

HSBC BANK EGYPT S.A.E.

**LIMITED REVIEW REPORT AND INTERIM
CONDENSED SEPARATE FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2023**

Auditors' limited review report

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PricewaterhouseCoopers Ezzeldeem, Diab & Co.
Public Accountants

Saleh, Barsoum & Abdel Aziz - Grant Thornton
Accountants & Auditors

Translation of limited review report
originally issued in Arabic

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 2023 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 the bank's financial statements and the basis of recognition and measurement approved by the Central Bank of Egypt 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 and regulations, our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.

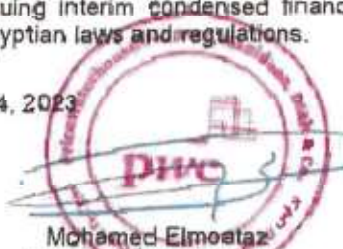
Scope of Review

We conducted our review in accordance with Egyptian Standard on review engagements (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. 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 the bank's financial statements and the basis of recognition and measurement approved by the Central Bank of Egypt 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 and regulations.

Cairo, May 24, 2023


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HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of financial position

(All amounts in EGP 000)

	<u>Note</u>	<u>31 March 2023</u>	<u>31 December 2022</u>
<u>Assets</u>			
Cash and balances with Central Bank of Egypt		16,187,781	13,242,044
Due from banks		80,011,461	70,031,725
Financial assets at fair value through profit or loss		24,803	76,050
Loans and advances to banks	(10)	134,812	142,411
Loans and advances to customers	(11)	42,521,467	37,924,418
Financial derivatives		114,610	309,020
Financail Investments	(12)	10,786,364	15,061,265
Treasury bills	(13)	50,933,293	41,509,058
Investment in subsidiary	(14)	12,046	12,046
Intangible assets	(15)	462,293	498,839
Other assets	(16)	2,477,290	2,368,012
Investment property	(18)	49,746	52,246
Fixed assets	(17)	778,077	729,524
Deferred tax assets		179,388	221,994
Total assets		204,673,431	182,178,652
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks		6,096,162	3,269,418
Customers' deposits	(19)	169,014,733	151,146,980
Financial derivatives		91,948	200,978
Subordinated loans	(27)	2,072,000	2,072,000
Other liabilities	(20)	3,739,868	3,194,328
Other provisions	(21)	587,677	327,701
Current income tax liabilities		746,077	1,198,878
Defined benefits obligations liabilities		731,751	705,514
Total liabilities		183,080,216	162,115,797
<u>Shareholders' equity</u>			
Paid-up capital	(22)	5,000,000	5,000,000
Reserves	(23)	4,580,954	3,894,681
Retained earnings	(23)	12,012,261	11,168,174
Total shareholders' equity		21,593,215	20,062,855
Total liabilities and shareholders' equity		204,673,431	182,178,652

The accompanying notes from (1) to (29) form an integral part of these separate financial statements and are to be read therewith. These separate financial statements were approved by the board of directors on 23 May 2023 and Signed on their behalf by

Rodney Todd Wilcox
(Deputy Chairman and CEO)

Auditors' report attached

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 2023</u>	<u>31 March 2022</u>
Interest income from loans and similar income		4,925,923	2,571,201
Interest expense on deposits and similar expense		(1,250,716)	(776,271)
Net interest income		3,675,207	1,794,930
Fees and commissions income		626,357	373,146
Fees and commissions expense		(125,855)	(70,806)
Net fees and commissions income		500,502	302,340
Net trading income		105,478	243,967
Financial investment income / (loss)		6,684	(23,471)
Expected credit loss (charges)	(8)	(309,806)	(130,668)
Administrative expenses		(1,114,383)	(692,858)
Other operating (expenses) / income		(14,191)	18,940
Profit before income tax		2,849,491	1,513,180
Income tax expenses		(853,463)	(447,000)
Net profit for the period		1,996,028	1,066,180
Earnings per share (EGP/Share)	(9)	30.18	16.12

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

HSBC BANK- EGYPT S.A.E.

Interim condensed separate statement of comprehensive income

		<u>For the period ended</u>	
(All amounts in EGP 000)		<u>31-Mar</u>	<u>31-Mar</u>
	<u>Note</u>	<u>2023</u>	<u>2022</u>
Net profit for the period		1,996,028	1,066,180
Changes on fair value of financial investment through OCI		109,426	(379,832)
Deferred tax for financial investment at FVOCI		(64,144)	-
Expected credit loss on financial investment at fair value through OCI	(8)	92,447	18,702
Total impact related to other comprehensive income		137,729	(361,130)
Total other comprehensive income		<u>2,133,757</u>	<u>705,050</u>

The accompanying notes from (1) to (29) form an integral part of these interim condensed separate 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)

