

**HSBC Bank Egypt S.A.E.**

**Annual Report and Accounts 2024**

HSBC Bank Egypt SAE is a 94.54 per cent subsidiary of HSBC Holdings plc and part of the HSBC Group. Headquartered in London, HSBC is one of the largest banking and financial services organisations in the world. HSBC is listed on the London, Hong Kong, New York and Bermuda stock exchanges. In 2024, HSBC Group served around 41 million customers worldwide through a network covering 58 countries and territories.

HSBC Bank Egypt SAE is one of the largest multinational banks in Egypt, providing a comprehensive range of banking and financial services. HSBC Bank Egypt SAE serves its personal and corporate banking customers through a full range of services including Wealth and Personal Banking, Commercial Banking and Global Banking and Markets. Effective from 1 January 2025, HSBC Group has implemented a new organisational business structure that aims to unleash HSBC Group's full potential by building on strong progress in recent years and driving success into the future.

## **Board of Directors**

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Nasser Alshaali, Chairman

Todd Wilcox, Deputy Chairman and CEO

Stephen Moss

Julia Dunn

Lamyaa El Bahy

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Hanan Abdel Meguid

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## Report of the Directors

The Board of Directors has the pleasure of presenting the Annual Report of HSBC Bank Egypt SAE (HBEG) for the year ended 31 December 2024.

### Economic Review and Future Outlook

2024 proved to be a challenging year for the Egyptian economy, with performance constrained pronounced regional political tensions, currency uncertainty and the demands of the IMF-anchored, policy-led economic rebalancing programme. That new policy framework, now entering its second year, has strong support from regional and international partners, and is designed to address longstanding balance of payments and public finance vulnerabilities and impediments to private sector investment. This has been laid out to open the way for improved price stability and sustainable economic growth in future. But through much of 2024 monetary and fiscal tightening weighed on activity, and substantial currency adjustment and higher inflation proved testing to absorb.

Full year data show growth averaged 2.4% in 2023/24, the slowest annual rate of expansion in over a decade and 2.2ppt below the average for the previous five years. Provisional data show growth rose to 3.5% in the first quarter of 2024/25 (Q3 24 calendar), boosted by gains in private consumption and offering encouragement that cyclical growth may have begun to turn. Unemployment also edged lower during the year, while gains in tourist arrivals despite regional political instability point to pockets of firmer external demand. But weak PMI readings into the end of the calendar year continue to argue for caution on near-term prospects at a time when sharply lower investment highlight the headwinds to longer-term gains.

Despite weak domestic demand growth, inflation averaged 28.5% during calendar 2024, some 20ppt above the mid-point of the central bank's inflation target. The average inflation rate for fiscal 2023/24 was 33.6%, the most rapid rate of price growth on record. The sharp upward pressure on domestic prices was triggered by currency volatility, culminating in a 38% devaluation of the official EGP exchange rate in February – the fourth, and largest step-change shift in the dollar-value of the currency in five years. The increase in the local currency cost of a range of imported goods was compounded by subsidy cuts mandated by the IMF reform programme. The price trend weighed on real incomes, savings, and sentiment throughout 2024 and prompted CBE to raise the policy rate by 800bps in the first quarter of the year. But underlying sequential data suggest that inflationary pressures subsided over H2 24 and into year end, contained by stabilising prices for food and core goods and services. The inflation trend prompted the market at to price policy cuts for 2025.

The currency also stabilised following the sharp Q1-adjustment, trading within a 9% range over Q2-Q4 24 and ending the year little changed on the devaluation level. Critically, liquidity improved markedly following the devaluation, quickly clearing the backlog of dollar demand that had built over the previous two years and putting an end to the parallel market. The improved foreign currency market function in part reflected a shift toward a more liberalised FX regime and was bolstered by substantial bilateral capital inflows led by Abu Dhabi. Multilateral inflows were also strong, with the IMF disbursing as Egypt successfully completed the third and fourth reviews of its adjustment programme, opening the way for support from other multilateral entities. The more robust external account backdrop also triggered a marked improvement in portfolio inflows and worker remittances as confidence in the new foreign currency regime gained. Central bank reserves pushed higher.

However, data show the current account deficit widened over the first nine months of 2024 to reach 6% of GDP in Q3 24, suggesting the adjustment remains testing. The performance was impaired by a marked downturn in Suez Canal receipts as a regional instability took a toll on Red Sea shipping, but an increase in the energy trade deficit as lower domestic production reduced exports and pushed imports higher. Fiscal data also show that the budget position remains under pressure, with subsidy cuts and higher tax collection offset by high debt servicing costs and subdued economic growth. The budgetary pressure kept fiscal policy tight throughout the year, with data showing a drop in capital spending into fiscal 2024/25 and a real-terms decline in public sector wage spending. Public debt remains elevated.

## Business and Operational Activities

### Financial performance

For the financial year ending 31 December 2024, the Bank reported profit before tax of EGP 28,553.7m, which is a 66 per cent increase compared to 2023. Profit after tax increased by 70.7 percent, reaching EGP20,953.7m.

The Board of Directors proposed a cash distribution of EGP 10,477 m to Shareholders (50 percent of the profits available for distribution for 2024) representing a coupon of EGP 176.01 per share.

In line with legal requirements, the Board of Directors also proposed a 'full year' distribution of EGP 1,353.17m (6.46 percent of the profits available for distribution for 2024) to the Bank's employees being the profit sharing linked to performance.

As per the CBE Law, the Board of Directors also allocated an amount to Banking System Support and Development Fund of EGP209.37m (1 percent of the profits available for distribution for 2024).

The remaining balance of profits available for appropriation, will be distributed according to the following regulations:

Statutory Reserve amounting to EGP 215.15m equivalent to 1.027%.

For supporting the bank's equity

- General Reserve amounting to EGP 1,046.87m
- Retained earnings amounting to EGP 7,551.05m (After deducting the actuarial loss with EGP 84.9M)

### Global Banking (GB)

GB provides tailored financial services and products to multinational corporates, governments and financial institutions worldwide. GB focuses on building partnerships with our clients to help them achieve consistent, long-term performance. We use the strength of HSBC's international network to connect emerging and mature markets, covering key growth areas. GB clients benefit from HSBC's unmatched capabilities and entrust the bank with their strategic and high-profile investment banking transactions in Egypt.

GB offers financing and advisory services including debt and equity capital raising, advisory, corporate lending, leveraged and acquisition finance, export & asset finance and infrastructure finance.

Establishing the foundations for global growth requires companies to implement business strategy based on local knowledge and insight to enable them to operate at the highest global standard in full compliance with local regulations. To do that, they need the strength of a network that offers quality on-the-ground relationships for local knowledge and expertise.

These are the dynamics that we believe will drive the future of business in Egypt, and HSBC's Global Banking is focused on supporting clients meet their business requirements in country:

- **Global scale, local knowledge:** Draw on HSBC's wide geographic reach and deep local knowledge to meet our clients' banking needs.
- **Innovative solutions:** With sector-focused teams that work closely with product and regional specialists around the world, HSBC delivers solutions designed specifically for clients' organizations.
- **Long-term commitment:** Our bankers take the time to gain a deep understanding of clients' financial requirements and business goals for today and for the future.
- HSBC signed a Memorandum of Understanding with General Authority for Investment and Free Zone (GAFI) to support GAFI's strategy to attract foreign direct investment to Egypt. The cooperation protocol will help to attract investors to Egypt through HSBC's strong international network across the world connecting Asia,

Europe and the Middle East. This cooperation illustrates the Egyptian Government's commitment towards fostering a private sector role in the economy.

### **Markets & Securities Services (MSS):**

Global Markets (GM) provides comprehensive foreign exchange services to corporate, institutional clients and offshore clients. We work on helping our corporate clients to find the best solutions to hedge foreign exchange, interest rate and precious metal exposures along with offering Fixed Income instruments as Treasury Bills and Bonds denominated in Egyptian Pound.

Key Market player offering EGP hedging tool to Corporate Clients on the back of their commercial trades.

We are as well the first bank to offer RMB currency for those clients who are trading with China in order to reduce their conversion cost while offering an electronic Foreign Exchange platform where Corporate Clients can execute their FCY requirements online.

HBEG GM works closely with their Regional and Global counterparts to fulfil our institutional and Securities Services client base requirements in terms of sovereign debt and to ensure smooth entry and exit to and from the local market. From a Balance Sheet perspective, Market Treasury interacts actively with different lines of business to provide the required liquidity and to hedge the bank's overall interest rate risk while deploying excess of liquidity to ensure decent return at a minimum risk.

Securities Services (SSv) business offers Direct Custody and Clearing product (DCC) to 54 global institutional banks and top tier multinational corporate clients with a range of Safe Keeping, Settlement and Asset Servicing Solutions. SSv assets under custody (AuC) dropped to 8.24 billion USD in 2024 from 9.7 billion USD in 2023.

HBEG was one of the first banks to introduce Direct Custody and Clearing (DCC) services in Egypt in April 1996 and the only site in MENA region with full on-shore SSv operations.

### **Commercial Banking (CMB)**

In CMB we drive business through:

#### **Relationship management:**

All CMB customers are managed by a dedicated Relationship Manager, ensuring that we provide the right solutions and expertise to our clients to help grow their business.

#### **International Connectivity:**

Supporting our customers in their domestic and overseas business by capitalizing on the Bank's connectivity within the wider HSBC Group and international corridors.

#### **Corporate Banking:**

A true financial partner to reputable local Large and Middle Market corporate entities operating in Egypt, focusing on strategic sectors in line with the wider CMB strategy with an international footprint and ESG agenda while supporting Egypt's renewable energy transition and New Economy. Corporate Banking combines local insights and experience with strong support from HSBC Group network and expertise, we provide our corporate clients with exceptional Corporate Banking services, as well as Global Trade & Receivable Finance, Global Payment Services and Global Markets services.

### **Customer Experience:**

Ensure the delivery of our products and services in a fair and transparent manner and giving our customers the tools to raise their voice and responding to their needs with the suitable solutions and products.

## **Driving Digital Forward:**

Digital transformation sits in the heart of CMB's strategy to deliver trusted and reliable tools to support our customers in new ways of working. Our continued enhancements of our digital capabilities are playing a critical role in helping our clients to keep their businesses running and accelerating their adoption of digital solutions.

## **Sustainability:**

As businesses across the world look to reduce their carbon footprint and also drive socially beneficial outcomes, in CMB we considered Sustainability as a key strategic driver for our business.

## **Global Payments Solutions ('GPS'):**

Unique payments and cash management solutions that allow clients to more efficiently and securely process their day-to-day transactions on-line. Additionally, the team is ideally positioned to provide the full suite of treasury and cash management solutions and consultative services.

## **Global Trade Services (GTS):**

Providing a unique proposition to our customers with the most comprehensive trade and receivables finance solutions along with leveraging on the power of our network to deliver solutions tailored to comply with the local market, our industry-leading capabilities, and being a leading trade service provider that oversees financial institutions.

## **Small and Medium Enterprises (SMEs):**

Focusing on driving the SMEs initiative through our SMEs dedicated team as well as our engagement with microfinance companies directed to finance small and medium enterprises to support the Egyptian economy.

## **Key highlights for 2024 include:**

International Banking: Successfully growing revenues with double digit growth of 74% with diversified revenues across key corridors in Asia, MENAT, Europe and the US. This was achieved through increasing our market penetration adding 50 new accounts YTD, growing our assets where utilization reached 60% up from 40% in Q1.

We successfully established HSBC as the leading bank for Chinese investment in Egypt by leveraging the China Desk. Notably, Egypt ranks as the 7th largest global corridor for outbound investments from China and the largest within the MENAT region.

Global Payments Solutions (GPS): has newly release number of digital solutions and services to support our customers including Instant Payment Network for corporate customers through both HSBC Connect and HSBCnet File Upload. This allows corporate customers to initiate instant payments from their bank accounts to all types of beneficiaries (Account, mobile Wallet and Aliases – INSTAPY address).

## **Global Trade Services:**

We continue to be one of the world's strongest banking partners, and a leading provider of international trade and supply chain finance solutions. With our local presence and global footprint, we have access to the world's trade flows and unrivalled experience in solving today's complex trade challenges.

We also deliver the superior technology and platforms necessary to help manage trade risk, process trade transactions and fund trade activities, ultimately making it easier for businesses to connect to new markets and trade partners around the world by achieving a 100% digital in trade finance promising real-time visibility, informed decision-making, risk mitigation, and enhanced efficiency.

In sustainable finance, HSBC provides a variety of solutions, assisting our corporate clients in their efforts to contribute to a more sustainable, low-carbon and climate-resilient economy. We successfully introduced Sustainability-Linked Loans (SLL) for Trade Finance that enabling businesses to tie their borrowing to activities that support a more sustainable, resilient and prosperous world. This proposition links the facility terms to the corporate ESG performance against pre-determined sustainability key performance Indicators (KPIs) and Sustainability Performance Targets (SPTs) and aligns to the Sustainability Linked Loan principles set out by the Loan Market Association (LMA).

## **Small & Medium Enterprises (SME's):**

HSBC has been the proud sponsor of NilePreneur (NP) for 5 years, a Central Bank of Egypt initiative, that aims to develop the skills and capabilities of young entrepreneurs. NP Academy is an educational start-up accelerator that provides business founders with a 6-month intensive program delivering business management training to equip participants with future skills, knowledge to grow in international markets and connect them to new sustainable opportunities.

We will continue to support SMEs through leveraging our international connectivity, product capabilities and through direct balance sheet support.

Our SME asset ratio more than doubled since launch.

Continue focusing on strategic sectors in line with the wider CMB strategy with an international footprint and ESG agenda while supporting Egypt's renewable energy transition and New Economy as well as Tech enabled businesses. With a strategy for 2023/2025 to capture growth opportunities in priority sectors/pillars: sustainability, high growth technology, and technology enabled solutions, supply chain and exporters.

Collaborating with various players in the Venture Capital (VC) ecosystem and hosting several related events and panel discussions further cementing our position in the ecosystem.

## **Wealth and Personal Banking ('WPB')**

HSBC Wealth and Personal Banking continued to deliver strong and robust performance during 2024 despite the considerable geopolitical and economic challenges on both the local and global levels, WPB proved resilience by delivering a 39% uplift in revenue stream demonstrating its financial strength and stability.

Our well-designed strategy that focuses on widening our prospect pool in targeted segments, enabled us to grow our active customer base to reach 316K customers by the end of December 2024 reflecting 11.8% Year over Year (YoY) portfolio growth with significant growth of 16.8% YoY in Premier segment which represents 26% of our IWPB portfolio.

On assets side, WPB delivered a record growth in balances for both personal lending & card business by 52% & 65% respectively, in addition to growth in cards spend by 64%.

On the Digital front, 87.3% of our new to bank customer are online registered where our customers performed almost 2.6M online transactions and services using our digital channels in 2024. InstaPay registered users reached 223K of our customer base with total transactions reaching 3.5m transactions per month with total amount of EGP 16.2 billion.

In 2024 we have renovated 50% of our ATM fleet with the state-of-the-art ATM models which will improve the security measures, look & feel, availability, and the overall customer experience.

WPB Egypt continues to focus on sustainability and financial inclusion by providing range of products that supports customers transition to sustainable lifestyle such as our electric vehicle and energy efficient products personal finance, in addition to phasing out of single-use cards to be replaced with recycled plastic cards.

From Financial Inclusion perspective, we launched the Financial Wellbeing HUB on our Public website, offering relevant financial education content that allow our customers and staff to become more financially resilient and have better financial health and security.



## **Risk Management**

HSBC's risk management approach follows five steps:

- Define risk appetite and controls and enable risk culture and accountability.
- Identify and record risks to our business and assess the potential impact.
- Manage and control our risks within appetite.
- Aggregate and analyze data and reports to enable decision making.
- Govern the risks through analysis, challenge and remediation.

We continue to maintain a consistent approach to risk, helping to ensure we protect customers' funds, lend responsibly and support the economy. By carefully aligning our risk appetite to our strategy, we aim to deliver sustainable long-term shareholder returns. All our people are responsible for the management of risk, with the ultimate accountability residing with the Board of Directors. Our Risk function, led by the Chief Risk Officer, plays an important role in reinforcing the Bank's culture and values. It focuses on creating an environment that encourages our people to speak up and do the right thing. Risk is independent from the global businesses, including our sales and trading functions, to provide challenge, oversight and appropriate balance in risk/ reward decisions. It oversees a comprehensive risk management framework that is applied throughout the HSBC Group, with governance and corresponding risk management tools, underpinned by the Group's culture and reinforced by the HSBC Purpose and Values.

## **Risk Appetite**

We define Risk Appetite as the articulation of the level and types of risks that we are willing to take in order to achieve our strategic objectives. The Bank's approach to risk is encapsulated within our Risk Appetite Statement (RAS) which is approved by the Board of Directors. It defines our desired forward-looking risk profile and informs the strategic and financial planning process. It assists senior management to make informed decisions on how to optimally allocate capital, funding and liquidity to finance strategic growth within acceptable risk levels, as well as supporting our monitoring of risk exposure. Key elements include:

- Risks that we accept as part of doing business, such as credit risk, market risk, and capital and liquidity risk.
- Risks that we incur as part of doing business, such as non-financial risks, which are actively managed to remain below an acceptable appetite; and
- Risks for which we have zero tolerance, such as knowingly engaging in activities where foreseeable reputational risk has not been considered.

## **Risk Environment**

2024 was a challenging year from a global macro-economic perspective. The Risk function continued its forward-looking and dynamic approach to both the financial and non-financial aspects of our risk management in such an environment of economic and geopolitical uncertainty, heightened by the Israeli/ Palestinian war, supply chain global disruption and the impact on emerging markets. Enhanced focus and investment into our non-financial risks including third-party risk management, fraud management, resilience risk, enhanced model risk oversight, and ongoing strengthening of cyber security and data integrity. We have regularly conducted stress tests to assess the resilience of our balance sheet and capital adequacy, as well actionable insights to our credit portfolios. A quarterly Forward Economic Guidance exercise is undertaken integrating macroeconomic scenarios into forward looking model estimates of IFRS 9 Estimated Credit Losses ('ECL'). The main 2025 Risk priority is the continuation of supporting our safe growth strategy in areas and sectors we're comfortable with while keeping a close eye on our portfolio resilience to changes in the internal and external environments including increased investment into Climate Risk and risk management support to the wider ESG standards.

