

HSBC BANK EGYPT S.A.E.
SEPARATE INTERIM FINANCIAL
STATEMENTS
AND LIMITED REVIEW REPORT
FOR THE PERIOD ENDED
31 March 2025



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Limited Review Report on the separate interim financial statements

To/ the Board of Directors of HSBC Bank Egypt "S.A.E"

Introduction

We have reviewed the accompanying separate interim statement of financial position of HSBC Bank Egypt "S.A.E" as of 31 March 2025 and the related separate interim statements of income, comprehensive income, cash flows and changes in equity for the three months period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these separate interim financial statements in accordance with the rules of preparation and presentation of banks' financial statements approved by the Central Bank of Egypt's board of directors on 16 December 2008 as amended by regulations issued on 26 February 2019 and its subsequent interpretive instructions and in light of the applicable Egyptian laws and regulations. Our responsibility is limited to expressing a conclusion on these separate interim financial statements based on our review.



Scope of Review

We conducted our review in accordance with the Egyptian Standard on review engagements No. (2410) "Review of interim financial statements performed by the Independent Auditor of the Entity". A review of separate interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the bank and applying analytical and other limited review procedures. A review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit, and accordingly, we do not express an audit opinion on these separate interim financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements are not prepared, in all material respects, in accordance with the rules of preparation and presentation of banks' financial statements approved by the Central Bank of Egypt's board of directors on 16 December 2008 as amended by regulations issued on 26 February 2019 and its subsequent interpretive instructions and in light of the applicable Egyptian laws and regulations.

Cairo: May 29, 2025


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HSBC BANK EGYPT S.A.E

Separate interim statement of financial position 31 March 2025

(All amounts in EGP 000)

	<u>Note</u>	<u>31 March 2025</u>	<u>31 December 2024</u> <u>* Restated</u>
<u>Assets</u>			
Cash and balances with Central Bank of Egypt	(15)	10,207,181	12,093,271
Due from banks	(16)	105,166,603	108,247,939
Financial assets at fair value through profit or loss	(20)	665,993	236,451
Loans and advances to banks	(17)	-	221,815
Loans and advances to customers	(18)	52,471,870	52,439,055
Financial derivatives	(19)	347,302	151,351
Financial investments	(21)	37,173,232	31,707,603
Treasury bills	(22)	89,459,111	72,461,745
Intangible assets	(24)	1,480,000	1,312,782
Other assets	(25)	4,015,781	3,270,972
Investment property	(27)	35,647	37,339
Fixed assets	(26)	1,200,885	1,195,088
Deferred tax assets	(32)	-	82,469
Total assets		302,223,605	283,457,880
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks	(28)	5,979,799	4,122,409
Customers' deposits	(29)	219,280,606	211,142,814
Financial derivatives	(19)	286,449	136,740
Subordinated loans	(40)	2,072,000	2,072,000
Other liabilities	(30)	21,332,583	8,774,496
Other provisions	(31)	556,025	723,077
Current income tax liabilities		8,596,602	6,417,503
Defined benefits obligations liabilities	(33)	895,720	887,926
Deferred tax Liability	(32)	94,487	-
Total liabilities		259,094,271	234,276,965
<u>Shareholders' equity</u>			
Issued and paid-up capital	(34)	5,000,000	5,000,000
Reserves	(35)	7,897,844	6,495,782
Retained earnings	(35)	30,231,490	37,685,133
Total shareholders' equity		43,129,334	49,180,915
Total liabilities and shareholders' equity		302,223,605	283,457,880

The accompanying notes from (1) to (43) form an integral part of these separate interim financial statements and are to be read therewith. These separate financial statements were approved by the board of directors on 26 May 2025 and Signed on their behalf by

* Restated balances are shown in disclosure (43)

Rodney Todd Wilcox
(Deputy Chairman and CEO)

Limited review report "attached"

HSBC BANK EGYPT S.A.E

Separate interim statement of income for the period ended 31 March 2025

(All amounts in EGP 000)	Note	For the period ended	
		31 March 2025	31 March 2024
Interest income from loans and similar income	(6)	10,665,872	9,104,628
Interest expense on deposits and similar expense	(6)	(1,791,285)	(1,216,454)
Net interest income		8,874,587	7,888,174
Fees and commissions income	(7)	890,931	717,898
Fees and commissions expense	(7)	(219,531)	(167,640)
Net fees and commissions income		671,400	550,258
Dividends	(8)	1,206	-
Net trading income	(9)	226,523	187,866
Financial investment income		57,542	124,118
Expected credit loss charges	(12)	(187,904)	(333,018)
Administrative expenses	(10)	(2,178,357)	(1,605,374)
Other operating income	(11)	598,003	702,515
Profit before income tax		8,063,001	7,514,539
Income tax expenses	(13)	(2,198,871)	(1,960,879)
Net profit for the period		5,864,130	5,553,660
Earnings per share (EGP/Share)	(14)	88.67	83.97

The accompanying notes from (1) to (43) form an integral part of these separate interim financial statements and are to be read therewith.

HSBC BANK EGYPT S.A.E

Separate interim statement of comprehensive income for the period ended 31 March 2025

(All amounts in EGP 000)	Note	For the period ended	
		31 March 2025	31 March 2024
Net profit for the period		5,864,130	5,553,660
Changes on fair value of financial investment through OCI		242,258	386,464
Deferred tax for financial investment at FVOCI		(183,083)	(6,040)
Expected credit loss on financial investment at fair value through OCI	(8)	64,505	205,120
Total impact related to other comprehensive income		123,680	585,543
Total other comprehensive income		5,987,810	6,139,203

The accompanying notes from (1) to (43) form an integral part of these separate interim financial statements and are to be read therewith.

HSBC BANK EGYPT S.A.E
Separate interim statement of cash Flows for the period ended in 31 March 2025
(All amounts in EGP 000)

	<u>For the period ended</u>	<u>For the period ended</u>
	<u>31 March 2025</u>	<u>31 March 2024</u>
<u>Cash Flows from Operating Activities</u>		
Net profit before income tax	8,063,001	7,514,539
Adjustments to reconcile net profit to net cash flows from operating activities		
Depreciation and amortization	164,840	106,481
Expected credit losses of other assets	(15,993)	(1,010)
Expected credit losses of customers	(58,851)	109,190
Revaluation differences for customers in foreign currency	91,076	-
Dividends received	(1,206)	-
Expected credit losses of cash	(4)	-
Expected credit losses of due from banks	198,247	19,718
Expected credit losses of financial Investments	64,505	205,120
Other provisions (Formed)	33,575	20,262
Other provision (Used)	-	(4,694)
Other Provisions no longer required	(199,722)	(324,421)
Revaluation differences for provisions in foreign currency other than loans provision	(905)	270,244
Loss from sale of investments	(57,542)	(124,118)
Revaluation differences for banks in foreign currency	1,110	-
Pension fromed during year	61,677	54,146
FVOCI investments exchange revaluation differences	788,738	(816,384)
Operating income before changes in Assets & liabilities from operating activities	<u>9,132,546</u>	<u>7,029,073</u>
Net changes in assets and liabilities		
Cash and balances with Central Bank of Egypt	1,745,522	(3,184,155)
Loans and advances to customers	(65,040)	(14,066,145)
Loans and advances to banks	-	(80,500)
Trading financial assets	(429,542)	(43,519)
Other assets	(754,455)	(3,935,200)
Due to banks	1,857,390	(5,743,395)
Customers' deposits	8,137,792	31,777,742
Other liabilities	1,871,870	4,725,450
Financial derivatives (net)	(46,242)	(146,872)
Defined benefits obligations	(53,883)	(16,542)
Income tax paid	(25,900)	(3,874,088)
Net cash flows generated from operating activities	<u>21,370,058</u>	<u>12,441,849</u>
<u>Cash flows from investing activities</u>		
Payments to purchase fixed assets	(57,135)	(169,994)
Payments to purchase intangible assets	(266,930)	-
Payments for purchase of financial investments at FVOCI	(6,443,188)	(150,337)
Proceeds from sales of financial investments at FVOCI	362,574	1,153,442
Payments to purchase Treasury bills	(66,225,607)	(72,925,105)
Proceeds from sale of Treasury bills	46,290,216	60,215,814
Proceeds from dividendes received	1,206	-
Net cash flows used in investing activities	<u>(26,338,864)</u>	<u>(11,876,180)</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(1,353,173)	(4,273,887)
Net cash flows used in financing activities	<u>(1,353,173)</u>	<u>(4,273,887)</u>
Net change in cash and cash equivalents during the period	(6,321,979)	(3,708,218)
Cash and cash equivalents at the beginning of period	<u>103,223,593</u>	<u>123,726,909</u>
Cash and cash equivalents at the end of the period	<u>96,901,614</u>	<u>120,018,691</u>
Cash and cash equivalents are represented in:		
Cash and balances with Central Bank of Egypt	10,207,182	17,728,029
Due from Banks	105,194,687	111,524,180
Treasury bills	89,459,111	82,999,844
Balance with Central Bank of Egypt as statutory reserve	(20,579,389)	(27,575,055)
Treasury bills of maturity more than 3 months from date of acquisition	(87,379,977)	(64,658,307)
Cash and cash equivalents	<u>96,901,614</u>	<u>120,018,691</u>

The accompanying notes from (1) to (43) form an integral part of these separate interim financial statements and are to be read therewith.

HSBC BANK EGYPT S.A.E
Separate interim statement of changes in equity for the period ended 31 March 2025

(All amounts in EGP 000)

		Issued and paid up capital	General reserve	Legal reserve	Capital reserve	Reserve for excess over par value - issuance premium	Fair value reserve	General risk reserves	General bank risk reserves	Retained earnings	Total
Balances as of 31 December 2023		5,000,000	2,787,736	1,672,054	51,752	6,728	(220,975)	491,666	89,661	22,458,127	32,336,749
Dividends paid for year 2023		-	-	-	-	-	-	-	-	(4,273,887)	(4,273,887)
Transferred to legal reserve		-	-	612,801	-	-	-	-	-	(612,801)	-
Transferred to general reserve		-	612,801	-	-	-	-	-	-	(612,801)	-
Items included in Other comprehensive income											
Net change in FV financial investments at fair value through other comprehensive income		-	-	-	-	-	386,464	-	-	-	386,464
Deferred tax for financial investment through OCI		-	-	-	-	-	(6,040)	-	-	-	(6,040)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	205,120	-	-	-	205,120
Net change in other comprehensive income		-	-	-	-	-	585,544	-	-	-	585,544
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	(122,560)	(122,560)
Net profit for the period ended 31 March 2024		-	-	-	-	-	-	-	-	5,553,660	5,553,660
Balances as of 31 March 2024		5,000,000	3,400,537	2,284,855	51,752	6,728	364,569	491,666	89,661	22,389,738	34,079,506
Balances as of 31 December 2024		5,000,000	3,400,537	2,284,855	71,519	6,728	150,816	491,666	89,661	37,685,133	49,180,915
Dividends paid for year 2024	(35)	-	-	-	-	-	-	-	-	(11,830,019)	(11,830,019)
Transferred to legal reserve	(35)	-	-	215,145	-	-	-	-	-	(215,145)	-
Transferred to general reserve	(35)	-	1,046,866	-	-	-	-	-	-	(1,046,866)	-
Transferred to Capital reserve	(35)	-	-	-	16,371	-	-	-	-	(16,371)	-
Transferred to general bank risk reserve	(35)	-	-	-	-	-	-	-	-	-	-
Items included in Other comprehensive income											
Net change in FV financial investments at fair value through other comprehensive income		-	-	-	-	-	242,258	-	-	-	242,258
Deferred tax for financial investment through OCI		-	-	-	-	-	(183,083)	-	-	-	(183,083)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	64,505	-	-	-	64,505
Net change in other comprehensive income		-	-	-	-	-	123,680	-	-	-	123,680
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	(209,372)	(209,372)
Net profit for the period ended 31 March 2025		-	-	-	-	-	-	-	-	5,864,130	5,864,130
Actuarial Loss		-	-	-	-	-	-	-	-	-	-
Balances as of 31 March 2025		5,000,000	4,447,403	2,500,000	87,890	6,728	274,496	491,666	89,661	30,231,490	43,129,334

The accompanying notes from (1) to (43) form an integral part of these separate financial statements and are to be read therewith.

1. General information

HSBC Bank Egypt SAE provides retail, corporate and investment banking services in the Arab Republic of Egypt through 46 branches and 7 small units served by 1,595 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 year ended 31 March 2025 have been approved for issuance by the Board of Directors on 26 May 2025 and the shareholders have the right to amend the statements after their issuance.

2. Summary of accounting policies

The principal accounting policies applied in the preparation of these 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 financial statements are prepared in accordance with the rules of preparation and presentation of the banks' financial statements, basis of recognition and measurement issued by Central Bank of Egypt on December 16, 2008 as amended by the regulations issued on February 26, 2019 and in light of the prevailing Egyptian laws and regulations.

B. Subsidiaries

- Subsidiaries are all companies (including special purpose entities) over which the Bank has owned directly or indirectly the power to govern the financial and operational policies and generally, the bank own more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Bank has the ability to control the entity.
- The purchase method is used to account for the acquisition of subsidiaries by the Bank. The cost of an acquisition is measured as the fair value of the assets, or/and asset given or/and equity instruments issued and loans assumed at the date of exchange, plus costs directly attributable to the acquisition. Net assets, including contingent liabilities assumed in a business combination, are measured initially at their fair values at the acquisition date, irrespective of the minority interest. The excess of acquisition cost over the Bank's share fair value in the net assets acquired is recorded as goodwill. If the acquisition cost is less than the fair value of the net assets, the difference is recognized directly in the income statement under the item 'Other operating income / (expenses).
- Investments in subsidiaries in the separate financial statements are accounted for using the cost method. According to this method, investments recorded at cost of acquisition including goodwill and less any impairment losses. Dividends are recorded in the income statement when the right of distribution is authorized.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

C. Segment reports

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns which are different from those of other business segments. A geographical segment is a segment which provides products or services within a particular economic environment that are subject to risks and returns different from those of segments operating in other economic environments.

D. Functional and presentation currency

The Bank presents its financial statements in Egyptian pound and it is the functional and presentation currency.