	31-Mar 2023	31-Mar 2022
Cash Flows from Operating Activities		
Profit before income tax	2,849,491	1,513,180
Adjustments to reconcile net profit to net cash flows from operating activities		
Depreciation and amortization	69,809	55,628
Impairment of assets	309,806	130,668
Other provisions(Former)	246,547	46,616
Other Provisions no longer required	(828)	-
Revaluation differences for provisions in foreign currency other than loans provision	15,791	994
Loss/(Gain) from sale of property and equipment	-	(671)
Impairment of Investments in Subsidiaries	-	23,471
Other differences on financial investments	(138,268)	149,190
Operating income before changes in Assets & liabilities from operating activities	3,352,348	1,919,076
Due from banks	(1,897,414)	(3,259,546)
Treasury bills	(8,617,260)	(707,002)
Loans and advances to customers	(4,797,874)	(4,089,466)
Loans and advances to banks	7,599	124,120
Financial derivatives (net)	85,380	(154,467)
Other assets	(110,968)	(1,362,418)
Due to banks	2,826,744	506,378
Customers' deposits	17,867,753	11,822,978
Other liabilities	545,540	1,998,511
Defined benefits obligations	26,237	(1,658)
Utilized from other provisions	(1,534)	(9,692)
Income tax paid	(338,653)	(332,502)
Net cash flows generated from operating activities	8,947,898	6,454,312
Cash flows from investing activities		
Payments to purchase fixed assets and branches preparation	(122,479)	(50,451)
Proceeds from sale of fixed assets	43,163	671
Payments for purchase of financial investments	-	(754,988)
Proceeds from sales of financial investments	3,420,413	1,423,222
Net cash flows generated from investing activities	3,341,097	618,454
Cash flows from financing activities		
Dividends paid	(548,543)	(419,306)
Net cash flows used in financing activities	(548,543)	(419,306)
Net change in cash and cash equivalents during the period	11,740,452	6,653,460
Cash and cash equivalents at the beginning of the period	36,508,157	20,484,142
Cash and cash equivalents at the end of the period	48,248,609	27,137,602
Cash and cash equivalents are represented in:		
Cash and balances with Central Bank of Egypt	16,189,792	8,458,429
Due from Banks	80,045,401	45,647,265
Treasury bills	50,933,293	34,701,239
Balance with Central Bank of Egypt as statutory reserve	(13,572,563)	(6,597,819)
Due from banks of maturity more than 3 months from date of acquisition	(42,650,560)	(20,465,421)
Treasury bills of maturity more than 3 months from date of acquisition	(42,696,754)	(34,606,091)
Cash and cash equivalents	48,248,609	27,137,602

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

Interim condensed separate statement of changes in equity

(All amounts in EGP 000)

	Note	Paid up capital	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
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
Amounts reserved under capital increase	(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		-	-	-	-	-	-	-	-	89,661	(89,661)	-
Items included in Other comprehensive income												
Net change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	(379,832)	-	-	-	(379,832)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	18,702	-	-	-	18,702
Net change in other comprehensive income		-	-	-	-	-	-	(361,130)	-	-	-	(361,130)
Transfer to Banking System Support and Development Fund	(23)	-	-	-	-	-	-	-	-	-	(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
Balances as of 31 December 2022		5,000,000	-	2,513,464	1,397,782	51,752	6,728	(656,372)	491,666	89,661	11,168,174	20,062,855
Dividends paid for year 2022	(24)	-	-	-	-	-	-	-	-	-	(548,543)	(548,543)
Transferred to legal reserve	(23)	-	-	-	274,272	-	-	-	-	-	(274,272)	-
Transferred to general reserve	(23)	-	-	274,272	-	-	-	-	-	-	(274,272)	-
Items included in Other comprehensive income												
Net change in FV financial investments at fair value through other comprehensive income		-	-	-	-	-	-	109,426	-	-	-	109,426
Deferred tax for financial investment through OCI		-	-	-	-	-	-	(64,144)	-	-	-	(64,144)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	92,447	-	-	-	92,447
Net change in other comprehensive income		-	-	-	-	-	-	137,729	-	-	-	137,729
Transfer to Banking System Support and Development Fund	(23)	-	-	-	-	-	-	-	-	-	(54,854)	(54,854)
Net profit for the period ended 31 March 2023		-	-	-	-	-	-	-	-	-	1,996,028	1,996,028
Balances as of 31 March 2023		5,000,000	-	2,787,736	1,672,054	51,752	6,728	(518,643)	491,666	89,661	12,012,261	21,593,215

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

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(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 49 branches and 7 small units served by more than 1,569 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 2023 have been approved for issuance by the Board of Directors on 23 May 2023 in light of the related Egyptian laws & regulations.

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 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 2022. 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 2022. In addition, results for the three months' period ended 31 March 2023 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2023. 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 2022.

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.

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.

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

3- Fair Value hierarchy (Continued)

31-Mar-23

	Level 2	
	EGP '000	Total EGP '000
Recurring fair value measurements		
Financail Investments	60,172,975	60,172,975
Financial assets at fair value through profit or loss	24,803	24,803
Financial Derivatives Assets	114,610	114,610
Financial Derivatives Liability	(91,948)	(91,948)

31-Dec-22

	Level 2	
	EGP '000	Total EGP '000
Recurring fair value measurements		
Financail Investments	52,864,688	52,864,688
Financial assets at fair value through profit or loss	76,050	76,050
Financial Derivatives Assets	309,020	309,020
Financial Derivatives Liability	(200,978)	(200,978)

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

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 2022.

A- Credit Risk

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

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

<u>Rating description</u>	<u>Rating</u>
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 three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

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-23	Loans and advances to customers	Allowance/provision for ECL %
Stage 1	37.35%	0.44%
Stage 2	57.27%	5.68%
Stage 3	5.38%	74.52%
	100.00%	7.43%

31-Dec-22	Loans and advances to customers	Allowance/provision for ECL %
Stage 1	37.13%	0.27%
Stage 2	57.27%	4.77%
Stage 3	5.60%	79.48%
	100.00%	7.28%

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

31-March-2023

	<u>Non-credit impaired</u>				<u>Credit impaired</u>		<u>Total</u>	
	<u>Stage 1</u>		<u>Stage 2</u>		<u>Stage 3</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>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>
	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>
At 01 Jan 2023	15,186,969	(40,806)	23,424,423	(1,116,637)	2,292,752	(1,822,283)	40,904,144	(2,979,726)
Transfers from Stage 1 to Stage 2	(2,165,599)	(7,175)	2,323,961	193	-	-	158,362	(6,982)
Transfers from Stage 2 to Stage 1	399,636	7,844	(325,827)	(5,317)	-	-	73,809	2,527
Transfers from stage 2 to Stage 3	-	-	(207,259)	(83,748)	203,678	1,230	(3,581)	(82,518)
Transfers from Stage 3 to stage 2	-	-	4,791	1,589	(4,791)	(1,589)	-	-
ECL(Charges)/Reversal	-	(34,700)	-	(291,412)	-	(19,308)	-	(345,420)
Balance Volume movement	3,734,259	-	1,086,589	-	(19,996)	-	4,800,852	-
At 31 March 2023	17,155,265	(74,837)	26,306,678	(1,495,332)	2,471,643	(1,841,950)	45,933,586	(3,412,119)