## **People Management & Development**

### **People Insights**

On 31 December 2024, HSBC Bank Egypt SAE had a total workforce equivalent to 1,610 full-time employees compared to 1,604 at the end of 2023 in addition to 83 classified as Interns under the People with disabilities training program. Of total workforce HSBC Bank Egypt SAE has 41% representation of women and 59% representation of men. HSBC Bank Egypt SAE also has 115 contractors/service providers. Total Number of Joiners by end of 2024 reached 137 which is 60% higher than the previous year. The variation in new joiners' volume is mainly driven by the hiring of WBP Front Line roles throughout the year. In 2024 HSBC Bank Egypt SAE annual voluntary turnover was 5.3% vs 6.1% in 2023 representing 88 individuals who left the organization during 2024 with 41% of leavers being women and the majority of leavers (59%) fell under the 20-30 age group.

### **Benefits & Wellbeing**

- **Well-being**

To help employees grow personally and professionally, HSBC Bank Egypt SAE is committed to supporting their mental, physical and financial well-being, offering flexibility and helping employees develop new skills. In 2024, HSBC Bank Egypt SAE upgraded the Employee Assistance Programme to support the mental health of employees and their families.

- **Physical well-being**

The Snapshot survey revealed that employees rated their physical health less positive compared to 2023. In 2024, HSBC Bank Egypt SAE continued to make Personify Health app available to employees, supporting them to increase their physical activity. In collaboration with HBEG Medical Service provider, an onsite 'Know Your Numbers' checkup campaign was launched, in addition to Breast & Prostate Cancer Awareness campaigns. HSBC Bank Egypt SAE ERGs also conducted many fitness and sports events and sessions to increase employees' awareness to the importance of physical exercise.

- **Flexible working**

Flexible working remains one of the top reasons employees say they would recommend HSBC to someone else. HSBC Bank Egypt SAE continuously works on enhancing and improving employees workplace experience and with the newly renovated Head Office, hybrid working has been applied more effectively. To further support flexibility and work-life balance HBEG have improved family leave policies. Maternity paid time off duration was increased to 4.5 month (18 Weeks) from 3 months. Compassionate Leave was enhanced to become five working days instead of three calendar days and extending the policy to cover more relatives. Starting January 2025, Paternity Leave will be doubled in all MENAT countries including Egypt.

### **HSBC Bank Egypt SAE employee resource groups**

Bringing together the shared identities, values and interests of HBEG employees allow us to build an inclusive culture across the organization and the volunteer-led employee resource groups ('ERGs') enable this. In 2024, HSBC Bank Egypt SAE ERGs led numerous initiatives and events including hosting several panels whether to celebrate key occasions International Women's Day and International Men's Day or key topics such as generational leadership and mentoring future leaders, financial Wellbeing awareness tailored to each generation's needs as well as running several sessions to explain the benefits which HSBC offers to employees. ERGs also arranged for women-led focus groups to explore snapshot survey responses in a safe environment for them to share their concerns.

## **Branding**

HSBC Bank has been awarded the EuroMoney award for “Best Bank for Diversity & Inclusion” in Egypt for our D&I activities/initiatives in 2023.

For the 3rd year in a row, we have completed the summer internship program which offers an exciting opportunity to gain fresh perspectives, strengthen talent pipeline and promote our employer branding. We had 26 Interns this year for a 5 weeks’ program duration. They were sponsored by our employees from different businesses & functions.

## **Digital and Business Services (DBS) – The COO Organization**

The Chief Operating Officer (COO) organization is fundamental to HSBC as it plays a critical role in ensuring strategic alignment, maintaining efficient & resilient operations, and robust risk management. In essence, it serves as the backbone of the Bank, enabling it to adapt, grow, and thrive in a such a dynamic and competitive financial environment.

In 2024, we consistently delivered notable results by delivering prominent progress in embedding operational resilience, reducing inefficiencies, and optimizing resources. Our efforts focused on improving customer journeys, driving advancements and innovation across systems and internal controls, maintaining cost discipline, and ensuring business continuity amidst the evolving market and regulatory demands. Additionally, we continued prioritizing the regulatory change and reporting agenda, placing profound emphasis on quality, timely execution, governance, and risk mitigation to support sustainable growth and the bank’s overall stability and reputation.

## **Operations, Transformation, and Process Excellence**

Leveraging on our robust direct-banking channels and digital platforms, driven by our ambition to become the Bank of choice and convenience for our customers, we continue to accelerate and broaden our digital transformation initiatives and improve process automation with a core purpose to enhance customer experience, operational performance & efficiency. This has positively been witnessed in 2024 by the delivery and execution of several initiatives including the Wholesale lending process enhancements, introducing smart forms to save processing time and rationalizing the number of papers signed by our customers, migrating customers to electronic account statements with significant saves in paper printing year over year, enhancing payments straight-through processing rates and reducing turn-around time.

## **Regulatory Change Management**

Our commitment to our regulators remains to be one of our top priorities. Our teams, locally, regionally, and globally; continue to prioritize our regulatory mandates, therefore strong focus is given to the investment in automation and delivering change initiatives efficiently, securely and at the scale, complexity and speed expected by the regulator.

The Regulatory Change Management team has successfully evolved by creating a consistent model on entity level with more stringent risk management mechanism, controls & governance, driving HSBC regulatory change projects across all lines of business.

Moreover, as the quality of regulatory reporting remains a key priority, we are progressing with a comprehensive program to strengthen our processes, improve consistency and enhance controls across regulatory reports. The ongoing program focuses on our material regulatory reports, where the team is continuously working on the data enhancement, transformation of the reporting systems and an uplift to the control environment over the report production process.

## **Cyber Security**

The threat of a cyber incident remains a concern for our organization, as it does across the financial sector and other industries. As cyber-threats continue to evolve, failure to protect our operations may result in disruption for our customers and our business, cause financial loss or loss of sensitive data, and can have a negative impact on our customers' and our own reputation, among other risks.

We continue to monitor changes to the cyber-threat landscape and take proactive measures with the aim of reducing any impact on our customers.

### **▪ Prevent, detect and mitigate**

We invest in business and technical controls to help prevent, detect and mitigate cyber threats. Our cybersecurity controls follow a 'defense in depth' approach, leveraging multiple security layers, and recognizing the complexity of our environment. Our ability to detect and respond to attacks through round-the-clock security operations center capabilities is intended to help reduce the impact of attacks.

### **▪ Policy and governance**

We have a robust suite of cybersecurity policies, procedures, and key controls to help with the effective oversight and management of the organization. This includes but is not limited to defined information security responsibilities for employees, contractors and third parties, as well as standard procedures for cyber incident identification, investigation, mitigation and reporting.

Our cybersecurity capabilities are periodically assessed against standards issued by the National Institute of Standards and Technology and by independent third parties, and we proactively collaborate with regulators to participate in regular testing activities. HSBC Egypt SAE cybersecurity capabilities has been rated as 'High' maturity during the Central Bank of Egypt cybersecurity framework assessment exercise. In addition, HSBC engages external independent third parties to support our penetration and threat-led penetration testing.

### **▪ Cyber training and awareness**

We understand the important role our people play in protecting against cybersecurity threats. Our aim is to equip every colleague with the appropriate tools and behaviors they need to keep our organization and customers' data safe. We provide cybersecurity training and awareness to all our people, ranging from our top executives to IT developers to front-line branch staff around the world, and we deliver targeted training to staff that are identified as having elevated cyber risk exposure

## **Protective Security**

As part of our duty in the organization, we continue to closely monitor the physical security landscape and the impact of the geo-political situation and relevant risks on our operations, fostering a secure and safe environment for our staff, customers, operations, and assets.

The team continues to provide end-to-end security solutions including proactive and reactive 24/7 monitoring, incident management and threat response in coordination with local authorities as appropriate. Moreover, our Business Continuity and Incident Management team ensures plans are set and tested in timely manner which allows our ability to operate according to identified maximum distribution time during incidents.

The team is also committed to implement the latest security standards along with the fully integrated security systems across the country that provides the highest levels of protection to our operations and complying with the country's regulatory standards.

## **Procurement and External Third-Party Risk Management**

Procurement continues to have robust governance and reporting over the country level of management for External Third-Party Risk by maintaining good practice following the Group policy, framework, and systems.

With the fast-paced market dynamics, our procurement team collaborates proactively with our external suppliers to achieve the best commercial value for our business and clients. Moreover, in 2024, the team has established a new benchmark by positively reducing the supplier on-boarding average cycle time for standard engagements as well as enhancing the payment-on-time service level to our vendors to below our Third Party.

## **Corporate Services**

Our aim continues to focus on environmental and sustainability management, seeking to ensure that HSBC's properties continually reduce their overall direct impact on the environment as possible. Detailed design considerations documented in our Global Engineering Standards aim to reduce or avoid depletion of critical resources, such as energy, water, land, and raw materials. We add requirements to our suppliers and partners to adhere to strict environmental management principles and reduce their impact on the environment in which they operate.

We also aspire to have an inclusive, healthy, and stimulating environment for our people that helps us to succeed and find the right balance. To support our goal for improving our experience, Corporate Services team has successfully delivered the final phase of the Head Office renovation, which is a significant transformation into a new modern office space equipped with high-end furniture, the latest technology, efficient energy consumption and infrastructure; improving employee experience, reducing workspace from 14.5k sqm to 9.5k sqm; for more efficient utilization.

Moreover, Corporate Services in partnership with the Business lines, Information Technology, Procurement, Protective Security and Operations teams had a successful implementation of all the projects related to the Central Bank security requirements covering the whole network, corporate implants, as well as evergreening and upgrading the security systems of our off-site ATMs and the electronic gates across Egypt property portfolio.

## **Non-Financial Risk Management**

Our Non-financial Risk Management (NFR) team is continuously driving and enhancing the risk culture on an entity level to ensure the appropriate level of risk management, controls implementation and adequate knowledge are achieved according to the function/role requirements.

Moreover, the team is ensuring strict adherence to HSBC standard policies, procedures and local regulatory requirements across the organization, helping the business in mitigating operational losses as well as giving the high level of attention to management of financial crime risks through conducting a periodic enterprise-wide risk assessment and continues monitoring of controls.

Lastly, and despite the external inflationary pressures, we have proudly succeeded to maintain strong cost discipline across the organization with close monitoring of our spend and identifying cost saves opportunities. This achievement was made possible by fostering a cohesive environment between the COO functions and the effective collaboration with other business lines.

## **Compliance Function**

The compliance is led by the Chief Compliance Officer (CCO) who is responsible for overseeing and managing both functions (regulatory compliance and financial crime compliance). The Chief Compliance Officer plays an important role in enabling the bank to operate within its risk appetite, by ensuring efficient and effective risk and control management in relation to regulatory compliance and financial crime. CCO achieves this by providing regulatory & financial crime risks expertise, providing advice and challenge to management regarding all related matters; projects, policies, and procedures to achieve compliance with relevant rules, regulations, laws, and standards of conduct and maintaining robust risk governance focused on material risk and issues, and evolving a culture of continuous and consistent risk management.

The Compliance function aims to continue to embed a sustainable approach to compliance risk management, including simplifying compliance risk related processes where possible. alongside this, the function will seek to develop and deliver an intelligence-led risk management capability, leveraging data and using advanced analytics and emerging technology, further to support HSBC to balance revenue and risk as the Group returns to growth mode. More generally, the Compliance function seeks to develop capabilities and activities in a way that aligns with and operates to industry-leading standards.

The purpose and vision of the Compliance function is to protect our customers, protect the organization and protect the integrity of the financial markets in which we operate.

To deliver on this purpose we are agile and responsive in a dynamic, constantly changing environment: where criminals get smarter and more determined, technology advances, customer expectations change, and the regulatory environment continues to evolve.

### **Financial Crime Risk:**

HSBC is stably running an effective financial crime risk management framework as managing financial crime risk is becoming business as usual. HSBC has a global worldwide structure that is designed to enable managing financial crime risk effectively across the bank and to continue to strengthen financial crime detection and mitigation controls while committed to high ethical standards. Our Financial Crime Policy covering Anti-Money Laundering, Proliferation Financing, Sanctions, Anti-Bribery and Corruption, Internal & External Fraud, and Tax Transparency risks aim to ensure awareness and effective management of such risks as and when identified by the bank to appropriately safeguard our business & customers against them.

The Compliance team works to satisfy the requirements of implementing a consistent, comprehensive approach in assessing Financial Crime Risk. This includes working on enhancing and simplifying governance under the business-as-usual status. HSBC embarked on a process of simplifying the financial crime policies and adapting a service-based operating model where expertise is consolidated into global functional capabilities to best operate up to consistent standards and provides additional insight and support to global businesses.

HBEG Financial Crime Compliance team continued to support the business and customers during 2024 in the middle of the surrounding ever changing exceptional economic and political circumstances and as threats to the global financial system grow, will continue to provide the required guidance and advice to the business to support and protect customers and employees while ensuring full compliance to regulatory requirements and prudent risk management standards.

HSBC Bank Egypt remains committed to fighting financial crime and remains with the aspiration to be the industry leader in this area and continue to serve and protect our clients and the environment in which we operate.

### **Regulatory Compliance (RC) Risk:**

The Regulatory Compliance (RC) sub-function provides independent, objective oversight and challenge and promotes a compliance-orientated culture.

The RC Statement of Purpose says: “We understand the regulatory landscape and work with the business to help them identify and manage their regulatory compliance risks. We provide independent and objective oversight and challenge, and promote a compliance-orientated culture, supporting the business in delivering fair outcomes for customers and achieving HSBC’s strategic objectives.”

The risk that we fail to observe the letter and spirit of laws, codes, rules, regulations, and standards of good market practice relating to the provision of banking and financial services and incur fines, penalties, and damage to our business consequently. Regulatory Compliance risk captures the risks associated with Breaching our Regulatory duty to clients and other counterparties, Regulatory Licensing and Permissions, Inappropriate Market conduct and Unauthorized Trading. This includes but is not limited to:

- Conflict Management, Market Abuse, Information Barriers
- Client Assets Protection and Customers’ Investment Management.
- Regulatory and Conduct Post Sales Servicing, and Ongoing Product Management.
- Mis-selling and Complaint Handling.
- Relationship with Regulators, Response to Regulatory Change, Regulatory Reporting and Unauthorized Trading.

## Whistleblowing:

HSBC Group wants employees and stakeholders to have confidence in speaking up when they observe unlawful or unethical behaviour. HSBC Bank Egypt SAE leverage on HSBC Group's policies which offer a range of speak-up channels to listen to the concerns of individuals and have a zero-tolerance policy for acts of retaliation.

## Customer Protection

HSBC Customer protection unit, aligned with CBE regulations, continues to focus on the following key areas:

- Treating customers fairly.
- Disclosure and transparency in regard to features and pricing of all products and services offered by HSBC.
- Efficient complaints handling process.
- Enhancing the banking culture awareness.
- Protecting our customers' data and information security.

## Acknowledgment

Based on the financial results of 2024, the Board would like to extend their congratulations and thanks to the HSBC Egypt staff for their efforts and achievements.

## Shareholding

HSBC Bank Egypt SAE is a 94.5 per cent owned subsidiary of HSBC Holdings plc through HSBC Holdings B.V. The shareholding structure is as follows:

HSBC Holdings BV	94.5%
Misr Insurance Company	3.4%
Misr Life Insurance Company	1.7%
Others	0.4%

## Equity Investments

HSBC Bank Egypt also holds minority interests in the following companies:

- Egyptian Mortgage Refinance Company (EMRC)
- The Egyptian Credit Bureau (I-Score)
- Misr Company for Clearing, Settlement and Depository (MCDR)
- HSBC Securities Egypt S.A.E. (under liquidation)
- Swift Company
- Kol Yom' Money Market Fund

## Corporate Governance

Corporate Governance at banks is of paramount importance to ensure sound practices, promoting transparency and efficiency, in consistency with the law. The HBEG Board ('The Board') and the management are committed to the long-term success of the Bank and generating stable and sustainable returns for the shareholders. Standards of Corporate Governance, in particular those defined by Central Bank of Egypt ('CBE') and other regulatory bodies, are fundamental in supporting HBEG to facilitate better execution of activities and creating sustainable shareholder value, without overlooking the interests of other stakeholders in the Bank and the business community at large.

HBEG has a comprehensive range of policies and procedures in place designed to help ensure that it is well managed. HBEG is continuously developing its Corporate Governance Framework ('The Framework') to meet the highest standards by leading professional bodies and regulatory authorities. The Framework outlines a consistent

approach across the Bank infused into its culture and will be reviewed on a periodic basis by the Board of Directors. HBEG as a whole, along with The Board, Senior Management and employees are collectively responsible for integrating the Corporate Governance Framework into their day-to-day activities. The Board sets the “tone at the top”, the management ensures that the Corporate Governance Framework is implemented through a robust set of policies and procedures, and employees follow the Corporate Governance requirements in their day-to-day business.

HBEG is committed to complying with the highest standards of corporate governance principles, which is reflected in the relationships and responsibilities of the management, the Board and the shareholders in line with local regulatory requirements and global requirements of the HSBC Group. HBEG's Governance policies and practices cover all aspects of the Bank's daily operations including the creation and execution of strategies, the definition and application of risk appetite parameters and setting the balance between shareholders' obligations and depositors' interests. HBEG Management ensures that the daily activities of the Bank's operations are executed in a secure manner and in compliance with the prevailing laws and regulations.

HBEG's commitment to organizational governance is evidenced by:

- The composition of the HBEG Board of Directors and the inclusion of independent, non-executive Directors.
- The clear definition of Directors' duties.
- The operation and composition of Board's committees including the Audit Committee, the Risk Committee, the Governance and Nomination Committee and the Salaries and Remuneration Committee.
- The frequency of meetings of the Board and of the Board's Committees in line with local regulatory requirements.
- The internal control framework, reflected in the structure and operation of the Bank.
- The adoption and implementation of internal policies and procedures covering all business aspects.
- The existence of transparent communication and disclosure channels.



## **The Board of Directors**

The following changes took place to the HBEG Board of Directors during 2024:

### **Resignations**

Resignation of Mr. Christian Deseglise, HSBC Bank Egypt S.A.E. non-executive director (NED) representing HSBC, effective from close of business of 18 March 2024.

Resignation of Mr. Stephen Colin Moss, HSBC Bank Egypt S.A.E. non-executive director (NED) representing HSBC, effective of 31 December 2024.

