,556,366 | 30,542,401 |
| Treasury bills – United states of Amirca | 2,356,178 | 3,145,216 |
| Total | <u>31,912,544</u> | <u>33,687,617</u> |

Treasury bills represent the following:

| | <u>31-Mar-21</u> <u>EGP000</u> | <u>31-Dec-20</u> <u>EGP000</u> |
|-------------------|-----------------------------------|-----------------------------------|
| 91 days maturity | 290,303 | 699,210 |
| 182 days maturity | 9,075 | 974,287 |
| 273 days maturity | 4,647,563 | 2,506,283 |
| 364 days maturity | 26,965,603 | 29,507,837 |
| Total | <u>31,912,544</u> | <u>33,687,617</u> |

Treasury Bills

| | <u>31-Mar-21</u> <u>EGP000</u> |
|---|-----------------------------------|
| Balance at beginning of the year | 33,687,617 |
| Addition | 6,730,243 |
| Deduction | (8,435,017) |
| Exchange revaluation differences for foreign financial assets | (1,687) |
| losses from fair value difference | (68,612) |
| Balance at end of the year | <u>31,912,544</u> |

**Treasury bills includes EGP 500,694 thousands related to end of service compensation benefits and related Treasury bills fair value reserve 6,075 thousand (End of Service Treasury bills amounted to EGP 486,861 thousand as of 31 December 2020)

***Treasury bills fair value reserve reached EGP (42,021) as of 31 March 2021 against EGP 26,591 as of 31 December 2020 (with net change of EGP (68,612) thousands).

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

7. Investment in subsidiary

The Bank's net investment in subsidiary amounted to EGP 35,517 thousand (EGP 35,517 thousand as of 31 December 2020).

31-Mar-21

| Company's country | Company's assets EGP (000) | Company's liabilities (without equity) EGP (000) | Company's revenues EGP (000) | Company's Loss EGP (000) | % | |
|--------------------------------------|-------------------------------|---|---------------------------------|-----------------------------|---------|-----|
| HSBC Securities Egypt Company SAE | Egypt | 30,514 | 2,731 | 1,832 | (1,376) | 98% |
| Total | 30,514 | 2,731 | 1,832 | (1,376) | | |

31-Dec-20

| Company's country | Company's assets EGP (000) | Company's liabilities (without equity) EGP (000) | Company's revenues EGP (000) | Company's gains EGP (000) | % | |
|--------------------------------------|-------------------------------|---|---------------------------------|------------------------------|---------|-----|
| HSBC Securities Egypt Company SAE | Egypt | 32,340 | 3,180 | 10,214 | (3,062) | 98% |
| Total | 32,340 | 3,180 | 10,214 | (3,062) | | |

8. Customers' deposits

| | 31-Mar-21 | 31-Dec-20 |
|---------------------------------|-------------------|-------------------|
| Demand deposits | 36,769,264 | 34,421,663 |
| Time and call deposits | 19,964,334 | 22,455,218 |
| Certificates of deposits | 10,976,824 | 10,140,510 |
| Saving deposits | 22,232,574 | 21,392,573 |
| Other deposits | 1,928,096 | 1,810,009 |
| | 91,871,092 | 90,219,973 |
| Corporate deposits | 38,436,874 | 38,450,117 |
| Retail deposits | 53,434,218 | 51,769,856 |
| | 91,871,092 | 90,219,973 |
| Non-interest bearing balances | 36,131,891 | 35,879,505 |
| Fixed interest bearing balances | 55,739,201 | 54,340,468 |
| | 91,871,092 | 90,219,973 |

Customers' deposits include deposits of EGP 1,599,426 thousand as of 31 March 2021 against EGP 1,493,388 thousand as of 31 December 2020, which represent collateral for irrecoverable commitments. There is no major difference between its carrying value and fair value.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

9. Other provisions

| | Provision for claims | | Provision for contingent liabilities | | Total | |
|--|----------------------|----------------|--------------------------------------|----------------|----------------|----------------|
| | 31-Mar 2021 | 31-Dec 2020 | 31-Mar 2021 | 31-Dec 2020 | 31-Mar 2021 | 31-Dec 2020 |
| Balance at the beginning of the period/year | 47,933 | 45,528 | 408,027 | 205,700 | 455,960 | 251,228 |
| Formed during the period | 8,818 | 59,590 | - | 204,793 | 8,818 | 264,383 |
| Provisions valuation differences | (13) | (98) | (361) | (724) | (374) | (822) |
| | 56,738 | 105,020 | 407,666 | 409,769 | 464,404 | 514,789 |
| Used during the period/year | (2,079) | (57,085) | - | (1,742) | (2,079) | (58,827) |
| No longer required | - | (2) | (61,773) | - | (61,773) | (2) |
| Balance at the end of the period/year | 54,659 | 47,933 | 345,893 | 408,027 | 400,552 | 455,960 |