31-December-2022

	<u>Non-credit impaired</u>				<u>Credit impaired</u>		<u>Total</u>	
	<u>Stage 1</u>		<u>Stage 2</u>		<u>Stage 3</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>	<u>Gross carrying / nominal amount</u>	<u>Allowance for ECL</u>
	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>	<u>EGP 000</u>
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	(9,949,555)	(44,509)	10,161,537	117,674	-	-	211,982	73,165
Transfers from Stage 2 to Stage 1	978,996	7,110	(1,060,707)	(8,542)	-	-	(81,711)	(1,432)
Transfers from stage 2 to Stage 3	(24,774)	(10)	(220,560)	(18,559)	289,832	34,176	44,498	15,607
Transfers from Stage 3 to stage 2	488	(47)	72,936	(7,247)	(258,635)	(7,323)	(185,211)	(14,617)
ECL other movement	-	74,161	-	(804,577)	-	279,380	-	(451,036)
ECL(Charges)/Reversal	(1,068,003)	-	7,572,498	-	(1,002,697)	-	5,501,798	-
At 31 December 2022	15,186,969	(40,806)	23,424,423	(1,116,637)	2,292,752	(1,822,283)	40,904,144	(2,979,726)

Items affected by IFRS 9**31-Mar-2023**

Item	Gross balance subject to ECL	ECL Stage one	ECL Stage two	ECL Stage three	Total ECL
Cash and balances at central banks	13,572,563	2,011	-	-	2,011
Due from banks	80,180,213	33,940	-	-	33,940
Loans and Advances to Customers	45,933,586	74,837	1,495,332	1,841,950	3,412,119
Accrued revenues	1,446,690	814	3,352	-	4,166
Financial investment	61,719,657	106,903	-	-	106,903
commitment and contingent liabilities	58,945,560	59,592	300,368	147,816	507,776
Total	261,798,269	278,097	1,799,052	1,989,766	4,066,915

Items affected by IFRS 9**31-Dec-2022**

Item	Gross balance subject to ECL	ECL Stage one	ECL Stage two	ECL Stage three	Total ECL
Cash and balances at central banks	11,365,183	2,202	-	-	2,202
Due from banks	70,193,041	18,474	431	-	18,905
Loans and Advances to Customers	40,904,144	40,806	1,116,637	1,822,283	2,979,726
Accrued revenues	1,466,546	537	1,939	-	2,476
Financial investment	56,570,323	14,456	-	-	14,456
commitment and contingent liabilities	47,295,897	57,730	159,323	40,884	257,937
Total	227,795,134	134,205	1,278,330	1,863,167	3,275,702

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

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.

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.

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

A.4. Maximum limits for credit risk before collaterals

	<u>31-Mar</u>	<u>31-Dec</u>
	<u>2023</u>	<u>2022</u>
<u>Balance sheet items exposed to credit risks</u>	<u>EGP000</u>	<u>EGP000</u>
Due from banks	80,045,401	70,050,630
Financial investment at FVPL	24,803	76,050
Loans and advances to banks	134,812	142,411
Loans and advances to customers:		
Retail loans:		
Overdrafts	80,324	92,602
Credit cards	2,048,489	2,064,948
Personal loans	6,229,821	5,509,229
Mortgage loans	550	719
Corporate loans:		
Overdrafts	4,426,067	3,831,433
Direct loans	21,120,667	19,308,241
Syndicated loans	12,027,668	10,096,972
Financial derivative instruments	114,610	309,020
Financial investments:		
Debt instruments	61,679,670	56,582,607
Other assets	1,520,082	1,466,546
Total	<u>189,452,964</u>	<u>169,531,408</u>
<u>Off-balance sheet items exposed to credit risk</u>		
Loan commitments and other irrevocable commitments related to credit	3,827,636	1,889,412
Letters of credit	3,444,743	3,468,705
Letters of guarantee	51,673,181	41,937,780
Total	<u>58,945,560</u>	<u>47,295,897</u>

The above table represents the maximum limit for credit risk as of 31 March 2023 and 31 December 2022, 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 three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

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				Total EGP000
	Cairo	Alexandria and Delta	Upper Egypt Sinai and Red sea	Other countries	
Due from banks	42,877,153	-	-	37,168,248	80,045,401
Financial assets at fair value through profit or loss	24,803	-	-	-	24,803
Loans and advances to bank	-	-	-	134,812	134,812
<u>Loans and advances to customers</u>					
Retail:					
Overdrafts	69,051	9,033	2,240	-	80,324
Credit cards	2,048,489	-	-	-	2,048,489
Personal loans	5,507,785	542,749	179,287	-	6,229,821
Mortgage loans	550	-	-	-	550
Corporate:					
Overdrafts	4,094,778	331,227	62	-	4,426,067
Direct loans	16,523,046	4,584,946	12,675	-	21,120,667
Syndicated loans	12,027,668	-	-	-	12,027,668
Derivative financial instruments	114,610	-	-	-	114,610
Financial investment:					
Debt instruments	61,679,670	-	-	-	61,679,670
Other assets	1,483,450	35,240	1,392	-	1,520,082
Total as of 31 March 2023	146,451,053	5,503,195	195,656	37,303,060	189,452,964
Total as of 31 December 2022	138,094,213	4,225,592	163,421	27,048,182	169,531,408

