

HSBC BANK EGYPT S.A.E.

**LIMITED REVIEW REPORT AND INTERIM
CONDENSED SEPARATE FINANCIAL
STATEMENTS
FOR THE THREE MONTHS PERIOD
ENDED 31 MARCH 2022**

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Limited Review Report on the interim condensed separate financial statements

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

Introduction

We have reviewed the accompanying interim condensed separate statement of financial position of HSBC Bank - Egypt "S.A.E" as of 31 March 2022 and the related interim condensed separate statements of income, comprehensive income, cash flows and changes in equity for the three month period then ended. Management is responsible for the preparation and fair presentation of these interim condensed separate financial statements in accordance with the rules of preparation and presentation of banks' financial statements approved by the Central Bank of Egypt's board of directors on 16 December 2008 as amended by regulations issued on 26 February 2019 and its subsequent interpretive instructions and the resolution of Central Bank of Egypt's board of directors on 3 May 2020 regarding issuing interim condensed financial statements and in light of the applicable Egyptian laws and regulations. Our responsibility is limited to expressing a conclusion on these interim condensed separate financial statements based on our review.

Scope of Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim condensed separate financial statements are not prepared, in all material respects, in accordance with the rules of preparation and presentation of banks' financial statements approved by the Central Bank of Egypt's board of directors on 16 December 2008 as amended by regulations issued on 26 February 2019 and its subsequent interpretive instructions and the resolution of Central Bank of Egypt's board of directors on 3 May 2020 regarding issuing interim condensed financial statements and in light of the applicable Egyptian laws and regulations.

Auditors


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Cairo: May 26, 2022

HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of financial position

(All amounts in EGP 000)

	<u>Note</u>	<u>31 March 2022</u>	<u>31 December 2021</u>
<u>Assets</u>			
Cash and balances with Central Bank of Egypt		8,457,624	8,643,628
Due from banks		45,637,518	35,635,993
Loans and advances to banks	(10)	213,024	337,144
Loans and advances to customers	(11)	36,791,617	32,811,375
Financial derivatives		85,692	189,285
Financial investments at fair value through OCI	(12)	16,094,800	17,059,513
Treasury bills at fair value through OCI	(13)	34,701,239	34,131,632
Investment in subsidiary	(14)	12,046	35,517
Intangible assets	(15)	325,178	346,367
Other assets	(16)	3,644,269	2,282,257
Deferred tax assets		108,816	108,816
Investment property	(18)	59,692	62,091
Fixed assets	(17)	640,197	621,786
Total assets		<u>146,771,712</u>	<u>132,265,404</u>
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks		1,921,931	1,415,553
Customers' deposits	(19)	118,274,099	106,451,121
Financial derivatives		9,131	267,191
Subordinated loans	(27)	2,072,000	2,072,000
Other liabilities	(20)	6,977,446	2,357,163
Other provisions	(21)	459,314	421,396
Current income tax		348,692	843,444
Defined benefits obligations		564,661	566,319
Total liabilities		<u>130,627,274</u>	<u>114,394,187</u>
<u>Shareholders' equity</u>			
Paid-up capital	(22)	5,000,000	2,795,567
Amounts reserved under capital increase	(22)	-	2,204,433
Reserves	(23)	4,328,096	4,423,133
Retained earnings	(23)	6,816,342	8,448,084
Total shareholders' equity		<u>16,144,438</u>	<u>17,871,217</u>
Total liabilities and shareholders' equity		<u>146,771,712</u>	<u>132,265,404</u>

The accompanying notes from (1) to (29) form an integral part of these financial statements and are to be read therewith. These separate financial statements were approved by the board of directors on 18 MAY 2022 and Signed on their behalf by

Rodney Todd Wilcox
(Deputy Chairman and CEO)

Auditors' limited review report

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HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of income

(All amounts in EGP 000)	<u>Note</u>	<u>For the period ended</u>	
		<u>31 March 2022</u>	<u>31 March 2021</u>
Interest income from loans and similar income		2,571,201	2,086,854
Interest expense on deposits and similar expense		<u>(776,271)</u>	<u>(661,327)</u>
Net interest income		1,794,930	1,425,527
Fees and commissions income		373,146	288,937
Fees and commissions expense		<u>(70,806)</u>	<u>(44,063)</u>
Net fees and commissions income		302,340	244,874
Net trading income		243,967	148,850
Financial investment (loss) / income		(23,471)	2,180
Expected credit loss (charges)	(8)	(130,668)	(130,415)
Administrative expenses		(692,858)	(617,336)
Other operating income		<u>18,940</u>	<u>75,383</u>
Profit before income tax		1,513,180	1,149,063
Income tax expenses		<u>(447,000)</u>	<u>(332,099)</u>
Net profit for the Period		1,066,180	816,964
Earnings per share (EGP/Share)			
Basic	(9)	<u><u>16.12</u></u>	<u><u>12.35</u></u>

The accompanying notes from (1) to (29) form an integral part of these financial statements and are to be read therewith.

HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of comprehensive income

		<u>The period</u> <u>ended</u> <u>31-Mar</u> <u>2022</u>	<u>The period</u> <u>ended</u> <u>31-Mar</u> <u>2021</u>
(All amounts in EGP 000)		<u>Note</u>	
Net profit for the Period		1,066,180	816,964
Net changes on fair value of financial investment through OCI		(379,832)	(139,398)
Expected credit loss on financial investment at fair value through OCI	(8)	18,702	23,267
Total impact related to other comprehensive income		(361,130)	(116,131)
Total other comprehensive income		<u>705,050</u>	<u>700,833</u>

The accompanying notes from (1) to (29) form an integral part of these financial statements and are to be read therewith.

HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of cash flows

(All amounts in EGP 000)