E. Foreign currency transactions and balances

The Bank keeps its accounting records in Egyptian pound. Foreign currency transactions are translated into Egyptian pound using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities in foreign currencies are retranslated at the end of each period at the exchange rates then prevailing. Foreign exchange gains and losses resulting from settlement of such transactions and valuation differences are recognized in the income statement under the following items:

- Net trading income for the assets/liabilities held for trading
- Equity derivatives as a qualifying cash flow hedge or as a qualified net investment hedge.
- Other operating income (expenses) for the other items

Changes in the fair value of monetary financial instruments in foreign currencies classified as investments through OCI (debt instruments) represents valuation differences resulting from changes in cost of the instrument and differences resulted from changes in applicable exchange rates and differences resulting from changes in the instrument fair value. Differences relating to changes in amortized cost are recognized in income statement under 'Interest and similar income', while differences relating to changes in exchange rates are recognized under item 'Other operating income (expenses)'. Differences resulting from changes in fair value are recognized under 'Fair value reserve – through OCI investments' in the equity caption.

Translation differences on non-monetary items carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities held at fair value through profit or loss are recognized in income statement as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as financial assets at FVOCI are recognized in equity reserves "Net change in investments at FVOCI".

F. Financial assets

The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- (i) the Bank's business model for managing the related assets portfolio, and
- (ii) the cash flow characteristics of the asset.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

G. Valuation of financial instruments

All financial instruments are recognized initially at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of a financial instrument on initial recognition is generally its transaction price (that is, the fair value of the consideration given or received). However, if there is a difference between the transaction price and the fair value of financial instruments whose fair value is based on a quoted price in an active market or a valuation technique that uses only data from observable markets, the bank recognizes the difference as a trading gain or loss at inception (a 'day 1 gain or loss'). In all other cases, the entire day 1 gain or loss is deferred and recognized in the income statement over the life of the transaction either until the transaction matures or is closed out, the valuation inputs become observable or the bank enters into an offsetting transaction.

Financial instruments measured at amortized cost

Financial assets that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest, such as loans and advances to banks and customers and some debt securities, are measured at amortized cost. In addition, most financial liabilities are measured at amortized cost. The bank accounts for regular way amortized cost financial instruments using trade date accounting previously. The carrying value of these financial assets at initial recognition includes any directly attributable transactions costs. If the initial fair value is lower than the cash amount advanced, such as in the case of some leveraged finance and syndicated lending activities, the difference is deferred and recognized over the life of the loan through the recognition of interest income.

Financial assets measured at fair value through other comprehensive income ('FVOCI')

Financial assets held for a business model that is achieved by both collecting contractual cash flows and selling and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at FVOCI.

These comprise primarily debt securities. They are recognized on the trade date when the bank enters into contractual arrangements to purchase and are normally derecognized when they are either sold or redeemed. They are subsequently re-measured at fair value and changes therein (except for those relating to impairment, interest income and foreign currency exchange gains and losses) are recognized in other comprehensive income until the assets are sold. Upon disposal, the cumulative gains or losses in other comprehensive income are recognized in the income statement as 'Gains less losses from financial instruments'. Financial assets measured at FVOCI are included in the impairment calculations and impairment is recognized in profit or loss.

Financial instruments designated at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below and are so designated irrevocably at inception:

- The use of the designation removes or significantly reduces an accounting mismatch;
- When a group of financial assets and liabilities or a group of financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- Where the financial liability contains one or more non-closely related embedded derivatives.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Designated financial assets are recognized when the bank enters into contracts with counterparties, which is generally on trade date, and are normally derecognized when the rights to the cash flows expire or are transferred. Designated financial liabilities are recognized when the bank enters into contracts with counterparties, which is generally on settlement date, and are normally derecognized when extinguished. Subsequent changes in fair values are recognized in the income statement.

- A. During the first quarter of 2025, the accounting policy regarding the recognition/derecognition of financial assets was changed from the date of the transaction. Therefore, the effect of this change was applied to the opening balances for 2025 (the settlement date) through the trade date. Consequently, the comparative figures for the current period have been restated, for more information refer to disclosure "43".

H. Netting between financial instruments

Financial assets and liabilities are offset when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

I. Financial Liabilities**Measurement categories**

Financial liabilities are classified at Amortized cost, except for:

- (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognized by an acquirer in a business combination and other financial liabilities designated as such at initial recognition, and

Derecognition

Financial liabilities are derecognized when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

J. 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.

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

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Following are the investments in fair value and their valuation methods

	31 March 2025	
	Level 2	Total
	EGP '000	EGP '000
Recurring fair value measurements		
Financial Investments at fair value through OCI	113,976,882	113,976,882
Financial assets at fair value through profit or loss	665,993	665,993
Financial Derivatives Assets	859,755	859,755
Financial Derivatives Liability	(798,902)	(798,902)
	31 December 2024	
	Level 2	Total
	EGP '000	EGP '000
Recurring fair value measurements		
Financial Investments at fair value through OCI	91,450,500	91,450,500
Financial assets at fair value through profit or loss	236,451	236,451
Financial Derivatives Assets	151,351	151,351
Financial Derivatives Liability	(136,740)	(136,740)

K. Derivative financial instruments

Derivatives are recognized at fair value at the date of the derivative contract and are subsequently revaluated at fair value. Fair values are obtained from quoted market prices in active markets, or according to the recent market deals, or the revaluation methods as the discounted cash flow modules and the pricing lists modules, as appropriate. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

K.1. Derivatives that do not qualify for hedge accounting.

Derivative instruments that do not qualify for hedge accounting and changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognized immediately in the income statement under 'Net trading income'.

L. Interest income and expense

Interest income and expense related to bearing interest financial instruments, except for held-for-trading investments or recorded at fair value through profit or loss, are recognized using effective interest rate method under 'Interest and similar income' or 'Interest and similar charges'.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or interest expense over the life of the financial instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period when it is appropriate to reach the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties of the contract that are considered part of the effective interest rate. Transaction costs include all other premiums or discounts.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

When loans or debts are classified as non-performing or impaired, related interest income is not recognized but is rather carried off-balance sheet in statistical records and is recognized under revenues according to cash basis as per the following:

- I.1. When collected and after recovery of all arrears for retail loans, mortgage loans for personal housing and small loans for businesses.
- I.2. For loans granted to corporates interest income is recognized on a cash basis after the Bank collects 25% of the scheduling installments and after the installments continued to be regular for at least one year. Interest income will not be recognized as revenue until full payment of the loan balance before the rescheduling and client is considered to be performing.

M. Fees and commission income

Fees and commissions related to loan and advances are recognized as income when the service is rendered. Fees and commissions income related to non-performing or impaired loans or debts are suspended and are carried off-balance sheet and are recognized under income according to the cash basis when interest income is recognized in accordance with note (H/2) above. Fees and commissions that represent part of the financial asset effective rate are recognized as adjustment to the effective interest rate.

Commitment fees on a loan are deferred when there is probability that this loan will be used by the customer, as commitment fees represent compensation for the continuing interfere to own the financial asset. Subsequently it is recognized as adjustment to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognized as income at the end of the commitment period.

Fees and commissions related to debt instruments measured by fair value are recognized as income at initial recognition. Fees and commissions related to marketing of a syndicated loan are recognized as income when the marketing is completed and the loan is fully used or the Bank kept its share of the syndicated loan using the effective interest rate as used by the other participants.

Commissions and fees arising from negotiation or participating in a negotiation to the favor of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognized as income when the transaction is completed. Commissions and fees related to management advisory and other services are recognized as income based on the contract terms, usually on a time-appropriation basis. Long period financial planning and custody services and management fees are recognized over the period in which the service is provided.

N. Dividends income

Dividends are recognized in the income statement when the Bank's right to receive those dividends is established.

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O. Sale and Re-purchase agreements, purchase and Re-sale agreements

Financial instruments sold according to Sale and Re-purchase agreements are presented in the assets in Treasury bills & other governmental instruments in the financial position. The liability (repurchase agreements) is presented deducted from the balances of treasury bills and other government securities in the balance sheet, in addition to balances due to banks (due to the Central Bank of Egypt). Difference between face value & purchase amount is recorded as interest realized over the contractual period using effective interest method.

P. Impairment of financial assets**Expected credit loss.****Credit-impaired (stage 3)**

The Bank determines that a financial instrument is credit-impaired and in stage 3 by considering relevant objective evidence, primarily.

Whether:

- Contractual payments of either principal or interest are past due for more than 90 days;
- There are other indications that the borrower is unlikely to pay such as that a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- The loan is otherwise considered to be in default.

If such unlikeliness, even where regulatory rules permit default to be defined based on 90 days past due. Therefore, the definitions of credit-impaired and default are aligned as far as possible so that stage 3 represents all loans which are considered defaulted or otherwise credit-impaired.

Interest income is recognized by applying the effective interest rate to the amortized cost amount, i.e. gross carrying amount less ECL allowance.

Write-off

Financial assets (and the related impairment allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security. In circumstances where the net realizable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier.

Renegotiation

Loans are identified as renegotiated and classified as credit-impaired when we modify the contractual payment terms due to significant credit distress of the borrower. Renegotiated loans remain classified as credit-impaired until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows and retain the designation of renegotiated until maturity or derecognized.

A loan that is renegotiated is derecognized if the existing agreement is cancelled and a new agreement is made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated loan is a substantially different financial instrument. Any new loans that arise following derecognized events in these circumstances are considered to be purchased or originated credit-impaired (POCI) and will continue to be disclosed as renegotiated loans.

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Other than originated credit-impaired loans, all other modified loans could be transferred out of stage 3 if they no longer exhibit any evidence of being credit-impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, over the minimum observation period, and there is no other indicators of impairment. These loans could be transferred to stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed.

Loan modifications that are not credit-impaired

Loan modifications that are not identified as renegotiated are considered to be commercial restructuring. Where a commercial restructuring results in a modification (whether legalized through an amendment to the existing terms or the issuance of a new loan contract) such that group's rights to the cash flows under the original contract have expired, the old loan is derecognized and the new loan is recognized at fair value. The rights to cash flows are generally considered to have expired if the commercial restructure is at market rates and no payment-related concession has been provided.

Significant increase in credit risk (stage 2)

An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared to that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions. The assessment is unbiased, probability-weighted, and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is multifactor. The determination of whether a specific factor is relevant and its weight compared with other factors depends on the type of product, the characteristics of the financial instrument and the borrower, and the geographical region. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk and these criteria will differ for different types of lending, particularly between retail and wholesale.

However, unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due. In addition, wholesale loans that are individually assessed, typically corporate and commercial customers, and included on a watch or worry list are included in stage 2.

For wholesale portfolios, the quantitative comparison assesses default risk using a lifetime probability of default which encompasses a wide range of information including the obligor's customer risk rating, macroeconomic condition forecasts and credit transition probabilities. Significant increase in credit risk is measured by comparing the average PD for the remaining term estimated at origination with the equivalent estimation at reporting date (or that the origination PD has doubled in the case of origination CRR greater than 3.3).

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The significance of changes in PD was informed by expert credit risk judgment, referenced to historical credit migrations and to relative changes in external market rates. The quantitative measure of significance varies depending on the credit quality at origination as follows:

Origination CRR to	Significance trigger- PD to increase by
0.1–1.2	15bps
2.1–3.3	30 bps
Greater than 3.3 and not impaired	2x

For loans initiated prior to the adoption of IFRS 9, the quantitative comparison with the current limits based on the deterioration of the additional credit risk classification as shown in the table below:

For loans originated prior to the implementation of IFRS 9, the origination PD does not include adjustments to reflect expectations of future macroeconomic conditions since these are not available without the use of hindsight. In the absence of this data, origination PD must be approximated assuming through-the-cycle ('TTC') PDs. For these loans, the quantitative comparison is supplemented with additional CRR deterioration based thresholds as set out in the table below:

Origination CRR as significant CRR grade notches deterioration Deterioration (stage 2) (> or equal to)	Additional significance criteria – Number required to identify as significant credit
0.1	5 notches
1.1–4.2	4 notches
4.3–5.1	3 notches
5.2–7.1	2 notches
7.2–8.2	1 notch
8.3	0 notch

For certain portfolios of debt securities where external market ratings are available and credit ratings are not used in credit risk management, the debt securities will be in stage 2 if their credit risk increases to the extent they are no longer considered investment grade. Investment grade is where the financial instrument has a low risk of incurring losses, the structure has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil their contractual cash flow obligations.

For retail portfolios, default risk is assessed using a reporting date 12-month PD derived from credit scores which incorporate all available information about the customer. This PD is adjusted for the effect of macroeconomic forecasts for periods longer than 12 months and is considered to be a reasonable approximation of a lifetime PD measure. Retail exposures are first segmented into homogeneous portfolios, generally by country, product and brand. Within each portfolio, the stage 2 accounts are defined as accounts with an adjusted 12-month PD greater than the average 12-month PD of loans in that portfolio 12 months before they become 30 days past due. The expert credit risk judgments is that no prior increase in credit risk is significant. This portfolio-specific threshold identifies loans with a PD higher than would be expected from loans that are performing as originally expected and higher than that which would have been acceptable at origination. It therefore approximates a comparison of origination to reporting date PDs.

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Unimpaired and without significant increase in credit risk – (stage 1)

ECL resulting from default events that are possible within the next 12 months ('12-month ECL') are recognized for financial instruments that remain in stage 1.

Purchased or originated credit-impaired (POCI)

Financial assets that are purchased or originated at a deep discount that reflects the incurred credit losses are considered to be POCI.

This population includes the recognition of a new financial instrument following a renegotiation where concessions have been granted for economic or contractual reasons relating to the borrower's financial difficulty that otherwise would not have been considered. The amount of change-in-lifetime ECL is recognized in profit or loss until the POCI is derecognized, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial assets can be transferred between the different categories (other than POCI) depending on their relative increase in credit risk since initial recognition. Financial instruments are transferred out of stage 2 if their credit risk is no longer considered to be significantly increased since initial recognition based on the assessments described above. Except for renegotiated loans, financial instruments are transferred out of stage 3 when they no longer exhibit any evidence of credit impairment as described above. Renegotiated loans that are not POCI will continue to be in stage 3 until there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows, observed over a minimum one-year period and there are no other indicators of impairment. For loans that are assessed for impairment on a portfolio basis, the evidence typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all available evidence is assessed on a case-by-case basis.

Measurement of ECL

The assessment of credit risk, and the estimation of ECL, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money.

In general, the bank calculates ECL using three main components, a probability of default, and a loss given default and the exposure at default ('EAD').

The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated using the lifetime PD instead.

The 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument respectively.

The EAD represents the expected balance at default, taking into account the repayment of principal and interest from the balance sheet date to the default event together with any expected drawdowns of committed facilities. The LGD represents expected losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral value at the time it is expected to be realized and the time value of money.

The bank leverages the Basel II IRB framework where possible, with recalibration to meet the differing IFRS 9 requirements as follows.