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

Business sectors

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

	Industrial sector	Commercial sector	Service sector	Governmental sector	Other activities	Individuals	Total EGP000
Due from banks	-	-	-	80,045,401	-	-	80,045,401
Financial investment at fair value through profit or loss	-	-	-	24,803	-	-	24,803
Loans and advances to banks	-	-	-	-	134,812	-	134,812
<u>Loans and advances to customers</u>							
<u>Retail:</u>							
Overdrafts	-	-	-	-	-	80,324	80,324
Credit cards	-	-	-	-	-	2,048,489	2,048,489
Personal loans	-	-	-	-	-	6,229,821	6,229,821
Mortgage loans	-	-	-	-	-	550	550
<u>Corporate:</u>							
Overdrafts	2,116,827	898,972	1,404,638	5,630	-	-	4,426,067
Direct loans	10,103,215	3,510,834	7,506,618	-	-	-	21,120,667
Syndicated loans	3,117,783	-	1,421,705	6,062,117	1,426,063	-	12,027,668
Derivative financial instruments	-	-	114,610	-	-	-	114,610
<u>Financial investment:</u>							
Debt instruments	-	-	-	61,679,670	-	-	61,679,670
Other assets	-	-	-	-	1,520,082	-	1,520,082
Total as of 31 March 2023	15,337,825	4,409,806	10,447,571	147,817,621	3,080,957	8,359,184	189,452,964
Total as of 31 December 2022	13,797,904	4,119,610	9,288,996	131,594,834	3,062,566	7,667,498	169,531,408

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).

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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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.

Off-balance sheet items

According to the table below and note (25):

31-Mar-23

	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total EGP000
Loan commitments and other irrevocable commitments related to credit	3,827,636	-	-	3,827,636
Letters of credit	2,149,012	-	-	2,149,012
Letters of guarantee	48,691,646	-	-	48,691,646
Operating lease commitments	16,405	17,277	4,746	38,428
Total	54,684,699	17,277	4,746	54,706,722

31-Dec-22

	Up to 1 year	Over 1 year and less than 5 years	More than 5 years	Total EGP000
Loan commitments and other irrevocable commitments related to credit	1,889,412	-	-	1,889,412
Letters of credit	2,733,705	-	-	2,733,705
Letters of guarantee	39,538,111	-	-	39,538,111
Operating lease commitments	11,824	19,185	5,496	36,505
Total	44,173,052	19,185	5,496	44,197,733

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

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.

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.

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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The denominator of the capital adequacy comprises:

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

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

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

	31-March 2023 EGP000	31-December 2022 EGP000
Capital		
<u>Tier 1 after disposals (going concern capital) (1)</u>		
Share capital	5,000,000	5,000,000
Reserves	4,511,543	3,962,998
General risk reserve	491,666	491,666
Retained earnings	10,016,233	5,682,738
Additional going concern capital	578,848	4,882,040
Change In fair value for investment at fair value through OCI	(255,087)	(656,372)
Total disposals from going concern capital	(1,782,780)	(1,572,139)
Total going concern capital after disposals (common equity) Tier 1	18,560,423	17,790,931
<u>Tier 2 after disposals (going concern capital)</u>		
Subordinated (deposits) loans	1,352,000	1,712,000
Impairment losses & provision for performing loans and advances and contingent liabilities	278,096	134,202
Total Tier 2 after disposals (going concern capital)	1,630,096	1,846,202
Total capital adequacy after disposals (1+2)	20,190,519	19,637,133
Risk (credit, market and operation)		
Credit risk	74,186,334	66,204,924
Excess of top 50 customers' exposures	19,499,622	-
Capital requirements for market risk	50,310	16,260
Capital requirements for operation risk	8,865,825	7,961,175
Total credit, market and operation risk	102,602,091	74,182,359
Capital adequacy ratio (%)	19.68%	26.47%

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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B.Leverage financial ratio

The table below summarizes the leverage financial ratio:

	31-March 2023 EGP000	31-December 2022 EGP000
<u>Tier 1 after disposals (going concern capital)</u>	18,560,423	17,790,031
Total on balance sheet exposures, derivatives contracts and financial papers operations.	203,275,495	180,763,289
Total exposures off-balance sheet.	36,151,576	30,290,761
Total exposures on balance sheet and off-balance sheet	239,427,071	211,054,050
Financial leverage ratio (%)	7.75%	8.43%

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 2022.

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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7.Segment analysis

A) By activity segment

31-Mar-23

	Corporate	Investment	Retail	Other activities	Total EGP000
Income and expenses according to activity segment					
Income by activity segment	2,296,978	852,145	1,303,971	66,305	4,519,399
Expenses by activity segment	(401,566)	(88,642)	(395,703)	(228,472)	(1,114,383)
Provisions	(399,659)	(140,491)	(8,479)	(6,896)	(555,525)
Profit before tax	1,495,753	623,012	899,789	(169,063)	2,849,491
Tax	(332,703)	(145,807)	(141,490)	(233,463)	(853,463)
Profit for the period	1,163,050	477,205	758,299	(402,526)	1,996,028
Assets and liabilities according to activity segment					
Assets of activity segment	44,416,392	140,087,442	8,406,771	11,762,826	204,673,431
Total assets	44,416,392	140,087,442	8,406,771	11,762,826	204,673,431
Liabilities of activity segment	88,626,408	5,780,266	75,054,601	13,618,941	183,080,216
Total liabilities	88,626,408	5,780,266	75,054,601	13,618,941	183,080,216