10. Paid up capital

| | Number of shares | Cost of Common Shares | Total | Issuance premium included in other reserve-issuance premium |
|--|------------------|-----------------------|------------------|---|
| | (in millions) | EGP000 | EGP000 | EGP000 |
| Balance at the beginning of the current period | 33.280566 | 2,795,567 | 2,795,567 | 6,728 |
| Balance at 31 March 2021 | 33.280566 | 2,795,567 | 2,795,567 | 6,728 |
| Balance at the beginning of the last year | 33.280566 | 2,795,567 | 2,795,567 | 6,728 |
| Balance at 31 Dec 2020 | 33.280566 | 2,795,567 | 2,795,567 | 6,728 |

A. Authorized capital

- The authorized capital amounted to EGP 1,750,000,000.
- According to the extraordinary general assembly decision on 30 November 2010, the authorized capital has been increased to EGP 5,000,000,000.
- According to the extraordinary general assembly decision on 17 March 2021, the authorized capital has been increased to EGP 10,000,000,000 and work in progress to be completed after the approval of the General Investment Authority.

B. Issued and paid up capital

- The issued and paid up capital as of 31 December 2008, amounted to EGP 1,508,500,056 represented in 17,958,334 fully paid shares at par value of EGP 84 each. The foreign shareholders own 94.54% of the capital which was paid in US dollars at the prevailing rates on the subscription dates.
- According to the extraordinary general assembly decision on 30 November 2010, the issued capital has been increased to EGP 2,078,500,116 increasing by EGP 570,000,060 by issuing 6,785,715 shares.

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

- According to the extraordinary general assembly's decision on 26 September 2013, it was approved to increase the issued capital to an amount not exceeding EGP 2,796,006,192, by an increase of EGP 717,506,076 representing 8,541,739 shares, in which the paid amount was EGP 717,067,428, representing 8,536,517 shares.
- Accordingly, the issued and fully paid-up capital is EGP 2,795,567,544 represented in 33,280,566 fully paid shares at par value of EGP 84 each.
- According to the extraordinary general assembly's decision on 17 March 2021, it was approved to increase the issued capital to EGP 5,000,000,040 by an increase of EGP 2,204,432,496 representing 26,243,244 shares from retained earnings and procedures are in progress to be completed after the approval of the General Investment Authority.

11. Reserves

| | <u>31-Mar-21</u> | <u>31-Dec-20</u> |
|---|-------------------------|-------------------------|
| Reserves | | |
| General reserve | 2,348,489 | 2,164,822 |
| Legal reserve | 1,397,782 | 1,397,782 |
| Capital reserve | 40,295 | 40,295 |
| Other reserves - issuance premium | 6,728 | 6,728 |
| Fair value reserve - available for sale investments | 102,129 | 218,260 |
| General bank risk reserve | - | 66,609 |
| General risk reserve | 491,666 | 491,666 |
| Total reserves at the end of the period/year | <u>4,387,089</u> | <u>4,386,162</u> |

12. Commitment and contingent liabilities**A) Legal claims**

There are lawsuits filed against the bank as at 31 May 2021. There is no provision formed during this period against these lawsuits and utilized the amount of EGP 79 thousand from legal provision during the current period.

B) Commitments for loans, guarantees and facilities

Bank commitments for loans, guarantees and facilities are represented as follows:

| | <u>31-Mar-21</u> | <u>31-Dec-20</u> |
|---------------------------------------|--------------------------|--------------------------|
| Acceptances | 743,055 | 468,014 |
| Letters of guarantee | 29,404,243 | 28,827,815 |
| Letters of credit (import and export) | 997,131 | 1,099,016 |
| Other contingent liabilities | 248,508 | 199,451 |
| Commitments for loans | 2,048,103 | 2,690,795 |
| Cash margin | (1,599,426) | (1,493,388) |
| Total | <u>31,841,614</u> | <u>31,791,703</u> |

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

C) Commitments for operating lease contracts

The total minimum lease payments for irrevocable operating leases are as follows:

| | <u>31-Mar-21</u> | <u>31-Dec-20</u> |
|---|----------------------|----------------------|
| Less than one year | 13,669 | 16,594 |
| More than one year and less than five years | 16,792 | 17,589 |
| Total | <u>30,461</u> | <u>34,183</u> |

13. Related party transactions

The Bank is a subsidiary of parent HSBC Holdings B.V, which owns 94.54% of ordinary shares. The remaining percentage 5.46% is owned by other shareholders.