	<u>31-Mar</u> <u>2022</u>	<u>31-Mar</u> <u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Net profit before income tax	1,513,180	1,149,063
<u>Adjustments to reconcile net profit to net cash flows from operating activities</u>		
Depreciation and amortization	55,628	41,528
Impairment of assets	130,668	130,321
Other provisions(Formed)	46,616	8,818
Provisions no longer required	-	(61,773)
Revaluation differences for provisions other than loans provision	994	(374)
loss /(Gain) from sale of property and equipment	(671)	(3,315)
Impairment of Investments in Subsidiaries	23,471	-
Other valuation differences on financial investments	149,190	818
Operating income net changes in Assets & liabilities	<u>1,919,076</u>	<u>1,265,086</u>
<u>Net change in assets and liabilities</u>		
Due from banks	(3,598,180)	3,005,686
Balances with Central Bank	338,634	-
Treasury bills at fair value through OCI	(707,002)	1,297,554
Loans and advances to customers	(4,089,466)	(665,585)
Loans and advances to banks	124,120	9,598
Financial derivatives (net)	(154,467)	(81,958)
Other assets	(1,362,418)	(177,087)
Due to banks	506,378	(577,233)
Customers' deposits	11,822,978	1,651,119
Other liabilities	2,607,761	(1,206,541)
End of service compensation benefits	(1,658)	15,166
Utilized from other provisions	(9,692)	(2,079)
Income tax paid	(941,752)	(702,128)
Net cash flows (used in)/ generated from operating activities	<u>6,454,312</u>	<u>3,831,598</u>
<u>Cash flows from investing activities</u>		
Payments to purchase fixed assets and branches preparation	(50,451)	(57,183)
Proceeds from sale of fixed assets	671	3,315
Payments for purchase of financial investments	(754,988)	(2,071,329)
Proceeds from sales (redemption) of financial investments	1,423,222	545,078
Net cash flows (used in) generated from investing activities	<u>618,454</u>	<u>(1,580,119)</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(419,306)	(367,333)
Net cash flows (used in) financing activities	<u>(419,306)</u>	<u>(367,333)</u>
Net change in cash and cash equivalents during the period	6,653,460	1,884,146
Cash and cash equivalents at the beginning of the period	20,484,142	21,875,925
Cash and cash equivalents at the end of the period	<u>27,137,602</u>	<u>23,760,071</u>
<u>Cash and cash equivalents are represented in:</u>		
Cash and balances with Central Bank of Egypt	8,458,429	4,861,628
Due from Banks	45,647,265	25,720,261
Treasury bills at fair value through OCI	34,701,239	31,912,544
Balance with Central Bank of Egypt as statutory reserve	(6,597,819)	(3,825,779)
Due from banks of maturity more than 3 months from date of acquisition	(20,465,421)	(3,286,342)
Treasury bills at fair value through OCI of maturity more than 3 months from date of acquisition	(34,606,091)	(31,622,241)
Cash and cash equivalents	<u>27,137,602</u>	<u>23,760,071</u>

The accompanying notes from (1) to (29) form an integral part of these financial statements and are to be read therewith.

HSBC BANK- EGYPT S.A.E.
Interim condensed separate statement of changes in equity

(All amounts in EGP 000)

			Amounts reserved under capital increase	General reserve	Legal reserve	Capital reserve	Reserve for excess over par value - issuance premium	Fair value reserve	General risk reserves	General bank risk reserves	Retained earnings	Total
	Note	Paid up capital										
Balances as of 31 December 2020		2,795,567	-	2,164,822	1,397,782	40,295	6,728	218,260	491,666	66,609	7,815,864	14,997,593
Amounts reserved under capital increase		-	2,204,433	-	-	-	-	-	-	-	(2,204,433)	-
Dividends paid for year 2020		-	-	-	-	-	-	-	-	-	(367,333)	(367,333)
Transferred to general reserve		-	-	183,667	-	-	-	-	-	-	(183,667)	-
Transferred to general bank risk reserve		-	-	-	-	-	-	-	-	(66,609)	66,609	-
Items included in Other comprehensive income												
Net change in fair value of financial investments through		-	-	-	-	-	-	(139,398)	-	-	-	(139,398)
ECL for change in fair value of financial investments		-	-	-	-	-	-	23,267	-	-	-	23,267
through other comprehensive income												
Net change in other comprehensive income		-	-	-	-	-	-	(116,131)	-	-	-	(116,131)
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	-	(36,733)	(36,733)
Net profit for the period ended 31 March 2021		-	-	-	-	-	-	-	-	-	816,964	816,964
Balances as of 31 March 2021		2,795,567	2,204,433	2,348,489	1,397,782	40,295	6,728	102,129	491,666	-	5,907,271	15,294,360
Balances as of 31 December 2021		2,795,567	2,204,433	2,348,489	1,397,782	40,295	6,728	138,173	491,666	-	8,448,084	17,871,217
Transfer to Capital account	(22)	2,204,433	(2,204,433)	-	-	-	-	-	-	-	-	-
Dividends paid for year 2021	(24)	-	-	-	-	-	-	-	-	-	(2,398,834)	(2,398,834)
Transferred to general reserve	(23)	-	-	164,975	-	-	-	-	-	-	(164,975)	-
Transferred to capital reserve	(23)	-	-	-	-	11,457	-	-	-	-	(11,457)	-
Transferred to general bank risk reserve	(23)	-	-	-	-	-	-	-	-	89,661	(89,661)	-
Items included in Other comprehensive income												
Net change in investments at fair value through other		-	-	-	-	-	-	(379,832)	-	-	-	(379,832)
comprehensive income												
ECL for change in fair value of financial investments		-	-	-	-	-	-	18,702	-	-	-	18,702
through other comprehensive income												
Net change in other comprehensive income	(23)	-	-	-	-	-	-	(361,130)	-	-	-	(361,130)
Transfer to Banking System Support and Development Fund		-	-	-	-	-	-	-	-	-	(32,995)	(32,995)
Net profit for the period ended 31 March 2022		-	-	-	-	-	-	-	-	-	1,066,180	1,066,180
Balances as of 31 March 2022		5,000,000	-	2,513,464	1,397,782	51,752	6,728	(222,957)	491,666	89,661	6,816,342	16,144,438

The accompanying notes from (1) to (29) form an integral part of these financial statements and are to be read therewith.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

1. Background

HSBC Bank Egypt SAE provides retail, corporate and investment banking services in the Arab Republic of Egypt through 51 branches and 7 small units served by more than 1,578 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 interim condensed separate financial statements for the period ended 31 March 2022 have been approved for issuance by the Board of Directors on 18 May 2022.

2- Basis of preparation of financial statements

The interim condensed separate financial statements are prepared in accordance with the Central Bank of Egypt's (CBE) instructions approved by its Board of Directors on 16 December 2008 as amended by regulations issued on 26 February 2019 and its subsequent interpretive instructions and Central Bank of Egypt board of Directors resolution on 3 May 2020 regarding issuing interim condensed financial statements for banks and with the requirements of applicable Egyptian Laws & Regulations.

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

The interim condensed separate financial statements do not include all the information and disclosures required in the annual separate financial statements and should be read along with the Bank's annual separate financial statements for the year ended 31 December 2021. The accounting policies adopted in the preparation of the interim condensed separate financial information are consistent with those followed in the preparation of the Bank's annual separate financial statements for the year ended 31 December 2021. In addition, results for the three months' period ended 31 March 2022 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2022. The accounting policies used in preparation the interim condensed separate financial statements are consistent with those used in preparing the bank's financial statements on 31 December 2021.