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O. Impairment of financial assets (Continued)

The ECL for wholesale stage 3 is determined on an individual basis using a discounted cash flow ('DCF') methodology. The expected future cash flows are based on the credit risk officer's estimates as of the reporting date, reflecting reasonable and supportable assumptions and projections of future recoveries and expected future receipts of interest. Collateral is taken into account if it is likely that the recovery of the outstanding amount will include realization of collateral based on its estimated fair value of collateral at the time of expected realization, less costs for obtaining and selling the collateral. The cash flows are discounted at a reasonable approximation of the original effective interest rate. For significant cases, cash flows under four different scenarios are probability-weighted by reference to the three economic scenarios applied more generally by the Bank and the judgment of the credit risk officer in relation to the likelihood of the workout strategy succeeding or receivership being required. For less significant cases, the effect of different economic scenarios and work-out strategies is approximated and applied as an adjustment to the most likely outcome.

Critical accounting estimates and judgements

The calculation of the bank's ECL under IFRS 9 requires the bank to make a number of judgements, assumptions and estimates. The most significant are set out below:

Judgements Estimates

- Defining what is considered to be a significant increase in credit risk
- Determining the lifetime and point of initial recognition of overdrafts and credit cards
- Selecting and calibrating the PD, LGD and EAD models, which support the calculations, including making reasonable and supportable judgements about how models react to current and future economic conditions
- Selecting model inputs and economic forecasts, including determining whether sufficient and appropriately weighted economic forecasts are incorporated to calculate unbiased expected loss

Period over which ECL is measured

Expected credit loss is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the bank is exposed to credit risk. For wholesale overdrafts, credit risk management actions are taken no less frequently than on an annual basis and therefore this period is to the expected date of the next substantive credit review. The date of the substantive credit review also represents the initial recognition of the new facility. However, where the financial instrument includes both a drawn and undrawn commitment and the contractual ability to demand repayment and cancel the undrawn commitment does not serve to limit group's exposure to credit

risk to the contractual notice period, the contractual period does not determine the maximum period considered. Instead, ECL is measured over the period the group remains exposed to credit risk that is not mitigated by credit risk management actions. This applies to retail overdrafts and credit cards, where the period is the average time taken for stage 2 exposures to default or close as performing accounts, determined on a portfolio basis and ranging from between two and six years. In addition, for these facilities it is not possible to identify the ECL on the loan commitment component separately from the financial asset component. As a result, the total ECL is recognized in the loss

Allowance for the financial asset unless the total ECL exceeds the gross carrying amount of the financial asset, in which case the ECL is recognized as a provision.

Credit-impaired (Stage 3)

A financial instrument is credit-impaired when there is observable data that the following events have taken place, which on their own or in combination would have a detrimental impact on its cash flows.

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- Significant financial difficulty of the issuer or the borrower, eg known cash flow difficulties experienced by the borrower, or deterioration in the financial condition or outlook of the borrower such that its ability to repay is considered doubtful;
- A breach of contract, such as a default or past due event, eg contractual payments of either principal or interest being past due for more than 90 days;
 - a) It is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
 - b) Where relevant, the disappearance of an active market for that financial asset because of financial difficulties (experienced by the issuer); and
 - c) A concession granted to the borrower for economic or legal reasons relating to the borrower's financial difficulty that HSBC would not otherwise consider, eg forgiveness or postponement of principal, interest or fees, where the concession is not insignificant

It should be noted that a downgrade of an entity's external credit rating is not, of itself, evidence of impairment, although it may be evidence of impairment when considered with other available information.

A financial instrument that is not Purchased or originated credit impaired "POCI" and meets any these criteria will be allocated to Stage 3. If the financial instrument no longer meets these criteria, it will be transferred to other stages as appropriate.

Definition of default

IFRS 9 requires an assessment of the extent of increase in credit risk of a financial instrument since initial recognition. This assessment is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument as a result, the definition of default is important.

IFRS 9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and consider qualitative factors where appropriate. In addition, IFRS 9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is more appropriate.

In addition, default is defined under Basel for regulatory reporting purposes. The Basel regulation provides a clear definition by referring to the number of days past due and criteria for unlikeliness to pay. The criteria for unlikeliness to pay are similar to the definition of credit-impaired under IFRS 9 and in general, default for regulatory reporting purposes does not occur later than when a financial asset is 90 days past due as well.

In view of the above, HSBC has decided to align the IFRS 9 definition of default and Basel definition of 'default' whenever possible. HSBC has decided not to rebut the presumption introduced by IFRS 9, i.e. default does not occur later than when a financial asset is 90 days past due. The use of the same default definition ensures that a single and consistent view of credit risk is applied for internal risk management, regulatory capital, and impairment calculations. In addition, since the criteria for credit-impaired under IFRS 9 can be interpreted consistently with the accounting default definition, all

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accounting defaults are considered to be credit-impaired and all credit-impaired assets are considered to be defaulted for accounting purposes.

Upgrading from Stage 2 to Stage 1:

The financial asset shall not be moved from Stage 2 to Stage 1 before meeting all the quantitative and qualitative elements of Stage 1 and full repayment of past-dues (principal & interest), and after the lapse of 3 months of regular repayment and fulfillment of Stage 1 requirements.

Upgrading from Stage 3 to Stage 2:

The financial asset shall not be moved from Stage 3 to Stage 2 before meeting all the following conditions:

- 1- Meeting all the quantitative and qualitative elements of Stage 2.
- 2- Paying 25% of the outstanding balances of the financial asset after paying the reserved/suspended interest, as the case may be.
- 3- Punctual payment for 12 months at least.

Forward-looking economic inputs

The bank will in general apply four forward-looking global future economic scenarios determined with reference to external forecast distributions representative of our view of forecast economic conditions, the Consensus Economic Scenario approach. This approach is considered sufficient to calculate unbiased expected loss in most economic environments. They represent a 'most likely outcome' (the Central scenario) and three, less likely, 'Outer' scenarios, referred to as the Upside and Downside and the extra downside scenarios (2). The Central scenario is used by the annual operating planning process and, with regulatory modifications, will also be used in enterprise-wide stress tests. The Upside and Downside are constructed following a standard process supported by a scenario narrative reflecting the Bank's current top and emerging risks and by consulting external and internal subject matter experts. The relationship between the Outer scenarios and Central scenario will generally be fixed with the Central scenario being assigned a weighting of 50% and the Downside and the extra downside 5% ,25% each , and 20% for the upside, with the difference between the Central and Outer scenarios in terms of economic severity being informed by the spread of external forecast distributions among professional industry forecasts. The Outer scenarios are economically plausible, consistent states of the world and will not necessarily be as severe as scenarios used in stress testing. The period of forecast is five years, after which the forecasts will revert to a view based on average past experience. The spread between the central and outer scenarios is grounded on consensus distributions of projected gross domestic product of Egypt.

In general, the consequences of the assessment of credit risk and the resulting ECL outputs will be probability-weighted using the standard probability weights. This probability weighting may be applied directly or the effect of the probability weighting determined on a periodic basis, at least annually, and then applied as an adjustment to the outcomes resulting from the central economic forecast. The central economic forecast is updated quarterly.

The bank recognizes that the Consensus Economic Scenario approach using four scenarios will be insufficient in certain economic environments. Additional analysis may be requested at management's discretion, including the production of extra scenarios. If conditions warrant, this could result in a management overlay for economic uncertainty which is included in the ECL

Critical accounting estimates and judgments

In determining ECL, management is required to exercise judgment in defining what is considered to be a significant increase in credit risk and in making assumptions and estimates to incorporate relevant

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information about past events, current conditions and forecasts of economic conditions. Judgment has been applied in determining the lifetime and point of initial recognition of revolving facilities.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience, but given that IFRS 9 requirements have only just been applied, there has been little time available to make these comparisons. Therefore, the underlying models and their calibration, including how they react to forward-looking economic conditions, remain subject to review and refinement. This is particularly relevant for lifetime PDs, which have not been previously used in regulatory modelling and for the incorporation of 'Upside scenarios' which have not generally been subject to experience gained through stress testing.

The exercise of judgment in making estimations requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions across a large number of geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive.

Q. Investment property

Investment property represents land and buildings owned by the Bank and used to earn rental income or capital appreciation. Investment property does not include properties used by the Bank during its normal course of operation or foreclosed assets. The accounting policy for investment property is the same as for fixed assets.

The depreciation of investment property is calculated by using fixed installment method to distribute the cost over the assets' residual values and useful lives as follows:

Buildings	20 Years
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R. Intangible assets**Software (computer programmes)**

The expenses related to upgrading or maintenance of computer programs are to be recognized as expenses in the income statement when incurred. The expenses connected directly with specific software, which are subject to the Bank's control and expected to produce economic benefits exceeding their cost for more than one year, are to be recognized as an intangible asset. The direct expenses include staff cost of software upgrading teamwork, in addition to a suitable portion of respective overhead expenses.

The expenses which lead to the increase or expansion of computer software beyond their original specifications are recognized as an upgrading cost and are added to the original software cost.

The computer software cost recognized as an asset shall be amortized over the expected useful life (not more than five years).

S. Fixed assets

They represent land and buildings related to head office, branches and offices, and all fixed assets are reported at historical cost minus depreciation and impairment losses. The historical cost includes the charges directly related to acquisition of fixed assets items.

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Subsequent costs are included in the asset's carrying amount or are recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. Maintenance and repair expenses are charged to other operating expenses during the financial period in which they are incurred.

Land is not depreciated. Depreciation of other assets is calculated using the straight line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Leasehold improvement	3 to 10 years or over lease tenor if less
Furniture and safes	10 years
Typewriters calculators and air conditions	10 years
Motor vehicles	5 years
Computers and core systems	5 years
ATMs	7 years
Fixtures and fitting	3 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The recoverable amount is the higher of the asset's fair value less costs to sell or value in use.

Gains and losses on disposals are determined by comparing net proceeds with asset carrying amount. These gain and losses are included in other operating income (expenses) in the income statement.

T. Impairment of non-financial assets

Assets having no fixed useful life shall not be amortized (Except goodwill), and their impairment shall be tested at least annually. The impairment of amortized assets is studied to determine if there are events or changes in the circumstances indicating that the book value may not be recoverable.

The impairment loss is recognized by the excess amount of book value over the recoverable value. The recoverable value represents net realizable value of the asset or the usage amount, whichever is higher. For the purpose of estimating the impairment, the asset is grouped with the smallest cash generating unit. At each balance sheet date, non-financial assets with impairment have to be reviewed to determine if there is impairment reversal made to the income statement.

U. Leases

The accounting treatment for the finance lease is in accordance with law 95 of year 1995. If the contract entitles the lessee to purchase the asset at a specified date and amount, and the contract term is more than 75% of the asset's expected useful life, or the current value of the total lease payments represents at least 90% of the value of the asset, then this lease is considered finance lease. Other than that, the lease has to be considered operating lease.

T/1. Leasing

For finance leases, the cost of the lease, including the cost of maintenance of the leased assets, is recognized as an expense in the income statement for the period in which it occurred.

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If the Bank decides to purchase the right to purchase the leased assets, the cost of the purchase right is capitalized as an asset within the fixed assets and is depreciated over the remaining useful life of the asset in the same way as for similar assets.

Payments under operating lease less any discounts obtained from the lessor are recognized as expenses in the income statement on a straight-line basis over the period of the contract.

T/2. Leasing out

Operating lease assets are accounted for at the Investment Properties caption in the balance sheet and depreciated over the asset expected useful life using the same method applicable to similar assets. The lease rent income less any discount granted to the lessee will be recognized in the income statement using the straight line method over the contract term.

V. Cash and cash equivalents

For the purposes of the cash flows statement, cash and cash equivalents include balances due within three months from the date of acquisition, cash and balances due from the CBE other than the mandatory reserve, and current accounts with banks and Treasury bills.

W. Other provisions

Provisions for restructuring costs and legal claims are recognized when the Bank has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow is required to settle an obligation is determined, taking into consideration the group of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any obligation in the group is minimal.

Provisions no longer required are reversed in other operating income (expense). Provisions are measured at the present value of the best estimate of the consideration required to settle the obligations after one year from the financial statement date using the appropriate rate in accordance with the terms of settlement ignoring the tax effect which reflects the time value of money. If the settlement term is less than one year, the provision is booked using the present value unless time consideration has a significant effect.

The assessment of credit risk, and the estimation of ECL of non-funded liabilities, are unbiased and probability-weighted, and incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money, overall the bank calculates the ECL at the same way shown in previous points.

X. Financial guarantees contracts

Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognized at their fair value, which is normally evidenced by the amount of fees received. This amount is amortized on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure

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determined based on the expected loss model and (ii) the remaining unamortized balance of the amount at initial recognition. In addition, an ECL loss allowance is recognized for fees receivable that are recognized in the statement of financial position as an asset.

Y. Employees benefits**End of service benefits**

The Bank contributes to the social insurance scheme related to the social insurance authority for the benefit of its employees according to the social insurance law number 79 of 1975 and its amendments. The income statement is charged with these contributions on an accrual basis.

Based on the Bank's internal scheme, employees are granted end of service bonus according to the service period. Provision is provided based on the present value in light of the actuarial assumptions determined at balance sheet date and is recognized in the consolidated profit or loss under the caption of general and administrative expenses. This provision is presented in the balance sheet under defined benefits obligations .

Share-based payments

HSBC Holding plc (UK) grants shares to eligible employees under a share-based payment scheme, 'equity settled'. HSBC Egypt bears the cost of these shares which are charged in the income statement in light of the bank's shares in the expenses sent from the head office which are paid by the bank.

Z. Income tax

The income tax on the Bank's income or loss at the end of period includes both the current and deferred taxes. Income tax is recognized in the income statement, except income taxes related to shareholders' equity items that are recognized directly in the shareholders' equity.

The income tax is calculated on the net taxable income using the effective tax rate at the balance sheet date in addition to prior year tax adjustments.

Deferred tax is recognized due to the temporary differences resulting from reporting the value of assets and liabilities in one period for tax purpose and in another period for financial accounting purpose. Deferred tax is determined based on the method used to realize or settle the current values of these assets and liabilities using the tax rates prevailing at the balance sheet date.

The deferred tax assets shall be recognized if it is probable that sufficient taxable profits shall be realized in the future whereby the asset can be utilized, and the value of deferred tax assets shall be reduced by the value of portion not yielding the expected tax benefit. However, in case tax benefit is highly expected, the deferred tax assets shall increase to the extent of previous reduction.

