

HSBC BANK EGYPT S.A.E.

**LIMITED REVIEW REPORT AND INTERIM
CONDENSED SEPARATE FINANCIAL
STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2023**

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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 conducted a limited review for the accompanying interim condensed separate statement of financial position of HSBC Bank Egypt S.A.E as of 30 September 2023 and the related interim condensed separate statements of income, comprehensive income, cash flows and changes in equity for the nine-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, and our responsibility is to express a conclusion on these interim condensed separate financial statements based on our review.

Scope of Review

We have conducted our limited 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 limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other limited review procedures. A limited 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 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.



Mohamed Elmoataz
R.A.A. Number "12747"

Financial Regulatory Authority Register
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Auditors



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

5 November 2023
Cairo

HSBC BANK EGYPT S.A.E.

Interim condensed separate statement of financial position

(All amounts in EGP 000)

	<u>Note</u>	<u>30 September 2023</u>	<u>31 December 2022</u>
<u>Assets</u>			
Cash and balances with Central Bank of Egypt (Net)		19,610,712	13,242,044
Due from banks (Net)		106,326,919	70,031,725
Financial assets at fair value through profit or loss		29,657	76,050
Loans and advances to banks	(10)	134,791	142,411
Loans and advances to customers (Net)	(11)	38,563,453	37,924,418
Financial derivatives		55,275	309,020
Financial Investments	(12)	7,794,497	15,061,265
Treasury bills	(13)	50,477,570	41,509,058
Investment in subsidiary	(14)	12,046	12,046
Intangible assets	(15)	477,622	498,839
Other assets	(16)	2,978,842	2,368,012
Investment property	(18)	45,214	52,246
Fixed assets	(17)	895,161	729,524
Deferred tax assets		224,318	221,994
Total assets		<u>227,626,077</u>	<u>182,178,652</u>
<u>Liabilities and shareholders' equity</u>			
<u>Liabilities</u>			
Due to banks		5,414,347	3,269,418
Customers' deposits	(19)	179,822,298	151,146,980
Financial derivatives		55,362	200,978
Subordinated loans	(27)	2,072,000	2,072,000
Other liabilities	(20)	7,844,839	3,194,328
Other provisions	(21)	503,623	327,701
Current income tax liabilities		2,511,188	1,198,878
Defined benefits obligations liabilities		789,929	705,514
Total liabilities		<u>199,013,586</u>	<u>162,115,797</u>
<u>Shareholders' equity</u>			
Paid-up capital	(22)	5,000,000	5,000,000
Reserves	(23)	4,813,700	3,894,681
Retained earnings	(23)	18,798,791	11,168,174
Total shareholders' equity		<u>28,612,491</u>	<u>20,062,855</u>
Total liabilities and shareholders' equity		<u>227,626,077</u>	<u>182,178,652</u>

The accompanying notes from (1) to (30) 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 30 October 2023 and Signed on their behalf by

Rodney Todd Wilcox
(Deputy Chairman and CEO)

Limited Review 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>For the period ended</u>	
		<u>30 September 2023</u>	<u>30 September 2022</u>	<u>30 September 2023</u>	<u>30 September 2022</u>
Interest income from loans and similar income		17,564,736	8,451,520	6,728,801	3,175,116
Interest expense on deposits and similar expense		(3,828,181)	(2,597,283)	(1,202,134)	(1,006,109)
Net interest income		13,736,555	5,854,237	5,526,667	2,169,007
Fees and commissions income		2,158,361	1,233,039	791,546	449,387
Fees and commissions expense		(413,156)	(257,184)	(152,989)	(98,219)
Net fees and commissions income		1,745,205	975,855	638,557	351,168
Dividends		13,722	5,685	-	0
Net trading income		368,498	505,429	146,591	111,824
Financial investment income / (loss)		23,619	(23,471)	9,730	-
Expected credit loss (charges)	(8)	(620,042)	(641,492)	(257,460)	65,270
Administrative expenses		(3,362,330)	(2,137,391)	(1,005,566)	(736,466)
Other operating income		156,000	195,578	(12,545)	48,294
Profit before income tax		12,061,227	4,734,430	5,045,974	2,009,097
Income tax expenses		(3,278,669)	(1,300,219)	(1,367,245)	(417,607)
Net profit for the period		8,782,558	3,434,211	3,678,729	1,591,490
Earnings per share (EGP/Share)	(9)	132.79	51.93	55.62	24.06

The accompanying notes from (1) to (30) 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 comprehensive income