31-Mar-22

	Corporate	Investment	Retail	Other activities	Total EGP000
Income and expenses according to activity segment					
Income by activity segment	1,030,611	674,720	646,613	31,378	2,383,322
Expenses by activity segment	(303,827)	(51,873)	(296,065)	(41,093)	(692,858)
Provisions	(137,030)	(30,798)	(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 period	313,543	511,388	250,866	(9,617)	1,066,180
Assets and liabilities according to activity segment					
Assets of 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 of 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

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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B) Analysis according to the geographical segment

31-Mar-23

	Arab Republic of Egypt			
	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	Total EGP000
Income and expenses according to geographical segment				
Income by geographical segment	4,302,696	192,799	23,904	4,519,399
Expenses by geographical segment	(1,094,474)	(15,852)	(4,057)	(1,114,383)
Provisions	(468,015)	(87,599)	89	(555,525)
Profit before tax	2,740,207	89,348	19,936	2,849,491
Tax	(820,731)	(26,761)	(5,971)	(853,463)
Profit for the period	1,919,476	62,587	13,965	1,996,028
Assets and liabilities according to geographical segment				
Assets of geographical segment	198,129,324	5,248,928	1,295,179	204,673,431
Total assets	198,129,324	5,248,928	1,295,179	204,673,431
Liabilities of geographical segment	168,146,337	10,691,986	4,241,893	183,080,216
Total liabilities	168,146,337	10,691,986	4,241,893	183,080,216

31-Mar-22

	Arab Republic of Egypt			
	Cairo	Alexandria & Delta	Upper Egypt, Sinai & Red sea	Total EGP000
Income and expenses according to geographical segment				
Income by geographical segment	2,239,138	133,074	11,110	2,383,322
Expenses by geographical segment	(675,457)	(14,834)	(2,567)	(692,858)
Provisions	(276,038)	99,022	(268)	(177,284)
Profit before tax	1,287,643	217,262	8,275	1,513,180
Tax	(380,376)	(64,180)	(2,444)	(447,000)
Profit for the period	907,267	153,082	5,831	1,066,180
Assets and liabilities according to geographical segment				
Assets of geographical segment	141,922,513	3,677,054	1,172,145	146,771,712
Total assets	141,922,513	3,677,054	1,172,145	146,771,712
Liabilities of geographical segment	119,853,530	7,689,467	3,084,277	130,627,274
Total liabilities	119,853,530	7,689,467	3,084,277	130,627,274

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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8. Expected credit (charges)

	31-March-2023	31-March-2022
	EGP000	EGP000
Loans and advances to customers	(200,825)	(109,224)
Cash and balances with Central Bank	191	133
Due from Banks	(15,035)	(2,469)
Financial Investments at fair value through OCI	(92,447)	(18,702)
Other assets	(1,690)	(406)
Net	(309,806)	(130,668)

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.

	31-March-2023	31-March-2022
	EGP000	EGP000
Net profit distributable for the period	1,996,028	1,066,180
Employees' profit share (estimated)	(199,603)	(106,618)
Net Profit attributable to shareholders of the bank	1,796,425	959,562
Common shares issued - weighted average (1,000 shares)	59,524	59,524
Earnings per share/EGP	30.18	16.12

- 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.

10. Loans and advances to banks

	31-March-2023	31-December-2022
	EGP000	EGP000
Term loans	134,812	142,411
Current balances	-	34,453
Non-current balances	134,812	107,958
	134,812	142,411

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

11. Loans and advances to customers

	<u>31-Mar-23</u>	<u>31-Dec-22</u>
	<u>EGP000</u>	<u>EGP000</u>
Retail:		
Overdrafts	80,324	92,602
Credit cards	2,048,489	2,064,948
Personal loans	6,229,821	5,509,229
Mortgage loans	550	719
Total	<u>8,359,184</u>	<u>7,667,498</u>
Corporate loans including small loans:		
Overdrafts	4,426,067	3,831,433
Direct loans	21,120,667	19,308,241
Syndicated loans	12,027,668	10,096,972
Total	<u>37,574,402</u>	<u>33,236,646</u>
Total loans and advances to customers	<u>45,933,586</u>	<u>40,904,144</u>
Less: expected credit loss " ECL "	(3,412,119)	(2,979,726)
Net	<u>42,521,467</u>	<u>37,924,418</u>

During the period ended 31 March 2023, the Bank has accepted trading financial securities with a fair value amounting to EGP 171,200 thousand as a commercial loan guarantee (EGP 200,977 as at 31 December 2022).

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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Expected credit loss:

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

31-Mar-23

	Retail			EGP000	
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at beginning of the year	2,523	18,343	25,863	-	46,729
Expected credit losses charged/(reversed)	30	(1,436)	7,940	-	6,534
Amounts written off during the period	-	(3,166)	(4,942)	-	(8,108)
Amounts recovered during period	-	3,010	3,209	-	6,219
Foreign revaluation difference related to provision	-	-	498	-	498
Balance at the end of the period	2,553	16,751	32,568	-	51,872

	Corporate			EGP000	
	Overdrafts	Direct loans	Syndicated loans	Total	
Balance at beginning of the year	481,755	2,221,841	229,401	2,932,997	
Expected credit losses (charged)/reversed	52,540	141,751	-	194,291	
Amounts written off during the period	(18,728)	-	-	(18,728)	
Amounts recovered during the period	-	500	-	500	
Foreign revaluation difference related to provision	41,258	190,283	19,646	251,187	
Balance at the end of the period	556,825	2,554,375	249,047	3,360,247	

31-Dec-22

	Retail			EGP000	
	Overdrafts	Credit cards	Personal loans	Mortgage loans	Total
Balance at beginning of the year	1,193	16,089	26,818	-	44,100
Expected credit losses reversed	1,325	6,620	6,599	-	14,544
Amounts written off during the year	-	(18,683)	(24,075)	-	(42,758)
Amounts recovered during year	5	14,317	15,559	-	29,881
Foreign revaluation difference related to provision	-	-	962	-	962
Balance at the end of the year	2,523	18,343	25,863	-	46,729