AA. Capital**Z) 1. Capital cost**

Issuance cost directly related to issuing new shares or issuing shares related to acquisition or share options is charged to shareholders' equity of total proceeds net of tax.

Z) 2. Dividends

Dividends are recognized as a liability when declared by the General Assembly of shareholders. Those dividends include employees' share in the profits and the Board of Directors' remuneration as prescribed by the articles of association and law.

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AA. Custody activities

The Bank practices the custody activities that result in ownerships or management of assets on behalf of individuals, trusts, and retirement benefit plans. These assets and related income are excluded from the Bank's financial statements as they are assets not owned by the Bank.

AB. Earnings per share

Earnings per share are calculated by dividing profit related to the shareholders by the ordinary shares' weighted average issued during the period after, excluding the average repurchased shares during the year and kept as Treasury stocks.

The Bank has no dilutive potential ordinary shares; therefore, the diluted earnings per share equal the basic earnings per share.

3. Financial risk management

The bank, as a result of the activities it exercises, is exposed to various financial risks. Since the basis of financial activity is to accept risks, some risks or group of risks are analyzed, evaluated and managed altogether. The Bank intends to strike a balance between the risk and return and to reduce the probable adverse effects on the Bank's financial performance.

The most important types of risks are credit risk, market risk, liquidity risk and other operating risks. Market risk comprises foreign exchange volatility risk, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyses the risks, set limits to the risk and control them through reliable methods and updated systems.

The Bank regularly reviews the risk management policies and systems and amends them to reflect the changes in market, products and services, and the best updated applications.

Those risks are managed by the Risk department in the light of policies approved by Board of Directors. The Risk department determines, evaluates and covers the financial risks, in collaboration with the Bank's various operating units, and the Board of Directors provides written policies for management of risks as a whole, in addition to written policies covering specific risk areas like credit risk, foreign exchange rate risk,

interest rate risk and using the financial derivative and non-derivative instruments. Moreover, the Risk department is independently responsible for annual review of risk management and control environment.

A. 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.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

A.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, rights and obligations from others 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.

Note No. (A/8) shows the sector diversification of the loans and advances portfolio.

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.

Bank's internal ratings scale

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.

A.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.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

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.

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.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Documentary 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.

A.3. Impairment and provisioning policies

The internal rating systems described in Note (A.1) focus more on credit quality at the inception of lending and investment activities. Otherwise, impairment provisions recognized at the balance sheet date using expected credit loss, 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.

There is no direct correlation between the internal and external ratings at granular level, except to the extent each falls within a single quality classification.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Credit quality classification

Quality classification	Debt securities and other bills External credit rating	Wholesale lending internal credit rating g	Retail lending internal credit rating²
Strong	A– and above	CRR0.1 to CRR2	Band 1 and 2
Good	BBB+ to BBB–	CRR3	Band 3
Satisfactory	BB+ to B and unrated	CRR4 to CRR5	Band 4 and 5
Sub-standard	B– to C	CRR6 to CRR8	Band 6
Impaired	Default	CRR9 to CRR10	Band 7

1. Customer risk rating.

2. 12-month point-in-time ('PIT') probability weighted probability of default ('PD').

Distribution of loans and facilities to customers for which the impairment requirements of IFRS9 are applicable in terms of credit quality and allocation at the stage.

31 March 2025

	Loans and advances to customers	Allowance / provision for ECL %
Stage 1	58%	0%
Stage 2	37%	16%
Stage 3	5%	88%
	100%	10%

31 December 2024

	Loans and advances to customers	Allowance / provision for ECL %
Stage 1	57%	0%
Stage 2	39%	15%
Stage 3	7%	86%
	100%	10%



HSBC

**Translation of financial statements
originally issued in Arabic**

Notes to the separate financial statements - For the period ended 31 March 2025

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

Reconciliation of changes in allowances for loans and advances Customers including the loans, advances and financial guarantees.

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL
	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000
At 01 January 2025	33,038,345	(93,848)	22,509,475	(3,412,759)	2,917,931	(2,520,089)	58,465,751	(6,026,696)
Transfers from Stage 1 to Stage 2	(499,490)	(40,191)	441,209	34,942	-	-	(58,281)	(5,249)
Transfers from Stage 2 to Stage 1	1,499,209	563,313	(1,629,075)	(640,851)	-	-	(129,866)	(77,538)
Transfers from stage 2 to Stage 3	-	-	(19,453)	254,140	19,453	(240,291)	-	13,849
Transfers from Stage 3 to stage 2	-	-	311,641	28,741	(297,792)	(28,741)	13,849	-
ECL(Charges)/Reversal	-	(465,388)	-	354,311	-	232,899	-	121,822
Balance Volume movement	77,004	-	(201,594)	-	278,820	-	154,230	-
At 31 March 2025	34,115,068	(36,114)	21,412,203	(3,381,476)	2,918,412	(2,556,222)	58,445,683	(5,973,812)

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL
	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000	EGP '000
At 02 January 2024	14,826,101	(28,809)	23,475,375	(1,746,031)	2,690,097	(2,239,316)	40,991,573	(4,014,156)
Transfers from Stage 1 to Stage 2	(2,573,347)	(505,431)	2,486,076	490,767	-	-	(87,271)	(14,664)
Transfers from Stage 2 to Stage 1	7,056,535	6,469,890	(7,932,380)	(7,179,418)	-	-	(875,845)	(709,528)
Transfers from stage 2 to Stage 3	-	-	(299,237)	(230,804)	283,534	215,101	(15,703)	(15,703)
Transfers from Stage 3 to stage 2	-	-	19,467	8,434	(23,673)	(12,640)	(4,206)	(4,206)
ECL(Charges)/Reversal	-	(6,029,498)	-	5,244,293	-	(483,234)	-	(1,268,439)
Balance Volume movement	13,729,056	-	4,760,174	-	(32,027)	-	18,457,203	-
At 31 December 2024	33,038,345	(93,848)	22,509,475	(3,412,759)	2,917,931	(2,520,089)	58,465,751	(6,026,696)

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Items affected by IFRS 9

31 March 2025					
Item	Gross balance subject to ECL	Expected credit Loss			
		Stage one	Stage two	Stage three	Total ECL
Balances at central banks	7,850,482	-	1	-	1
Due from banks & Facilities to banks	105,415,392	28,084	220,705	-	248,789
Loans and Advances to Customers	58,445,682	36,114	3,381,476	2,556,222	5,973,812
Accrued revenues	3,105,930	170	485	-	655
Financial investment	126,441,711	110,245	-	-	110,245
commitment and contingent liabilities	79,534,767	13,585	80,773	286,350	380,708
Total	380,793,964	188,197	3,683,439	2,842,572	6,714,209

31 December 2024					
Item	Gross balance subject to ECL	Expected credit Loss			
		Stage one	Stage two	Stage three	Total ECL
Balances at central banks	9,178,302	5	-	-	5
Due from banks & Facilities to banks	108,520,296	50,542	-	-	50,542
Loans and Advances to Customers	58,465,751	93,848	3,412,759	2,520,089	6,026,696
Accrued revenues	2,069,804	586	2,522	-	3,108
Financial investment	103,978,809	45,740	-	-	45,740
commitment and contingent liabilities	82,713,688	42,939	398,613	136,152	577,704
Total	364,926,650	233,660	3,813,894	2,656,241	6,703,795

Credit quality classification definitions.

- ‘Strong’ exposures demonstrate a strong capacity to meet financial commitments, with negligible or low probability of default and/or low levels of expected loss.
- ‘Good’ exposures require closer monitoring and demonstrate a good capacity to meet financial commitments, with low default risk.
- ‘Satisfactory’ exposures require closer monitoring and demonstrate an average to fair capacity to meet financial commitments, with moderate default risk.
- ‘Sub-standard’ exposures require varying degrees of special attention and default risk is of greater concern.
- ‘Impaired’ exposures have been assessed as impaired. These also include retail accounts classified as Band 1 to Band 6 that are delinquent by more than 90 days, unless individually they have been assessed as not impaired; and renegotiated loans that have met the requirements to be disclosed as impaired and have not yet met the criteria to be returned to the unimpaired portfolio.

Risk rating scales

The customer risk rating (‘CRR’) 10-grade scale summarizes a more granular underlying 23-grade scale of obligor probability of default (‘PD’). All HSBC customers are rated using the 10- or 23-grade scale, depending on the degree of sophistication of the Basel II approach adopted for the exposure.

Previously, retail lending credit quality was disclosed under IAS 39, which was based on expected-loss percentages. Now, retail lending credit quality is disclosed on an IFRS 9 basis, which is based on a 12-month point-in-time (‘PIT’) probability weighted probability of default (‘PD’).

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

For debt securities and certain other financial instruments, external ratings have been aligned to the five quality classifications. The ratings of Standard and Poor's are cited, with those of other agencies being treated equivalently. Debt securities with short-term issue ratings are reported against the long-term rating of the issuer of those securities. If major rating agencies have different ratings for the same debt securities, a prudent rating selection is made in line with regulatory requirements.

A.4. Measurement module banking general risk

In addition to the four categories of credit rating indicated in note (A.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 (35) shows the 'general banking risk reserve' movement during the period.

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%

The credit characteristics used to determine the stages differ from the ORR rating.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

A.5. Maximum limits for credit risk before collaterals

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP '000</u>	<u>EGP '000</u>
<u>Balance sheet items exposed to credit risks</u>		
Due from banks	105,194,687	108,298,484
Financial investment at FVPL	665,993	236,451
Loans and advances to banks	-	221,815
Loans and advances to customers:		
<u>Retail loans:</u>		
Overdrafts	55,554	70,668
Credit cards	4,247,758	4,503,803
Personal loans	12,327,111	11,731,360
Mortgage loans	171	213
<u>Corporate loans:</u>		
Overdrafts	5,035,359	4,799,516
Direct loans	24,807,701	25,330,816
Syndicated loans	11,972,028	12,029,374
Financial derivative instruments	347,302	151,351
Financial investments:		
Debt instruments	126,441,710	103,978,809
Other assets	3,105,930	2,069,804
Total	<u>294,201,304</u>	<u>273,422,464</u>
<u>Off-balance sheet items exposed to credit risk</u>		
Loan commitments and other irrevocable commitments related to credit	3,538,663	2,690,988
Letters of credit	3,409,363	5,443,985
Letters of guarantee	72,586,741	74,578,715
Total	<u>79,534,767</u>	<u>82,713,688</u>

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

A.6. Debt instruments and treasury bills

The table below shows an analysis of debt instruments and Treasury bills (with Egyptian government) according to the rating agencies at the end of the financial period (MERIS and Reuters).

31 March 2025

	<u>Treasury bills</u>	<u>Investments in</u>	<u>Total</u>
	<u>EGP '000</u>	<u>securities</u>	<u>EGP '000</u>
	<u>EGP '000</u>	<u>EGP '000</u>	<u>EGP '000</u>
Caa1	89,459,111	37,792,675	127,251,786
Total	89,459,111	37,792,675	127,251,786

**A.7. Concentration of risks of financial assets exposed to credit risk
Geographical sectors**

The following table represents a breakdown of the Bank's significant credit risk limits at their carrying amounts distributed by geographical sector.

	<u>Cairo</u>	<u>Alexandria and Delta</u>	<u>Upper Egypt Sinai</u>	<u>Other countries</u>	<u>Total</u>
			<u>and Red sea</u>		<u>EGP000</u>
Due from banks	41,415,754	-	-	63,778,932	105,194,686
Financial assets at fair value through profit or loss	665,993	-	-	-	665,993
<u>Loans and advances to customers</u>					
Retail:					
Overdrafts	42,288	11,563	1,704	-	55,555
Credit cards	4,247,758	-	-	-	4,247,758
Personal loans	11,072,032	926,807	328,272	-	12,327,111
Mortgage loans	171	-	-	-	171
Corporate:	-	-	-	-	-
Overdrafts	5,035,359	-	-	-	5,035,359
Direct loans	24,807,701	-	-	-	24,807,701
Syndicated loans	11,127,523	844,504	-	-	11,972,027
Derivative financial instruments	347,302	-	-	-	347,302
Financial investment:	-	-	-	-	-
Debt instruments	123,966,235	-	-	2,475,475	126,441,710
Other assets	3,087,893	11,563	6,474	-	3,105,930
Total as of 31 March 2025	225,816,009	1,794,437	336,450	66,475,112	294,422,008
Total as of 31 December 2024	113,790,110	1,762,410	329,254	53,561,882	169,443,655

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

Financial risk management (continued)
Business sectors

The following table represents breakdown of the most significant credit risk limits at their carrying amounts distributed according to the business of the Bank's customers:

	Industrial sector	Commercial sector	Service sector	Governmental sector	Other activities	Individuals	Total EGP000
Due from banks	-	-	-	105,194,686	-	-	105,194,686
Financial investment at fair value through profit or loss	-	-	-	665,993	-	-	665,993
<u>Loans and advances to customers</u>	-	-	-	-	-	-	-
<u>Retail:</u>	-	-	-	-	-	-	-
Overdrafts	-	-	-	-	-	55,555	55,555
Credit cards	-	-	-	-	-	4,247,758	4,247,758
Personal loans	-	-	-	-	-	12,327,111	12,327,111
Mortgage loans	-	-	-	-	-	171	171
<u>Corporate:</u>	-	-	-	-	-	-	-
Overdrafts	1,709,828	1,784,484	1,541,047	-	-	-	5,035,359
Direct loans	13,492,204	3,533,841	7,781,655	-	-	-	24,807,700
Syndicated loans	3,512,689	199,050	30,000	6,981,837	1,248,452	-	11,972,028
Derivative financial instruments	-	-	347,302	-	-	-	347,302
<u>Financial investment:</u>	-	-	-	-	-	-	-
Debt instruments	-	-	-	126,441,710	-	-	126,441,710
Other assets	-	-	-	-	3,105,930	-	3,105,930
Total as of 31 March 2025	18,714,721	5,517,375	9,700,004	239,284,226	4,575,087	16,630,595	294,422,008
Total as of 31 December 2024	19,875,215	5,254,541	8,931,937	193,280,635	3,228,137	223,039	230,793,504

B. Market risk

The Bank is exposed to market risk, which is the risk of fair value or future cash flow fluctuations from changes in open market price changes. Market risks arise from open market related to interest rate, currency, and equity products of which each is exposed to general and specific market movements and changes in sensitivity levels of market rates or prices, such as interest rates, foreign exchange rates and equity instrument prices. The Bank divides its exposure to market risk into trading and non-trading portfolios.