3- 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.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

Level 2 – valuation technique using observable inputs, whether direct (such as prices) or indirect (derived from prices). This category includes instruments that are valued using market prices listed on active markets, 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. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

31-Mar-22

	Level 2	
	Using observable inputs	Total
	EGP '000	EGP '000
Recurring fair value measurements		
Financial assets at fair value through other comprehensive income	50,796,039	50,796,039
Financial Derivatives Assets	85,692	85,692
Financial Derivatives Liability	(9,131)	(9,131)

31-Dec-21

	Level 2	
	Using observable inputs	Total
	EGP '000	EGP '000
Recurring fair value measurements		
Financial assets at fair value through other comprehensive income	51,191,145	51,191,145
Financial Derivatives Assets	189,285	189,285
Financial Derivatives Liability	(267,191)	(267,191)

4. Financial risk management and financial instruments

The Bank's activities are exposed to a variety of financial risks: credit risk, liquidity risk, and market risk (including currency risk, interest rate risk, and price risk) The interim condensed separate financial statements do not include all financial risk management information and disclosures required in the annual financial statements. They should be read in conjunction with the separate annual financial statements as at 31 December 2021.

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

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

4. Financial risk management and financial instruments(continued)

process on credit risk is centralized at credit risk team management at the risk department, which prepares reports for the Board of Directors and heads of units on a regular basis.

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

Bank's internal ratings scale

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

A.2. 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, expected credit loss recognized at the balance sheet date for financial reporting purposes based on objective evidence of impairment, as will be mentioned below. Due to the different methodologies applied, the amounts of incurred credit losses charged to the financial Statements are usually lower than the expected amount determined from the expected loss models used.

Credit quality of financial instruments

All loans and advances in the Bank are classified according to asset quality. Regular accounts include all facilities that demonstrate good financial conditions, risk factors and ability to repay in accordance with the original terms of the approval granted.

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

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)

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.

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

1. Customer risk rating.

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

Gross provisions to net loans

31-Mar-22	Loans and advances to customers	Allowance/ provision for ECL %
Stage 1	70.69%	0.31%
Stage 2	21.04%	6.83%
Stage 3	8.27%	67.44%
	100%	7.23%

31-Dec-21	Loans and advances to customers	Allowance/ provision for ECL %
Stage 1	71.30%	0.31%
Stage 2	19.48%	5.73%
Stage 3	9.22%	65.21%
	100%	7.35%

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)**Loans and Advances to Customers**

Reconciliation of changes in gross carrying/nominal amount and allowances for loans and advances customers

31-Mar-22

	Non-credit impaired				Credit impaired		Total		EGP000
	Stage 1		Stage 2		Stage 3				
	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	
At 01 Jan 2022	25,249,817	(77,511)	6,898,719	(395,386)	3,264,252	(2,128,516)	35,412,788	(2,601,413)	
Transfers from Stage 1 to Stage 2	(2,201,602)	3,665	2,201,602	(3,665)	-	-	-	-	
Transfers from Stage 2 to Stage 1	1,542,161	(14,592)	(1,542,161)	14,592	-	-	-	-	
Transfers from stage 2 to Stage 3	-	-	(14,834)	(1,209)	14,834	1,209	-	-	
Transfers from Stage 3 to stage 2	-	-	4,484	(1,393)	(4,484)	1,393	-	-	
ECL other movement	-	2,130	-	(182,481)	-	(86,660)	-	(267,011)	
Balance Volume movement	3,444,739	-	796,331	-	6,183	-	4,247,253	-	
At 31 March 2022	28,035,115	(86,308)	8,344,141	(569,542)	3,280,785	(2,212,574)	39,660,041	(2,868,424)	

31-Dec-21

	Non-credit impaired				Credit impaired		Total		EGP000
	Stage 1		Stage 2		Stage 3				
	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>	
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	
At 01 Jan 2021	26,309,774	(71,634)	9,884,949	(495,743)	2,765,900	(2,078,578)	38,960,623	(2,645,955)	
Transfers from Stage 1 to Stage 2	(11,194,949)	25,328	11,194,949	(25,328)	-	-	-	-	
Transfers from Stage 2 to Stage 1	8,266,427	(44,489)	(8,266,427)	44,489	-	-	-	-	
Transfers from stage 2 to Stage 3	-	-	(1,316,674)	53,309	1,316,674	(53,309)	-	-	
Transfers from Stage 3 to stage 2	-	-	358,981	(81,870)	(358,981)	81,870	-	-	
ECL other movement	-	13,284	-	109,757	-	(78,499)	-	44,542	
Balance Volume movement	1,868,565	-	(4,957,059)	-	(459,341)	-	(3,547,835)	-	
At 31 Dec 2021	25,249,817	(77,511)	6,898,719	(395,386)	3,264,252	(2,128,516)	35,412,788	(2,601,413)	

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)

Items affected by IFRS 9

31-Mar-2022

Item	Gross balance subject to ECL	ECL Stage one	ECL Stage two	ECL Stage three	Total ECL
Cash and balances at central banks	8,458,429	499	306	-	805
Due from banks	45,860,289	9,747	-	-	9,747
Loans and Advances to Customers	39,660,041	86,308	569,542	2,212,574	2,868,424
Accrued revenues	1,470,802	1,499	634	-	2,133
Financial investment	50,828,124	32,047	38	-	32,085
commitment and contingent liabilities	25,186,940	36,806	334,610	32,233	403,649
Total	171,464,625	166,906	905,130	2,244,807	3,316,843

Items affected by IFRS 9

31-Dec-2021

Item	Gross balance subject to ECL	ECL Stage one	ECL Stage two	ECL Stage three	Total ECL
Cash and balances at central banks	8,644,566	938	-	-	938
Due from banks	35,980,414	7,277	-	-	7,277
Loans and Advances to Customers	35,412,788	77,511	395,386	2,128,516	2,601,413
Accrued revenues	1,452,299	1,597	130	-	1,727
Financial investment	51,191,145	13,383	-	-	13,383
commitment and contingent liabilities	23,173,860	48,603	286,554	31,732	366,889
Total	155,855,072	149,309	682,070	2,160,248	2,991,627

A.3. 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 (23) shows the 'general banking risk reserve' movement during the period.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)

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 are used to determine the staging are different from ORR customer classification.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)**A.4. Maximum limits for credit risk before collaterals**