### **Appointments**

Appointment of Mrs. Julia Dunn, HSBC Bank Egypt S.A.E. non-executive director (NED) representing HSBC, effective from 25 March 2024

### **Mr. Nasser Alshaali**

#### **Non- Executive Chairman (since September 2021)**

Nasser Alshaali was appointed HSBC Bank Egypt Chairman effective 7th of September 2021.

Mr. Alshaali's career spans 24 years with executive and board level experience in a range of private and public posts. He served as CEO of the Dubai International Financial Center, Managing Director of Sabertia Capital Partners, Executive Director at Stra-tical Associates in Dubai, and is currently Advisor to the Gulf Craft Group.

As COO, Mr. Alshaali helped establish the Dubai International Financial Exchange, before merging with Nasdaq. He also worked with Dubai government's "The Executive Office" in the setup of "Dubai Media Incorporated" (DMI), and economic expansion initiatives such as Dubai Internet City, Dubai Media City, and 13 others in diverse industries.

Mr. Alshaali also served as CEO of Gulf Craft after the financial crisis, turning around the firm, and helping it rank in the top ten global yacht manufacturers.

### **Mr. Todd Wilcox**

#### **Executive Director (since June 2020)**

Todd Wilcox is HSBC Bank Egypt Deputy Chairman and Chief Executive Officer.

Mr. Wilcox has an extensive international banking experience, the last 19 years of which have been with HSBC in a series of leadership roles.

He spent the first 2 years of his career with HSBC Canada helping to expand the Group's operations in western Canada before moving to HSBC Bermuda as Head of Retail Banking and Marketing in 2008.

In 2011, Mr. Wilcox was appointed as Chief Risk Officer for Asia-Pacific overseeing 11 markets in the region. He also served as Chief Operating Officer for Risk across all Asian markets over the same period.

He was appointed as Chief Executive Officer Brunei for the Hong Kong and Shanghai Banking Corporation Limited in 2012.

Prior to his role as CEO HSBC Egypt, he was Senior Executive Vice President and Deputy Chief Executive Officer of HSBC China and Executive Director of the Board.

Prior to joining HSBC, Mr. Wilcox worked for Royal Bank of Canada for 16 years in a wide range of business and functional roles.

Mr. Wilcox was born in Calgary. He holds a Bachelor's degree in Economics from the University of Calgary and a Master's degree in Business Administration from the Richard Ivey School at Western University.

## **Mrs. Lamyaa El Bahy**

### **Executive Director (since June 2019)**

Mrs. Lamyaa El Bahy is the Chief Financial Officer of HSBC Bank Egypt.

She joined the Finance Department of HSBC Bank Egypt as a Financial Analyst in 1989. Since joining the bank, she has held various roles in the Finance Department and is accountable for a diversified range of finance activities including Operational Accounting, Group & Regulatory Reporting, Assets & Liabilities Management, Management Information, Planning & Analysis, in addition to full in-house tax services.

Lamyaa El Bahy chairs the Assets and Liabilities Committee of the bank.

In April 2014, she was appointed as a Director on the Board of HSBC Electronic Data Services S.A.E. She is also a member of the Supervisory Committee for the HSBC Bank Egypt Money Market Fund.

She holds a B.A. in Economics from the Faculty of Economics and Political Science, Cairo University.

## **Mr. Stephen Moss**

### **Non-Executive Director (since July 2021)**

Stephen Moss is Regional Chief Executive Officer for the Middle East, North Africa and Türkiye.

Mr. Moss was appointed to the role of Regional Chief Executive Officer in April 2021 and has been a Group Managing Director since December 2018.

Mr. Moss started his career with HSBC in 1992 and has held a series of roles in Asia, the UK and the Middle East since joining. Most recently, Mr Moss was the Regional Chief Executive with responsibility for overseeing the bank's businesses in Europe (ex-HBUK); the Middle East; North Africa and Türkiye; Latin America; and Canada, a role he held from March 2020. Prior to this, Mr Moss held the role of Chief of Staff to the Group Chief Executive Leading Group Strategy and Planning, Group Mergers and Acquisitions, Global Communications, Global Events, Group Public Affairs and Group Corporate Sustainability.

Prior to joining HSBC, Mr Moss worked for Price Waterhouse.

Mr. Moss currently sits on the boards of HSBC Middle East Holdings B.V., HSBC Bank Middle East Limited, HSBC Saudi Arabia, HSBC Bank Egypt S.A.E, and Saudi Awwal Bank. Mr Moss serves as a Board Member of the Dubai International Chamber, Altamayyuz Finance and Accounting Excellence Academy (FACE) and as an Advisory Board Member of the Hong Kong Red Cross.

Mr. Moss is a qualified Chartered Accountant of the Institute of Chartered Accountants in England and Wales. He is married with two children.

## **Mrs. Julia Dunn (since March 2024)**

Julia joined HSBC in May 2021 as HSBC's UK Chief Risk Officer. She is responsible for leading and managing the firm's Risk function, which includes setting and managing the organisation's risk exposure and reporting directly to the Group CRO and the HSBC UK CEO. She sits on the Global Risk Executive Committee, the HSBC UK Executive Committee and has recently joined the Board of HSBC Egypt. She also sits on the PRA Practitioner Panel.

Prior to her current role she was the Group Chief Risk Officer for Nationwide Building Society where she spent 9 years. She spent 13 years with the Financial Services Authority during the Great Financial Crisis in both supervisory and enforcement roles. In her final role at the Regulator, she was Director of Retail Banking Supervision. Her early career was spent at PricewaterhouseCoopers where she trained to be a Chartered Accountant.

Julia champions diversity and is the Executive Sponsor for the Ability network in HSBC UK.

## **Mrs. Hanan Abdel Meguid**

### **Independent, Non-Executive Director (since July 2021)**

Mrs. Hanan Abdel Meguid is a known figure in the Middle East Internet world. She leads Kamelizer, an angel investment studio that aims to accelerate the Egypt startup scene, leveraging her twenty-five+ years of experience in technology and entrepreneurship.

Mrs. Hanan has served as Chief Executive Officer of Orascom Telecom Ventures (OTVentures) and as Vice President for digital transformation in the American University in Cairo (AUC). She led known projects in the digital transformation of governments across the Middle East region. Hanan contributed to boards both regional and global. She started her journey in 1996 in LINKdotNET, where she contributed immensely to its success and growth.

Mrs. Hanan is an active member of the Egypt entrepreneurship community; who believes that technology is a necessity and not a convenience in our region. She spends a lot of her time supporting startups and Women founders with disruptive business models using technology to improve quality of life.

## **Mr. Nadim Ghanem**

### **Independent Non-Executive Director (since June 2019)**

Mr. Nadim joined ExxonMobil in 1981 and has spent over 37 years of his career in the Midstream and Downstream. He held senior management positions in Sales, Marketing, Planning, Operations and Finance, for Egypt, Africa-Middle East and Europe.

During his tenure of Operations Manager for Egypt, he oversaw the revamping, modernization automation of the Fuels Operational Logistics facilities between 1991 and 1995. In 1997 and during his tenure as head of the Lubricants division in Egypt, he oversaw the design, procurement, construction and operation of a grass root manufacturing Lubricating Oil Blending Plant in Asher that started in 1999.

Following the Esso and Mobil merger in 2000, he consolidated the sales and marketing automotive divisions for both brands in Egypt then in 2002 moved to Tunisia where he assumed responsibilities for the ExxonMobil Lubricants and Asphalt interests in Tunisia till 2004. Thereafter he became responsible for the Lubricants and Asphalt Logistics Distribution Operations for Europe, Africa and the Middle East where he directed the implementation of a network restructuring that caused significant improvements in customer service levels and optimized the supply chain.

In 2009, he joined the Downstream Business Development and Portfolio division that is also responsible for M&A where he contributed to the successful divestment of ExxonMobil operations in Austria, Switzerland as well as some interests in the UK and other geographies.

In 2013 he moved to Finance and became Business Services Manager and Controller for ExxonMobil in Egypt, Saudi Arabia and the UAE Downstream, having overall responsibility for the accounting, treasury and tax activities in these countries.

In addition, throughout the years, he served as Director and Board Member in many ExxonMobil regional entities and Joint Ventures.

Mr. Nadim holds a BSc. in Chemical Engineering from Cairo University and a Diploma (M Sc.) in Refining and Chemical Engineering from the "Institut Francais du Petrole-ENSPM" in Rueil Malmaison, France.

## **Mrs. Maha Abdel Razek**

### **Independent, Non-Executive Director (since April 2022)**

Ms. Maha is currently the CEO for Misr Real Estate Assets Management co., serves as a Non-Executive Board member at Egyptian Real Estate Fund.

She started her professional career in the USA at Citibank, Vanguard Financial Institution and Washington Mutual, working in the primary and secondary mortgage market as well as managing several branches and SMEs in Southern and Northern California.

After moving back to Egypt in 2020 She headed the Retail Branches and Wealth Management at AAIB, started the mortgage department at HSBC Bank Egypt and bank Audit Egypt and was Managing Director at Al Oula Mortgage company and consultant of minister of local development.

She sat on a number of Boards including Egyptian Mortgage Federation, Al Ahly Mortgage company, Misr real estate development as well as Sharia Board at Audi bank

Ms. Maha was the Ambassador of Goodwill 2016 and was an active member at United Nations World Tourism Organization (UNWTO). She was a member of Investment committee of Endowments Authority (Awkaf), member of Egypt National Competitiveness Council (ENCC).

Ms. Maha was a board member, elected vice chairperson and treasurer for Protocol Foundation of Orange County (California), overseeing business development and marketing analysis to promote business and cultural interaction between international visitors and the residents of Orange Country (California).

Ms. Maha currently trains professionals at the Egyptian Banking institute (EBI) and training at Arab Academy for Banking Financial and Sciences, and previously at the AUC, Ain-Shams University and OUDA. She also developed the retail curriculum approved by the Supreme Council of Universities-Egypt in cooperation with the American University in Cairo (AUC) and previously trained in the USA on how to assimilate with foreign cultures as well as understand the business protocol in the Middle East.

## **Mr. Tamer El Raghy**

### **Independent, Non-Executive Director (since July 2022)**

Mr. Tamer has over 25 years of investment, entrepreneurial and innovation experience in Africa, Middle East, USA and Europe. As the MD of ARAF, an impact VC fund that invests in Agri startups with business models that help farmers adapt to climate change.

he led the team that invested in 14 companies which impacted more than two million farmers in East and West Africa.

Prior to joining ARAF, he led responsAbility AG (rA) Agriculture PE in Africa and Cargill's growth strategy and investment activities in Africa.

He received an MBA from NYU Stern School of Business, a PhD in Materials Engineering from Drexel University and a B.Sc. in Metallurgical Engineering from Cairo University.

## **The Board Committees**

The purpose of HSBC Bank Egypt's corporate structure, headed by the Board of Directors and led by the Chairman, is to deliver sustainable value to its shareholders. The Board sets the strategy for the Bank and approves the risk appetite, capital, and operating plans presented by management to achieve the strategic objectives it has set. Implementation of the strategy set by the Board is delegated to the Executive Committee, led by the Chief Executive Officer. To achieve its strategic objectives, the Board has also appointed a number of Directors and Executive Management to serve on Board Committees. The responsibilities of these committees and its membership are as follows:

### **Audit Committee**

The Audit Committee is responsible for reviewing and monitoring financial and internal audit matters, and for ensuring that effective systems of internal control (including financial control) are in place. The members of the Audit Committee as at 31 December 2024 are Mr. Nadim Ghanem (Chairman), Mrs. Julia Dunn and Mr. Tamer El Raghy.

### **Risk Committee**

The Risk Committee has responsibilities to oversee and advise the Board on all high-level risk related matters in relation to risk governance; and to review the effectiveness of the bank's risk management framework and internal control systems. The members of the Risk Committee as at 31 December 2024 are Mrs. Julia Dunn (Chairperson), Mr. Nadim Ghanem, Mrs. Hanan Abdel Meguid and Mr. Todd Wilcox.

### **Governance and Nomination Committee**

The Governance and Nomination Committee is responsible for leading the process for Board appointments and for identifying and nominating, for approval by the Board, candidates for appointment to the Board in addition to evaluating the bank's governance system. The members of the Governance and Nomination Committee as at 31 December 2024 are Mrs. Maha Abdel Razek (Chairperson), Mr. Tamer El Raghy and Mr. Nadim Ghanem.

### **Salaries and Remuneration Committee**

The Salaries and Remuneration Committee considers remuneration matters for the bank in the context of the Group's remuneration policy, proposes the fees for directors for approval by the Board and the shareholders and reviews performance-based remuneration with reference to corporate goals and objectives. The members of the Salaries and Remunerations Committee as at 31 December 2024 are Mrs. Hanan Abdel Meguid (Chairperson), Mrs. Maha Abdel Razek and Mrs. Julia Dunn.

## **Governance Committees**

The Bank's main governance committees are the Risk Management Committee, the Executive Committee, the Assets and Liabilities Committee and the Country Impairment Forum, all of which have direct reporting lines to the Board of Directors and the Board's Committees with exception of the Executive Committee.

### **Executive Committee (EXCO)**

The Executive Committee is an executive management committee that meets at least 6 times a year and operates as a general management committee with regards to the day-to-day management of the bank. The purpose of the Executive Committee is to maintain a reporting and control structure whereby all lines of business and functions are accountable to the individual members of the Committee who report to the Chief Executive Officer who chairs the Executive Committee.

### **Risk Management Committee (RMM)**

HBEG Risk Management Meeting (RMM) is a formal governance committee established to provide recommendations and advice to HBEG Chief Risk Officer (CRO) on enterprise-wide risk management of all risks within HBEG. It supports the CRO's individual accountability for the oversight of enterprise risk as set out in the Group's Enterprise Risk Management Framework (ERMF).

RMM serves as the governance body for enterprise-wide risk management with particular focus on risk culture, risk appetite, overall risk profile and integration of risk management into HBEG's strategic objectives and is chaired by CRO. RMM reports to the Risk Committee of the Board of Directors.

#### **Assets and Liabilities Committee (ALCO)**

Assets and Liabilities Committee serves as the governance body to consider ALCO issues. ALCO issues are defined as issues and risks with regards to assets, liabilities, capital, liquidity and funding risk, interest rate risk in the banking book, structural foreign exchange risk, structural and strategic equity risk and ALCO books. The purpose of ALCO is to ensure that ALCO issues are captured, monitored and controlled by management. It is an advisory committee, chaired by the Chief Finance Officer (CFO), to support the CFO's individual accountability for ALCO issues in Egypt, and to recommend proposals and decisions for approval to the CFO.

#### **Country Impairment Forum (CIF)**

The main objective of the Country Impairment Forum is to oversee the calculation processes for impairments to ensure that impairment models are established in line with the IFRS9 policies and to approve the final impairment figures. The Committee ensures that an effective control environment exists around the entire impairment process. The Chief Risk Officer and the Chief Finance Officer co-chair the Country Impairment Forum, which reports to both the Audit and Risk Committees and reports material issues to the Board of Directors.

## **AUDITORS' REPORT**

**To the Shareholders of HSBC Bank Egypt S.A.E**

### **Report on the Separate Financial Statements**

We have audited the accompanying separate financial statements of HSBC Bank Egypt S.A.E "the Bank", which comprise the separate financial position as at December 31, 2024 and the related separate statements of income, comprehensive income, cash flows and changes in equity for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Management's Responsibility for the Separate Financial Statements**

These separate financial statements are the responsibility of the Bank's management. Management is responsible for the preparation and fair presentation of these separate financial statements 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. Management's responsibility includes designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; management's responsibility also includes selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these separate financial statements based on our audit. We conducted our audit in accordance with the Egyptian Standards on Auditing and in the light of the prevailing Egyptian laws. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the bank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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



## Opinion

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the separate financial position of the Bank as of December 31, 2024 and of its separate financial performance and its separate cash flows for the year then ended, 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 relating to the preparation of these separate financial statements.


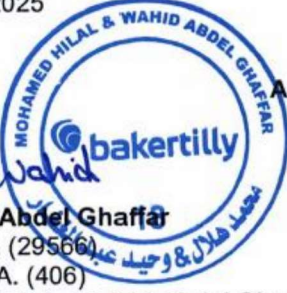
## Report on Legal and Other Regulatory Requirements

No material contravention, during the financial year ended 31 December 2024, of the provisions of Central Bank of Egypt and the Banking System Law no 194 of 2020 in the light of our audit of the separate financial statements.

The Bank maintains proper books of accounts, which include all that is required by law and by the statutes of the bank. The separate financial statements are in agreement thereto.

The separate financial information included in the Board of Directors' report, prepared in accordance with law no. 159 of 1981 and its executive regulations and their amendments, is in agreement with the Bank's books of account insofar as such information is recorded therein.

Cairo; 12 February 2025

  
  
**Amr Wahid Abdel Ghaffar**  
R.A.A. (29566)  
F.R.A. (406)  
**Baker Tilly Mohamed Hilal - Wahid Abdel Ghaffar**  
**Public Accountants & Consultants**

  
  
**Kamel Magdy Saleh**  
R.A.A. (8510)  
F.R.A. (69)  
**Saleh, Barsoum & Abdel Aziz - Grant Thornton**  
**Accountants & Auditors**



# Statement of financial position

## HSBC Bank Egypt SAE

Separate statement of financial position as of 31 December 2024

(All amounts in EGP000)

	Note	2024	2023
<b>Assets</b>			
Cash and balances with Central Bank of Egypt	(15)	12,093,271	17,475,283
Due from banks	(16)	108,247,939	110,350,468
Financial assets at fair value through profit or loss	(20)	236,451	27,789
Loans and advances to banks	(17)	221,815	134,790
Loans and advances to customers	(18)	52,439,055	36,977,417
Financial derivatives	(19)	151,351	40,949
Financial investments	(21)	31,707,603	6,074,742
Treasury bills	(22)	72,262,441	71,811,980
Investment in subsidiary	(23)	-	12,046
Intangible assets	(24)	1,312,782	954,276
Other assets	(25)	3,470,276	3,210,942
Investment property	(27)	37,339	45,215
Fixed assets	(26)	1,195,088	1,039,889
Deferred tax assets	(32)	82,469	162,100
<b>Total assets</b>		<b>283,457,880</b>	<b>248,317,886</b>
<b>Liabilities and shareholders' equity</b>			
<b>Liabilities</b>			
Due to banks	(28)	4,122,409	10,865,934
Customers' deposits	(29)	211,142,814	184,064,919
Financial derivatives	(19)	136,740	185,643
Subordinated loans	(40)	2,072,000	2,072,000
Other liabilities	(30)	8,774,496	13,760,603
Other provisions	(31)	723,077	805,955
Current income tax liabilities		6,417,503	3,596,379
Defined benefits obligations liabilities	(33)	887,926	629,704
<b>Total liabilities</b>		<b>234,276,965</b>	<b>215,981,137</b>
<b>Shareholders' equity</b>			
Issued and Paid-up capital	(34)	5,000,000	5,000,000
Reserves	(35)	6,495,782	4,878,622
Retained earnings	(35)	37,685,133	22,458,127
<b>Total shareholders' equity</b>		<b>49,180,915</b>	<b>32,336,749</b>
<b>Total liabilities and shareholders' equity</b>		<b>283,457,880</b>	<b>248,317,886</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.