The Bank Treasury is responsible for managing the market risks arising from trading and non-trading activities which are monitored by two separate teams. Periodic reports about market risk are submitted to the Board of Directors and each business unit head Periodically.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; non-trading portfolios primarily arise from managing assets and liabilities interest rate price relating to retail transactions. Non-trading portfolios also include foreign exchange risk and equity instruments risks arising from the Bank's held-to-maturity and available-for-sale investments portfolios.

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

Financial risk management (continued)**B.1) Market risk measurement techniques**

As part of market risk management the Bank undertakes various hedging strategies and enters into swaps to match the interest rate risk associated with the fixed-rate long-term loans if the fair value option has been applied. The major measurement techniques used to measure and control market risk are outlined below:

Value at Risk

The Bank applies a 'value at risk' methodology (VAR) for trading and non-trading portfolios to estimate the market risk of positions held and the maximum expected losses based on a number of assumptions for various changes in market conditions. The Board sets separate limits for the value of risk that may be accepted by the Bank for trading and non-trading portfolios and monitored by the ALCO committee.

VAR is a statistical estimation of the expected losses on the current portfolio from adverse market movements in which it represents the 'maximum' amount the Bank expects to lose using confidence level of 98%. Therefore, there is a statistical probability of 2% that actual losses could be greater than the VAR estimation. The VAR module assumes that the holding period is 10 days before closing the opening position. It also assumes that market movements during the holding period will be the same as 10 days before. The Bank's assessment of past movements is based on data for the current period. The Bank applies these historical changes in rates, prices, indicators etc. directly to its current positions. This approach is called historical simulation. Actual outcomes are monitored regularly to test the validity of the assumptions and factors used in the VAR calculation.

The use of this approach does not prevent losses from exceeding these limits, if there are significant market movements.

As VAR is considered a primary part of the Bank's market risk control technique, VAR limits are established by the Board annually for all trading and non-trading transactions and allocated to business units. Actual values exposed to market risk are compared to the limits established by the Bank and reviewed by the ALCO committee.

The average daily VAR for the Bank during the current year was EGP 388,842 thousand against EGP 392,463 thousand for 31 December 2023.

The quality of the VAR model is continuously monitored through examining the VAR results for the trading portfolio, and results are reported to the top management and Board of Directors.

Stress testing

Stress testing provides an indicator of the expected losses that may arise from sharp adverse circumstances. It is designed to match business using standard analysis for specific scenarios. It is carried out by the Bank Treasury. It includes risk factor stress testing where sharp movements are applied to each risk category and tests emerging market stress as emerging market portfolios are subject to sharp movements and special stress, including possible stress events to specific positions or regions, for example the stress outcome to a region applying a free currency rate.

The results of the stress testing are reviewed by top management and Board of directors.

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

Financial risk management (continued)
B.2) VAR summary
Total VAR according to risk type

	EGP '000 31 March 2025			EGP '000 31 December 2024		
	Average	High	Low	Average	High	Low
Foreign exchange risk	385,757	1,686,383	4,704	390,984	5,171,904	6,124
Interest rate risk	3,086	4,199	1,518	1,479	2,943	511
Total VAR	388,842	1,690,581	6,222	392,463	5,174,847	6,635

Trading portfolio VAR by risk type

	EGP '000 31 March 2025			EGP '000 31 December 2024		
	Average	High	Low	Average	High	Low
Foreign exchange risk	379,788	1,650,518	10,774	351,845	5,209,699	4,739
Interest rate risk	506	911	152	128	465	10
Total VAR	380,294	1,651,429	10,926	351,973	5,210,164	4,749

Non-trading portfolio VAR by risk type

	EGP '000 31 March 2025			EGP '000 31 December 2024		
	Average	High	Low	Average	High	Low
Foreign exchange risk	30,654	399,667	9,004	103,838	968,665	3,359
Interest rate risk	2,580	3,288	1,315	1,375	2,870	550
Total VAR	33,234	402,955	10,319	105,213	971,535	3,909

The above three VAR results are calculated independently from the underlying positions and historical market movements. The aggregate of the trading and non-trading VAR results does not represent the Bank's VAR due to correlations of risk types and portfolio types and their effect. (The above three VAR results are before stress testing.)

B.3) Foreign exchange volatility risk

The Bank is exposed to foreign exchange rate volatility risk in terms of the financial position and cash flows. The Board of Directors sets aggregate limits for foreign exchange in the total value (summation value) for each position at the end of the day and during the day that is controlled on a timely basis. The following table summarizes the Bank's exposure to foreign exchange volatility risk at the end of the period. The following table includes the carrying amounts of the financial instruments in their currencies:

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Financial risk management (continued)
31 March 2025

31 March 2025	Equivalent in EGP000					
	EGP	USD	EUR	GBP	Other	Total
Financial assets:						
Cash and balances with Central bank	(9,326,688)	(601,707)	(117,103)	(81,378)	(80,306)	(10,207,182)
Due from banks	(30,838,661)	(68,968,729)	(473,160)	(3,852,952)	(1,033,101)	(105,166,603)
Financial assets at fair value through profit or loss	(665,993)	-	-	-	-	(665,993)
Loans and advances to banks	-	-	-	-	-	-
Loans and advances to customers	(33,952,734)	(9,670,080)	(8,820,342)	(28,715)	()	(52,471,870)
Derivative financial instruments	-	(103,943)	(243,359)	-	-	(347,302)
Financial investments:	-	-	-	-	-	-
Financial investment at Fair value through other comprehensive income	(17,451,318)	(19,721,915)	-	-	-	(37,173,232)
Treasury bills at fair value through OCI	(74,547,664)	(14,911,448)	-	-	-	(89,459,111)
Other financial assets	(2,187,355)	(681,709)	(155,036)	(12,884)	(68,947)	(3,105,930)
Total financial assets	(168,970,412)	(114,659,531)	(9,809,000)	(3,975,929)	(1,182,353)	(298,597,225)
Financial liabilities						
Due to banks	5,738,843	220,241	15,205	-	5,511	5,979,799
Customer deposits	85,005,598	117,358,814	12,259,786	3,686,001	970,409	219,280,607
Financial derivative	-	43,090	243,359	-	-	286,449
Other financial liabilities	27,427,517	(3,510,837)	(2,832,849)	279,739	(30,986)	21,332,583
Subordinated loans	2,072,000	-	-	-	-	2,072,000
Total financial liabilities	120,243,958	114,111,307	9,685,501	3,965,740	944,933	248,951,438
Net financial position - Balance sheet	(48,726,454)	(548,224)	(123,499)	(10,189)	(237,420)	(49,645,786)
Commitments related to credit & contingent liabilities	16,022,237	47,295,159	15,155,039	39,000	630,281	79,141,715

31 December 2024

Total financial assets	(151,106,314)	(114,744,162)	(8,989,972)	(3,726,837)	(862,446)	(279,429,730)
Total financial liabilities	95,327,104	113,676,118	12,660,935	3,667,033	917,271	226,248,459
Net financial position - balance sheet	(55,779,210)	(1,068,044)	3,670,963	(59,804)	54,825	(53,181,271)
Commitments related to credit & contingent liabilities	12,458,022	31,028,620	8,876,798	50,339	1,354,712	53,768,491

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

C. Liquidity risk

Liquidity risk represents the Bank's difficulty in meeting its financial commitments when they fall due and replacing funds when they are withdrawn. This may result in failure in fulfilling the Bank's obligation to repay depositors and fulfilling lending commitments.

Liquidity Risk Management

Liquidity Risk is governed by Asset and Liability Committee (ALCO) and Board Risk Committee subject to provisions of Investment Policy Guide.

Board Risk Committee:

Provides oversight of risk management functions and assesses compliance to the set risk strategies and policies approved by the

Board of Directors through periodic reports submitted by the Risk Group. The committee makes recommendations to the with regards to risk management strategies and policies (including those related to capital adequacy, liquidity management, various types of risks: credit, market, operation, compliance, reputation and any other risks the Bank may be exposed to).

Asset & Liability Committee (ALCO):

Optimizes the allocation of assets and liabilities, taking into consideration expectations of the potential impact of future interest rate fluctuations, liquidity constraints, and foreign exchange exposures. ALCO monitors the Bank's liquidity and market risks, economic developments, market fluctuations, and risk profile to ensure ongoing activities are compatible with the risk/ reward guidelines approved by the Board of Directors.

Liquidity risk management process

The Bank's liquidity management process carried out by the bank treasury department includes:

- Daily funding managed by monitoring future cash flows to ensure that all requirements can be met when due. This includes availability of liquidity as they due or to be borrowed to customers. To ensure that the Bank reaches its objective, the Bank maintains an active presence in global money markets.
- The Bank maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow.
- Monitoring liquidity ratios in relation with internal requirements and CBE requirements.
- Managing loans' concentration and dues.

Monitoring and reporting takes the form of cash flow measurement and projections for the next working day, week and month respectively, as these are key periods for liquidity management. The starting point of calculating these expectations is analyzing the financial liabilities dues and expected financial assets collections.

The Credit Risk department monitors the mismatch between medium-term assets, the level and nature of unused loans limits, overdraft utilizations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

D) Fair value of financial assets and liabilities
D.1) Financial instruments measured at fair value using a valuation method

The change in estimated fair value of financial investments measured at FVOCI using valuation methods for the year amounted to EGP (148,528) thousand as of 31 March 2025 against EGP (434,751) thousand for the year ended 31 December 2024.

D.2) Financial instruments not measured at fair value

The table below summarizes the carrying amounts and fair values for those financial assets and liabilities not presented on the Bank's balance sheet at their fair value.

	Book value EGP000	Fair value EGP000
	31 March 2025	31 March 2025
<u>Financial assets</u>		
Due from banks	105,166,603	105,166,603
Loans and advances to banks	-	-
<u>Loans and advances to customers</u>		
Retail	16,630,594	16,599,926
Corporate	41,815,087	35,975,628
<u>Financial liabilities</u>		
Due to banks	5,979,799	6,190,331
<u>Customer deposits</u>		
Retail	120,477,180	120,474,651
Corporate	98,803,426	99,436,777
Subordinated loans	2,072,000	2,072,000

Due from banks

Fair value of placements and deposits bearing variable interest rate for one day is its current value. The expected fair value for deposits bearing variable interest is based on the discounted cash flow using the rate of similar asset of similar credit risk and due dates.

Loans and advances to customers

Loans and advances are net of provisions for impairment losses. Fair value expected for loans and advances represents the discounted value of future cash flows expected to be collected, and cash flows are discounted using the current market interest rate to determine fair value.

Due to banks and customers

The estimated fair value of deposits of indefinite maturity, which includes interest-free deposits, is the amount paid on call. The estimated fair value of fixed interest-bearing deposits and other

Loans not traded in an active market is based on discounted cash flows using interest rates for new debts of similar maturity dates.

E. Capital management

The Bank's objectives behind managing capital include elements in addition to the equity shown in the balance sheet are represented in the following:

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

- Compliance with capital legal requirements in Egypt.
- Protecting the Bank's ability to continue as a going concern and enabling it to generate yield for shareholders and other parties dealing with the Bank.
- Maintaining a strong capital base to enhance growth.

Capital adequacy and uses are reviewed according to the regulatory authority's requirements (CBE) by the Bank's management through models based Basel committee for banking control instructions. These data are submitted to CBE on a quarterly basis.

CBE requires the following from the Bank:

- Maintaining EGP 5 billion as a minimum requirement for the issued and paid-up capital
- Maintaining a ratio between capital elements and asset and contingent liability elements weighted by risk weights at 12.5 % or more

The numerator in capital adequacy comprises the following two tiers:

Tier 1: It is the basic capital comprising (going concern capital and additional going concern capital)

Tier 2: It is the going concern capital comprising:

- 45% of the increase between the fair value and carrying amount for (fair value reserve if positive, financial investments through OCI, held-to-maturity investments, investments in subsidiaries)
- 45% of the special reserves
- 45% of positive difference foreign currency reserves
- Hybrid financial instruments
- Loans (deposits) subordinated.
- The balance of provisions required against debt instruments, loans, credit facilities and contingent liabilities included in the first stage (1Stage)

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

The denominator of the capital adequacy comprises:

- 1) Credit risk.
- 2) Market risk
- 3) Operation risk

Assets are weighted by risk in a range from 0% to 100%. Classification is made according to the debit party for each asset to reflect the related credit risk, taking into consideration cash guarantees. The same treatment is used for the off-balance sheet amounts after making relevant adjustments to reflect the contingent nature and the potential loss for these amounts.

The Bank complied with all internal requirements during the last years. The schedule below shows the calculation of tier 1 & tier 2 the capital adequacy according to Basel II:

	31 March 2025	31 December 2024
	EGP000	EGP000
Capital		
Tier 1 after disposals (going concern capital) (1)		
Share capital	5,000,000	5,000,000
Reserves	7,035,293	5,756,913
General risk reserve	491,666	491,666
Retained earnings	26,067,958	22,808,013
Change In fair value for investment at fair value through OCI	274,495	150,816
Total disposals from going concern capital	(2,375,721)	(2,587,816)
Total going concern capital after disposals (common equity) Tier 1	36,493,691	31,619,592
Tier 2 after disposals (going concern capital)		
Subordinated (deposits) loans	523,200	883,200
Impairment losses & provision for performing loans and advances and contingent liabilities	188,207	233,659
Total Tier 2 after disposals (going concern capital)	711,407	1,116,859
Total capital adequacy after disposals (1+2)	37,205,098	32,736,451
Risk (credit, market and operation)		
Credit risk	98,277,580	94,921,655
Excess of top 50 customers' exposures	23,661,437	23,503,149
Capital requirements for market risk	979,670	175,875
Capital requirements for operation risk	12,693,800	11,775,686
Total credit, market and operation risk	135,612,487	130,376,364
Capital adequacy ratio (%)	27.43%	25.11%

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Financial leverage:
F. Financial leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 on special supervisory instructions related to leverage ratio which maintaining a minimum level of leverage ratio of 3% to be reported in quarterly basis as follows:

- Guidance ratio started from reporting period September 2015 till December 2017.
- Obligatory ratio started from year 2018.

This ratio will be included in Basel requirement tier 1 in order to maintain Egyptian Banking system strong and safe, as long to keep up with best international regulatory treatments. Leverage ratio reflect relationship between tier 1 for capital that is used in capital adequacy ratio (after disposals) and other assets (on balance sheet and off-balance sheet) that are not risk weighted assets.

Ratio elements
A) The numerator elements

The numerator consists of tier 1 capital that are used in capital adequacy ratio (after disposals) in accordance with the requirements of the regulatory authority represented by the Central Bank of Egypt (CBE).