	<u>31-Mar</u> <u>2022</u>	<u>31-Dec</u> <u>2021</u>
<u>Balance sheet items exposed to credit risks</u>		
Due from banks	45,647,265	35,643,270
Loans to banks	213,024	337,144
Loans and advances to customers:		
Retail loans:		
Overdrafts	86,323	78,256
Credit cards	1,639,716	1,545,576
Personal loans	4,698,821	4,139,475
Mortgage loans	956	1,019
Corporate loans:		
Overdrafts	3,224,593	2,493,786
Direct loans	19,580,765	17,464,880
Syndicated loans	10,428,867	9,689,796
Financial derivative instruments	85,692	189,285
Financial investments:		
Debt instruments	50,735,498	51,131,200
Other assets	3,030,601	1,559,016
Total	<u>139,372,121</u>	<u>124,272,703</u>
<u>Off-balance sheet items exposed to credit risk</u>		
Loan commitments and other irrevocable commitments related to credit	3,719,243	2,595,251
Letters of credit	4,769,584	1,961,344
Letters of guarantee	27,987,592	27,697,738
Total	<u>36,476,419</u>	<u>32,254,333</u>

The above table represents the maximum limit for credit risk as of 31 March 2022 and 31 December 2021, without taking into consideration any collateral. For on-balance-sheet items, amounts stated depend on net carrying amounts shown in the balance sheet.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)**A.5. 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.

	Arab Republic of Egypt				
	Cairo	Alexandria and Delta	Upper Egypt Sinai and Red sea	Other countries	Total
Due from banks	21,437,421	-	-	24,209,844	45,647,265
Loans and advances to bank	133,335	-	-	79,689	213,024
<u>Loans and advances to customers</u>					
Retail:					
Overdrafts	76,994	6,789	2,540	-	86,323
Credit cards	1,639,716	-	-	-	1,639,716
Personal loans	4,185,106	386,782	126,933	-	4,698,821
Mortgage loans	956	-	-	-	956
Corporate:					
Overdrafts	2,828,960	394,243	1,390	-	3,224,593
Direct loans	16,802,918	2,770,439	7,408	-	19,580,765
Syndicated loans	10,234,289	18,032	176,546	-	10,428,867
Derivative financial instruments	85,692	-	-	-	85,692
Financial investment:					
Debt instruments	50,735,498	-	-	-	50,735,498
Other assets	3,000,845	27,750	2,006	-	3,030,601
Total as of 31 March 2022	111,161,730	3,604,035	316,823	24,289,533	139,372,121
Total as of 31 December 2021	104,167,329	3,192,988	272,106	16,640,280	124,272,703

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)**Business sectors**

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

	Industrial sector	Commercial sector	Service sector	Governmental sector	Other activities	Individuals	Total
Due from banks	-	-	-	45,647,265	-	-	45,647,265
Loans and advances to banks	-	-	-	-	213,024	-	213,024
<u>Loans and advances to customers</u>							
<u>Retail:</u>							
Overdrafts	-	-	-	-	-	86,323	86,323
Credit cards	-	-	-	-	-	1,639,716	1,639,716
Personal loans	-	-	-	-	-	4,698,821	4,698,821
Mortgage loans	-	-	-	-	-	956	956
<u>Corporate:</u>							
Overdrafts	1,570,150	659,434	990,059	4,534	416	-	3,224,593
Direct loans	11,286,430	3,249,480	4,647,541	-	397,314	-	19,580,765
Syndicated loans	2,613,572	902,471	1,034,697	4,366,633	1,511,494	-	10,428,867
Derivative financial instruments	-	-	85,692	-	-	-	85,692
<u>Financial investment:</u>							
Debt instruments	-	-	-	50,735,498	-	-	50,735,498
Other assets	-	-	-	-	3,030,601	-	3,030,601
Total as of 31 March 2022	15,470,152	4,811,385	6,757,989	100,753,930	5,152,849	6,425,816	139,372,121
Total as of 31 December 2021	13,997,384	3,857,123	6,188,819	90,687,672	3,777,379	5,764,326	124,272,703

B. 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 Organization and Measurement Tools

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).

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

4. Financial risk management and financial instruments(continued)**B. Liquidity risk (continued)****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.

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

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

Monitoring and reporting 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 analyzing the financial liabilities dues and expected financial assets collections.

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

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

4. Financial risk management and financial instruments(continued)**Off-balance sheet items**

According to the table below and note (25):

31-Mar-22

	Up to 1 year	Over 1 year and less than 5 years	Total
Loan commitments and other irrevocable commitments related to credit	3,719,243	-	3,719,243
Letters of credit	4,769,584	-	4,769,584
Letters of guarantee	27,987,592	-	27,987,592
Operating lease commitments	11,673	9,019	20,692
Total	36,488,092	9,019	36,497,111

31-Dec-21

	Up to 1 year	Over 1 year and less than 5 years	Total
Loan commitments and other irrevocable commitments related to credit	2,595,251	-	2,595,251
Letters of credit	1,961,344	-	1,961,344
Letters of guarantee	27,697,738	-	27,697,738
Operating lease commitments	10,476	10,820	21,296
Total	32,264,809	10,820	32,275,629

C. 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 yearly.

Trading portfolios include transactions where the Bank deals direct with clients or with the market; no 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.

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

5.Regulatory Disclosures

A. 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 model 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 10 % or more.

The numerator in capital adequacy comprises the following two tiers:

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

Tier 2: It is the gone concern capital comprising:

- 45% 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% of the special reserves
- 45% of positive foreign currency reserves
- Hybrid instruments
- Loans (deposits) subordinated
- Provision for impairment losses for loans and contingent liabilities (not exceeding 1.25% of total assets and contingent liabilities applying the risk weights, the provision for the non-performing loans, contingent liabilities) must be enough to face any liabilities it formed for.

The denominator of the capital adequacy comprises:

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

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

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

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

5. Regulatory Disclosures (continued)

	31-Mar 2022	31-Dec 2021
Capital		
<u>Tier 1 after disposals (going concern capital) (1)</u>		
Share capital	5,000,000	2,795,567
Reserves	3,962,998	3,786,566
General risk reserve	491,666	491,666
Retained earnings	5,750,162	7,236,320
Additional going concern capital	106,618	208,113
Change In fair value investment at fair value through OCI	(222,957)	138,173
Total disposals from going concern capital	(1,044,454)	(1,088,379)
Total going concern capital after disposals (common equity)	14,044,033	13,568,026
Tier 2 after disposals (gone - concern capital)		
Subordinated (deposits) loans	1,712,000	2,072,000
Impairment losses & provision for performing loans and advances and contingent liabilities	166,905	149,309
Total Tier 2 after disposals (gone - concern capital)	1,878,905	2,221,309
Total capital adequacy after disposals (1+2)	15,922,938	15,789,335
Risk (credit, market and operation)		
Credit risk	62,129,442	53,674,394
Capital requirements for market risk	766,160	452,040
Capital requirements for operation risk	5,095,152	12,841,230
Total credit, market and operation risk	67,990,754	66,967,664
Capital adequacy ratio (%)	23.42%	23.58%

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

5. Regulatory Disclosures (continued)

B.Leverage financial ratio

The table below summarizes the leverage financial ratio:

	31-Mar 2022	31-Dec 2021
Tier 1 after disposals (going concern capital)	14,044,034	13,568,027
Total on-balance sheet exposures, derivatives contracts and financial papers operations	145,855,454	131,359,691
Total off-balance sheet exposures	23,496,681	21,340,795
Total exposures on balance sheet and off-balance sheet	169,352,135	152,700,486
Leverage financial ratio (%)	8.29%	8.89%

6. Significant accounting estimates and assumptions

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

The preparation of these interim condensed separate financial statements requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income, and expense. Actual results may differ from the estimates.