# Statement of income

## HSBC Bank Egypt SAE

Separate statement of income for the year ended 31 December 2024

(All amounts in EGP000)

	Note	2024	2023
Interest income from loans and similar income	(6)	38,062,794	25,175,155
Interest expense on deposits and similar expense	(6)	(6,399,108)	(5,029,978)
<b>Net interest income</b>		<b>31,663,686</b>	<b>20,145,177</b>
Fees and commissions income	(7)	3,593,461	2,870,210
Fees and commissions expense	(7)	(793,618)	(569,054)
<b>Net fees and commissions income</b>		<b>2,799,843</b>	<b>2,301,156</b>
Dividends	(8)	22,815	15,295
Net trading income	(9)	1,735,078	528,341
Financial investment income / (Loss)		141,545	36,538
Expected Credit Loss charges	(12)	(937,439)	(1,244,998)
Administrative expenses	(10)	(7,050,003)	(4,588,842)
Other operating income (expense)	(11)	178,166	9,256
<b>Profit before income tax</b>		<b>28,553,691</b>	<b>17,201,923</b>
Income tax expenses	(13)	(7,600,000)	(4,926,135)
<b>Net profit for the year</b>		<b>20,953,691</b>	<b>12,275,788</b>
<b>Earnings per share (EGP/share)</b>	<b>(14)</b>	<b>329.01</b>	<b>189.38</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.

# Statement of comprehensive income

## HSBC Bank Egypt SAE

Separate statement of comprehensive income for the year ended 31 December 2024

(All amounts in EGP000)

	Note	2024	2023
Net profit for the Year		20,953,691	12,275,788
Changes on fair value of financial investment through OCI		256,546	439,975
Deferred tax for financial investment at FVOCI		107,452	(28,070)
Expected credit loss on financial investment at fair value through OCI	(8)	7,793	23,492
Actuarial gain /(losses)-net of tax		(84,869)	166,106
<b>Total impact related to other comprehensive income</b>		<b>286,922</b>	<b>601,503</b>
<b>Net fees and commissions income</b>		<b>21,240,613</b>	<b>12,877,291</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.

# Statement of cash flows

## HSBC Bank Egypt SAE

Separate statement of cash flows for the year ended 31 December 2024

(All amounts in EGP000)

	Note	2024	2023
<b>Cash Flows from operating activities</b>			
Net profit before income tax		28,553,691	17,201,923
<b>Adjustments to reconcile net profit to net cash flows from operating activities</b>			
Depreciation and amortization		535,286	372,810
Expected credit losses of other assets		167	465
Expected credit losses of customers		926,207	1,194,873
Revaluation differences for customers in foreign currency		990,916	257,815
Dividends received		(22,815)	(15,295)
Expected credit losses of cash		5	(2,202)
Expected credit losses of due from banks		3,267	28,370
Expected credit losses of financial Investments		7,793	23,492
Expected credit losses of intangible asstes		-	2,377
Other provisions(Formed)		121,744	531,147
Other provisions(Used)		(86,744)	(61,410)
Other Provisions no longer required		(361,406)	(5,289)
Revaluation differences for provisions in foreign currency other than loans provision		243,528	13,806
Loss/(Gain) from sale of property and equipment		(16,371)	(15,964)
(Gain) / Loss from sale of investments		(141,545)	(36,538)
Revaluation differences for banks in foreign currency		(87,025)	7,621
Pension fromed during the period		141,631	160,030
FVOCI investments exchange revaluation differences		(996,778)	(202,276)
<b>Operating income before changes in Assets and liabilities</b>		<b>29,811,551</b>	<b>19,455,755</b>
<b>Net decrease (increase) in assets and liabilities</b>			
Cash and balances with Central Bank of Egypt		2,065,989	(5,855,644)
Loans and advances to customers		(17,347,888)	(247,873)
Loans and advances to banks		-	-
Trading financial assets		(208,662)	48,261
Other assets		(266,494)	(1,100,152)
Due to banks		(6,743,525)	7,596,516
Customers' deposits		27,077,895	32,917,939
Other liabilities		(5,108,667)	10,511,421

Financial derivatives (net)	(159,305)	252,736
Defined benefits obligations	116,591	(69,734)
Income tax paid	(4,591,793)	(2,496,809)
<b>Net cash flows generated from operating activities</b>	<b>24,645,692</b>	<b>61,012,416</b>
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets	(364,772)	(209,853)
Proceeds from sale of fixed assets	18,915	23,297
Payments to purchase intangible assets	(671,894)	(674,681)
Payments for purchase of financial investments at FVOCI	(36,469,392)	(25,684)
Proceeds from sales of financial investments at FVOCI	12,198,450	9,558,113
Payments to purchase Treasury bills	(157,781,457)	(71,715,636)
Proceeds from sale of Treasury bills	142,172,214	53,993,574
Proceeds from dividends received	22,815	15,295
<b>Net cash flows used in generated from investing activities</b>	<b>(40,875,121)</b>	<b>(9,035,575)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(4,273,887)	(548,543)
<b>Net cash flows used in financing activities</b>	<b>(4,273,887)</b>	<b>(548,543)</b>
Net change in cash and cash equivalents during the year	(20,503,316)	51,428,298
Cash and cash equivalents at the beginning of the year	123,726,909	72,298,611
<b>Cash and cash equivalents at the end of the year</b>	<b>103,223,593</b>	<b>123,726,909</b>
<b>Cash and cash equivalents are represented in:</b>		
Cash and balances with Central Bank of Egypt	12,093,276	17,475,283
Due from Banks	108,298,481	110,397,743
Treasury bills at fair value through OCI	72,262,441	71,811,980
Balance with Central Bank of Egypt as statutory reserve	(22,324,911)	(24,390,900)
Treasury bills at fair value through OCI of maturity more than 3 months from date of acquisition	(67,105,694)	(51,567,197)
<b>Cash and cash equivalents</b>	<b>103,223,593</b>	<b>123,726,909</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.

# Statement of changes in the shareholders' equity

Separate statement of changes in equity for the year ended 31 December 2023

(All amounts in EGP 000)

	Note	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 Reserve	Retained Earnings	Total
<b>Balances as of 31 December 2022</b>		<b>5,000,000</b>	<b>2,513,464</b>	<b>1,397,782</b>	<b>51,752</b>	<b>6,728</b>	<b>(656,372)</b>	<b>491,666</b>	<b>89,661</b>	<b>11,168,174</b>	<b>20,062,855</b>
Dividends paid for year 2022		-	-	-	-	-	-	-	-	(548,543)	(548,543)
Transferred to legal reserve		-	-	274,272	-	-	-	-	-	(274,272)	-
Transferred to general reserve		-	274,272	-	-	-	-	-	-	(274,272)	-
<u>Items included in other Comprehensive income</u>											
Net change in FV Financial investments at fair value through OCI		-	-	-	-	-	439,975	-	-	-	<b>439,975</b>
Deferred tax for financial investment through OCI		-	-	-	-	-	(28,070)	-	-	-	<b>(28,070)</b>
ECL change in fair Value of investment through OCI		-	-	-	-	-	23,492	-	-	-	<b>23,492</b>
<b>Net change in other comprehensive income</b>		-	-	-	-	-	<b>435,397</b>	-	-	-	<b>435,397</b>
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	(54,854)	<b>(54,854)</b>
Net Profit for the year ended 31 December 2023		-	-	-	-	-	-	-	-	12,275,788	<b>12,275,788</b>
Actuarial gain		-	-	-	-	-	-	-	-	166,106	<b>166,106</b>

<b>Balance as of 31 December 2023</b>		<b>5,000,000</b>	<b>2,787,736</b>	<b>1,672,054</b>	<b>51,752</b>	<b>6,728</b>	<b>(220,975)</b>	<b>491,666</b>	<b>89,661</b>	<b>22,458,127</b>	<b>32,336,749</b>
<b>Balance as of 31 December 2023</b>		<b>5,000,000</b>	<b>2,787,736</b>	<b>1,672,054</b>	<b>51,752</b>	<b>6,728</b>	<b>(220,975)</b>	<b>491,666</b>	<b>89,661</b>	<b>22,458,127</b>	<b>32,336,749</b>
Dividend paid for year 2023	<b>(24)</b>	-	-	-	-	-	-	-	-	(4,273,887)	<b>(4,273,887)</b>
Transferred to legal Reserve	<b>(35)</b>	-	-	612,801	-	-	-	-	-	(612,801)	-
Transferred to general Reserve	<b>(35)</b>	-	612,801	-	-	-	-	-	-	(612,801)	-
Transferred to Capital Reserve	<b>(35)</b>	-	-	-	19,767	-	-	-	-	(19,767)	-
Transferred to general bank risk Reserve	<b>(35)</b>	-	-	-	-	-	-	-	-	-	-
<u>Items included in other comprehensive income</u>											
Net change in FV financial investments at fair value through other comprehensive income		-	-	-	-	-	256,546	-	-	-	<b>256,546</b>
Deferred tax for financial investment through OCI		-	-	-	-	-	107,452	-	-	-	<b>107,452</b>
ECL for change in fair Value of investment through OCI		-	-	-	-	-	7,793	-	-	-	<b>7,793</b>
<b>Net Change in OCI</b>		-	-	-	-	-	371,791	-	-	-	371,791
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	(122,560)	(122,560)
Net profit for the year ended 31 December 2024		-	-	-	-	-	-	-	-	20,953,691	20,953,691
Actuarial Loss		-	-	-	-	-	-	-	-	(84,869)	(84,869)
<b>Balance as of 31 December 2024</b>		<b>5,000,000</b>	<b>3,400,537</b>	<b>2,284,855</b>	<b>71,519</b>	<b>6,728</b>	<b>150,816</b>	<b>491,666</b>	<b>89,661</b>	<b>37,685,133</b>	<b>49,180,915</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.

# Proposed profit of appropriation statement

## HSBC Bank Egypt SAE

Separate proposed profit of appropriation statement for the year ended 31 December 2024

(All amounts in EGP 000)

	Note	2024	2023
Net profit for the year (as per income statement)		20,953,691	12,275,788
<b>Less:</b>			
Gain from sale of fixed assets transferred to capital reserve according to law	(11)	(16,371)	(19,767)
<b>Net profit for the year available for appropriation</b>		<b>20,937,320</b>	<b>12,256,021</b>
<b>Add:</b>			
Retained earnings at the beginning of the year	(35)	16,816,311	10,016,233
Actuarial gain / (losses)	(35)	(84,869)	166,106
<b>Retained earning balance</b>		<b>16,731,442</b>	<b>10,182,339</b>
<b>Total</b>		<b>37,668,762</b>	<b>22,438,360</b>
<b>Appropriation:</b>			
Legal reserve	(35)	215,145	612,801
General reserve	(35)	1,046,866	612,801
Banking System Support and Development Fund		209,373	122,560
Shareholders' dividends	(36)	10,476,846	3,290,476
Employees' profit share	(36)	1,353,174	983,411
Retained earnings at the end of the year		24,367,358	16,816,311
<b>Total</b>		<b>37,668,762</b>	<b>22,438,360</b>

The accompanying notes from 1 to 42 form an integral part of these financial statements and are to be read therewith.



# Notes on the accounts

**HSBC Bank Egypt SAE**

**Notes to the separate financial statements for the year ended 31 December 2024**

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

## **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 1,610 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 December 2024 have been approved for issuance by the Board of Directors on 10 February 2025.

## **2. Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these separate financial statements are set out below. These policies have been consistently applied to all the years 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.

### **C. Segment reporting**

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.

### **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. 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.

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.

## **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.

	Level 2	Total
2024	EGP'000	EGP'000
<b>Recurring fair value measurements</b>		
Financial investments at fair value through other comprehensive income	91,251,198	91,251,198
Financial assets at fair value through profit or loss	236,451	236,451
Financial Derivatives - Assets	151,351	151,351
Financial Derivatives - Liabilities	(136,740)	(136,740)

	Level 2	Total
2023	EGP'000	EGP'000
<b>Recurring fair value measurements</b>		
Financial investments at fair value through other comprehensive income	72,344,545	72,344,545
Financial assets at fair value through profit or loss	27,789	27,789
Financial Derivatives - Assets	40,949	40,949
Financial Derivatives - Liabilities	(185,643)	(185,643)

## K. Derivative financial instruments

Derivatives are recognised 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 recognised 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 investments at fair value through profit and loss, are recognised 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 amortised 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.

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

L.1. When collected and after recovery of all arrears for retail loans, mortgage loans for personal housing and small loans for businesses

L.2. For loans granted to corporates, interest income is recognised on a cash basis after the Bank collects 25 per cent of the scheduling instalments and after the instalments continued to be regular for at least one year. Interest income will not be recognised 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 recognised 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 recognised under income according to the cash basis when interest income is recognised in accordance with note (H/2) above. Fees and commissions that represent part of the financial asset effective rate are recognised as adjustment to the effective interest rate.

Commitment fees on loans 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 recognised as adjustment to the effective interest rate of the loan. If the commitment period passed without issuing the loan, commitment fees are recognised as income at the end of the commitment period.

Fees and commissions related to debt instruments measured by fair value are recognised as income at initial recognition. Fees and commissions related to promoting a syndicated loan are recognised 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 favour of a third party as in share acquisition arrangements or purchase of securities or purchase or sale of businesses are recognised as income when the transaction is completed. Commissions and fees related to management advisory and other services are recognised as income based on the contract terms, usually on a time-appropriation basis. Long period financial planning and custody services and management fees are recognised over the period in which the service is provided.

## **N. Dividends income**

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

## **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 unlikelihood, 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 derecognised 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 derecognised events in these circumstances are considered to be purchased or originated credit-impaired (POCI) and will continue to be disclosed as renegotiated loans.

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 are 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).

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 are 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.

**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 recognised 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 recognised in profit or loss until the POCI is derecognised, 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:

## **O. Impairment of financial assets**

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 realisation, 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 are 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 recognised 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 recognised 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.

- 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 unlikelihood to pay. The criteria for unlikelihood 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 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 per cent of the outstanding balances of the financial asset after paying the reserved/suspended interest, as the case may be; and
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% ,30% each, and 15% 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 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 increase capital. 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 programmes are to be recognised 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 recognised 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 recognised as an upgrading cost and are added to the original software cost.

The computer software cost recognised as an asset shall be amortised 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 asset items.

Subsequent costs are included in the asset's carrying amount or are recognised 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 year 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 improvements	3 to 10 years or over lease tenor if less
Furniture and safes	10 years
Typewriters calculators and air conditioners	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 amortisation 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 recognised by the excess amount of book value over the recoverable value. The recoverable value represents net realisable 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 per cent of the asset's expected useful life, or the current value of the total lease payments represents at least 90 per cent of the value of the asset, then this lease is considered finance lease. Other than that, the lease has to be considered operating lease.

##### **U.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.

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.

##### **U.2 Leasing out**

Operating lease assets are accounted for at the fixed assets 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 recognised 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 recognised 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 recognised 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, 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 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 year. Provision is provided based on the present value in light of the actuarial assumptions determined at balance sheet date and is recognised in the consolidated profit or loss under the caption of general and administrative expenses. This provision is presented in the balance sheet under 'other provisions caption'.

### **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 year includes both the current and deferred taxes. Income tax is recognised in the income statement, except income taxes related to shareholders' equity items that are recognised 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 recognised due to the temporary differences resulting from reporting the value of assets and liabilities in one year for tax purpose and in another year for financial accounting purpose. Deferred tax is determined based on the method used to realise 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 recognised if it is probable that sufficient taxable profits shall be realised in the future whereby the asset can be utilised, 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**

### **AA.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.

### **AA.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.

## **AB. Custody activities**

The Bank practises 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.

## **AC. 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 analysed, 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 currency exchange rates, interest rate risk and other pricing risks.

The risk management policies have been laid down to determine and analyse 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 centralised 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.

## **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 minimises 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 judgement 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 and 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.

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 minimise 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, ie 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 (ie 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 date relating to the master netting arrangements as aggregate settlements are made. However, the credit risk related to contracts to the favour of the Bank is reduced by a master netting arrangement as netting will be made with the counterparty to settle all transactions. The value of the credit risk faced by the Bank changes substantially within a short period of time as it is affected by each transaction occurring in the arrangement.

### **Credit-related commitment**

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

Documentary and commercial letters of credit, which are issued by the Bank on behalf of customers, by which authorising 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 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.