	Corporate			EGP000	
	Overdrafts	Direct loans	Syndicated loans	Total	
Balance at beginning of the year	1,260,588	1,077,890	218,835	2,557,313	
Expected credit losses charged	(531,825)	936,098	(28,200)	376,073	
Amounts written off during the year	(470,320)	-	-	(470,320)	
Amounts recovered during year	-	16,906	-	16,906	
Foreign revaluation difference related to provision	223,312	190,947	38,766	453,025	
Balance at the end of the year	481,755	2,221,841	229,401	2,932,997	

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

12. Financial investments

	<u>31-Mar-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
<u>Financial investments at fair value through OCI</u>		
Equity instruments unlisted	32,869	32,869
Debt instruments listed Government Bonds (at fair value)	9,174,892	11,291,864
Debt instruments unlisted (Mutual fund)	31,921	30,897
Financial investments at fair value through OCI	9,239,682	11,355,630
Total financial investments	9,239,682	11,355,630
Current balances	5,685,182	9,224,010
Non-current balances	3,554,500	2,131,620
Total	9,239,682	11,355,630

	<u>31-Mar-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
<u>Financial assets at amortized cost</u>		
Debt instruments listed		
Government Bonds	1,546,682	3,705,635
Total financial assets	10,786,364	15,061,265

Financial Investments 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-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>	<u>31-Mar-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
Equity instruments unlisted	32,869	32,869	25,536	25,536
Debt instruments listed (at FMV)	9,174,892	11,291,864	9,835,392	11,988,717
Mutual Fund (Unlisted)	31,921	30,897	9,142	9,142
Treasury bills at amortized cost	1,546,682	3,705,635	1,546,682	3,705,635
	10,786,364	15,061,265	11,416,752	15,729,030

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13. Treasury bills

	<u>Treasury bills at fair value</u> <u>through OCI</u>		<u>Treasury bills at amortized</u> <u>cost</u>		<u>Total</u>	
	<u>31-Mar-23</u>	<u>31-Dec-22</u>	<u>31-Mar-23</u>	<u>31-Dec-22</u>	<u>31-Mar-23</u>	<u>31-Dec-22</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Treasury bills – Egyptian	32,940,094	23,300,265	5,670,994	10,801,413	38,611,088	34,101,678
Treasury bills – United states of America	12,322,205	7,407,380	0	0	12,322,205	7,407,380
Total	45,262,299	30,707,645	5,670,994	10,801,413	50,933,293	41,509,058

Treasury bills represent the following:

	<u>Treasury bills at fair value</u> <u>through OCI</u>		<u>Treasury bills at amortized</u> <u>cost</u>		<u>Total</u>	
	<u>31-Mar-23</u>	<u>31-Dec-22</u>	<u>31-Mar-23</u>	<u>31-Dec-22</u>	<u>31-Mar-23</u>	<u>31-Dec-22</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
91 days maturity	8,236,539	23,300,265	0	0	8,236,539	7,538,990
182 days maturity	28,161,057	23,300,265	0	4,863,001	28,161,057	13,383,961
273 days maturity	101,188	23,300,265	1,987,427	2,392,837	2,088,615	2,444,618
364 days maturity	8,763,515	23,300,265	3,683,567	3,545,575	12,447,082	18,141,489
Total	45,262,299	30,707,645	5,670,994	10,801,413	50,933,293	41,509,058

Treasury bills includes EGP 718,211 thousands related to end of service compensation benefits and related Treasury bills fair value reserve (5,982) thousand (End of Service Treasury bills amounted to EGP 608,734 thousand as of 31 December 2022)

Treasury bills fair value reserve reached EGP (46,122) as of 31 March 2023 against EGP (168,070) as of 31 December 2022 (with net change of EGP (121,948) thousands).

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

14. Investment in subsidiary

A.

	31-Mar-23 EGP000	31-Dec-22 EGP000
Cost	12,046	35,517
Impairment	-	(23,471)
Net	12,046	12,046

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 December 31, 2022 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%	0.01%	0.01%	(0.35%)

15. Intangible assets

	Computer software	
	31-Mar-23 EGP000	31-Dec-22 EGP000
Balance at the beginning of the current period		
Cost	722,744	537,162
Accumulated amortization	(223,905)	(147,338)
Impairment provision Charge	-	(43,457)
Net book value at the beginning of the current period	498,839	346,367
Additions	-	227,645
Disposals (Cost)	-	(42,063)
Amortization	(36,546)	(76,567)
Impairment provision reversal	-	43,457
Net book value at the end of the current period	462,293	498,839
Balance at the end of the current period		
Cost	722,744	722,744
Accumulated amortization	(260,451)	(223,905)
Net book value at the end of the current period	462,293	498,839

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16. Other assets

	31-March-23	31-December-22
	EGP000	EGP000
Accrued revenues	1,446,690	1,466,546
Prepaid expenses	94,212	37,299
Ownership assets transferred to B&D (net of impairment)	10,293	10,293
Costs of branches under construction	34,341	34,341
Due from CBE from selling GOV. bills and bonds	73,392	-
Others	424,150	531,042
Advances for projects under process	398,378	290,967
Impairment from provision ECL	(4,166)	(2,476)
Total	2,477,290	2,368,012

17. Fixed assets

	Land & buildings	Leasehold improvement	Machines and equipment	Others	Total EGP000
Balance at the beginning of the current period					
Cost	357,528	247,332	667,408	165,939	1,438,207
Accumulated depreciation	(253,088)	(162,671)	(139,696)	(153,228)	(708,683)
Net book value at the beginning of the current period	104,440	84,661	527,712	12,711	729,524
Additions	-	-	122,479	-	122,479
Disposals (Cost)	-	-	(43,804)	-	(43,804)
Disposals (Accumulated depreciation)	-	-	641	-	641
Depreciation for the period	(2,761)	(9,459)	(14,804)	(3,739)	(30,763)
Net book value at the end of the period	101,679	75,202	592,224	8,972	778,077
Balance at the end of the current period					
Cost	357,528	247,332	746,083	165,939	1,516,882
Accumulated depreciation	(255,849)	(172,130)	(153,859)	(156,967)	(738,805)
Net book value at the end of the current period	101,679	75,202	592,224	8,972	778,077

Notes to the interim condensed separate financial statements - for the three months ended 31 March 2023
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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.