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual separate financial statements for the year ended 31 December 2021.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

7. Segment analysis

A) By activity segment

31-Mar-22

	Corporate	Investment	RBWM	Other activities	Total
Income and expenses according to activity segment					
Income activity segment	1,030,611	674,720	646,613	31,378	2,383,322
Expenses activity segment	(303,827)	(51,873)	(296,065)	(41,093)	(692,858)
Provisions	(137,030)	(30,798.16)	(9,554)	98	(177,284)
Profit before tax	589,754	592,049	340,994	(9,617)	1,513,180
Tax	(276,211)	(80,661)	(90,128)	-	(447,000)
Profit for the year	313,543	511,388	250,866	(9,617)	1,066,180
Assets activity segment	37,847,881	94,323,524	6,504,191	8,096,116	146,771,712
Total assets	37,847,881	94,323,524	6,504,191	8,096,116	146,771,712
Liabilities activity segment	56,179,639	1,732,664	60,858,065	11,856,906	130,627,274
Total liabilities	56,179,639	1,732,664	60,858,065	11,856,906	130,627,274

31-Mar-21

	Corporate	Investment	RBWM	Other activities	Total
Income and expenses according to activity segment					
Income activity segment	790,680	497,094	527,335	28,750	1,843,859
Expenses activity segment	(236,585)	(51,165)	(287,203)	(42,383)	(617,336)
Provisions	(78,814)	(4,841.25)	7,665	(1,469)	(77,460)
Profit before tax	475,281	441,088	247,797	(15,103)	1,149,063
Tax	(228,479)	(60,340)	(43,280)	-	(332,099)
Profit for the year	246,802	380,748	204,517	(15,103)	816,964
Assets and liabilities according to activity segment					
Assets activity segment	37,675,047	66,898,521	5,654,478	5,964,731	116,192,778
Total assets	37,675,047	66,898,521	5,654,478	5,964,731	116,192,778
Liabilities activity segment	37,743,456	2,364,847	52,477,293	8,312,821	100,898,418
Total liabilities	37,743,456	2,364,847	52,477,293	8,312,821	100,898,418

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

Segment analysis (continued)

B) Analysis according to the geographical segment

31-Mar-22

	Arab Republic of Egypt			Total
	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	
Income and expenses according to geographical segment				
Income geographical segment	3,080	2,299,615	80,627	2,383,322
Expenses geographical segment	(675,457)	(14,834)	(2,567)	(692,858)
Provisions	(276,038)	99,022	(268)	(177,284)
Profit before tax	(948,415)	2,383,803	77,791	1,513,180
Tax	280,166	(704,186)	(22,980)	(447,000)
Profit for the year	(668,249)	1,679,617	54,811	1,066,180
Assets and liabilities according to geographical segment				
Assets geographical segment	141,922,512	3,677,054	1,172,146	146,771,712
Total assets	141,922,512	3,677,054	1,172,146	146,771,712
Liabilities geographical segment	119,693,298	7,803,828	3,130,148	130,627,274
Total liabilities	119,693,298	7,803,828	3,130,148	130,627,274

31-Mar-21

	Arab Republic of Egypt			Total
	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	
Income and expenses according to geographical segment				
Income geographical segment	1,772,591	62,066	9,202	1,843,859
Expenses geographical segment	(600,261)	(14,732)	(2,343)	(617,336)
Provisions	(59,049)	(18,550)	139	(77,460)
Profit before tax	1,113,280	28,784	6,999	1,149,063
Tax	(321,757)	(8,319)	(2,023)	(332,099)
Profit for the year	791,523	20,465	4,976	816,964
Assets and liabilities according to geographical segment				
Assets geographical segment	111,883,641	3,240,105	1,069,032	116,192,778
Total assets	111,883,641	3,240,105	1,069,032	116,192,778
Liabilities geographical segment	91,752,849	6,366,088	2,779,481	100,898,418
Total liabilities	91,752,849	6,366,088	2,779,481	100,898,418

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

8. Expected credit loss (charges)

	<u>The period ended</u>	<u>The period ended</u>
	<u>31-Mar-22</u>	<u>31-Mar-21</u>
	<u>EGP000</u>	<u>EGP000</u>
Loans and advances to customers	(109,224)	(104,462)
Cash and balances with Central Bank	133	1,079
Due from Banks	(2,469)	(3,059)
Financial Investments at fair value through OCI	(18,702)	(23,267)
Other assets	(406)	(706)
Net	<u>(130,668)</u>	<u>(130,415)</u>

9. 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 period/year and kept as Treasury stocks.

	<u>The period ended</u>	<u>The period ended</u>
	<u>31-Mar-22</u>	<u>31-Mar-21</u>
	<u>EGP000</u>	<u>EGP000</u>
Net profit distributable for the period	1,066,180	816,964
Employees' profit share (estimated)	(106,618)	(81,696)
Profit attributable to shareholders of the bank	<u>959,562</u>	<u>735,268</u>
Common shares issued - weighted average (1,000 shares)	59,524	59,524
Earnings per share/EGP	<u>16.12</u>	<u>12.35</u>

- The bank increased its paid up capital on 31 March 2022, and number of shares reached 59 523 810 shares with the same nominal value per share, which is 84 Egyptian pounds. The increase was made by deduction from the retained earnings and bonus shares were issued in exchange for that increase, and accordingly the number of shares was adjusted at the beginning of the presented financial period in application of the Egyptian Standard (22) paragraph 28.