#### Credit quality classification

Quality classification	Debt securities and other bills External credit rating	Wholesale lending internal credit rating*	Retail lending internal credit rating**
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

\* Customer risk rating

\*\* 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 December 2024	Loans and advances to customers	Allowance / provision for ECL
Stage 1	56.50%	0.29%
Stage 2	38.50%	15.16%
Stage 3	5%	86.37%
	<b>100%</b>	<b>10.31%</b>
31 December 2023	Loans and advances to customers	Allowance / provision for ECL
Stage 1	36.17%	0.19%
Stage 2	57.27%	7.44%
Stage 3	6.56%	83.24%
	<b>100%</b>	<b>9.79%</b>

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

Non Credit impaired					Credit impaired			
Stage 1			Stage 2		Stage 3		Total	
December 2024	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
As at 1 January 2024	14,862,101	(28,809)	23,475,375	(1,746,031)	2,690,097	(2,239,316)	40,991,573	(4,014,156)
Transfer from stage 1 to stage 2	(2,573,347)	(505,431)	2,486,076	490,767	-	-	(87,271)	(14,664)
Transfer from stage 2 to stage 1	7,056,535	6,469,890	(7,932,380)	(7,179,418)	-	-	(875,845)	(709,528)
Transfer from stage 2 to stage 3	-	-	(299,237)	(230,804)	283,534	215,101	(15,703)	(15,703)
Transfer from stage 3 to stage 2	-	-	19,467	8,434	(23,673)	(12,640)	(4,206)	(4,206)
ECL(Charges)/Rever sal	-	(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	-
As 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)

Non Credit impaired					Credit impaired			
December 2023	Stage 1		Stage 2		Stage 3		Total	
	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
As at 1 January 2023	15,186,969	(40,806)	23,424,423	(1,116,637)	2,292,752	(1,822,283)	40,904,144	(2,979,726)
Transfer from stage 1 to stage 2	(2,138,852)	(24,047)	2,063,156	22,326	-	-	(75,696)	(1,721)
Transfer from stage 2 to stage 1	952,570	8,438	(835,870)	(8,685)	-	-	116,700	(247)
Transfer from stage 2 to stage 3	-	-	(77,321)	(6,592)	77,354	(4,045)	33	(10,637)
Transfer from stage 3 to stage 2	-	-	15,239	4,960	(15,236)	(4,960)	3	-
ECL(Charges)/Rever sal	-	27,606	-	(641,403)	-	(408,028)	-	(1,021,825)
Balance volume movement	825,414	-	(1,114,252)	-	335,227	-	46,389	-
As at 31 December 2023	14,826,101	(28,809)	23,475,375	(1,746,031)	2,690,097	(2,239,316)	40,991,573	(4,014,156)

## **Items affected by IFRS9**

31 December 2024					
	Gross balance subject to ECL	Stage One	Stage two	Stage three	Total
Balances at Central Banks	9,178,302	5	-	-	5
Due from banks	108,520,296	50,542	-	-	50,542
Loans and advances to Customers	58,465,751	93,848	3,412,759	2,520,089	6,026,969
Accrued revenues	2,069,804	586	2,522	-	3,108
Financial Investment	103,779,505	45,740	-	-	45,740
Commitment and Contingent liabilities	82,713,688	42,939	398,613	136,152	577,704
<b>Total</b>	<b>364,727,346</b>	<b>233,660</b>	<b>3,813,894</b>	<b>2,656,241</b>	<b>6,703,795</b>

31 December 2023					
	Gross balance subject to ECL	Stage One	Stage two	Stage three	Total
Balances at Central banks	15,464,092	-	-	-	-
Due from banks	110,532,533	47,263	12	-	47,275
Loans and advances to Customers	40,991,573	28,809	1,746,031	2,239,316	4,014,156
Accrued revenues	840,910	72	2,869	-	2,941
Financial Investment	77,886,722	37,947	-	-	37,947
Commitment and Contingent liabilities	60,944,276	25,192	573,932	99,023	698,147
<b>Total</b>	<b>306,660,106</b>	<b>139,283</b>	<b>2,322,844</b>	<b>2,338,339</b>	<b>4,800,466</b>

### **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).

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%

Credit characteristics that used to determine the staging is different from ORR customer classification.

## A.5. Maximum limits for credit risk before collaterals

	2024 EGP'000	2023 EGP'000
<b>Balance sheet items exposed to credit risks</b>		
Due from banks	108,298,481	110,397,743
Financial investment at FVPL	236,451	27,789
Loans and advances to banks	221,815	134,790
<b>Loans and advances to customers:</b>		
<b>Retail loans:</b>		
Overdrafts	70,668	58,091
Credit cards	4,503,803	2,739,865
Personal loans	11,731,360	7,722,116
Mortgage loans	213	425
<b>Corporate loans:</b>		
Overdrafts	4,799,516	2,797,696
Direct loans	25,330,817	19,196,626
Syndicated loans	12,029,374	8,476,754
Financial derivative instruments	151,351	40,949
<b>Financial investments:</b>		
Debt instruments	103,779,505	77,817,732
Other assets	2,069,804	840,910
<b>Total</b>	<b>273,223,158</b>	<b>230,251,486</b>
<b>Off-balance sheet items exposed to credit risk</b>		
Loan commitments and other irrevocable commitments related to credit	2,690,988	2,704,374
Letters of credit	5,443,985	2,539,149
Letters of guarantee	74,578,715	55,700,753
<b>Total</b>	<b>82,713,688</b>	<b>60,944,276</b>

The above table represents the maximum limit for credit risk as of 31 Dec 2024 and 31 December 2023, without taking into consideration any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

As shown in the preceding table, 21.40% as of 31 December 2024, of the total maximum limit exposed to credit risk resulted from loans and advances to customers against 17.80% as of 31 December 2023 while 29.8% as of 31 December 2024 represents investments in debt instruments against 48% as of 31 December 2023.

The management is confident of its ability to maintain control on an ongoing basis and maintain the minimum credit risk resulting from loan and advances, and debt instruments as follows:

- 77% as of 31 December 2024, of the loans and advances portfolio having no past due or impairment indicators against 89.55% as of 31 December 2023.
- Loans and advances that have been assessed for impairment individually reached an amount of EGP 8,928,543 thousand as of 31 December 2024, against EGP 2,354,870 thousand as of 31 December 2023.

## 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 year (MERIS-Reuters).

December 2024	Treasury Bills	Investments In Securities	Total
	EGP'000	EGP'000	EGP'000
Caa1	72,262,441	31,661,690	103,924,131
<b>Total</b>	<b>72,262,441</b>	<b>31,661,690</b>	<b>103,924,131</b>

## 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

	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red sea	Other countries	Total EGP (000)
Due from banks	54,985,417	-	-	53,340,064	108,298,481
Financial assets at fair value through profit or loss	236,451	-	-	-	236,451
Loans and advances to bank	-	-	-	221,815	221,815
<b>Retail:</b>					
Overdrafts	56,172	12,143	2,353	-	70,668
Credit cards	4,503,803	-	-	-	4,503,803
Personal loans	10,505,340	904,796	321,224	-	11,731,360
Mortgage loans	213	-	-	-	213
<b>Corporate:</b>					
Overdrafts	4,799,516	-	-	-	4,799,516
Direct loans	25,330,817	-	-	-	25,330,817
Syndicated loans	11,196,046	833,328	-	-	12,029,374
Derivative financial instruments	151,351	-	-	-	151,351
<b>Financial investment:</b>					
Debt instruments	96,234,866	-	-	7,544,640	103,779,506
Other assets	2,051,985	12,143	5,676	-	2,069,804
<b>Total as at 31 December 2024</b>	<b>210,024,976</b>	<b>1,762,410</b>	<b>329,253</b>	<b>61,106,519</b>	<b>273,223,158</b>
<b>Total as at 31 December 2023</b>	<b>177,493,478</b>	<b>678,525</b>	<b>220,965</b>	<b>51,858,517</b>	<b>230,251,485</b>

## 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 EGP'000
Due from banks	-	-	-	108,298,478	-	-	108,298,478
Financial investment at fair value through profit or loss	-	-	-	236,451	-	-	236,451
Loans and advances to banks	-	-	-	-	221,815	-	221,815
<b>Loans and advances to customers</b>							
<b>Retail:</b>							
Overdrafts	-	-	-	-	-	70,668	70,668
Credit cards	-	-	-	-	-	4,503,803	4,503,803
Personal loans	-	-	-	-	-	11,731,360	11,731,360
Mortgage loans	-	-	-	-	-	213	213
<b>Corporate:</b>							
Overdrafts	2,148,626	1,728,113	922,778	-	-	-	4,799,517
Direct loans	14,069,775	3,397,595	7,863,446	-	-	-	25,330,816
Syndicated loans	3,656,814	128,833	145,714	6,938,458	1,159,555	-	12,039,374
Derivative financial instruments	-	-	151,351	-	-	-	151,351
<b>Financial investment:</b>							
Debt instruments	-	-	-	103,779,506	-	-	103,779,506
Other assets	-	-	-	-	1,846,765	223,039	2,069,804
<b>Total as at 31 December 2024</b>	<b>19,875,215</b>	<b>5,254,541</b>	<b>9,083,289</b>	<b>219,252,893</b>	<b>3,228,135</b>	<b>16,529,082</b>	<b>273,223,155</b>
<b>Total as at 31 December 2023</b>	<b>12,498,311</b>	<b>4,203,534</b>	<b>8,010,713</b>	<b>193,493,315</b>	<b>1,365,086</b>	<b>10,680,526</b>	<b>230,251,485</b>

## 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. Regular 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.



## 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 several 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 per cent. Therefore, there is a statistical probability of 2 per cent 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 year. 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 period was EGP 392,463 thousand against EGP 463,211 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.

## B.2 VAR summary

### Total VAR according to risk type

	2024			2023		
	EGP'000			EGP'000		
	Average	High	Low	Average	High	Low
Foreign exchange risk	390,984	5,171,904	6,124	462,284	2,707,873	140,409
Interest rate risk	1,479	2,943	511	927	4,016	402
<b>Total VAR</b>	<b>392,463</b>	<b>5,174,847</b>	<b>6,635</b>	<b>463,211</b>	<b>2,711,889</b>	<b>140,811</b>

### Trading portfolio VAR by risk type

	2024			2023		
	EGP'000			EGP'000		
	Average	High	Low	Average	High	Low
Foreign exchange risk	351,845	5,209,699	4,739	76,182	379,491	7,600
Interest rate risk	128	465	10	31	185	-
<b>Total VAR</b>	<b>351,973</b>	<b>5,210,164</b>	<b>4,749</b>	<b>76,213</b>	<b>379,676</b>	<b>7,600</b>

### Non-trading portfolio VAR by risk type

	2024			2023		
	EGP'000			EGP'000		
	Average	High	Low	Average	High	Low
Foreign exchange risk	103,838	968,665	3,359	415,883	2,708,367	141,181
Interest rate risk	1,375	2,870	550	927	4,047	433
<b>Total VAR</b>	<b>105,213</b>	<b>971,535</b>	<b>3,909</b>	<b>416,810</b>	<b>2,712,414</b>	<b>141,614</b>

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 summarises the Bank's exposure to foreign exchange volatility risk at the end of the year. The following table includes the carrying amounts of the financial instruments in their currencies:

(All amounts equivalent in EGP 000)

2024	EGP	USD	EUR	GBP	Other	Total
<b>Financial assets:</b>						
Cash and balances with Central bank	(11,092,938)	(707,857)	(131,757)	(88,780)	(71,938)	<b>(12,093,271)</b>
Due from banks	(41,127,897)	(62,610,519)	(128,279)	(3,603,506)	(777,738)	<b>(108,247,939)</b>
Financial assets at fair value through profit or loss	(236,451)	-	-	-	-	<b>(236,451)</b>
Loans and advances to banks	-	(221,815)	-	-	-	<b>(221,815)</b>
Loans and advances to customers	(33,132,317)	(10,657,287)	(8,618,456)	(30,996)	-	<b>(52,439,055)</b>
Derivative financial instruments	-	(147,212)	(4,139)	-	-	<b>(151,351)</b>
<b>Financial investments:</b>						
Financial investment at Fair value through other comprehensive income	(11,881,303)	(19,820,905)	(5,395)	-	-	<b>(31,707,603)</b>
Treasury bills at fair value through OCI	(51,838,917)	(20,423,523)	-	-	-	<b>(72,262,440)</b>

Other financial assets	(1,796,492)	(155,043)	(101,946)	(3,555)	(12,769)	(2,069,805)
<b>Total financial assets</b>	<b>(151,106,314)</b>	<b>(114,744,162)</b>	<b>(8,989,972)</b>	<b>(3,726,837)</b>	<b>(862,446)</b>	<b>(279,429,730)</b>
<b>Financial liabilities</b>						
Due to banks	3,857,282	238,732	20,274	-	6,122	4,122,410
Customer deposits	82,780,023	111,521,047	12,465,842	3,564,183	811,719	211,142,814
Financial derivative	-	132,601	4,139	-	-	136,740
Other financial liabilities	6,617,799	1,783,737	170,680	102,850	99,430	8,774,496
Subordinated Loans	2,072,000	-	-	-	-	2,072,000
<b>Total financial liabilities</b>	<b>95,327,104</b>	<b>113,676,118</b>	<b>12,660,935</b>	<b>3,667,033</b>	<b>917,271</b>	<b>226,248,459</b>
<b>Net financial position – Balance sheet</b>	<b>(55,779,210)</b>	<b>(1,068,044)</b>	<b>3,670,963</b>	<b>(59,804)</b>	<b>54,825</b>	<b>(53,181,271)</b>
<b>Commitments related to credit and contingent liabilities</b>	<b>12,458,022</b>	<b>31,028,620</b>	<b>8,876,798</b>	<b>50,339</b>	<b>1,354,712</b>	<b>53,768,491</b>
<b>2022</b>						
<b>Total financial assets</b>	<b>(157,693,001)</b>	<b>(72,293,126)</b>	<b>(10,859,980)</b>	<b>(2,316,688)</b>	<b>(571,533)</b>	<b>(243,734,328)</b>
<b>Total financial liabilities</b>	<b>127,544,439</b>	<b>72,475,584</b>	<b>7,959,286</b>	<b>2,235,943</b>	<b>733,847</b>	<b>157,532,365</b>
<b>Net financial position – balance sheet</b>	<b>(30,148,562)</b>	<b>182,458</b>	<b>(2,900,694)</b>	<b>(80,745)</b>	<b>162,314</b>	<b>(86,201,963)</b>
<b>Commitments related to credit and contingent liabilities</b>	<b>12,458,022</b>	<b>31,028,620</b>	<b>8,876,798</b>	<b>50,329</b>	<b>1,354,712</b>	<b>53,768,481</b>

#### B.4. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effect of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes, but profit may decrease in the event that unexpected movements arise. The Board sets limits on the level of mismatch of interest rate repricing that may be undertaken, which are monitored daily by Bank Treasury.

The table below summarises the Bank's exposure to interest rate risks. It includes the Bank's financial instruments at carrying amounts categorised by the earlier repricing or maturity dates:

2024	Up to one month	1-3 Months	3-12 Months	1-5 years	5 years or more	Without Interest	Total EGP'000
<b>Financial assets:</b>							
Cash and balances with Central bank	-	-	-	-	-	(12,093,271)	(12,093,271)
Due from banks	(95,101,330)	(13,146,609)	-	-	-	-	(108,247,939)
Financial assets at fair value through profit or loss	(4,972)	-	-	(231,024)	(455)	-	(236,451)
Loans and advances to banks	-	(221,815)	-	-	-	-	(221,815)
Loans and advances to customers	(4,783,057)	(10,159,557)	(8,016,872)	(29,479,569)	-	-	(52,439,055)
Financial derivatives	(151,351)	-	-	-	-	-	(151,351)

Financial investment At fair value through OCI	(440,440)	-	(2,542,618)	(28,724,546)	-	-	(31,707,603)
Treasury bills at fair value through OCI	-	(5,156,747)	(67,105,694)	-	-	-	(72,262,441)
<b>Total financial assets</b>	<b>(100,481,149)</b>	<b>(28,684,728)</b>	<b>(77,665,184)</b>	<b>(58,435,139)</b>	<b>(455)</b>	<b>(12,093,271)</b>	<b>(277,359,926)</b>
<b>Financial liabilities</b>							
Due to banks	4,122,409	-	-	-	-	-	10,865,934
Customer deposits	42,914,882	19,113,383	40,052,837	106,087,485	-	2,974,227	211,142,814
Financial derivatives	136,740	-	-	-	-	-	136,740
Other financial liabilities	-	-	-	-	-	8,774,496	8,774,496
Subordinated Loans	-	-	-	-	2,072,000	-	2,072,000
<b>Total financial liabilities</b>	<b>47,174,031</b>	<b>19,113,383</b>	<b>40,052,837</b>	<b>106,087,485</b>	<b>2,072,000</b>	<b>11,748,723</b>	<b>226,248,459</b>
<b>Interest repricing gap</b>	<b>(53,307,118)</b>	<b>(9,571,345)</b>	<b>(37,612,347)</b>	<b>47,652,346</b>	<b>2,071,545</b>	<b>(344,548)</b>	<b>(51,111,468)</b>
<b>2023</b>							
<b>Total financial assets</b>	<b>(145,741,550)</b>	<b>(41,427,895)</b>	<b>(15,135,441)</b>	<b>(22,033,227)</b>	<b>(418)</b>	<b>(19,395,797)</b>	<b>(243,743,328)</b>
<b>Total financial liabilities</b>	<b>49,132,449</b>	<b>9,265,516</b>	<b>13,893,470</b>	<b>12,074,237</b>	<b>2,072,000</b>	<b>124,511,427</b>	<b>210,949,099</b>
<b>Interest repricing gap</b>	<b>(96,609,101)</b>	<b>(32,162,379)</b>	<b>(1,241,971)</b>	<b>(9,958,990)</b>	<b>2,071,582</b>	<b>105,115,630</b>	<b>(32,785,229)</b>

### 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 the following:

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 take 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 analysing 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 utilisations, and the effect of contingent liabilities such as letters of guarantees and letters of credit.

## Non-derivative cash flows

The below table represents the undiscounted contractual cash flows distributed over the remaining term of the contractual benefits.