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period / year		
Cost	163,112	163,112
Accumulated depreciation	(110,866)	(101,021)
Net book value at the beginning of the period / year	52,246	62,091
 Depreciation	 (2,500)	 (9,845)
Net book value at the end of the period / year	49,746	52,246
 Balance at the end of the period / year		
Cost	163,112	163,112
Accumulated depreciation	(113,366)	(110,866)
Net book value at the end of the period / year	49,746	52,246

19. Customers' deposits

	31-March-23	31-December-22
	EGP000	EGP000
Demand deposits	79,213,826	69,864,711
Time and call deposits	38,453,749	32,730,094
Certificates of savings and deposits	13,109,073	14,520,812
Saving deposits	33,418,068	30,372,380
Other deposits	4,820,016	3,658,983
	169,014,732	151,146,980
Corporate deposits	91,000,796	81,209,756
Retail deposits	78,013,937	69,937,224
	169,014,733	151,146,980
Non-interest bearing balances	82,282,244	72,682,062
Interest bearing balances	86,732,489	78,464,918
	169,014,733	151,146,980

Customers' deposits include deposits of EGP 4,277,266 thousand as of 31 March 2023 against EGP 3,134,669 thousand as of 31 December 2022, which represent collateral for irrecoverable commitments. There is no major difference between its carrying value and fair value.

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20. Other liabilities

	31-March-23	31-December-22
	EGP000	EGP000
Accrued interest	454,000	380,466
Deferred income	78,349	97,861
Accrued expenses	553,959	447,898
Creditors	1,736,761	988,125
Due to CBE from selling GOV. bills and bonds	72,918	-
Other credit balances	843,881	1,279,978
Total	3,739,868	3,194,328

21. Other provisions

	Provision for claims		Provision for contingent liabilities (ECL)		Total	
	31-Mar 2023	31-Dec 2022	31-Mar 2023	31-Dec 2022	31-Mar 2023	31-Dec 2022
Balance at the beginning of the period/year	69,764	54,507	257,937	366,889	327,701	421,396
Formed during the period/year	10,271	54,477	236,276	-	246,547	54,477
Provisions valuation differences	2,228	2,980	13,563	62,667	15,791	65,647
	82,263	111,964	507,776	429,556	590,039	541,520
Used during the period/year	(1,534)	(42,198)	-	-	(1,534)	(42,198)
No longer required	(828)	(2)	-	(171,619)	(828)	(171,621)
Balance at the end of the period/year	79,901	69,764	507,776	257,937	587,677	327,701

22. Paid up capital

	Number of shares	Cost of Common Shares	Total	Issuance premium included in other reserve-issuance premium
	(in millions)	EGP000	EGP000	EGP000
Balance at the beginning of the current year	59.523810	5,000,000	5,000,000	6,728
Balance at 31 March 2023	59.523810	5,000,000	5,000,000	6,728
Balance at the beginning of the year	59.523810	5,000,000	5,000,000	6,728
Balance at 31 December 2022	59.523810	5,000,000	5,000,000	6,728

- According to the extraordinary general assembly's decision on 17 March 2021, it was approved to increase the issued capital to EGP 5,000,000,040 by an increase of EGP 2,204,432,496 representing 26,243,244 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.

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A. Authorized capital

- The authorized capital amounted to EGP 1,750,000,000.
- According to the extraordinary general assembly decision on 30 November 2010, the authorized capital has been increased to EGP 5,000,000,000.
- According to the extraordinary general assembly decision on 17 March 2021, the authorized capital has been increased to EGP 10,000,000,000 approved from the General Investment Authority.

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.
- 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.

23. Reserves and retained earnings

	31-March-23	31-December-22
	EGP000	EGP000
Reserves		
General reserve	2,787,736	2,513,464
Legal reserve	1,672,054	1,397,782
Capital reserve	51,752	51,752
Reserve for excess over par value - issuance premium	6,728	6,728
Fair value reserve	(518,643)	(656,372)
General bank risk reserve	89,661	89,661
General risk reserve	491,666	491,666
Total reserves at the end of the period/year	4,580,954	3,894,681

Reserves movements during the period are as follows:

A) General reserve

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	2,513,464	2,348,489
Transferred from prior year profits	274,272	164,975
Balance at the end of the period/year	2,787,736	2,513,464

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B) Legal reserve

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	1,397,782	1,397,782
Transferred from prior year profits	274,272	-
Balance at the end of the period/year	1,672,054	1,397,782

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

C) Capital reserve

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	51,752	40,295
Transferred from net profit of the previous year	-	11,457
Balance at the end of the period/year	51,752	51,752

D) Reserves for excess over par value - issuance premium

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	6,728	6,728
Balance at the end of the period/year	6,728	6,728