B) The dominator elements

The dominator consists of all bank assets (on balance sheet and off-balance sheet according to the financial statements called "Bank exposures" which include total the following:

- 1- On balance sheet items after deducting some of tier 1 exclusions for capital base
- 2- Derivatives contracts exposures
- 3- Financing financial papers operations exposures.
- 4- Off-balance sheet exposures (weighted by conversion factor)

The table below summarizes the leverage financial ratio:

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Tier 1 after disposals (going concern capital)	36,493,691	31,619,592
Total on-balance sheet exposures, derivatives contracts and financial papers operations	301,025,159	281,077,623
Total off-balance sheet exposures	47,247,749	47,449,315
Total exposures on balance sheet and off-balance sheet	348,272,908	328,526,938
Leverage financial ratio (%)	10.48%	9.62%

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Sensitivity of Risks**G. Measurement uncertainty and sensitivity analysis of ECL estimates**

- Expected credit loss impairment allowances recognized in the financial statements reflect the effect of a range of possible economic outcomes, calculated on a probability-weighted basis, based on the economic scenarios described below. The recognition and measurement of ECL involves the use of significant judgment and estimation. It is necessary to formulate multiple forward-looking economic forecasts and incorporate them into the ECL estimates. HSBC Bank Egypt uses a standard framework to form economic scenarios to reflect assumptions about future economic conditions, supplemented with the use of management judgment, which may result in using alternative or additional economic scenarios and/or management adjustments.

Methodology for Developing Forward Looking Economic Scenarios

- The Bank in general use three economic scenarios representative of HSBC's view of forecast economic conditions, sufficient to calculate unbiased expected loss in most economic environments. In 2020, and due to the economic effects of Covid-19 outbreak, the Bank applied four forward-looking global scenarios. They represent a 'most likely outcome', (the Central scenario) and three, less likely, 'outer' scenarios referred to as the Upside and Downside and Additional Downside scenarios. The probability weight between Other scenarios and Central scenario was fixed with the Central scenario being assigned a weighting of 50%, the Downside scenario 25%, the Upside 20% and Additional Downside 50% each.
- For the Central scenario, HSBC Bank Egypt sets key assumptions such as GDP growth, using either the average of external forecasts (commonly referred to as consensus forecasts) for most economies, or market prices. An external provider's global macro model, conditioned to follow the consensus forecasts, projects the other paths required as inputs to credit models. This external provider is subject to HSBC Bank Egypt's risk governance framework, with oversight by a specialist internal unit.

Wholesale analysis

- HSBC has developed a globally consistent methodology for the application of economic scenarios into the calculation of ECL by incorporating those scenarios into the estimation of the term structure of probability of default ('PD') and loss given default ('LGD'). For PDs, we consider the correlation of economic guidance to default rates for a particular industry in a country. For LGD calculations we consider the correlation of economic guidance to collateral values and realization rates for a particular country and industry. PDs and LGDs are estimated for the entire term structure of each instrument.
- For impaired loans, LGD estimates take into account independent recovery valuations provided by external consultants where available, or internal forecasts corresponding to anticipated economic conditions and individual company conditions. In estimating the ECL on impaired loans that are individually considered not to be significant, HSBC incorporates economic scenarios proportionate to the probability-weighted outcome and the central scenario outcome for non-stage 3 populations.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

IFRS 9 ECL sensitivity to future economic conditions¹
ECL coverage of financial instruments at 31 December 2024²

	Mar'25	Dec'24
Reported ECL (EGPm)	533	813
Gross carrying/nominal amount (EGPm) ³	377,941	307,948
Reported ECL coverage (percentage)	0.14%	0.26%
Coverage ratio by scenario (percentage)		
Consensus Upside scenario	0.10%	0.76%
Consensus Downside scenario	0.20%	0.33%
Consensus Additional downside scenario	0.41%	0.49%
Consensus Central scenario	0.12%	0.22%

¹ Excludes ECL and financial instruments relating to defaulted obligors.

² Includes off-balance sheet financial instruments that are subject to significant measurement uncertainty.

³ Includes low credit risk financial instruments such as Debt instruments at FVOCI, which have low ECL coverage ratios under all the above scenarios.

Retail analysis

HSBC has developed and implemented a globally consistent methodology for incorporating forecasts of economic conditions into ECL estimates. The impact of economic scenarios on PD is modelled at a portfolio level. Historic relationships between observed default rates and macro-economic variables are integrated into ('IFRS 9 ECL') estimates by leveraging economic response models. The impact of these scenarios on PD is modelled over a period equal to the remaining maturity of underlying asset or assets. The impact on (LGD) is modelled for mortgage portfolios by forecasting future loan-to-value ('LTV') profiles for the remaining maturity of the asset by leveraging national level forecasts of the house price index and applying the corresponding LGD expectation.

IFRS 9 ECL sensitivity to future economic conditions¹
ECL coverage of financial instruments at 31 December 2024²

	Mar'25	Dec'24
Reported ECL (EGPm)	58	42
Gross carrying/nominal amount (EGPm)	16,325	10,537
Reported ECL coverage (percentage)	0.35%	0.40%
Coverage ratio by scenario (percentage)		
Consensus Upside scenario	0.34%	0.24%
Consensus Downside scenario	0.36%	0.33%
Consensus Additional downside scenario	0.49%	0.40%
Consensus Central scenario	0.34%	0.26%

¹ ECL sensitivities exclude portfolios utilizing less complex modelling approaches.

² ECL sensitivity includes only on-balance sheet financial instruments to which IFRS 9 impairment requirements are applied.

- Economic scenarios sensitivity analysis of ECL estimates

The ECL outcome is sensitive to judgment and estimations made with regards to the formulation and incorporation of multiple forward looking economic conditions described above. As a result, management assessed and considered the sensitivity of the ECL outcome against the forward looking economic conditions as part of the ECL governance process by recalculating the ECL under each scenario described above for selected portfolios, applying a 100% weighting to each scenario in turn. The weighting is reflected in both the determination of significant increase in credit risk as well as the measurement of the resulting ECL.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

4- 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—Expected Credit Loss measurement

Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note “N. Impairment of financial assets”. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios. The Bank regularly reviews and validates the models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. The Bank used supportable forward looking information for measurement of ECL, primarily an outcome of its own macro-economic forecasting model.

B - Fair value of financial instruments

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 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.

C - Tax provision

The Bank is subject to tax which requires the use of estimates to calculate the tax provision. There are a number of complicated processes and calculations to determine the final 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 year where differences are noted. Tax and deferred tax will be recorded in that year.

D- Employees' benefits

The Bank contributes to the Social Insurance System of the Social Insurance Authority for the benefit of employees in accordance with the Social Insurance Authority Law No. 79 of 1975 and its amendments, and the income statement is charged with these contributions according to the principle of accrual.

There is also an internal system in the Bank whereby employees of the Bank are granted severance pay in proportion to the length of service, and a provision is made for this purpose - based on the current value in light of the actuarial assumptions specified on the date of the independent financial statements - charged to the income statement under the item of administrative and general expenses, and the balance of this provision appears within the obligations of the specified benefit systems in the budget.

Share-based payments

In the United Kingdom, by granting some members of the senior management and employees of the Bank (HSBC), the head office of the Group some shares in its capital based on its own system, and HSBC Bank Egypt bears the cost of these shares and charges them to the income statement in light of the Bank's share in the expenses sent from the head office, which the Bank pays.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

5- Segment analysis
A) By activity segment

Activity segment includes operations and assets used in providing banking services and managing related risks and yields which may differ from other activities. The segmentation analyses of operations according to the Banking activities are as follows:

- **Large enterprises medium and small**
Activities include current accounts deposits, overdraft, loans, credit facilities and financial derivatives.
- **Investment**
Includes merging of the company's purchase of investments, financing company's restructure and financial instruments.
- **Individuals**
Activities include current account savings deposits, credit cards, personal loans and mortgage loans.
- **Other activities**
Includes other banking activities such as fund management, Inter-segment transactions occur in the normal course of the Bank's business. Assets and liabilities include the operating assets and liabilities as presented in the balance sheet.

31 March 2025

	Corporate	Investment	Retail	Other activities	Total EGP000
Income and expenses according to activity segment					
Income by activity segment	7,414,913	1,980,883	3,060,073	(15,791)	12,440,079
Expenses by activity segment	(1,759,672)	(408,874)	(1,846,019)	(174,611)	(4,189,175)
Provisions	(159,511)	(18,024)	(10,501)	132	(187,904)
Profit before tax	5,495,731	1,553,984	1,203,554	(190,269)	8,063,001
Tax	(1,330,963)	(470,048)	(397,860)	-	(2,198,871)
Profit for the period	4,164,768	1,083,937	805,694	(190,269)	5,864,130
Assets and liabilities according to activity segment					
Assets of activity segment	52,980,253	216,345,592	17,939,777	14,957,983	302,223,605
Total assets	52,980,253	216,345,592	17,939,777	14,957,983	302,223,605
Liabilities of activity segment	104,158,964	5,100,979	122,789,020	27,045,309	259,094,271
Total liabilities	104,158,964	5,100,979	122,789,020	27,045,309	259,094,271

31-December-2024

	Corporate	Investment	Retail	Other activities	Total EGP000
Income and expenses according to activity segment					
Income by activity segment	13,065,707	3,831,705	5,978,427	268,121	23,143,960
Expenses by activity segment	(1,920,516)	(385,071)	(1,976,608)	(308,973)	(4,591,168)
Provisions	(1,336,399)	(4,932)	(9,526)	(12)	(1,350,869)
Profit before tax	9,808,792	3,441,702	3,992,293	(40,864)	17,201,923
Tax	(2,371,436)	(655,184)	(920,992)	(978,523)	(4,926,135)
Profit for the period	7,437,356	2,786,518	3,071,301	(1,019,387)	12,275,788
Assets and liabilities according to activity segment					
Assets of activity segment	34,783,839	192,400,598	10,992,972	10,140,477	248,317,886
Total assets	34,783,839	192,400,598	10,992,972	10,140,477	248,317,886
Liabilities of activity segment	104,962,752	15,241,382	75,286,225	20,490,778	215,981,137
Total liabilities	104,962,752	15,241,382	75,286,225	20,490,778	215,981,137

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Segment analysis (continued)
B) Analysis according to the geographical segment
31 March 2025

	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	Total EGP000
Income and expenses according to geographical segment				
Income by geographical segment	11,925,892	452,056	62,130	12,440,078
Expenses by geographical segment	(4,114,929)	(59,058)	(15,185)	(4,189,173)
Provisions	(159,557)	(27,227)	(1,120)	(187,904)
Profit before tax	7,651,406	365,770	45,825	8,063,001
Tax	(2,086,624)	(99,750)	(12,497)	(2,198,871)
Profit for the period	5,564,782	266,021	33,328	5,864,130
Assets and liabilities according to geographical segment				
Assets of geographical segment	295,479,935	6,196,158	547,512	302,223,605
Total assets	295,479,935	6,196,158	547,512	302,223,605
Liabilities of geographical segment	231,744,132	21,993,793	5,356,346	259,094,271
Total liabilities	231,744,132	21,993,793	5,356,346	259,094,271

31-December-2024

	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	Total EGP000
Income and expenses according to geographical segment				
Income by geographical segment	22,162,233	870,140	111,585	23,143,958
Expenses by geographical segment	(4,500,933)	(71,161)	(19,072)	(4,591,166)
Provisions	(1,149,571)	(206,347)	5,049	(1,350,869)
Profit before tax	16,511,729	592,632	97,562	17,201,923
Tax	(4,728,483)	(169,713)	(27,939)	(4,926,135)
Profit for the period	11,783,246	422,919	69,623	12,275,788
Assets and liabilities according to geographical segment				
Assets of geographical segment	243,562,957	4,141,372	613,557	248,317,886
Total assets	243,562,957	4,141,372	613,557	248,317,886
Liabilities of geographical segment	201,462,834	10,478,952	4,039,351	215,981,137
Total liabilities	201,462,834	10,478,952	4,039,351	215,981,137

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

6. Net interest income

	31 March 2025	31 March 2024
	EGP000	EGP000
Interest from loans and similar income:		
Loans and advances to customers	2,562,672	1,720,167
Treasury bills	4,499,812	3,186,707
Deposits and current accounts	2,429,887	4,043,441
Financial investment at fair value through other comprehensive income	1,173,501	154,313
	10,665,872	9,104,628
Interest on Deposits and similar Expenses:		
Deposits and current accounts:		
Banks	(400)	(201)
Customers	(1,636,440)	(1,099,781)
Other loans	(154,445)	(116,472)
	(1,791,285)	(1,216,454)
Net	8,874,587	7,888,174

7. Net fees and commissions income

	31 March 2025	31 March 2024
	EGP000	EGP000
Fees and commissions income:		
Fees and commissions related to credit	852,144	682,519
Custody fees	37,336	34,082
Other fees	1,452	1,297
	890,931	717,898
Fees and commissions expenses:		
Brokerage fees paid	(23)	(95)
Other fees paid	(219,509)	(167,545)
	(219,531)	(167,640)
Net	671,400	550,258

8. Dividends

	31 March 2025	31 March 2024
	EGP000	EGP000
Equity instruments	1,206	-
	1,206	-

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

9. Net trading income

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Foreign exchange operations:		
Gain from foreign currency transactions	205,512	173,895
Gain from Debt instruments at fair value	21,410	13,982
Gain from forward deals revaluation and currency swap	(399)	(11)
Net	226,523	187,866

10. Administrative expenses

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Staff costs		
Wages, salaries and benefits	271,942	213,234
Social insurance	12,833	11,003
End of Service Compensation	61,677	54,146
	346,452	278,383
Cost of Services provided by HSBC Group	1,284,812	937,048
Other administrative expenses	547,093	389,943
	2,178,357	1,605,374

11. Other operating income

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Gain from revaluation of monetary assets and liabilities determined in foreign currency other than those classified for trading or originally classified at fair value through profit and loss	257,478	359,583
Operating lease	55,730	21,181
Investment property depreciation	(1,691)	(2,093)
Other provision	166,147	304,159
Head office services revenue	120,339	18,987
Other	-	698
	598,003	702,515

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

12. Credit impairment (charges)

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Loans and advances to customers	58,851	(109,190)
Cash and balances with Central Bank	4	-
Due from Banks	(198,247)	(19,718)
Financial Investments at fair value through OCI	(64,505)	(205,120)
Other assets	15,993	1,010
Net	<u>(187,904)</u>	<u>(333,018)</u>

13. Income tax expenses

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Current tax	2,205,000	1,960,000
Deferred tax	(6,129)	879
Net	<u>2,198,871</u>	<u>1,960,879</u>

Note 32 shows additional information about deferred income tax. Income taxes differ when current applicable tax rates are used, as follows:

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Profit before tax	8,063,001	7,514,539
Tax rate	22.50%	22.50%
Income tax calculated on accounting profit	1,814,175	1,690,771
Add		
Not recognized tax expenses	384,696	270,108
Net Income Tax	<u>2,198,871</u>	<u>1,960,879</u>
Effective tax rate	<u>27.27%</u>	<u>26.09%</u>

Taxation position

A summary of HSBC Bank Egypt's tax position is as follows:

A) Corporate tax

Years since inception till year 2019

These years were inspected and disputes were settled in the Internal Committee, and all tax liabilities has been paid.