<b>2024</b>						
<b>Financial liabilities</b>	<b>Up to 1 month</b>	<b>Over than 1 month to 3 months</b>	<b>Over than 3 months to 1 year</b>	<b>Over than 1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total EGP'000</b>
Demand deposits	97,393,410	-	-	-	-	97,393,410
Saving deposits	46,345,798	-	-	-	-	46,345,798
Accrued interest on saving deposits	113,511	-	-	-	-	113,511
Time deposits and Saving certificates	20,845,889	6,923,014	23,382,774	19,748,722	-	70,900,399
Other deposits	4,424,872	-	-	-	-	4,424,872
Due to banks	4,114,765	-	-	-	-	4,114,765
Other loans	53,198	101,247	471,915	2,999,556	-	3,625,916
<b>Total of financial liabilities according to maturity date</b>	<b>173,291,443</b>	<b>7,024,261</b>	<b>23,854,689</b>	<b>22,748,278</b>	<b>-</b>	<b>226,918,670</b>

<b>2023</b>						
<b>Financial liabilities</b>	<b>Up to 1 month</b>	<b>Over than 1 month to 3 months</b>	<b>Over than 3 months to 1 year</b>	<b>Over than 1 year to 5 years</b>	<b>More than 5 years</b>	<b>Total EGP'000</b>
Demand deposits	95,979,986	-	-	-	-	95,979,986
Saving deposits	31,734,161	-	-	-	-	31,734,161
Accrued interest on saving deposits	98,148	-	-	-	-	98,148
Time deposits and Saving certificates	13,266,796	9,746,500	14,478,205	16,361,881	-	53,853,382
Other deposits	8,136,924	-	-	-	-	8,136,924
Due to banks	10,865,934	-	-	-	-	10,865,934
Other loans	19,762	38,249	175,307	2,653,820	-	2,887,138
<b>Total of financial liabilities according to maturity date</b>	<b>160,101,711</b>	<b>9,784,749</b>	<b>14,653,512</b>	<b>19,015,701</b>	<b>-</b>	<b>203,555,673</b>

## Funding approach

Sources of liquidity are regularly reviewed by managing the Bank Treasury to maintain a wide diversification by currency, geography region, source, products and terms.

## Off-balance sheet items

According to the table below and note 38:

2024	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total EGP'000
Loan commitments and other irrevocable commitments related to credit	2,690,988	-	-	2,690,988
Letters of credit	5,443,985	-	-	5,443,985
Letters of guarantee	74,578,715	-	-	74,578,715
Operating lease commitments	4,856	14,240	250	19,346
<b>Total</b>	<b>82,718,544</b>	<b>14,240</b>	<b>250</b>	<b>82,733,034</b>

2023	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total EGP'000
Loan commitments and other irrevocable commitments related to credit	2,704,374	-	-	2,704,374
Letters of credit	874,671	-	-	874,671
Letters of guarantee	50,189,447	-	-	50,189,447
Operating lease commitments	14,253	16,501	2,498	33,252
<b>Total</b>	<b>53,782,745</b>	<b>16,501</b>	<b>2,498</b>	<b>53,801,744</b>

## 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 December 2024, against EGP (434,751) thousand for the year ended 31 December 2023.

### D.2 Financial instruments not measured at fair value

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

2024	Book value EGP'000	Fair value EGP'000
<b>Financial assets</b>		
Due from banks	108,247,939	108,247,939
Loans and advances to banks	221,815	221,815
<b>Loans and advances to customers</b>		
Retail	16,306,044	16,274,835
Corporate	42,159,706	36,260,019
<b>Financial liabilities</b>		
Due to banks	4,122,409	4,332,941
<b>Customer deposits</b>		
Retail	114,733,449	114,722,448
Corporate	96,409,365	97,051,189
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:

- 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 of (going concern capital and additional going concern capital)

**Tier 2:** It is the going concern capital comprising:

- 45 per cent of the increase between the fair value and carrying amount for (fair value reserve if positive, available-for-sale investments, held-to-maturity investments, investments in subsidiaries)
- 45 per cent of the special reserves
- 45 per cent of positive different 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)

### **The denominator of the capital adequacy comprises:**

1. Credit risk
2. Market risk
3. Operational risk

Assets are weighted by risk in a range from 0 per cent to 100 per cent. 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 of the capital adequacy according to Basel II:

	2024 EGP'000	2023 EGP'000
<b>Capital</b>		
<b>Tier 1 after disposals (going concern capital) (1)</b>		
Share capital	5,000,000	5,000,000
Reserves	5,737,145	4,511,543
General risk Reserve	491,666	491,666
Retained earnings	22,827,780	16,276,886
Change in fair value for investments at fair value through OCI	150,816	(220,274)
Total disposals from going concern capital	(2,587,816)	(2,118,456)
<b>Total going concern capital after disposals (common equity)</b>	<b>31,619,591</b>	<b>23,940,664</b>
<b>Tier 2 after disposal (gone concern capital) (2)</b>		
Subordinated (deposits) loans	883,200	1,297,600
Impairment losses provision for performing loans and advances contingent liabilities	233,659	139,282
<b>Total tier 2 after disposals (gone concern capital)</b>	<b>1,116,859</b>	<b>1,436,882</b>
<b>Total capital adequacy after disposals (1+2)</b>	<b>32,736,449</b>	<b>25,377,546</b>
<b>Risk (credit, market and operational)</b>		
Credit risk	94,921,655	67,604,160
Excess of top 50 Customers exposures	23,503,149	17,419,400
Capital requirements for market risk	175,875	23,661
Capital requirements for operational risk	11,775,686	8,865,824
<b>Total credit, market and operational risks</b>	<b>130,376,364</b>	<b>93,913,045</b>
<b>Capital adequacy ratio (%)</b>	<b>25.11%</b>	<b>27.02%</b>

#### F. Financial Leverage ratio

Central Bank of Egypt Board of Directors had approved in its meeting held on July 7, 2015 the special supervisory instructions related to leverage ratio while ensuring maintaining a minimum level of leverage ratio of 3 per cent to be reported on a 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 reflects 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 is 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:

	<b>2024</b>	<b>2023</b>
	<b>EGP'000</b>	<b>EGP'000</b>
<b>Tier 1 after disposals (going concern capital)</b>	<b>31,619,591</b>	<b>23,940,664</b>
Total on-balance sheet exposures, derivatives contracts and financial papers operations	281,077,623	246,210,806
Total off- balance sheet exposures	47,449,315	35,240,680
<b>Total on-balance sheet and off-balance sheet exposures</b>	<b>328,526,938</b>	<b>281,451,486</b>
<b>Leverage financial ratio (%)</b>	<b>9.62%</b>	<b>8.51%</b>

## **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 per cent, the Downside scenario 25 per cent, the Upside 20 per cent and Additional Downside 50 per cent 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 realisation 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.

	2024	2023
<b>IFRS 9 ECL sensitivity to future economic conditions*</b>		
<b>ECL coverage of financial instruments as at 31 December 2024**</b>		
Reported ECL (EGPm)	533	813
Gross carrying/nominal amount (EGPm)***	377,941	307,948
Reported ECL coverage (percentage)	0.14%	0.26%
<b>Coverage ratio by scenario (percentage)</b>		
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%

\* excludes ECL and financial instruments relating to defaulted obligors

\*\* includes off-balance sheet financial instruments that are subject to significant measurement uncertainty

\*\*\* 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.

	2024	2023
<b>IFRS 9 ECL sensitivity to future economic conditions*</b>		
<b>ECL coverage of financial instruments as at 31 December 2024**</b>		
Reported ECL (EGPm)	58	42
Gross carrying/nominal amount (EGPm)	16,325	10,537
Reported ECL coverage (percentage)	0.35%	0.40%
<b>Coverage ratio by scenario (percentage)</b>		
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%

\* ECL sensitivities exclude portfolios utilizing less complex modelling approaches

\*\* 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 per cent 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.

#### **4. Significant accounting estimates and assumptions**

The Bank makes subjective estimates and judgements that affect the reported amounts of assets and liabilities in the next financial year. Consistent estimations and judgements 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.

##### **C. 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.

##### **D. 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

## **E. 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.

## **F. 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 severance 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

## **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 December 2024	Corporate	Investment	Retail	Other activities	Total EGP'000
<b>Income and expenses according to activity segment</b>					
Income activity segment	26,083,437	6,968,151	10,764,419	(55,549)	<b>43,760,459</b>
Expenses by activity segment	(5,983,395)	(1,390,292)	(6,277,006)	(593,727)	<b>(14,244,421)</b>
Provisions	(816,933)	(92,312)	53,781)	678	<b>(962,348)</b>
<b>Profit before tax</b>	<b>19,283,109</b>	<b>5,485,547</b>	<b>4,433,632</b>	<b>(648,598)</b>	<b>28,553,691</b>
Tax	(4,600,235)	(1,624,635)	(1,375,130)	-	<b>(7,600,000)</b>
<b>Profit for the year</b>	<b>14,682,874</b>	<b>3,860,912</b>	<b>3,058,502</b>	<b>(648,598)</b>	<b>20,953,691</b>
<b>Assets and liabilities according to activity segment</b>					
Assets activity segment	50,086,297	202,568,747	16,797,374	14,005,461	<b>283,457,880</b>
<b>Total assets</b>	<b>50,086,297</b>	<b>202,568,747</b>	<b>16,797,374</b>	<b>14,005,461</b>	<b>283,457,880</b>
Liabilities of activity segment	94,458,655	4,603,278	110,808,528	24,406,505	<b>234,276,965</b>
<b>Total liabilities</b>	<b>94,458,655</b>	<b>4,603,278</b>	<b>110,808,528</b>	<b>24,406,505</b>	<b>234,276,965</b>

31-December-2023	Corporate	Investment	Retail	Other activities	Total EGP'000
<b>Income and expenses according to activity segment</b>					
Income activity segment	13,065,707	3,831,705	5,978,427	268,121	<b>23,143,960</b>
Expenses by activity segment	(1,920,516)	(385,071)	(1,976,608)	(308,973)	<b>(4,591,168)</b>
Provisions	(1,336,399)	(4,932)	(9,526)	(12)	<b>(1,350,869)</b>
<b>Profit before tax</b>	<b>9,808,792</b>	<b>3,441,702</b>	<b>3,992,293</b>	<b>(40,864)</b>	<b>17,201,923</b>
Tax	(2,371,436)	(655,184)	(920,992)	(978,523)	<b>(4,926,135)</b>
<b>Profit for the year</b>	<b>7,437,356</b>	<b>2,786,518</b>	<b>3,071,301</b>	<b>(1,019,387)</b>	<b>12,275,788</b>
<b>Assets and liabilities according to activity segment</b>					
Assets of activity segment	34,783,839	192,400,598	10,992,972	10,140,477	<b>248,317,886</b>
<b>Total assets</b>	<b>34,783,839</b>	<b>192,400,598</b>	<b>10,992,972</b>	<b>10,140,477</b>	<b>248,317,886</b>
Liabilities of activity segment	104,962,752	15,241,382	75,286,225	20,490,778	<b>215,981,137</b>
<b>Total liabilities</b>	<b>104,962,752</b>	<b>15,241,382</b>	<b>75,286,225</b>	<b>20,490,778</b>	<b>215,981,137</b>

## B. Analysis according to the geographical segment

31 December 2024	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red Sea	Total EGP'000
<b>Income and expenses according to geographical segment</b>				
Income by geographical segment	41,951,708	1,590,196	218,555	<b>43,760,459</b>
Expenses by geographical segment	(13,991,970)	(200,816)	(51,635)	<b>(14,244,420)</b>
Provisions	(817,169)	(139,443)	(5,736)	<b>(962,348)</b>
<b>Profit before tax</b>	<b>27,142,570</b>	<b>1,249,938</b>	<b>161,184</b>	<b>28,553,691</b>
Tax	7,224,409)	(332,689)	(42,902)	<b>(7,600,000)</b>
<b>Profit for the year</b>	<b>19,918,161</b>	<b>917,249</b>	<b>118,282</b>	<b>20,953,691</b>
<b>Assets and liabilities according to geographical segment</b>				
Assets of geographical segment	277,143,646	5,801,588	512,646	<b>283,457,880</b>
<b>Total assets</b>	<b>277,143,646</b>	<b>5,801,588</b>	<b>512,646</b>	<b>283,457,880</b>
Liabilities geographical segment	209,595,372	19,847,864	4,833,728	<b>234,276,965</b>
<b>Total liabilities</b>	<b>209,595,372</b>	<b>19,847,864</b>	<b>4,833,728</b>	<b>234,276,965</b>

31-December-2023	Cairo	Alexandria and Delta	Upper Egypt, Sinai and Red Sea	Total EGP'000
<b>Income and expenses according to geographical segment</b>				
Income geographical segment	22,162,233	870,140	111,585	<b>23,143,958</b>
Expenses geographical segment	(4,500,933)	(71,161)	(19,072)	<b>(4,591,116)</b>
Provisions	(1,149,571)	(206,347)	5,049	<b>(1,350,869)</b>
<b>Profit before tax</b>	<b>16,511,729</b>	<b>592,632</b>	<b>97,562</b>	<b>17,201,923</b>
Tax	(4,728,483)	(169,713)	(27,939)	<b>(4,926,135)</b>
<b>Profit for the year</b>	<b>11,783,246</b>	<b>422,919</b>	<b>69,623</b>	<b>12,275,788</b>
<b>Assets and liabilities according to geographical segment</b>				
Assets geographical segment	243,562,957	4,141,372	613,557	<b>248,317,886</b>
<b>Total assets</b>	<b>243,562,957</b>	<b>4,141,372</b>	<b>613,557</b>	<b>248,317,886</b>
Liabilities geographical segment	201,462,834	10,478,952	4,039,351	<b>215,981,137</b>
<b>Total liabilities</b>	<b>201,462,834</b>	<b>10,478,952</b>	<b>4,039,351</b>	<b>215,981,137</b>

## 6.Net interest income

	2024 EGP'000	2023 EGP'000
<b>Interest from loans and similar income:</b>		
Loans and advances to customers	9,189,754	6,106,116
Treasury bills	11,077,948	7,403,289
Deposits and current accounts	16,151,167	10,436,213
Financial Investments at FVOCI	1,643,925	1,229,536
	<b>38,062,794</b>	<b>25,175,155</b>
<b>Interest on deposits and similar expenses:</b>		
Deposits and current accounts:		
Banks	(666)	(407)
Customers	(5,810,055)	(4,604,305)
Other loans	(588,387)	(425,266)
	<b>(6,399,108)</b>	<b>(5,029,978)</b>
<b>Net</b>	<b>31,663,686</b>	<b>20,145,177</b>

## 7.Net fees and commissions income

	2024 EGP'000	2023 EGP'000
<b>Fees and commissions income:</b>		
Fees and commissions related to credit	3,433,458	2,796,921
Custody fees	154,448	68,244
Other fees	5,555	5,045
	<b>3,593,461</b>	<b>2,870,210</b>
<b>Fees and commissions expenses:</b>		
Brokerage fees paid	(177)	(395)
Other fees paid	(793,441)	(568,659)
	<b>(793,618)</b>	<b>(569,054)</b>
<b>Net</b>	<b>2,799,843</b>	<b>2,301,156</b>

## 8.Dividends

	2024 EGP'000	2023 EGP'000
Equity instruments	22,815	15,295
	<b>22,815</b>	<b>15,295</b>

## 9. Net trading income

	2024 EGP'000	2023 EGP'000
<b>Foreign exchange operations:</b>		
Gain from foreign currency transactions	1,700,012	482,334
Gain from debt instruments at fair value	35,078	45,662
Gain from forward deals revaluation and currency swap	(12)	345
<b>Net</b>	<b>1,735,078</b>	<b>528,341</b>

## 10. Administrative expenses

	2024 EGP'000	2023 EGP'000
<b>Staff costs</b>		
Wages, salaries and benefits	1,167,151	747,681
Social insurance	44,392	36,113
End of Service Compensation	141,631	160,030
	<b>1,353,174</b>	<b>943,824</b>
Cost of Services provided by HSBC Group	4,106,987	2,814,896
Other administrative expenses	1,589,842	830,122
	<b>7,050,003</b>	<b>4,588,842</b>

## 11. Other operating income (expense)

	2024 EGP'000	2023 EGP'000
Gain/(Loss) 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	(529,479)	178,326
(Loss)/Gain from sale of property and equipment	16,371	15,964
Operating lease	105,491	112,419
Investment property depreciation	(7,876)	(7,031)
Other provision	239,662	(525,859)
Compensation due to insufficient funds	-	1,162
Compensation from an insurance company due to fire	-	2,930
Securities Settlement Fund Return	-	4,157
Head office services' revenue	352,861	223,500
Other	1,136	3,689
<b>Net</b>	<b>178,166</b>	<b>9,256</b>



## 12.Credit impairment recovered (charged)

	2024 EGP'000	2023 EGP'000
<b>Loans and advances to customers</b>		
Loans and advances to customers	(926,207)	(1,194,873)
Cash and balances with Central Bank	(5)	2,202
Due from Banks	(3,267)	(28,370)
Financial Investments at fair value through OCI	(7,793)	(23,492)
Other assets	(167)	(465)
<b>Net</b>	<b>(937,439)</b>	<b>(1,244,998)</b>

## 13.Income tax expenses

	2024 EGP'000	2023 EGP'000
Current taxes	7,444,925	4,894,310
Deferred tax (note 32)	155,075	31,825
<b>Net</b>	<b>7,600,000</b>	<b>4,926,135</b>

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

	2024 EGP'000	2023 EGP'000
Profit before tax	28,553,691	17,201,923
Tax rate	22.50%	22.50%
<b>Income tax calculated on accounting profit</b>	<b>6,424,580</b>	<b>3,870,433</b>
<b>Add</b>		
Unrecognized tax expenses	1,175,420	1,055,702
<b>Net income tax</b>	<b>7,600,000</b>	<b>4,926,135</b>
<b>Effective tax rate</b>	<b>26.62%</b>	<b>28.64%</b>

### 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 2021-2023**

Tax inspection preparations in progress.

## **B. Salary tax**

### **Years from 1982 to 2022**

These years were inspected and were settled.

### **Year 2023 until 2024**

Tax inspection preparations in progress.