(All amounts in EGP 000)	<u>Note</u>	<u>For the period ended</u>		<u>For the three months ended</u>	
		<u>30-Sep</u> <u>2023</u>	<u>30-Sep</u> <u>2022</u>	<u>30-Sep</u> <u>2023</u>	<u>30-Sep</u> <u>2022</u>
Net profit for the period		8,782,558	3,434,211	3,678,729	1,591,490
Changes on fair value of financial investment through OCI		343,329	(1,004,735)	151,724	(66,416)
Deferred tax for financial investment at FVOCI		(19,007)	119,215	(12,169)	119,215
Expected credit loss on financial investment at fair value through OCI	(8)	46,153	5,921	(31,460)	3,399
Total impact related to other comprehensive income		<u>370,475</u>	<u>(879,599)</u>	<u>108,095</u>	<u>56,198</u>
Total other comprehensive income		<u>9,153,033</u>	<u>2,554,612</u>	<u>3,786,824</u>	<u>1,647,688</u>

The accompanying notes from (1) to (30) form an integral part of these interim condensed separate financial statements and are to be read therewith.

Interim condensed separate statement of cash flows

(All amounts in EGP 000)

	<u>30-Sep</u> <u>2023</u>	<u>30-Sep</u> <u>2022</u>
<u>Cash Flows from Operating Activities</u>		
Profit before income tax	12,061,227	4,734,430
<u>Adjustments to reconcile net profit to net cash flows from operating activities</u>		
Depreciation and amortization	246,848	189,418
Expected credit losses of other assets	(161)	1,404
Expected credit losses of customers	559,978	628,877
Expected credit losses of cash	(2,191)	203
Expected credit losses of due from banks	16,263	5,087
Expected credit losses of financial Investments at fair value through OCI	46,153	5,921
Other provisions (Formed)	210,054	32,043
Other Provisions no longer required	(1,451)	(69,754)
Revaluation differences for provisions in foreign currency other than loans provision	15,692	43,958
Loss (Gain) from sale of property and equipment	3,803	(1,358)
(Gain) from sale of investments	(23,619)	-
Impairment of Investments in Subsidiaries	-	23,471
Losses from disposal of Intangible assets	-	186,657
Pension fromed during the period	116,736	75,704
FVOCI investments exchange revaluation differences	343,329	(1,004,735)
Dividends received	(13,722)	(5,685)
Operating income before changes in Assets & liabilities from operating activities	<u>13,578,939</u>	<u>4,845,641</u>
<u>Net changes in assets and liabilities</u>		
Cash and balances with Central Bank of Egypt	(5,816,672)	(647,111)
Loans and advances to customers	(1,199,013)	(5,051,390)
Loans and advances to banks	7,620	251,835
Trading financial assets	46,393	(90,668)
Other assets	(610,669)	(298,571)
Due to banks	2,144,929	687,871
Customers' deposits	28,675,318	25,168,658
Other liabilities	4,595,657	4,521,639
Financial derivatives (net)	108,129	(142,528)
Defined benefits obligations	(32,321)	(46,042)
Utilized from other provisions	(48,373)	(38,858)
Income tax paid	(1,987,690)	(1,319,905)
Net cash flows generated from operating activities	<u>39,462,247</u>	<u>27,840,571</u>
<u>Cash flows from investing activities</u>		
Payments to purchase fixed assets	(330,647)	(237,183)
Proceeds from sale of fixed assets	63,791	1,696
Payments to purchase intangible assets	(121,183)	(320,099)
Payments for purchase of financial investments at FVOCI	(14,350,906)	874,480
Proceeds from sales of financial investments at FVOCI	7,290,387	4,267,590
Dividends collected	13,722	5,685
Net cash flows generated from investing activities	<u>(7,434,836)</u>	<u>4,592,169</u>
<u>Cash flows from financing activities</u>		
Dividends paid	(548,543)	(2,398,834)
Net cash flows used in financing activities	<u>(548,543)</u>	<u>(2,398,834)</u>
Net change in cash and cash equivalents during the period	31,478,868	30,033,906
Cash and cash equivalents at the beginning of the period	79,468,683	37,351,383
Cash and cash equivalents at the end of the period	<u>110,947,551</u>	<u>67,385,289</u>
<u>Cash and cash equivalents are represented in:</u>		
Cash and balances with Central Bank of Egypt	19,610,723	9,936,990
Due from Banks	106,362,087	59,229,116
Treasury bills	50,477,570	39,059,899
Balance with Central Bank of Egypt as statutory reserve	(17,181,855)	(7,583,564)
Treasury bills of maturity more than 3 months from date of acquisition	(48,320,974)	(33,257,152)
Cash and cash equivalents	<u>110,947,551</u>	<u>67,385,289</u>