HSBC Bank Egypt owns 98% of HSBC Securities Egypt (S.A.E).

Number of banking transactions with related parties has been conducted in the normal course of the business, including loans, deposits and foreign currency swaps.

Related parties' transactions and balances at the end of the financial period are as follows:

A- Other loans

| | <u>HSBC Group</u> | |
|------------------------------|-------------------------|-------------------------|
| | <u>31-Mar-21</u> | <u>31-Mar-20</u> |
| Subordinated loans note (22) | 2,072,000 | 2,072,000 |
| | <u>2,072,000</u> | <u>2,072,000</u> |
| Interest from loans | <u>57,573</u> | <u>78,208</u> |

B- Deposits from related parties

The preceding deposits are of no guarantee and of fixed interest rate and recoverable on call.

| | <u>Subsidiaries</u> | |
|---|----------------------|----------------------|
| | <u>31-Mar-21</u> | <u>31-Dec-20</u> |
| Due to customers | | |
| Deposits at the beginning of the period/year | 40,968 | 43,906 |
| Deposits received during the period/year | 1 | 41 |
| Deposits redeemed during the period/year | (16,785) | (2,979) |
| Deposits at the end of the period/year | <u>24,184</u> | <u>40,968</u> |
| Deposits costs and similar costs | <u>358</u> | <u>1,454</u> |

Notes to the separate financial statements - For the period ended 31 March 2021

(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

C- Other related party transactions

| | HSBC group | | Subsidiaries | |
|----------------------------|------------|-----------|--------------|-----------|
| | 31-Mar-21 | 31-Mar-20 | 31-Mar-21 | 31-Mar-20 |
| Operating lease | 10,385 | 8,392 | 354 | 341 |
| Administrative costs-IT | - | - | 260 | 480 |
| Fees and commission income | - | - | 4 | 4 |

* The cost of services provided by the HSBC Group on 31 March 2021 amounted to EGP 218,148 thousand (EGP 218,743 thousand as of 31 March 2020).

14. Subordinated loans

| | Current | 31-Mar-21 | 31-Dec-20 |
|--|---------------|------------------|------------------|
| | interest rate | | |
| Subordinated loans, variable interest rate (1) | 12.75% | 272,000 | 272,000 |
| Subordinated loans, variable interest rate (2) | 11.00% | 1,800,000 | 1,800,000 |
| | | 2,072,000 | 2,072,000 |

- Subordinated loan, variable interest rate (1) obtained from HSBC holdings BV by EGP 272 million, according to an agreement extension of 15 years. (Starting from December 2013 and ending in December 2028).
- Subordinated loan, variable interest rate (2) obtained from HSBC holdings BV by EGP 1,800 million, according to an agreement extension of 10 years. (Starting from March 2017 and ending in March 2027).

15. Mutual funds**HSBC first Mutual fund (Kol Yom):**

The mutual fund is an activity authorized for the Bank by virtue of Capital Market Law No.95 for year 1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds. The certificates of the fund reached 1,000,000 certificates with an amount of EGP 100,000,000 of which 50,000 certificate (with nominal value of EGP 5,000,000) were allocated to the Bank to undertake the funds' activity.

The Bank held as of 31 Dec 2020, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 26,133,684 against 78,559 certificates amounting to EGP 9,141,998 with redeemable value amounting to EGP 25,554,906 as of 31 December 2021.

The redeemable value of the certificate amounted to EGP 332.66 against EGP 325.30 as of 31 December 2020. The outstanding certificates reached 3,458,129 certificates against 3,600,698 certificates as of 31 December 2020.

According to the fund's management contract and its prospectus, HSBC Egypt shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission amounted to EGP 1,316 thousand for the period ended 31 March 2021 against EGP 1,122 thousand for the period ended 31 March 2020 under the item of fees and commission income caption in the income statement.