Year 2020

Tax inspection in progress.

Year 2021 - 2024

Tax inspection preparations in progress.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

B) Salary tax
Years from 1982 until 2022

These years were inspected and were settled.

Years from 2023 to 2024

Tax inspection preparations in progress.

C) Stamp duty tax
Years since inception till 2022

These years were inspected, and tax was fully settled.

Years from 2023 until 2024

Tax inspection have not taken place yet.

14. Earnings per share

Earnings per share are calculated by dividing profit related to the shareholders by the ordinary shares' weighted average issued during the year after, excluding the average repurchased shares during the year and kept as Treasury stocks.

	<u>31 March 2025</u>	<u>31 March 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Net profit distributable for the period	5,864,130	5,553,660
Employees' profit share (estimated)	(586,413)	(555,366)
Net Profit attributable to shareholders of the bank	<u>5,277,717</u>	<u>4,998,294</u>
Common shares issued - weighted average (1,000 shares)	59,524	59,524
Earnings per share/EGP	<u>88.67</u>	<u>83.97</u>

15. Cash and balances with the central bank of Egypt

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Cash	2,356,700	2,914,974
Due from Central Bank (within the statutory reserve)	7,850,482	9,178,302
Impairment loss	(1)	(5)
	<u>10,207,181</u>	<u>12,093,271</u>
Non-interest bearing balances	<u>10,207,181</u>	<u>12,093,271</u>

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

16. Due from banks

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Current accounts	4,087,862	2,598,803
Deposits	101,106,825	105,699,678
	105,194,687	108,298,481
Impairment loss	(28,084)	(50,542)
	105,166,603	108,247,939
Due from Central Bank (other than the statutory reserve)	40,978,807	54,624,810
Local banks	436,948	333,607
Foreign banks	63,778,932	53,340,064
	105,194,687	108,298,481
Impairment loss	(28,084)	(50,542)
	105,166,603	108,247,939
Non-interest bearing balances	4,087,862	2,598,803
Interest bearing balances	101,106,825	105,699,678
	105,194,687	108,298,481
Impairment loss	(28,084)	(50,542)
	105,166,603	108,247,939
Current balances	105,166,603	108,247,939

17. Loans and advances to banks

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Term loans	220,705	221,815
Non-current balances	220,705	221,815
ECL	(220,705)	-
Net balance	-	221,815

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

18. Loans and advances to customers

	<u>31 March 2025</u> <u>EGP000</u>	<u>31 December 2024</u> <u>EGP000</u>
Retail:		
Overdrafts	55,554	70,668
Credit cards	4,247,758	4,503,803
Personal loans	12,327,111	11,731,360
Mortgage loans	171	213
Total	16,630,594	16,306,044
Corporate loans including small loans:		
Overdrafts	5,035,359	4,799,516
Direct loans	24,807,701	25,330,817
Syndicated loans	11,972,028	12,029,374
Total	41,815,088	42,159,707
Total loans and advances to customers	58,445,682	58,465,751
Less: expected credit loss " ECL"	(5,973,812)	(6,026,696)
Net	52,471,870	52,439,055

Expected credit loss:

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

31 March 2025

	<u>Retail</u>		
	Overdrafts	Credit cards	Personal loans
			Total EGP000
Balance at beginning of the year	1,833	19,350	36,745
Expected credit losses charged/(reversed)	(87)	9,153	8,262
Amounts written off during the year	(1)	(7,204)	(8,434)
Amounts recovered during year	-	2,867	3,254
Foreign revaluation difference related to provision	(2)	(1)	78
Balance at the end of the period	1,743	24,165	39,905

	<u>Corporate</u>		
	Overdrafts	Direct loans	Syndicated loans
			-
Balance at beginning of the year	426,711	5,312,656	229,401
Expected credit losses (charged)/reversed	259,709	(335,888)	-
Amounts written off during the year	(78,085)	-	-
Amounts recovered during the year	-	2,494	-
Foreign revaluation difference related to provision	4,516	86,485	-
Balance at the end of the period	612,851	5,065,747	229,401

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

31 December 2024

	<u>Retail</u>		
	Overdrafts	Credit cards	Personal loans
Balance at beginning of the year	1,311	16,967	23,985
Expected credit losses charged/(reversed)	888	10,882	34,767
Amounts written off during the year	(397)	(19,915)	(32,643)
Amounts recovered during year	-	11,416	9,859
Foreign revaluation difference related to provision	31	-	777
Balance at the end of the year	1,833	19,350	36,745

	<u>Corporate</u>		
	Overdrafts	Direct loans	Syndicated loans
Balance at beginning of the year	584,899	3,157,592	229,401
Expected credit losses (charged)/(reversed)	102,554	777,116	-
Amounts written off during the year	(552,990)	(1)	-
Amounts recovered during the year	-	679,281	-
Foreign revaluation difference related to provision	292,248	698,668	-
Balance at the end of the year	426,711	5,312,656	229,401

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

19. Financial derivatives and coverage activities

The Bank uses the following derivatives for hedging and non-hedging purposes:

- Currency forward contracts represent commitments to purchase/sell foreign and local currencies, including in unexecuted portion of spot transactions.

Credit risk at the Bank is considered low. Future interest rate agreements represent future exchange rate contracts negotiated on a case-by-case basis. These contracts require financial settlements of any differences in contractual interest rates and prevailing market interest rates on future dates based on contractual amount/nominal value agreed on.

- Currency or/and interest swap contracts represent the commitments to exchange a group of cash flows with another. These contracts' result is the exchange of currencies or interest rates (i.e. fixed rate for floating rate) or both (i.e. cross-currency interest rate swaps). No exchange of principal takes place except for certain currency swaps.

The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to fulfill their obligation. This risk is monitored on an ongoing basis by comparing current fair value and contractual amount. To control an existing credit risk, the Bank assesses counterparties using the same techniques as for its lending activities.

- The buyer (issuer) give to seller (holders) a right, not an obligation, to buy (buy option) or to sell (sell option) at a certain date or within a certain period of time by certain amount denominated in foreign currency or a financial instrument with prior agreed price. The buyer receives, in return, a commission against the burden of risk he took on option contracts that are either traded in the market or negotiable between the Bank and one of its customers. The Bank is exposed to credit Risk for the purchased options' contracts only and to the extent of its book value which represent its fair value.
- The notional amounts of certain types of financial instrument are used as a basis for comparison purpose, with financial instruments recognized on the balance sheet but do not necessarily indicate the amounts of future cash flows or the current fair value of the instruments and therefore, does not indicate the Bank's exposure to credit or price risks.

The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in the market interest rates or foreign exchange rates related to them. The aggregate contractual or notional amount of the existing financial derivative instruments, the duration to which instruments are favorable or unfavorable, and the aggregate fair value of financial assets and liabilities derivatives can fluctuate significantly from time to time.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

The table below represents the fair value of financial derivatives existing at the balance sheet date:

31 March 2025

	Contract amount/notional	Contract amount/notional	Assets	Liabilities
	Assets	Liabilities		
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Derivatives held for trading				
Foreign currency derivatives				
Currency Options	5,961,706	(5,961,706)	99,884	(99,884)
Currency forward contracts	24,895,480	(24,895,480)	247,418	(186,565)
			-	-
Total assets (liabilities) of derivatives held for trading			347,302	(286,449)

31 December 2024

	Contract amount/notional	Contract amount/notional	Assets	Liabilities
	Assets	Liabilities		
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Derivatives held for trading				
Foreign currency derivatives				
Currency Options	7,256,746	(7,256,746)	122,482	(122,482)
Currency forward contracts	2,233,166	(2,233,166)	28,869	(14,258)
			-	-
Total assets (liabilities) of derivatives held for trading			151,351	(136,740)

20. Financial assets at fair value through profit or loss

	31 March 2025	31 December 2024
	<u>EGP000</u>	<u>EGP000</u>
Financial assets at fair value through profit or loss		
Debt instruments listed		
Government Bonds	665,993	236,451
Total financial assets at fair value through profit or loss	665,993	236,451

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

21. Financial investments

	31 March 2025	31 December 2024
	EGP000	EGP000
<u>Financial investments at fair value through OCI</u>		
Equity instruments unlisted	144,083	146,383
Debt instruments listed Government Bonds (at fair value)	24,327,138	18,798,217
Debt instruments unlisted (Mutual fund)	46,550	44,156
Financial investments at fair value through OCI	24,517,771	18,988,756
Current balances	190,633	440,440
Non-current balances	24,327,137	18,548,316
Fixed-income debt instruments	24,517,770	18,988,756
<u>Financial assets at amortized cost</u>		
Debt instruments listed - Government bonds	12,655,462	12,718,847
Total financial investments	37,173,232	31,707,603

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

	EGP000
<u>31 March 2025</u>	
Balance at beginning of the year	31,707,603
Additions	6,443,188
Disposals (sale/redemption)	(548,111)
Monetary assets revaluation	(788,738)
Loss from change in fair value	359,291
Balance at end of the period	37,173,233
<u>31 December 2024</u>	
Balance at beginning of the year	6,074,742
Additions	36,469,392
Disposals (sale/redemption)	(12,198,450)
Monetary assets revaluation	996,778
Loss from change in fair value	365,141
Balance at end of the year	31,707,603

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Financial Investments details:

	Fair Value	Fair Value	Cost / Amortized Cost	Cost / Amortized Cost
	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Equity instruments unlisted	144,083	146,383	25,536	25,536
Debt instruments listed (at FMV)	24,327,138	18,798,217	23,892,401	18,720,379
Mutual Fund (Unlisted)	46,550	44,156	9,142	9,142
Debt instruments listed - Government bonds	12,655,462	12,718,847	12,655,461	12,718,847
	37,173,233	31,707,603	36,582,540	31,473,904

22. Treasury bills

	T.Bills through OCI		T.Bills at amortized cost		Total	
	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Treasury bills – Egyptian	86,983,636	64,917,105	-	-	86,983,636	64,917,105
Treasury bills – United states of America	2,475,475	7,544,640	-	-	2,475,475	7,544,640
Total	89,459,111	72,461,745	-	-	89,459,111	72,461,745

Treasury bills represent the following:

	T.Bills through OCI		T.Bills at amortized cost		Total	
	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
91 days maturity	2,079,134	5,356,052	-	-	2,079,134	5,356,052
182 days maturity	3,782,812	13,473,866	-	-	3,782,812	13,473,866
273 days maturity	22,692,065	6,604,327	-	-	22,692,065	6,604,327
364 days maturity	60,905,100	47,027,500	-	-	60,905,100	47,027,500
Total	89,459,111	72,461,745	-	-	89,459,111	72,461,745

Financial assets at fair value through OCI

T.Bills

Balance at beginning of the year

Addition

Deduction (Sale/Redemption)

losses from fair value difference***

Balance at end of the period

31 March 2025

EGP000

72,461,745

63,344,619

(46,232,674)

(114,578)

89,459,111

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

Financial Investments details

	Fair Value	Fair Value	Cost / Amortized Cost	Cost / Amortized Cost
	<u>31 March 2025</u>	<u>31 December 2024</u>	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Treasury bills at fair value through OCI	89,459,111	72,461,745	89,853,992	72,742,048
	89,459,111	72,461,745	89,853,992	72,742,048

23. Investment in subsidiary

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Cost	35,517	35,517
Impairment	(35,517)	(35,517)
Net	-	-

B. The Extraordinary General Assembly of the company decided on November 1, 2021 to put the company under liquidation and appoint a liquidator, and a provision for impairment of EGP 35,517 thousand has been formed.

D. The following table shows the percentage of HSBC Securities - Egypt's "under liquidation" balance sheet on December 31, 2021 from HSBC's consolidated balance sheet.

	Company's country	Company's assets	Company's liabilities (without equity)	Company's revenues	Company's gains
HSBC Securities Egypt Company SAE	Egypt	98.00%	0.01%	0.01%	-0.35%

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

24. Intangible assets

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of the current year		
Cost	2,069,319	1,397,425
Accumulated amortization	(754,160)	(440,772)
Impairment provision Charge	(2,377)	(2,377)
Net book value at the beginning of the current year	<u>1,312,782</u>	<u>954,276</u>
Additions	266,930	671,894
Amortization	(99,712)	(313,388)
Impairment provision reversal	-	-
Net book value at the end of the current period	<u>1,480,000</u>	<u>1,312,782</u>
Balance at the end of the current period		
Cost	2,336,249	2,069,319
Accumulated amortization	(853,872)	(754,160)
Impairment provision Charge	(2,377)	(2,377)
Net book value at the end of the current period	<u>1,480,000</u>	<u>1,312,782</u>

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

25. Other assets

	31 March 2025	31 December 2024
	EGP000	EGP000
Accrued revenues	3,105,930	2,069,804
Prepaid expenses	67,142	31,373
Ownership assets transferred to B&D (net of impairment)	10,293	10,293
Costs of branches under construction	47,635	59,735
Others	783,612	1,101,052
Advanced for projects under process	1,823	1,823
Impairment from provision ECL	(654)	(3,108)
Total	4,015,781	3,270,972

26. Fixed assets

	Land & buildings	Leasehold improvement	Machines and equipment	Others	Total EGP000
Balance at the beginning of the current period					
Cost	339,608	245,585	1,321,084	293,563	2,199,840
Accumulated depreciation	(265,753)	(207,485)	(361,217)	(170,298)	(1,004,753)
Net book value at the beginning of the current period	73,855	38,100	959,867	123,265	1,195,087
Additions	-	-	53,672	15,563	69,235
Disposals (Cost)	-	-	-	-	-
Disposals (Accumulated depreciation)	-	-	-	-	-
Depreciation for the period	(3,173)	(4,347)	(45,368)	(10,549)	(63,437)
Net book value at the end of the period	70,682	33,753	968,171	128,279	1,200,885
Balance at the end of the current period					
Cost	339,608	245,585	1,374,756	309,126	2,269,075
Accumulated depreciation	(268,926)	(211,832)	(406,585)	(180,847)	(1,068,190)
Net book value at the end of the current period	70,682	33,753	968,171	128,279	1,200,885

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

27. Investment property

As per CBE approval dated 9 June 2004, the Bank leased some of its head office floors which are located at Cornish El Nile Maadi and Smart Village.