## **C. Stamp duty tax**

### **Years since inspection 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.

	2024	2023
	EGP'000	EGP'000
Net profit distributable for the year	20,937,320	12,256,021
Employees' profit share (estimated)	(1,353,174)	(983,411)
<b>Profit attributable to shareholders of the bank</b>	<b>19,584,146</b>	<b>11,272,610</b>
Common shares issued - weighted average (1,000 shares)	59,524	59,524
<b>Earnings per share/EGP</b>	<b>329.01</b>	<b>189.38</b>

## **15. Cash and balances with the Central Bank of Egypt**

	2024	2023
	EGP'000	EGP'000
Cash	2,914,974	2,011,191
Due from Central Bank (within the statutory reserve)	9,178,302	15,464,092
Impairment loss	(5)	-
	<b>12,093,271</b>	<b>17,475,283</b>
<b>Non-interest-bearing balances</b>	<b>12,093,271</b>	<b>17,475,283</b>

**16. Due from banks**

	2024	2023
	EGP'000	EGP'000
Current accounts	2,598,803	1,126,879
Deposits	105,699,678	109,270,864
	<b>108,298,481</b>	<b>110,397,743</b>
Impairment loss	(50,542)	(47,275)
	<b>108,247,939</b>	<b>110,350,468</b>
Due from Central Bank (other than the statutory reserve)	54,624,810	75,841,288
Local banks	333,607	133,758
Foreign banks	53,340,064	34,422,697
	<b>108,298,481</b>	<b>110,397,743</b>
Impairment loss	(50,542)	(47,275)
	<b>108,247,939</b>	<b>110,350,468</b>
Non-interest-bearing balances	2,598,803	1,126,879
Interest-bearing balances	105,699,678	109,270,864
	<b>108,298,481</b>	<b>110,397,743</b>
Impairment loss	(50,542)	(47,275)
	<b>108,247,939</b>	<b>110,350,468</b>
<b>Current balances</b>	<b>108,247,939</b>	<b>110,350,468</b>

**17. Loans and advances to banks**

	2024	2023
	EGP'000	EGP'000
Term loans	221,815	134,790
<b>Total</b>	<b>221,815</b>	<b>134,790</b>
Non-current balances	221,815	134,790
Interest bearing balances	221,815	134,790

**18. Loans and advances to customers**

	2024	2023
	EGP'000	EGP'000
<b>Retail:</b>		
Overdrafts	70,668	58,091
Credit cards	4,503,803	2,739,865
Personal loans	11,731,360	7,722,116
Mortgage loans	213	425
<b>Total</b>	<b>16,306,044</b>	<b>10,520,497</b>
<b>Corporate loans including small loans:</b>		
Overdrafts	4,799,516	2,797,696
Direct loans	25,330,817	19,196,626
Syndicated loans	12,029,374	8,476,754
<b>Total</b>	<b>42,159,707</b>	<b>30,471,076</b>
<b>Total loans and advance to customers</b>	<b>58,465,751</b>	<b>40,991,573</b>
Less: expected credit loss " ECL "	(6,026,696)	(4,014,156)
<b>Net</b>	<b>52,439,055</b>	<b>36,977,417</b>

## Expected Credit Loss:

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

31 December 2024	Retail			Total EGP'000
	Overdrafts	Credit cards	Personal loans	
Balance at beginning of the year	1,311	16,967	23,985	42,263
Expected credit losses charged/(reversed)	888	10,882	34,767	46,537
Amounts written off during the year	(397)	(19,915)	(32,643)	(52,955)
Amounts recovered during year	-	11,416	9,859	21,275
Foreign revaluation difference related to provision	31	-	777	808
<b>Balance at the end of the year</b>	<b>1,833</b>	<b>19,350</b>	<b>36,745</b>	<b>57,928</b>

	Corporate			Total EGP'000
	Overdrafts	Direct loans	Syndicated loans	
Balance at beginning of the year	584,899	3,157,592	229,401	3,971,892
Expected credit losses charged/(reversed)	102,554	777,116	-	879,670
Amounts written off during the year	(552,990)	(1)	-	(552,991)
Amounts recovered during year	-	679,281	-	679,281
Foreign revaluation difference related to provision	292,248	698,668	-	990,916
<b>Balance at the end of the year</b>	<b>426,711</b>	<b>5,312,656</b>	<b>229,401</b>	<b>5,968,768</b>

31 December 2023	Retail			Total EGP'000
	Overdrafts	Credit cards	Personal loans	
<b>Balance at the beginning of the year</b>	<b>2,523</b>	<b>18,343</b>	<b>25,863</b>	<b>46,729</b>
Expected credit losses reversed	(1,206)	3,815	9,175	11,784
Amounts written off during the year	(56)	(15,115)	(17,806)	(32,977)
Amounts recovered during year	-	9,924	6,326	16,250
Foreign revaluation difference related to provision	50	-	427	477
<b>Balance at the end of the year</b>	<b>1,311</b>	<b>16,967</b>	<b>23,985</b>	<b>42,263</b>

	Corporate			Total EGP'000
	Overdrafts	Direct loans	Syndicated loans	
<b>Balance at the beginning of the year</b>	<b>481,755</b>	<b>2,221,841</b>	<b>229,401</b>	<b>2,932,997</b>
Expected credit losses charged	206,195	976,894	-	1,183,089
Amounts written off during the year	(393,519)	(9,008)	-	(402,527)
Amounts recovered during year	-	518	-	518
Foreign revaluation difference related to provision	290,468	(32,653)	-	257,815
<b>Balance at the end of the year</b>	<b>584,899</b>	<b>3,157,592</b>	<b>229,401</b>	<b>3,971,892</b>

## 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 and/or 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 (ie fixed rate for floating rate) or both (ie 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 fulfil 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) gives 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 recognised 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 favourable (assets) or unfavourable (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 favourable or unfavourable, and the aggregate fair value of financial assets and liabilities derivatives can fluctuate significantly from time to time

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

31 December 2024	Contract amount /notional Assets	Contract amount /notional Liabilities	Assets	Liabilities
	EGP'000	EGP'000	EGP'000	EGP'000
<b>Derivatives held for trading</b>				
<b>Foreign currency derivatives</b>				
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)
<b>Total assets (liabilities) of derivatives held for trading</b>			<b>151,351</b>	<b>(136,740)</b>

31 December 2023	Contract amount/notional Assets	Contract amount/notional Liabilities	Assets	Liabilities
	EGP'000	EGP'000	EGP'000	EGP'000
<b>Derivatives held for trading</b>				
<b>Foreign currency derivatives</b>				
Currency Options	4,096,425	(4,096,425)	31,628	(31,627)
Currency forward contracts	666,430	(666,430)	9,321	(154,016)
<b>Total assets (liabilities) of derivatives held for trading</b>			<b>40,949</b>	<b>(185,643)</b>

## 20. Financial assets at fair value through profit or loss

	2024	2023
	EGP'000	EGP'000
Financial assets at fair value through profit or loss		
Debt instruments listed Government Bonds	236,451	27,789
<b>Total financial assets at fair value through profit or loss</b>	<b>236,451</b>	<b>27,789</b>

## 21. Financial investments

	2024	2023
	EGP'000	EGP'000
Equity instruments unlisted	146,383	32,869
Debt instruments listed Government Bonds (at FMV) *	18,798,218	4,459,912
Debt instruments unlisted (mutual fund)	44,156	36,120
<b>Total financial investments at fair value through OCI</b>	<b>18,988,757</b>	<b>4,528,901</b>
Current balances	440,440	4,306,115
Non-Current balances	18,548,316	222,786
<b>Fixed income debt instruments</b>	<b>18,988,757</b>	<b>4,528,901</b>
Debt instruments listed -Government bonds	12,718,847	1,545,841
<b>Total Financial investments</b>	<b>31,707,603</b>	<b>6,074,742</b>

## Financial investments at fair value through other comprehensive income rather than T-bills:

31 December 2024

EGP'000

<b>Balance at the beginning of the year</b>	<b>6,074,742</b>
Additions	36,469,392
Disposals (sale/redemption)	(12,198,450)
Monetary assets revaluation	996,778
Loss from change in FMV	365,141
<b>Balance at the end of the year</b>	<b>31,707,603</b>

31 December 2023

<b>Balance at beginning of the year</b>	<b>15,061,265</b>
Additions	25,684
Disposals (sale/redemption)	(9,558,113)
Monetary assets revaluation	202,276
Loss from change in FMV	343,630
<b>Balance at the end of the year</b>	<b>6,074,742</b>

\* Debt instruments include local bonds amounting to EGP 12,718,847 thousand (EGP 1,545,841 thousand in 31 December 2023) secured by the Egyptian Ministry of Finance.

## Financial Investments details

	Fair value 2024 EGP'000	Fair value 2023 EGP'000	Cost / Amortized Cost 2024 EGP'000	Cost / Amortized Cost 2023 EGP'000
Equity instruments unlisted	146,383	32,869	25,536	25,536
Debt instruments listed (at FMV)	18,798,218	4,459,912	18,720,378	4,739,178
Mutual Fund	44,156	36,120	9,142	9,142
Debt instruments listed-Government bonds	12,718,846	1,545,841	12,718,847	1,545,841
	<b>31,707,603</b>	<b>6,074,742</b>	<b>31,473,903</b>	<b>6,319,697</b>

## 22. Treasury bills

	T.Bills through OCI		T.Bills at amortized cost		Total	
	2024 EGP'000	2023 EGP'000	2024 EGP'000	2023 EGP'000	2024 EGP'000	2023 EGP'000
Treasury bills - Egyptian **	64,717,801	50,514,614	-	3,996,336	64,717,801	54,510,950
Treasury bills – United states of America	7,544,640	13,892,122	-	-	7,544,640	13,892,122
Treasury bills – France	-	3,408,908	-	-	-	3,408,908
<b>Total</b>	<b>72,262,441</b>	<b>67,815,644</b>		<b>3,996,336</b>	<b>72,262,441</b>	<b>71,811,980</b>

Treasury bills represent the following:

	T.Bills through OCI		T.Bills at amortized cost		Total	
	2024	2023	2024	2023	2024	2023
91 days maturity	5,156,747	20,244,783	-	-	5,156,747	20,244,783
182 days maturity	13,473,866	39,268,619	-	3,996,336	13,473,866	43,264,955
273 days maturity	6,604,327	-	-	-	6,604,327	-
364 days maturity	47,027,501	8,302,242	-	-	47,027,501	8,302,242
<b>Total</b>	<b>72,262,441</b>	<b>67,815,644</b>		<b>3,996,336</b>	<b>72,262,441</b>	<b>71,811,980</b>

#### Financial assets at fair value through OCI T.Bills

	2024 EGP'000
<b>Balance at beginning of the year</b>	<b>71,811,980</b>
Addition	157,829,426
Deduction (Sale/Redemption)	(158,786,789)
Monetry assets revaluation differences for foreign financial assets other variables	1,616,401
losses from fair value difference***	(208,577)
<b>Balance at the end of the year</b>	<b>72,262,441</b>

\*\*\*Treasury bills fair value reserve reached EGP (280,303) as of 31 Dec 2024 against EGP (71,726) as of 31 December 2023 (with net change of EGP (208,577) thousands).

\*\*Treasury bills includes EGP 792,935 thousands related to end of service compensation benefits and related Treasury bills fair value reserve 4,006 thousand (End of Service Treasury bills amounted to EGP 789,770 thousand as of 31 December 2023)

#### Financial investment details

	Fair value	Fair value	Cost/Amortised cost	Cost/Amortised cost
	2024	2023	2024	2023
	EGP'000	EGP'000	EGP'000	EGP'000
Treasury bills at fair value through OCI	72,262,441	71,811,980	72,542,744	71,883,706
	<b>72,262,441</b>	<b>71,811,980</b>	<b>72,542,744</b>	<b>71,883,706</b>



## 23. Investment in subsidiaries

### A.

	2024	2023
<b>Cost</b>	<b>35,517</b>	<b>35,517</b>
<b>Impairment</b>	<b>(35,517)</b>	<b>(23,471)</b>
<b>Net</b>	<b>-</b>	<b>12,046</b>

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.

C. 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	Company's liabilities	Company's loss
HSBC Securities Egypt Company SAE	Egypt	98%	0.01%	0.01%	(0.35%)

## 24. Intangible assets

	2024	2023
	EGP'000	EGP'000
<b>Balance at the beginning of the current year</b>		
Cost	1,397,425	722,744
Accumulated amortisation	(440,772)	(223,905)
Impairment provision Charge	(2,377)	-
<b>Net book value at the beginning of the current year</b>	<b>954,276</b>	<b>498,839</b>
Additions	671,894	674,681
Amortisation	(313,388)	(216,867)
Impairment provision reversal	-	(2,377)
<b>Net book value as at end of year</b>	<b>1,312,782</b>	<b>954,276</b>
<b>Balance at the end of the current year</b>		
Cost	2,069,319	1,397,425
Accumulated amortisation	(754,160)	(440,772)
Impairment provision Charge	(2,377)	(2,377)
<b>Net book value at the end of the current year</b>	<b>1,312,782</b>	<b>954,276</b>

## 25.Other assets

	2024 EGP'000	2023 EGP'000
Accrued revenues	2,069,804	840,910
Prepaid expenses	31,373	37,116
Ownership assets transferred to B&D (net of impairment)	10,293	10,293
Costs of branches under construction	59,735	50,564
Due from CBE from selling Gov bills and bonds	199,304	1,032,720
Others	1,101,052	1,224,293
Advanced for projects under process	1,823	17,987
Impairment from provision ECL	(3,108)	(2,941)
<b>Total</b>	<b>3,470,276</b>	<b>3,210,942</b>

## 26.Fixed assets

	Land and buildings	Leasehold improvement	Machines and equipment	Others	Total EGP'000
<b>Balance as at the beginning of the current year</b>					
Cost	347,403	245,585	1,015,048	278,559	<b>1,886,595</b>
Accumulated depreciation	(259,851)	(192,209)	(224,510)	(170,136)	<b>(846,706)</b>
<b>Net book value at the beginning of the current year</b>	<b>87,552</b>	<b>53,376</b>	<b>790,538</b>	<b>108,423</b>	<b>1,039,889</b>
Additions	-	-	319,122	52,643	<b>371,765</b>
Disposals (cost)	(7,795)	-	(13,086)	(37,638)	<b>(58,519)</b>
Disposals (accumulated depreciation)	6,426	-	13,038	36,511	<b>55,975</b>
Depreciation for the year	(12,328)	(15,276)	(149,745)	(36,673)	<b>(214,022)</b>
<b>Net book value at the end of the year</b>	<b>73,855</b>	<b>38,100</b>	<b>959,867</b>	<b>123,266</b>	<b>1,195,088</b>
<b>Balance as at the end of the current year</b>					
Cost	339,608	245,585	1,321,084	293,564	<b>2,199,841</b>
Accumulated depreciation	(265,753)	(207,485)	(361,217)	(170,298)	<b>(1,004,753)</b>
<b>Net book value at the end of the year</b>	<b>73,855</b>	<b>38,100</b>	<b>959,867</b>	<b>123,266</b>	<b>1,195,088</b>

## 27. Investment property

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

	2024 EGP'000	2023 EGP'000
<b>Balance at the beginning of the year</b>		
Cost	163,112	163,112
Accumulated depreciation	(117,897)	(110,866)
<b>Net book value at the beginning of the year</b>	<b>45,215</b>	<b>52,246</b>
Depreciation	(7,876)	(7,031)
<b>Net book value as at the end of year</b>	<b>37,339</b>	<b>45,215</b>
<b>Balance at the end of the year</b>		
Cost	163,112	163,112
Accumulated depreciation	(125,773)	(117,897)
<b>Net book value as at the end of year</b>	<b>37,339</b>	<b>45,215</b>

## 28. Due to banks

	2024 EGP'000	2023 EGP'000
Current accounts	4,122,409	10,865,934
	<b>4,122,409</b>	<b>10,865,934</b>
Central bank	-	1,177
Foreign banks	4,122,409	10,864,757
	<b>4,122,409</b>	<b>10,865,934</b>
Non-interest-bearing balances	4,122,409	10,865,934
	<b>4,122,409</b>	<b>10,865,934</b>
<b>Current Balances</b>	<b>4,122,409</b>	<b>10,865,934</b>

## 29. Customers' deposits

	2024	2023
	EGP'000	EGP'000
Demand deposits	97,230,306	94,827,407
Time and call deposits	49,778,643	37,301,979
Certificates of deposits	13,462,193	12,074,237
Saving deposits	46,246,800	31,724,372
Other deposits	4,424,872	8,136,924
	<b>211,142,814</b>	<b>184,064,919</b>
Corporate deposits	96,409,365	106,690,215
Retail deposits	144,733,449	77,374,704
	<b>211,142,814</b>	<b>184,064,919</b>
Non-interest bearing balances	98,680,951	99,884,890
Fixed interest bearing balances	112,461,863	84,180,029
	<b>211,142,814</b>	<b>184,064,919</b>

## 30. Other liabilities

	2024	2023
	EGP'000	EGP'000
Accrued interest	960,017	732,403
Deferred income	111,012	99,343
Accrued expenses	663,579	663,579
Creditors	1,464,828	4,259,695
Due to CBE from selling GOV bills and bonds	-	6,478,072
Other credit balances	5,565,117	1,527,511
<b>Total</b>	<b>8,774,496</b>	<b>13,760,603</b>

## 31. Other provisions

	Provision for claims		Provision for contingent liabilities		Total	
	2024	2023	2024	2023	2024	2023
	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000	EGP'000
Balance at the beginning of the year	107,808	69,764	698,147	257,937	805,955	327,701
Formed during the year	121,744	98,679	-	432,468	121,744	531,147
Provisions valuation differences	17,986	2,226	225,542	11,580	243,528	13,806
	<b>247,538</b>	<b>170,669</b>	<b>923,689</b>	<b>701,985</b>	<b>1,171,227</b>	<b>872,654</b>
Used during the year	(86,744)	(61,410)	-	-	(86,744)	(61,420)
No longer required	(15,421)	(1,451)	(345,985)	(3,838)	(361,406)	(5,289)
<b>Balance at the end of the year</b>	<b>145,373</b>	<b>107,808</b>	<b>577,704</b>	<b>698,147</b>	<b>723,077</b>	<b>805,955</b>

### 32.Deferred tax

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

Offset between deferred tax assets and deferred tax liabilities is done if there is legal reason to set off taxes resulting from assets against taxes resulting from liabilities and also 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 is as follows:

#### Deferred tax assets and liabilities balances

	Deferred tax assets		Deferred tax liabilities	
	2024	2023	2024	2023
	EGP'000	EGP'000	EGP'000	EGP'000
Fixed assets	-	-	(304,640)	(195,453)
Defined benefit obligation	186,053	147,048	-	-
Deferred tax for financial investment through OCI	181,056	57,759	-	-
Other	20,000	152,746	-	-
<b>Total tax assets (liabilities)</b>	<b>387,109</b>	<b>357,553</b>	<b>(304,640)</b>	<b>(195,453)</b>
<b>Net deferred tax assets</b>	<b>82,469</b>	<b>162,100</b>		

#### Deferred tax assets and liabilities movements

	Deferred tax assets		Deferred tax liabilities	
	2024	2023	2024	2023
	EGP'000	EGP'000	EGP'000	EGP'000
Balance at the beginning of the year	357,553	356,969	(195,453)	(134,975)
Additions	29,556	583	(109,187)	(60,478)
<b>Balance at the end of the year</b>	<b>387,109</b>	<b>357,552</b>	<b>(304,640)</b>	<b>(195,453)</b>

### 33.Defined benefits obligations

The end of service compensation benefits amounted to EGP 887,926 thousand as of 31 December 2024 (EGP 629,704 thousand as of 31 December 2023).