The accompanying notes from (1) to (30) form an integral part of these interim condensed 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	(23)	-	-	-	-	-	-	-	-	89,661	(89,661)	-
Items included in Other comprehensive income												
Net change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	(1,004,735)	-	-	-	(1,004,735)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	119,215	-	-	-	119,215
Net change in other comprehensive income		-	-	-	-	-	-	(879,599)	-	-	-	(879,599)
Transfer to Banking System Support and Development Fund	(23)	-	-	-	-	-	-	-	-	-	(32,995)	(32,995)
Net profit for the period ended 30 September 2022		-	-	-	-	-	-	-	-	-	3,434,211	3,434,211
Balances as of 30 September 2022		5,000,000	-	2,513,464	1,397,782	51,752	6,728	(741,426)	491,666	89,661	9,184,373	17,994,000
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		-	-	-	-	-	-	343,329	-	-	-	343,329
Deferred tax for financial investment through OCI		-	-	-	-	-	-	(19,007)	-	-	-	(19,007)
ECL for change in fair value of financial investments through other comprehensive income		-	-	-	-	-	-	46,153	-	-	-	46,153
Net change in other comprehensive income		-	-	-	-	-	-	370,475	-	-	-	370,475
Transfer to Banking System Support and Development Fund	(23)	-	-	-	-	-	-	-	-	-	(54,854)	(54,854)
Net profit for the period ended 30 September 2023		-	-	-	-	-	-	-	-	-	8,782,558	8,782,558
Balances as of 30 September 2023		5,000,000	-	2,787,736	1,672,054	51,752	6,728	(285,897)	491,666	89,661	18,798,791	28,612,491

The accompanying notes from (1) to (30) form an integral part of these interim condensed separate financial statements and are to be read therewith.

Notes to the interim condensed separate financial statements - for the Nine months ended 30 September 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

1. Background

HSBC Bank Egypt S.A.E. provides retail, corporate and investment banking services in the Arab Republic of Egypt through 47 branches and 7 small units served by more than 1,603 staff at the date of the financial position.

HSBC Bank Egypt S.A.E. 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 30 September 2023 have been approved for issuance by the Board of Directors on 30 October 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 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.

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 Nine months' period ended 30 September 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 Nine months ended 30 September 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

3- Fair Value hierarchy (Continued)

The following is a statement of the financial investments listed at fair value and the methods of their valuation

30-Sep-23

	Level 2	
	EGP '000	Total EGP '000
Recurring fair value measurements		
Financial Investments	54,738,899	54,738,899
Financial assets at fair value through profit or loss	29,657	29,657
Financial Derivatives Assets	55,275	55,275
Financial Derivatives Liability	(55,362)	(55,362)

31-Dec-22

	Level 2	
	EGP '000	Total EGP '000
Recurring fair value measurements		
Financial Investments	42,063,275	42,063,275
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 Nine months ended 30 September 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 Nine months ended 30 September 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.

30-Sep-23	Loans and advances to customers	Allowance/ provision for ECL %
Stage 1	38.10%	0.32%
Stage 2	55.89%	5.98%
Stage 3	6.01%	89.45%
	100.00%	8.84%

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 Nine months ended 30 September 2023
(In the notes, all amounts are shown in thousands of Egyptian pounds unless otherwise stated)

30-September-2023

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
At 01 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	(562,329)	(3,086)	543,500	11,416	-	-	(18,829)	8,330
Transfers from Stage 2 to Stage 1	1,684,333	10,496	(1,419,205)	(11,867)	-	-	265,128	(1,371)
Transfers from stage 2 to Stage 3	-	-	(304,207)	(11,131)	270,621	69,160	(33,586)	58,029
Transfers from Stage 3 to stage 2	-	-	10,845	3,675	(10,845)	(3,675)	-	-
ECL(Charges)/Reversal	-	(18,608)	-	(289,514)	-	(516,775)	-	(824,897)
Balance Volume movement	(192,581)	-	1,389,694	-	(10,882)	-	1,186,231	-
At 30 September 2023	16,116,392	(52,004)	23,645,050	(1,414,058)	2,541,646	(2,273,573)	42,303,088	(3,739,635)

31-December-2022

	Non-credit impaired				Credit impaired		Total	
	Stage 1		Stage 2		Stage 3			
	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL	Gross carrying / nominal amount	Allowance for ECL
	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000	EGP 000
At 01 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