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of period		
Cost	163,112	163,112
Accumulated depreciation	(125,773)	(117,897)
Net book value at the beginning of period	37,339	45,215
Depreciation	(1,691)	(7,876)
Net book value at the end of period	35,648	37,339
Balance at the end of period		
Cost	163,112	163,112
Accumulated depreciation	(127,464)	(125,773)
Net book value at the end of period	35,648	37,339

28. Due to banks

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Current accounts	5,979,799	4,122,409
	5,979,799	4,122,409
Central bank	-	-
Local banks	5,979,799	4,122,409
Foreign banks	5,979,799	4,122,409
Non-interest bearing balances	5,979,799	4,122,409
	5,979,799	4,122,409
Current balances	5,979,799	4,122,409

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

29. Customers' deposits

	31 March 2025	31 December 2024
	EGP000	EGP000
Demand deposits	105,940,380	97,230,306
Time and call deposits	47,989,629	49,778,643
Certificates of savings and deposits	16,108,703	13,462,193
Saving deposits	45,894,607	46,246,800
Other deposits	3,347,287	4,424,872
	219,280,606	211,142,814
Corporate deposits	98,803,426	96,409,365
Retail deposits	120,477,180	114,733,449
	219,280,606	211,142,814
Non-interest bearing balances	105,200,299	98,680,951
Interest bearing balances	114,080,307	112,461,863
	219,280,606	211,142,814

30. Other liabilities

	31 March 2025	31 December 2024
	EGP000	EGP000
Accrued interest	965,758	960,017
Deferred income	29,404	111,012
Accrued expenses	1,504,970	673,522
Creditors	859,600	1,464,828
Dues for Dividend Distributions	10,476,846	-
Other credit balances	7,496,005	5,565,117
Total	21,332,583	8,774,496

31. Other provisions

	Provision for claims		Provision for contingent liabilities (ECL)		Total	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	EGP000	EGP000	EGP000	EGP000	EGP000	EGP000
Balance at the beginning of the period / year	145,373	107,808	577,704	698,147	723,077	805,955
Formed during the year	33,575	121,744	-	-	33,575	121,744
Provisions valuation differences	(35)	17,986	(870)	225,542	(905)	243,528
	178,913	247,538	576,834	923,689	755,747	1,171,227
Used during the period	()	(86,744)	-	-	-	(86,744)
No longer required	(3,596)	(15,421)	(196,126)	(345,985)	(199,722)	(361,406)
Balance at the end of the period / year	175,317	145,373	380,708	577,704	556,025	723,077

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

32. Deferred tax

Deferred income taxes calculated entirely on the differences of deferred tax in accordance with balance sheet method using local statutory tax rate of 22.5% for the current financial year.

Offset between deferred tax assets and deferred tax liabilities is being done if there is legal reason to set off taxes resulting from assets against taxes resulting from liabilities and when the deferred income taxes belong to the same tax jurisdiction.

Deferred tax assets that are not expected to be benefited from in the future are not recognized.

Deferred tax assets and liabilities

The movement of deferred tax assets and liabilities are as follows:

	Deferred tax assets		Deferred tax liabilities	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	EGP000	EGP000	EGP000	EGP000
Fixed assets	-	-	(298,249)	(304,640)
Defined benefit obligation	187,807	186,053	-	-
Deferred tax for financial investment through OCI	(6,578)	181,056	-	-
other	22,534	20,000	-	-
Total tax assets (liabilities)	203,762	387,109	(298,249)	(304,640)
Net deferred tax assets	(94,487)	82,469	-	-

Deferred tax assets and liabilities movements

	Deferred tax assets		Deferred tax liabilities	
	31 March 2025	31 December 2024	31 March 2025	31 December 2024
	EGP000	EGP000	EGP000	EGP000
Balance at the beginning of the period/year	387,109	357,553	-	(195,453)
Additions	(183,346)	29,556	-	(109,187)
Balance at the end of the period	203,763	387,109	-	(304,640)

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

33. Defined benefits obligations

The end of service compensation benefits amounted to EGP 895,720 thousand as of 31 March 2025 (EGP 887,926 thousand as of 31 December 2024).

The movement of the liabilities in the defined benefit are as follows:

	31 March 2025	31 December 2024
	<u>EGP000</u>	<u>EGP000</u>
Liability recorded on balance sheet		
End of service compensation	895,720	887,926
	31 March 2025	31 December 2024
	<u>EGP000</u>	<u>EGP000</u>
Amounts recognised on income statement		
End of service compensation (Note 10)	61,677	54,146

The principal actuarial assumptions used are as follows:

- Rates of death/disability of the British table AF92-AM92
- Rate of salary increase $S_x = S_{20} * (1.05)^{(X-20)}$.
- Discount rate used (24.46%)

34. Paid up capital

	Number of shares	Cost of Common Shares	Total	Issuance premium included in other reserve-issuance premium
	EGP000	EGP000	EGP000	EGP000
Balance at the beginning of the current year	59,524	5,000,000	5,000,000	6,728
At 31 March 2025	59,524	5,000,000	5,000,000	6,728
Balance at the beginning of the year	59,524	5,000,000	5,000,000	6,728
Balance at end of December 2024	59,524	5,000,000	5,000,000	6,728

*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 cash shares from retained earnings, Accordingly, the issued and fully paid-up capital as of 31 December 2022 is EGP 5,000,000,040 represented in 59,523,810 fully paid shares at par value of EGP 84 each.

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 approved from the General Investment Authority.

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

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. Which has been fully paid.
- 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 cash shares from retained earnings, Accordingly, the issued and fully paid-up capital as of 31 December 2022 is EGP 5,000,000,040 represented in 59,523,810 fully paid shares at par value of EGP 84 each.

35. Reserves and retained earnings

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Reserves		
General reserve	4,447,403	3,400,537
Legal reserve	2,500,000	2,284,855
Capital reserve	87,890	71,519
Reserve for excess over par value - issuance premium	6,728	6,728
Fair value reserve	274,496	150,816
General bank risk reserve	89,661	89,661
General risk reserve	491,666	491,666
Total reserves at the end of the period	<u>7,897,844</u>	<u>6,495,782</u>

Reserves movements during the year are as follows:
A) General reserve

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of the year	3,400,537	2,787,736
Transferred from prior year profits	1,046,866	612,801
Balance at the end of the period	<u>4,447,403</u>	<u>3,400,537</u>

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

B) Legal reserve

	31 March 2025	31 December 2024
	EGP000	EGP000
Balance at the beginning of the year	2,284,855	1,672,054
Transferred from prior year profits	215,145	612,801
Balance at the end of the period	2,500,000	2,284,855

In accordance with local laws, 5% of the net profit shall be transferred to non-distributable reserve until it reaches 50% of the capital.

C) Capital reserve

	31 March 2025	31 December 2024
	EGP000	EGP000
Balance at the beginning of the year	71,519	51,752
Transferred from prior year profit	16,371	19,767
Balance at the end of the period	87,890	71,519

D) Reserves for excess over par value - issuance premium

	31 March 2025	31 December 2024
	EGP000	EGP000
Balance at the beginning of the year	6,728	6,728
Balance at the end of the period	6,728	6,728

This reserve represents the difference between the value of shares acquired by the shareholders and employees during capital increase in years 1998 and 1999 (price per share was EGP 168) and its par value (price per share EGP 84) in addition to the gain resulted from sale of Treasury shares in year 2000 after deducting the capital increase that occurred in year 2002.

E) Fair value reserve

	31 March 2025	31 December 2024
	EGP000	EGP000
Balance at the beginning of the year	150,816	(220,976)
Net change in investments FVOCI- T Bills	(114,578)	(208,576)
Net change in investments FVOCI- Bonds	356,897	357,105
Net change in investments FVOCI- Mutual funds	2,394	8,036
Net change in investments FVOCI- Equity instruments	(2,455)	99,982
Deferred tax for financial investment through OCI	(183,083)	107,452
Expected credit loss - Financial investment at FVOCI	64,505	7,793
Balance at the end of the period	274,496	150,816

Fair reserve represents the revaluation of financial instruments that measured through other comprehensive income.

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

F) General risk reserves

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of the year	491,666	491,666
Balance at the end of the period	491,666	491,666

As per CBE instructed the Special reserve & IFRS 9 reserve have been merged into the General risk reserves.

G) General bank risk reserves

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of the year	89,661	89,661
Balance at the end of the period	89,661	89,661

The general banking risk reserve were approved by the Board of Directors at the General Assembly meeting that held on March 17, 2022.

H) Retained earnings

	<u>31 March 2025</u>	<u>31 December 2024</u>
	<u>EGP000</u>	<u>EGP000</u>
Movement on retained earnings	37 685 133	22 458 127
Net profit for the year	5,864,130	20,953,691
Dividends for the year	(10,476,846)	(3,290,476)
Employees profit share	(1,353,174)	(983,411)
Transferred to legal reserve	(215,145)	(612,801)
Transferred to Banking systems support & development Fund	(209,373)	(122,560)
Acturial Gain /(Losses)	-	(84,869)
Transferred from capital reserve	(16,371)	(19,767)
Transferred from general reserve	(1,046,864)	(612,801)
Balance at the end of the period	30,231,490	37,685,133

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

36. Dividends

Payment of dividends is not recorded until being approved by the general assembly. The General assembly that held on 18 March 2025 approved a payment of EGP 176.01 per share as cash dividends for the year 2024 with a total amount of EGP 10,476,846, The general assembly that held on 18 March 2025 approved the distribution of EGP 1,353,174 as employees' distribution related to profit for the year 2024. (the actual employees dividends distributed for 2023 amount to EGP 983,411)

37. Cash and cash equivalents

For the purpose of preparing the statement of cash flow, cash and cash equivalents include the following balance of maturity dates within less than three months from the date of acquisition:

	31 March 2025	31 December 2024
	EGP000	EGP000
Cash and balances with Central Bank of Egypt (note 15)	2,356,700	2,652,333
Due from banks (note 16)	92,465,780	99,024,821
Treasury bills (included in note 22)	2,079,134	18,341,537
	96,901,614	120,018,691

38. Commitment and contingent liabilities
A) Legal claims

There are lawsuits filed against the bank as at 31 March 2025. legal provision for these cases for the period ended 31 March 2025 amounting 10,195 EGP thousands.

B) Commitments for loans, guarantees and facilities

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

	31 March 2025	31 December 2024
	EGP000	EGP000
Acceptances	2,581,598	1,681,812
Letters of guarantee	72,586,741	74,578,715
Letters of credit (import and export)	3,409,363	5,443,985
Other contingent liabilities	10,668	168,431
Commitments for loans	946,397	840,745
Cash margin	(3,215,339)	(3,578,887)
Total	76,319,428	79,134,802

C) Commitments for operating lease contracts

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

	31 March 2025	31 December 2024
	EGP000	EGP000
Less than one year	3,982	4,856
More than one year and less than five years	13,491	14,240
More than five years	-	250
	17,472	19,346

Notes to the separate interim financial statements - For the period ended 31 March 2025

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

39. Related party transactions

The Bank is a subsidiary of parent HSBC Holdings B.V headquarter in London, 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).

The Extraordinary General Assembly of the company decided on November 1, 2021, to put the company under liquidation and appoint a liquidator, and a provision for impairment of EGP 35 517 thousand has been formed.

Number of banking transactions with related parties has been conducted in the normal course of the business, including loans, deposits and foreign currency swaps. Dividends have been announced for the parent company, as shown in Note (36).

Related parties' transactions and balances at the end of the financial year are as follows:
A- Other loans

	HSBC Group	
	31 March 2025	31 December 2024
	EGP000	EGP000
Statement of financial position		
Subordinated loans note (27)	2,072,000	2,072,000
Statement of income statement		
Interest expenses	ألف جنيه مصري 154,445	ألف جنيه مصري 116,472

B- Deposits from related parties

	Subsidiaries	
	31 March 2025	31 December 2024
	EGP000	EGP000
Due to customers		
Deposits at the beginning of the year	14,930	13,408
Deposits received during the year	-	1,522
Deposits at the end of the period	14,930	14,930

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

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

C- Other related party transactions

	HSBC Group	
	31 March 2025	31 March 2024
	EGP000	EGP000
Statement of income statement		
Operating lease	42,776	13,355
Head office services revenue	120,339	18,987
Cost of services provided by HSBC Group	(1,284,812)	(937,048)
Total	(1,121,697)	(904,706)
	HSBC Group	
	31 March 2025	31 March 2024
	EGP000	EGP000
Statement of financial position		
Due from banks	234,393	1,712,725
Due to banks	85,554	6,126
Total	319,947	1,718,851

40. Subordinated loans

	Current interest rate	31 March 2025	31 March 2024
		EGP000	EGP000
Subordinated loans, variable interest rate (1)	31.75%	272,000	272,000
Subordinated loans, variable interest rate (2)	30.00%	1,800,000	1,800,000
Total	-	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). with variable interest rate.
- 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). with variable interest rate.

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41. 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 year1992 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 March 2025, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 46,550,443 against 78,559 certificates amounting to EGP 9,141,998 with redeemable value amounting to EGP 44,156,245 as of 31 December 2024.

The redeemable value of the certificate amounted to EGP 592.55392 against EGP 562.077 as of 31 March 2025. The outstanding certificates reached 2,388,546certificates against 2,357,530certificates as of 31 December 2024.

42. Subsequent events

On the 17th of April 2025, the monetary policy Committee (MPC) of the Central Bank of Egypt (CBE) decided to cut the CBE's overnight deposit rate, overnight lending rate, and the rate of the main operation by 225 basis points to 25 percent, 26 percent and 25.50 percent, respectively. The Committee also decided to cut the discount rate by 225 basis points to 25.50 percent, which may affect the bank's policies in pricing current and future banking products.

43. Prior year restatements

	<u>31 December 2024</u> <u>Before Adjustments</u>	<u>31 December 2024</u> <u>Adjustments</u>	<u>31 December 2024</u> <u>Adjusted Balance</u>
Treasury bills	72,262,441	199,304	72,461,745
Other assets	3,470,276	(199,304)	3,270,972

- During the first quarter of 2025, the accounting policy regarding the recognition/derecognition of financial assets was changed from the date of the transaction. Therefore, the effect of this change was applied to the opening balances for 2025 (the settlement date) through the trade date. Consequently, the comparative figures for the current period have been restated.