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

E) Fair value reserve

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	(656,372)	138,173
Net change in investments FVOCI- T Bills	121,948	(153,453)
Net change in investments FVOCI- Bonds	(13,546)	(731,813)
Net change in investments FVOCI- Mutual funds	1,024	2,916
Net change in investments FVOCI- Equity instruments	-	904
Deferred tax for financial investment through OCI	(64,144)	85,828
Expected credit loss - Financial investment at FVOCI	92,447	1,073
Balance at the end of the period/year	(518,643)	(656,372)

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

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F) General risk reserves

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	491,666	491,666
Balance at the end of the period/year	491,666	491,666

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

G) General bank risk reserves

	31-March-23	31-December-22
	EGP000	EGP000
Balance at the beginning of the period/year	89,661	-
Transferred to previous year profit	-	89,661
Balance at the end of the period/year	89,661	89,661

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

H) Retained earnings

	31-March-23	31-December-22
	EGP000	EGP000
Movement on retained earnings		
Balance at the beginning of the period/year	11,168,174	8,448,084
Net profit for the period	1,996,028	5,485,437
Dividends for the period	(548,543)	(2,398,834)
Transferred to legal reserve	(274,272)	-
Transferred to Banking systems support and development Fund	(54,854)	(32,995)
Actourial Losses	-	(67,425)
Transferred from capital reserve	-	(11,457)
Transferred from general reserve	(274,272)	(164,975)
Transferred from general bank risk reserve	-	(89,661)
Balance at the end of the period/year	12,012,261	11,168,174

24. Dividends

Payment of dividends is not recorder until being approved by the general assembly. No dividends distributed for the year ended 2022 for supporting the bank's capital base. (The actual payment of EGP 59.48 per share as cash dividends for the year 2021 with a total amount of EGP 1,979,528,066. The General assembly that held on 19 March 2023 approved the distribution of EGP 548,543,739 as employees' distribution related to the profit for year 2022. (The actual employees' dividends distributed for 2021 amount to EGP 419,305,818).

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25. Commitment and contingent liabilities

A) Legal claims

There are lawsuits filed against the bank as at 31 March 2023. There is provision formed with EGP 21 thousand during this period against these lawsuits, there is a refund from legal provision with EGP 5 thousand and utilized the amount of EGP 24 thousand from legal provision during the current period.

B) Commitments for loans, guarantees and facilities

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

	31-March-23	31-December-22
	EGP000	EGP000
Acceptances	2,168,632	1,482,217
Letters of guarantee	51,673,181	41,937,780
Letters of credit (import and export)	3,444,743	3,468,705
Other contingent liabilities	121,860	29,362
Commitments for loans	1,537,144	377,833
Cash margin	(4,277,266)	(3,134,669)
Total	54,668,294	44,161,228

C) Commitments for operating lease contracts

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

	31-March-23	31-December-22
	EGP000	EGP000
Less than one year	16,405	11,824
More than one year and less than five years	17,277	19,185
More than five years	4,746	5,496
Total	38,428	36,505

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).

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.

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).

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

A- Subordinated loans

	HSBC Group	
	31-March-23	31-March-22
	EGP000	EGP000
Statement of financial position		
Subordinated loans note (27)	2,072,000	2,072,000
Statement of income statement		
Interest expenses	98,245	57,643

B- Deposits from related parties

	Subsidiaries	
	31-March-23	31-December-22
	EGP000	EGP000
Due to customers		
Deposits at the beginning of the period/year	15,224	26,791
Deposits received during the period/year	-	8,642
Deposits redeemed during the period/year	(886)	(20,209)
Deposits at the end of the period/year	14,338	15,224

C- Other related party transactions

	HSBC group	
	31-March-23	31-December-22
	EGP000	EGP000
Statement of income statement		
Operating lease	30,350	10,712
Head office services revenue	21,345	14,583
Cost of services provided by HSBC Group	(642,498)	275,601
Total	(590,803)	300,896

	HSBC group	
	31-March-23	31-December-22
	EGP000	EGP000
Statement of financial position		
Due from banks	531,587	1,112,154
Loans and advances to banks	134,812	107,958
Due to banks	1,268,676	1,827,555
Total	1,935,075	3,047,667

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27. Subordinated loans

	Current interest rate	31-March-23 EGP000	31-December-22 EGP000
Subordinated loans, variable interest rate (1)	20.75%	272,000	272,000
Subordinated loans, variable interest rate (2)	19.00%	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 fund reached 1,000,000 certificates with an amount of EGP 100,000,000 of which 50,000 certificate (with nominal value of EGP 5,000,000) were allocated to the Bank to undertake the funds' activity.

The Bank held as of 31 March 2023, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 31,921,202 against 78,559 certificates amounting to EGP 9,141,998 with redeemable value amounting to EGP 30,896,520 as of 31 December 2022.

The redeemable value of the certificate amounted to EGP 406.33 against EGP 393.29 as of 31 December 2022. The outstanding certificates reached 2,643,951 certificates against 2,981,664 certificates as of 31 December 2022.

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 1,235 thousand for the period ended 31 March 2023 against EGP 1,524 thousand for the period ended 31 March 2022 under the item of fees and commission income caption in the income statement.

29 - Important events

In first quarter of the year 2023, the global economy faced multiple shocks and challenges, against that the Central Bank of Egypt (CBE) moved to a durably flexible exchange rate regime, leaving the forces of supply and demand to determine the value of the Egyptian currency "EGP" against other foreign currencies, while prioritizing the primary goal of achieving price stability, and building up sustainable, adequate levels of Foreign Exchange Reserves. Furthermore, in order to uphold the CBE's mandate of ensuring price stability over the medium term, the monetary policy committee (MPC) has decided in its special meeting at 30th March 2023 to raise the overnight deposit rate, the overnight lending rate, and the rate of the main operation by 200 basis points to 18.25 percent, 19.25 %, and 18.75 %, respectively. The discount rate was also raised by 200 basis points to 18.75%.