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

	2024	2023
	EGP'000	EGP'000
<b>Liability recorded on balance sheet</b>		
End of service compensation	887,926	629,704
<b>Amounts recognised in income statement:</b>		
End of service compensation (Note 10)	141,631	160,030

### The principal actuarial assumptions used are as follows:

Rates of death/disability of the British table AF92-AM92

Rate of salary increase  $S_x = S_{20} \cdot (1.05)^{(X-20)}$ .

Discount rate used (24.46%)

### 34. Paid up capital

	Number of shares EGP000	Common Shares EGP(000)	Total EGP(000)	Issuance premium included in other reserve-issuance premium EGP(000)
Balance at the beginning of the year	59.523810	5,000,000	5,000,000	6,728
<b>Balance at 31 December 2024</b>	<b>59.523810</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>6,728</b>
Balance at the beginning of the year	59.523810	5,000,000	5,000,000	6,728
<b>Balance at end of year</b>	<b>59.523810</b>	<b>5,000,000</b>	<b>5,000,000</b>	<b>6,728</b>

\* 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. Authorised capital

The authorised capital amounted to EGP1,750,000,000.

According to the extraordinary general assembly decision on 30 November 2010, the authorised capital has been increased to EGP5,000,000,000.

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.

#### B. Issued and paid-up capital

- The issued and paid-up capital as at 31 December 2008 amounted to EGP1,508,500,056 represented in 17,958,334 fully paid shares at par value of EGP84 each. The foreign shareholders own 94.54 per cent 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 EGP2,078,500,116, increasing by EGP570,000,060 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 EGP2,796,006,192, by an increase of EGP717,506,076 representing 8,541,739 shares, in which the paid amount was EGP717,067,428 representing 8,536,517 shares. Accordingly, the issued and fully paid-up capital is EGP2,795,567,544 represented in 33,280,566 fully paid shares at par value of EGP84 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

	2024 EGP'000	2023 EGP'000
<b>Reserves</b>		
General reserve	3,400,537	2,787,736
Legal reserve	2,284,855	1,672,054
Capital reserve	71,519	51,752
Reserve for excess over par value - issuance premium	6,728	6,728
Fair value reserve	150,816	(220,976)
General bank risk reserve	89,661	89,661
General risk reserve	491,666	491,666
<b>Total reserves at the end of the year</b>	<b>6,495,782</b>	<b>4,878,621</b>

Reserves movements during the year are as follow:

#### A. General reserve

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	2,787,736	2,513,464
Transferred from prior year profits	612,801	274,272
<b>Balance at the end of the year</b>	<b>3,400,537</b>	<b>2,787,736</b>

#### B. Legal reserve

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	1,672,054	1,397,782
Transferred from prior year profits	612,801	274,272
<b>Balance at the end of the year</b>	<b>2,284,855</b>	<b>1,672,054</b>

In accordance with local laws, 5 per cent of the net profit shall be transferred to nondistributable reserve until it reaches 50 per cent of the capital.

#### C. Capital reserve

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	51,752	51,752
Transferred from prior year profits	19,767	-
<b>Balance at the end of the year</b>	<b>71,519</b>	<b>51,752</b>

#### D. Reserve for excess over par value – issuance premium

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	6,728	6,728
<b>Balance at the end of the year</b>	<b>6,728</b>	<b>6,728</b>

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 EGP168) and its par value (price per share EGP84) 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

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	(220,976)	(656,372)
Net change in investments FVOCI- T Bills	(208,576)	96,344
Net change in investments FVOCI- Bonds	357,105	338,407
Net change in investments FVOCI- Mutual funds	8,036	5,223
Net change in investments FVOCI- Equity instruments	99,982	-
Deferred tax for financial investment through OCI	107,452	(28,070)
Expected credit loss - Financial investment at FVOCI	7,793	23,492
<b>Balance at the end of the year</b>	<b>150,816</b>	<b>(220,976)</b>

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

#### F. General risk reserve

	2024 EGP'000	2023 EGP'000
<b>Balance at the beginning of the year</b>	<b>491,666</b>	<b>491,666</b>
<b>Balance at the end of the year</b>	<b>491,666</b>	<b>491,666</b>

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



## G. General bank risk reserves

	2024 EGP'000	2023 EGP'000
Balance at the beginning of the year	89,661	89,661
<b>Balance at the end of the year</b>	<b>89,661</b>	<b>89,661</b>

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

	2024 EGP'000	2023 EGP'000
<b>Movement on retained earnings</b>		
Balance at the beginning of the year	22,458,127	11,168,174
Net profit for the year	20,953,691	12,275,788
Dividends for the year	(3,290,476)	-
Employees profit share	(983,411)	(548,543)
Transferred to legal reserve	(612,801)	(274,272)
Transferred to Banking systems support and development Fund	(122,560)	(54,854)
Acturial Losses	(84,869)	166,106
Transferred from general reserve	(612,801)	(274,272)
<b>Balance at the end of the year</b>	<b>37,685,133</b>	<b>22,458,127</b>

## 36.Dividends

Payment of dividends is not registered unless being approved by the general assembly. The board of directors will propose to the General assembly that will be held on 18 March 2025 a payment of cash dividends for the year 2024 with a total amount of EGP thousands 10,476,846 in addition to employees' profit share with a total amount of EGP thousands 1,353,174. Against employees profit share distributed for 2023 amount to EGP thousands 938,411.

## 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:

	2024 EGP'000	2023 EGP'000
Cash and due from the CBE (note 15)	2,914,974	2,011,191
Due from banks (note 16)	95,151,872	101,470,935
Treasury bills (included in note 22)	5,156,747	20,244,783
	<b>103,223,593</b>	<b>123,726,909</b>

### 38.Commitment and contingent liabilities

#### A. Legal claims

There are lawsuits filed against the bank as at 31 Dec 2024. Legal provision for these cases for the year ended 31 December 2024 amounting 3,075 EGP thousand and 2 EGP thousands have been released and 298 EGP thousands has been used from legal provision for the year 31 December 2024.

#### B. Commitments for loans, guarantees and facilities

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

	2024	2023
	EGP'000	EGP'000
Acceptances	1,681,812	872,993
Letters of guarantee	74,578,715	55,700,753
Letter of credit (import and export)	5,443,985	2,539,149
Other contingent liabilities	168,431	51,997
Commitments for loans	840,745	1,779,384
Cash margin	(3,578,887)	(7,175,784)
<b>Total</b>	<b>79,134,801</b>	<b>53,768,492</b>

#### C.Commitments for operating lease contracts

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

	2024	2023
	EGP'000	EGP'000
Less than one year	4,856	14,253
More than one year and less than five years	14,240	16,501
More than five years	250	2,498
<b>Total</b>	<b>19,346</b>	<b>33,252</b>

### 39.Related party transactions

The Bank is a subsidiary of parent HSBC Holdings B.V. headquarter in London, which owns 94.54 per cent of ordinary shares. The remaining percentage (5.46 per cent) 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	
	2024	2023
	EGP'000	EGP'000
<b>Statement of financial position</b>		
Subordinated loans note (40)	2,072,000	2,072,000
<b>Statement of income statement</b>		
Interest expenses	588,387	425,266

**B. Deposits from related parties**

	Subsidiaries	
	2024	2023
	EGP'000	EGP'000
<b>Due to customers</b>		
Deposits at the beginning of the year	13,407	15,224
Deposits received during the year	1,522	-
Deposits redeemed during the year	-	(1,817)
<b>Deposits at the end of the financial year</b>	<b>14,929</b>	<b>13,407</b>

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

**C. Other related party transactions**

	HSBC group	
	2024	2023
	EGP'000	EGP'000
<b>Statement of income statement</b>		
Operating lease	48,677	77,212
Head office services revenue	352,861	223,500
Cost of services provided by HSBC Group	(4,106,987)	(2,814,869)
<b>Total</b>	<b>(3,705,449)</b>	<b>(2,514,184)</b>

	HSBC group	
	2024	2023
	EGP'000	EGP'000
<b>Statement of financial position</b>		
Due from banks	1,712,725	408,010
Loans and advances to banks	221,815	134,790
Due to banks	6,126	6,395,476
<b>Total</b>	<b>1,940,666</b>	<b>6,938,276</b>

**D. Board of Directors and top management benefits**

The average net monthly salary paid to the top 20 employees in the Bank for the year ended 2024 amounted to EGP 7,511 thousand (EGP 6,097 thousand average net monthly salary paid to the top 20 employees for the year ended 2023).

#### 40.Subordinated loans

		2023	2022
	Current interest rate	EGP'000	EGP'000
Subordinated loan, variable interest rate (1)	31.75%	272,000	272,000
Subordinated loan, variable interest rate (2)	30.00%	1,800,000	1,800,000
		<b>2,072,000</b>	<b>2,072,000</b>

- 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.

#### 41.Mutual funds

##### HSBC first mutual fund (kol youm)

- 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 December 2024, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 44,156,245 against 78,559 certificates amounting to EGP 9,141,998 with redeemable value amounting to EGP 36,120,528 as of 31 December 2023.
- The redeemable value of the certificate amounted to EGP 562.077 against EGP 459.79 as of 31 December 2024. The outstanding certificates reached 2,357,530 certificates against 2,567,763 certificates as of 31 December 2023.

#### 42.Significant Events

On the 1st of February 2024, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 200 basis points to 21.25%, 22.25%, and 21.75%, respectively. The discount rate was also raised by 200 basis points to 21.75% , which may affect the bank's policies in pricing current and future banking products.

On the 6th of March 2024, the Monetary Policy Committee (MPC) decided to raise the Central Bank of Egypt's (CBE) overnight deposit rate, overnight lending rate, and the rate of the main operation by 600 basis points to 27.25%, 28.25%, and 27.75%, respectively. The discount rate was also raised by 600 basis points to 27.75%, which may affect the bank's policies in pricing current and future banking products.

-Based on the change in the US dollar exchange rate during the month of March from 31 pounds per dollar to 47 pounds per dollar, the values of assets and liabilities of monetary nature in foreign currencies, as well as the income statement, were affected by the results of evaluating the existing currency positions at the date of the financial position.

On May 23, 2024, the Monetary Policy Committee of the Central Bank of Egypt decided to maintain the overnight deposit and lending rates and the Central Bank's main operation rate at 27.25%, 28.25%, and 27.75%, respectively. It also decided to keep the credit and discount rates at 27.75%. This decision reflects the latest developments and expectations at the global and local levels since the previous meeting of the Monetary Policy Committee.

In the last quarter of 2024, Egyptian Accounting Standard 51 "Financial Statements in the Economics of Hyperinflation" was issued by Prime Minister No. 3527 of 2024 with the aim of helping to revalue the assets and liabilities of the financial statements in a way that reflects the actual purchasing power assessed by the impact of inflation. HSBC's management is following up the impact of the application of this standard to study the extent of its impact on the financial statements, and no instructions have been issued to apply this standard until the date of issuance of the bank's financial statements.

## HSBC Bank Egypt head office and branches

### **HSBC Bank Egypt SAE**

#### **Head office**

306 Corniche El Nil, Maadi,  
Cairo, Egypt  
Tel: +2(02) 2529 8000  
SWIFT: EBBK EG CX

#### **Cairo**

Abou Dawoud El Zahiry branch  
62 Abou Dawoud El Zahiry Street, Nasr City,  
Cairo, Egypt  
Tel: +2(02) 2672 0522

#### **Zamalek branch**

3 Aboul Feda Street, Zamalek,  
Cairo, Egypt  
Tel: +2(02) 2739 6001

#### **City Stars branch**

City Stars mall Ground Floor, Phase 2, Omar Ibn El Khattab Street, Nasr City,  
Cairo, Egypt  
Tel: +2(02) 2480 2356

#### **Corniche El Maadi branch**

306 Corniche El Nil, Maadi,  
Cairo, Egypt  
Tel: +2(02) 2529 8750

#### **Downtown branch**

13 Kasr El Nil Street, Down Town,  
Cairo, Egypt  
Tel: +2(02) 2578 8448

#### **Hegaz branch**

71 El Hegaz Street, El Mahkama square, Heliopolis,  
Cairo, Egypt  
Tel: +2(02) 2771 2241

#### **Heliopolis branch**

I Roxy Square, Heliopolis,  
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Tel: +2(02) 2451 1480

#### **Maadi branch**

1B Road 256, Maadi,

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Tel: +2(02) 2519 5462

**Maadi Club branch**

Maadi Club, Demeshk Street, Maadi,  
Cairo, Egypt  
Tel: +2(02) 2380 4729

**Masaken Sheraton branch**

3 Khaled Ibn ElWalid Street, Masaken Sheraton, Heliopolis,  
Cairo, Egypt  
Tel: +2(02) 2266 6426

**Mokattam branch**

3 El Nafoura Square, Mokattam  
Cairo, Egypt  
Tel: +2(02) 2845 2895

**Nasr City branch**

29 El Batrawy Street, Nasr City,  
Cairo, Egypt  
Tel: +2(02) 2401 7901

**New Maadi branch**

10/2 El Nasr Road, New Maadi  
Cairo, Egypt  
Tel: +2(02) 2754 4816

**Nile View branch**

4 Ramlet Beaulac, Corniche El Nil  
Cairo, Egypt  
Tel: +2(02) 2575 2157

**El Obbour Buildings branch**

13 El Obbour Buildings, Salah Salem Street  
Cairo, Egypt  
Tel: +2(02) 2403 1399

**El Orouba branch**

90 Beirut Street, Heliopolis  
Cairo, Egypt.  
Tel: +2(02) 2415 3371

**Safir branch**

1 El Sheikh Hassouna El Nawawi Street, Heliopolis  
Cairo, Egypt  
Tel: +2(02) 2418 9947

**El Shams Club branch**

15 Abdel Hamid Badawy Street, Heliopolis  
Cairo, Egypt

Tel: +2(02) 2180 4829

**El Thawra branch**

109 El Thawra Street, Ard El Golf, Nasr City  
Cairo, Egypt

Tel: +2(02) 2414 2157

**New Cairo****Cairo Festival City branch**

Cairo Festival City Mall, Unit No.10, Ring Road  
Cairo, Egypt

Tel: +2(02) 2616 8155

**Katameya Heights branch**

Katameya Heights, Fifth District,  
New Cairo, Egypt

Tel: +2(02) 2756 4780

**El Tagamoo branch**

67, El Teseen Street,  
5th Settlement, New Cairo  
Cairo, Egypt

Tel: +2(02) 2920 1371/2920 1716

**El Rehab branch**

411, Commercial market,  
El Rehab City  
Cairo, Egypt

Tel: +2(02) 2693 2273

**Water Way branch**

Unit G10, Building 7, Land No. 31, El Mostasmerin El Shamaleya,  
North 90 Road, El Safa Compound,  
New Cairo, Egypt

Tel: +2(02) 2529 1179

**Obbour City****Obbour City branch**

3 City Club Fence,  
Obbour City, Egypt

Tel: +2(02) 448 28258

## **Giza**

### **Dokki branch**

80 Mosadak Street, Dokki  
Giza, Egypt  
Tel: +2(02) 3762 0589

### **Gameat El Doual branch**

54 Gameet El Doual Street, Mohandessin  
Giza, Egypt  
Tel: +2(02) 3748 6879

### **Mohandessin branch**

8 Geziret El Arab Street, Mohandessin  
Giza, Egypt  
Tel: +2(02) 3368 0102

### **Shooting Club branch**

40 Kambiz Street,  
Giza, Egypt  
Tel: +2(02) 3761 0683

### **Vinni branch**

8 El Sad El Aaly Street, Dokki  
Giza, Egypt  
Tel: +2(02) 3749 6336

## **Sheikh Zayed City and Sixth of October City**

### **Arkan branch**

**Arkan Mall,**  
El Sheikh Zayed City, Entrance No.2  
Giza, Egypt  
Tel: +2(02) 3850 5005

### **Sodic branch**

"The Strip II" , Sheikh Zaid , 6 of October , Egypt  
Tel: +2(02) 25298135

### **Hyper One branch**

**Hyper One Market,**  
El Sheikh Zayed City  
Giza, Egypt  
Tel: +2(02) 3982 6701



**Mall of Egypt branch**

Mall of Egypt, El Wahat Road, Gate No. F2,  
6th of October City  
Giza, Egypt  
Tel: +2(02) 3612 1012

**Smart Village branch**

Building B122, Smart Village  
28th km Cairo/Alexandria Desert Road,  
Egypt  
Tel: +2(02) 3535 5212/3535 5226

**Alexandria****Alexandria branch**

47 Sultan Hussein Street, Azarita,  
Alexandria, Egypt  
Tel: +2(03) 487 2949

**Kafr Abdou branch**

38 intersection of Ahmed Abdel Aziz Street and Abdel Kader Ragab Street,  
Kafr Abdou, Roushdy,  
Alexandria, Egypt  
Tel: +2(03) 541 4137

**Saraya branch**

Delta Tower, Corniche El Saraya, El Geish Road ,Sidi Beshr  
Alexandria, Egypt  
Tel: +2(03) 358 2202

**Semouha branch**

Azhar El Saraya Buildings, Semouha  
Alexandria, Egypt  
Tel: +2(03) 421 0002

**Hacienda branch**

138th km Alexandria/Matrouh Desert Road,  
Egypt  
Tel: +2(010) 9409 0251

**Delta Region****Mansoura branch**

182 Geish Street, El Mansoura  
Dakahleya, Egypt  
Tel: +2(050) 230 8124

**Port Said branch**

27 El Gomhoureya Street  
Port Said, Egypt  
Tel: +2(066) 324 4698

## **Sinai and Red Sea**

### **Banking District branch**

3 Banking District, El Kawthar District  
Hurghada, Egypt  
Tel: +2(065) 348 2755

### **El Gouna branch**

Abu Tig Marina, El Gouna  
Hurghada, Egypt  
Tel: +2(065) 358 0570

### **Sharm Azur branch**

Villa Chris Village, Peace Road  
Sharm El Sheikh, Egypt  
Tel: +2(069) 360 3791

## **Upper Egypt**

### **Assiut branch**

Assiut University  
Assiut, Egypt  
Tel: +2(088) 237 3681

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