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

10. Loans and advances to banks

	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
Term loans	213,024	337,144
Total	<u>213,024</u>	<u>337,144</u>
Current balances	133,335	268,570
Non-current balances	79,689	68,574
	<u>213,024</u>	<u>337,144</u>

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

	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
Retail:		
Overdrafts	86,323	78,256
Credit cards	1,639,716	1,545,576
Personal loans	4,698,821	4,139,475
Mortgage loans	956	1,019
Total	<u>6,425,816</u>	<u>5,764,326</u>
Corporate loans including small loans:		
Overdrafts	3,224,593	2,493,786
Direct loans	19,580,765	17,464,880
Syndicated loans	10,428,867	9,689,796
Total	<u>33,234,225</u>	<u>29,648,462</u>
Total loans and advances to customers	<u>39,660,041</u>	<u>35,412,788</u>
Less: expected credit loss " ECL "	(2,868,424)	(2,601,413)
Net	<u>36,791,617</u>	<u>32,811,375</u>

During the period ended 31 March 2022, the Bank has accepted trading financial securities with a fair value amounting to EGP 398,738 thousand as a commercial loan guarantee (EGP 541 818 as at 31 December 2021).

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

11.Loans and advances to customers (continued)**Expected credit loss:**

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

31-Mar-22

	Retail			EGP000	
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at beginning of the period	1,193	16,089	26,818	-	44,100
Expected credit losses charged	307	2,650	4,841	-	7,798
Amounts written off during the period	(3)	(6,465)	(9,914)	-	(16,382)
Amounts recovered during period	7	3,718	3,708	-	7,433
Foreign revaluation difference related to provision	-	-	12	-	12
Balance at the end of the period	1,504	15,992	25,465	-	42,961

	Corporate			EGP000	
	Overdrafts	Direct loans	Syndicated loans	Total	
Balance at beginning of the period	1,254,072	1,084,406	218,835	2,557,313	
Expected credit losses charged	16,956	112,670	(28,200)	101,426	
Amounts recovered during the period	-	16,160	-	16,160	
Foreign revaluation difference related to provision	73,835	63,845	12,884	150,564	
Balance at the end of the period	1,344,863	1,277,081	203,519	2,825,463	

31-Dec-21

	Retail			EGP000	
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at beginning of the year	6,110	44,639	66,955	10	117,714
Expected credit losses reversed	(4,733)	519	(8,122)	(10)	(12,346)
Amounts written off during the year	(251)	(41,582)	(44,991)	-	(86,824)
Amounts recovered during year	75	12,513	13,041	-	25,629
Foreign revaluation difference related to provision	(8)	-	(65)	-	(73)
Balance at the end of the year	1,193	16,089	26,818	-	44,100

	Corporate			EGP000	
	Overdrafts	Direct loans	Syndicated loans	Total	
Balance at beginning of the year	389,889	1,891,317	247,035	2,528,241	
Expected credit losses charged	875,376	(387,424)	(28,200)	459,752	
Amounts written off during the year	(11,193)	(411,850)	-	(423,043)	
Amounts recovered during year	6,516	-	-	6,516	
Foreign revaluation difference related to provision	-	(14,153)	-	(14,153)	
Balance at the end of the year	1,260,588	1,077,890	218,835	2,557,313	

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

12. Financial investments at fair value through OCI

	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
<u>Financial investments at fair value through OCI</u>		
Equity instruments unlisted (at cost)	31,964	31,964
Debt instruments listed Government Bonds (at FMV)	16,034,259	16,999,568
Debt instruments unlisted (Mutual fund)	28,577	27,981
	<u>16,094,800</u>	<u>17,059,513</u>
Total financial investments	<u>16,094,800</u>	<u>17,059,513</u>
Current balances	5,908,724	4,330,641
Non-current balances	10,186,076	12,728,872
Financial investments at fair value through OCI excluding T.Bills	<u>16,094,800</u>	<u>17,059,513</u>

Financial Investments details

	<u>Fair Value</u> <u>31-Mar-22</u> <u>EGP000</u>	<u>Fair Value</u> <u>31-Dec-21</u> <u>EGP000</u>	<u>Cost /</u> <u>Amortized</u> <u>Cost</u> <u>31-Mar-22</u> <u>EGP000</u>	<u>Cost /</u> <u>Amortized</u> <u>Cost</u> <u>31-Dec-21</u> <u>EGP000</u>
Equity instruments unlisted (at cost)	31,964	31,964	25,536	25,536
Debt instruments listed (at FMV)	16,034,259	16,999,568	16,068,005	16,885,429
Mutual Fund	28,577	27,981	9,142	9,142
	<u>16,094,800</u>	<u>17,059,513</u>	<u>16,102,683</u>	<u>16,920,107</u>

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

13. Treasury bills at fair value through OCI

	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
Treasury bills – Egyptian	30,159,888	30,209,941
Treasury bills – United states of America	4,541,351	3,921,691
Total	34,701,239	34,131,632

Treasury bills represent the following:

	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
91 days maturity	95,148	-
182 days maturity	457,269	196,580
273 days maturity	1,362,595	1,436,778
364 days maturity	32,786,227	32,498,274
Total	34,701,239	34,131,632

Treasury bills fair value reserve reached EGP (247,160) as of 31 March 2022 against EGP (14,617) as of 31 December 2021 (with net change of EGP (232,543) thousands).

Treasury bills details

	<u>Fair Value</u>	<u>Fair Value</u>	<u>Cost /</u> <u>Amortized</u> <u>Cost</u>	<u>Cost /</u> <u>Amortized</u> <u>Cost</u>
	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>	<u>31-Mar-22</u> <u>EGP000</u>	<u>31-Dec-21</u> <u>EGP000</u>
Treasury bills	34,701,239	34,131,632	34,950,490	34,146,249
	34,701,239	34,131,632	34,950,490	34,146,249

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

14. Investment in subsidiary

A.

	31-Mar-22	31-Dec-21
	<u>EGP000</u>	<u>EGP000</u>
Cost	35,517	35,517
Impairment	<u>(23,471)</u>	<u>-</u>
Net	<u><u>12,046</u></u>	<u><u>35,517</u></u>

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 23 471 thousand has been formed.

C. The following table shows the percentage of HSBC Securities - Egypt's "under liquidation" balance sheet on September 30, 2021 from HSBC's consolidated balance sheet.

	Company's country	Ownership %	Company's Assets	Company's liabilities	Company's Loss
HSBC Securities Egypt Company SAE	Egypt	98.00%	0.02%	0.02%	-0.68%

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

15. Intangible assets

	Computer software	
	31-Mar-22	31-Dec-21
Balance at the beginning of the current period		
Cost	537,162	288,246
Accumulated amortization	(147,338)	(68,496)
Impairment provision	(43,457)	(43,457)
Net book value at the beginning of the current period	346,367	176,293
Additions	-	255,020
Disposals (Cost)	-	(6,104)
Amortization	(21,189)	(78,842)
Net book value at the end of the current period	325,178	346,367
Balance at the end of the current period		
Cost	537,162	537,162
Accumulated amortization	(168,527)	(147,338)
Impairment provision	(43,457)	(43,457)
Net book value at the end of the current period	325,178	346,367

16. Other assets

	31-Mar-22	31-Dec-21
Accrued revenues	1,470,802	1,452,299
Prepaid expenses	21,416	23,234
Ownership assets transferred to B&D	10,293	10,293
Costs of branches under construction	34,187	18,177
Due from CBE from selling GOV. bills and bonds	1,559,799	106,717
Others	549,905	673,264
Expected credit losses	(2,133)	(1,727)
Total	3,644,269	2,282,257

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

17. Fixed assets

	Land & buildings	Leasehold improvement	Machines and equipment	Others	Total
Balance at the beginning of the current period					
Cost	357,528	257,136	441,328	165,939	1,221,931
Accumulated depreciation	(211,299)	(154,886)	(148,951)	(85,009)	(600,145)
Net book value at the beginning of the current period	146,229	102,250	292,377	80,930	621,786
Additions	-	-	50,451	-	50,451
Depreciation for the period	(11,163)	(4,679)	(56)	(16,142)	(32,040)
Net book value at the end of the period	135,066	97,571	342,772	64,788	640,197
Balance at the end of the current period					
Cost	357,528	257,136	491,779	165,939	1,272,382
Accumulated depreciation	(222,462)	(159,565)	(149,007)	(101,151)	(632,185)
Net book value at the end of the current period	135,066	97,571	342,772	64,788	640,197

18. Investment property

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

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period		
Cost	163,112	183,783
Accumulated depreciation	(101,021)	(100,256)
Net book value at the beginning of the period	62,091	83,527
Transferred from fixed assets (cost)	-	(20,671)
Transfer from fixed assets (Accumulated Depreciation)	-	9,336
Depreciation	(2,399)	(10,101)
Net book value at the end of the period	59,692	62,091
Balance at the end of the period		
Cost	163,112	163,112
Accumulated depreciation	(103,420)	(101,021)
Net book value at the end of the period	59,692	62,091

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

19. Customers' deposits

	31-Mar-22	31-Dec-21
Demand deposits	51,597,074	42,845,955
Time and call deposits	20,972,922	22,501,074
Certificates of deposits	14,529,450	14,161,670
Saving deposits	27,846,450	24,827,364
Other deposits	3,328,203	2,115,058
	118,274,099	106,451,121
Corporate deposits	56,292,974	49,436,695
Retail deposits	61,981,125	57,014,426
	118,274,099	106,451,121
Non-interest bearing balances	52,610,452	42,779,957
Fixed interest bearing balances	65,663,647	63,671,164
	118,274,099	106,451,121

Customers' deposits include deposits of EGP 2,930,330 thousand as of 31 March 2022 against EGP 1,814,936 thousand as of 31 December 2021, which represent collateral for irrecoverable commitments. There is no major difference between its carrying value and fair value.

20. Other liabilities

	31-Mar-22	31-Dec-21
Accrued interest	222,145	337,330
Deferred income	144,728	102,159
Accrued expenses	511,391	377,760
Creditors	3,020,962	706,885
Creditors Dividends	1,979,528	-
Due to CBE from selling GOV. bills and bonds	549,048	6,896
Other credit balances	549,644	826,133
Total	6,977,446	2,357,163

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

21. Other provisions

	Provision for claims		Provision for contingent liabilities (ECL)		Total	
	31-Mar 2022	31-Dec 2021	31-Mar 2022	31-Dec 2021	31-Mar 2022	31-Dec 2021
Balance at the beginning of the period/year	54,507	47,933	366,889	408,027	421,396	455,960
Formed during the period	10,119	48,765	36,497	-	46,616	48,765
Provisions valuation differences	731	(11)	263	(325)	994	(336)
	65,357	96,687	403,649	407,702	469,006	504,389
Used during the period/year	(9,692)	(41,538)	-	-	(9,692)	(41,538)
No longer required	-	(642)	-	(40,813)	-	(41,455)
Balance at the end of the period/year	55,665	54,507	403,649	366,889	459,314	421,396

22. Paid up capital

	Number of shares (in millions)	Cost of Common Shares EGP000	Total EGP000	Issuance premium included in other reserve-issuance premium EGP000
Balance at the beginning of the current period	33.280566	2,795,567	2,795,567	6,728
Transfer to Capital account	26.243244	2,204,433	2,204,433	-
Balance at 31 March 2022	59.523810	5,000,000	5,000,000	6,728
Balance at the beginning of the last year	33.280566	2,795,567	2,795,567	6,728
Balance at 31 December 2021	33.280566	2,795,567	2,795,567	6,728

A. Authorized capital

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

B. Issued and paid up capital

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

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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- According to the extraordinary general assembly's decision on 26 September 2013, it was approved to increase the issued capital to an amount not exceeding EGP 2,796,006,192, by an increase of EGP 717,506,076 representing 8,541,739 shares, in which the paid amount was EGP 717,067,428, representing 8,536,517 shares.
- Accordingly, the issued and fully paid-up capital is EGP 2,795,567,544 represented in 33,280,566 fully paid shares at par value of EGP 84 each.
- According to the extraordinary general assembly's decision on 17 March 2021, it was approved to increase the issued capital to EGP 5,000,000,040 by an increase of EGP 2,204,432,496 representing 26,243,244 shares from retained earnings, Accordingly, the issued and fully paid-up capital is EGP 5,000,000,040 represented in 59,523,810 fully paid shares at par value of EGP 84 each.
-

23. Reserves and retained earnings

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Reserves		
General reserve	2,513,464	2,348,489
Legal reserve	1,397,782	1,397,782
Capital reserve	51,752	40,295
Reserve for excess over par value - issuance premium	6,728	6,728
Fair value reserve	(222,957)	138,173
General bank risk reserve	89,661	-
General risk reserve	491,666	491,666
Total reserves at the end of the period/year	<u>4,328,096</u>	<u>4,423,133</u>

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

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	2,348,489	2,164,822
Transferred from prior year profits	164,975	183,667
Balance at the end of the period/year	<u>2,513,464</u>	<u>2,348,489</u>

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

B) Legal reserve

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	1,397,782	1,397,782
Balance at the end of the period/year	<u>1,397,782</u>	<u>1,397,782</u>

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

C) Capital reserve

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	40,295	40,295
Transferred from net profit of the previous year	11,457	-
Balance at the end of the period/year	<u>51,752</u>	<u>40,295</u>

D) Reserves for excess over par value - issuance premium

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	6,728	6,728
Balance at the end of the period	<u>6,728</u>	<u>6,728</u>

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

E) Fair value reserve

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	138,173	218,260
Net change in investments FVOCI- T Bills	(232,543)	(41,208)
Net change in investments FVOCI- Bonds	(147,885)	(43,615)
Net change in investments FVOCI- Mutual funds	596	2,426
Net change in investments FVOCI- Equity instruments	-	252
Release of expected credit loss - Debt instruments	18,702	2,058
Balance at the end of the period/year	<u>(222,957)</u>	<u>138,173</u>

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

F) General risk reserves

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the year	491,666	491,666
Balance at the end of the period	<u>491,666</u>	<u>491,666</u>

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

G) General bank risk reserves

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Balance at the beginning of the period/year	-	66,609
Transferred from previous year profit	89,661	(66,609)
Balance at the end of the period	<u>89,661</u>	<u>-</u>

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

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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H) Retained earnings

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Movement on retained earnings		
Balance at the beginning of the period/year	8,448,084	7,815,864
Amounts reserved under capital increase	-	(2,204,433)
Net profit for the period/year	1,066,180	3,400,607
Dividends for the previous year	(2,398,834)	(367,333)
Transferred to Banking systems support and development Fund	(32,995)	(36,733)
Actourial Losses	-	(42,830)
Transferred to capital reserve	(11,457)	-
Transferred to general reserve	(164,975)	(183,667)
Transferred to genral bank risk reserve	(89,661)	66,609
Balance at the end of the period/year	<u>6,816,342</u>	<u>8,448,084</u>

24. Dividends

Payment of dividends is not registered unless being approved by the general assembly. The General assembly that held on 17March 2022 approved a payment of EGP 59.48per share as cash dividends for the year 2021 with a total amount of EGP 1,979,528,066 (as per CBE decision, no dividends was paid to shareholders for the year 2020), The general assembly that held on 17March 2022 approved the distribution of EGP 419,305,818 as employees' distribution related to the profit for year 2021. (The actual employees' dividends distributed for 2020 amount to EGP 367,333,088).

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

There are lawsuits filed against the bank as at 31 March 2021. There is no provision formed during this period against these lawsuits and no refund/utilization from legal provision during the current period.

B) Commitments for loans, guarantees and facilities

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

	<u>31-Mar-22</u>	<u>31-Dec-21</u>
Acceptances	1,966,481	873,603
Letters of guarantee	30,303,457	29,301,689
Letters of credit (import and export)	5,384,049	2,172,329
Other contingent liabilities	221,991	260,186
Commitments for loans	1,530,771	1,461,462
Cash margin	(2,930,330)	(1,814,936)
Total	<u>36,476,419</u>	<u>32,254,333</u>

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

C) Commitments for operating lease contracts

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

	31-Mar-22	31-Dec-21
Less than one year	11,673	10,476
More than one year and less than five years	9,019	10,820
Total	20,692	21,296

26. Related party transactions

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

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

Number of banking transactions with related parties has been conducted in the normal course of the business, including loans, deposits and foreign currency swaps. Dividends have been announced for the parent company, as shown in Note (24).

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

A- Other loans

	HSBC Group	
	31-Mar-22	31-Mar-21
Statement of financial position		
Subordinated loans note (27)	2,072,000	2,072,000
	2,072,000	2,072,000
Statement of income statement		
Interest expenses	57,643	57,573

B- Deposits from related parties

	Subsidiaries	
	31-Mar-22	31-Dec-21
Due to customers		
Deposits at the beginning of the period/year	26,791	40,968
Deposits received during the period/year	742	17,839
Deposits redeemed during the period/year	(11,127)	(32,016)
Deposits at the end of the period/year	16,406	26,791

Notes to the interim condensed separate financial statements - For the period ended 31 March 2022

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

C- Other related party transactions

	HSBC group	
	31-Mar-22	31-Mar-21
Statement of income statement		
Operating lease	10,712	10,385
Cost of services provided by HSBC Group	275,601	218,148

	HSBC group and top management members	
	31-Mar-22	31-Dec-21
Statement of financial position		
Due from banks	1,897,260	1,132,041
Loans and advances to banks	79,689	68,574
Due to banks	366,672	455,098

27. Subordinated loans

	Current interest rate	31-Mar-22	31-Dec-21
Subordinated loans, variable interest rate (1)	13.75%	272,000	272,000
Subordinated loans, variable interest rate (2)	12.00%	1,800,000	1,800,000
		2,072,000	2,072,000

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

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

The mutual fund is an activity authorized for the Bank by virtue of Capital Market Law No.95 for year 1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds. The certificates of the

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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 MAR 2022, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 28,577,396 against 78,559 certificates amounting to EGP 9,141,998 with redeemable value amounting to EGP 27,981,093 as of 31 December 2021.

The redeemable value of the certificate amounted to EGP 363.77 against EGP 356.18 as of 31 December 2021. The outstanding certificates reached 3,290,150 certificates against 3,840,876 certificates as of 31 December 2021.

According to the fund's management contract and its prospectus, HSBC Egypt shall obtain fee and commission for supervision on the fund and other managerial services rendered by the Bank. Total commission amounted to EGP 1,524 thousand for the period ended 31 March 2022 against EGP 1,316 thousand for the period ended 31 March 2021 under the item of fees and commission income caption in the income statement.

29 -Important events

The Monetary Policy Committee (MPC) of the Central Bank of Egypt (CBE) affirmed in its extraordinary meeting on March 21, 2022 that the Central Bank of Egypt believes in the importance of exchange rate flexibility, as global inflationary pressures began to appear again, due to the developments of the Russian-Ukrainian conflict. To maintain the targeted inflation rates, the Central Bank of Egypt raised the overnight deposit and lending rates and the main transaction price by 100 basis points. The credit and discount rate was also raised by 100 basis points, which may affect the bank's policies in pricing current and future banking products.

Moreover, 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. The discount rate was also raised by 200 basis points.

Based on the change in the average dollar exchange rate arising from the devaluation, the values of monetary assets and liabilities in foreign currencies, as well as the income statement, were affected by the results of evaluating the existing currency positions on the date of the devaluation.

In addition to the above, the balances of the provision for expected credit losses increased at the end of the first quarter of the year due to the increase in risks related to the borrowers' ability to pay in light of the impact of the global and Egyptian economy as a result of the Russian-Ukrainian conflict and its effects on the macro economy on the one hand, and on the micro-economy of some industries from On the other hand. The bank is also following up on the developments of the crisis between Russia and Ukraine and the extent of its impact on the Egyptian economy and the ensuing repercussions on the work of our bank. Accordingly, the Bank continues to take and implement proactive measures and measures by monitoring and reviewing the volume of provisions and coverage ratios necessary to mitigate the impact on the loan portfolio, with the possibility of taking other precautionary measures in light of the continuation of the war and inflationary pressures.