30-Sep-2023

Item	Gross balance subject to ECL	ECL Stage one	ECL Stage two	ECL Stage three	Total ECL
Cash and balances at central banks	17,181,855	6	5	-	11
Due from banks	106,496,878	35,168	-	-	35,168
Loans and Advances to Customers	42,303,088	52,004	1,414,058	2,273,573	3,739,635
Accrued revenues	1,628,237	413	1,902	-	2,315
Financial investment	58,272,067	60,609	-	-	60,609
commitment and contingent liabilities	63,527,786	33,325	267,654	115,183	416,162
Total	289,409,911	181,526	1,683,619	2,388,756	4,253,900

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

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(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>30-Sep</u> <u>2023</u> <u>EGP000</u>	<u>31-Dec</u> <u>2022</u> <u>EGP000</u>
<u>Balance sheet items exposed to credit risks</u>		
Due from banks	106,362,087	70,050,630
Financial investment at FVPL	29,657	76,050
Loans and advances to banks	134,791	142,411
Loans and advances to customers:		
Retail loans:		
Overdrafts	73,129	92,602
Credit cards	2,985,195	2,064,948
Personal loans	7,272,681	5,509,229
Mortgage loans	511	719
Corporate loans:		
Overdrafts	3,107,472	3,831,433
Direct loans	19,843,375	19,308,241
Syndicated loans	9,020,725	10,096,972
Financial derivative instruments	55,275	309,020
Financial investments:		
Debt instruments	58,204,659	56,582,607
Accrued Income	1,628,237	1,466,546
Total	<u>208,717,794</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	5,437,786	3,480,581
Letters of credit	2,568,411	3,443,507
Letters of guarantee	55,521,589	44,383,127
Total	<u>63,527,786</u>	<u>51,307,215</u>

The above table represents the maximum limit for credit risk as of 30 September 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.

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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 <u>EGP000</u>
Due from banks	66,564,882	-	-	39,797,205	106,362,087
Financial assets at fair value through profit or loss	29,657	-	-	-	29,657
Loans and advances to bank	-	-	-	134,791	134,791
<u>Loans and advances to customers</u>					
Retail:					
Overdrafts	61,361	11,340	428	-	73,129
Credit cards	2,985,195	-	-	-	2,985,195
Personal loans	6,457,451	614,570	200,660	-	7,272,681
Mortgage loans	511	-	-	-	511
Corporate:					
Overdrafts	2,847,010	260,462	-	-	3,107,472
Direct loans	15,781,551	4,061,823	-	-	19,843,374
Syndicated loans	9,020,725	-	-	-	9,020,725
Derivative financial instruments	55,275	-	-	-	55,275
Financial investment:					
Debt instruments	58,204,659	-	-	-	58,204,659
Accrued income	1,581,218	43,760	3,259	-	1,628,237
Total as of 30 September 2023	163,589,495	4,991,955	204,347	39,931,996	208,717,793
Total as of 31 December 2022	138,094,213	4,225,592	163,421	27,048,182	169,531,408

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(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	-	-	-	106,362,087	-	-	106,362,087
Financial investment at fair value through profit or loss	-	-	-	29,657	-	-	29,657
Loans and advances to banks	-	-	-	-	134,791	-	134,791
<u>Loans and advances to customers</u>							
<u>Retail:</u>							
Overdrafts	-	-	-	-	-	73,129	73,129
Credit cards	-	-	-	-	-	2,985,195	2,985,195
Personal loans	-	-	-	-	-	7,272,681	7,272,681
Mortgage loans	-	-	-	-	-	511	511
<u>Corporate:</u>							
Overdrafts	1,671,626	910,626	525,220	-	-	-	3,107,472
Direct loans	9,586,568	3,512,059	6,744,747	-	-	-	19,843,374
Syndicated loans	2,699,105	-	171,429	5,294,217	855,974	-	9,020,725
Derivative financial instruments	-	-	55,275	-	-	-	55,275
<u>Financial investment:</u>							
Debt instruments	-	-	-	58,204,659	-	-	58,204,659
Accrued income	-	-	-	-	1,628,237	-	1,628,237
Total as of 30 September 2023	13,957,299	4,422,685	7,496,671	169,890,620	2,619,002	10,331,516	208,717,793
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).

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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):

30-Sep-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	5,364,790	-	-	5,364,790
Letters of credit	2,294,989	-	-	2,294,989
Letters of guarantee	53,375,029	-	-	53,375,029
Operating lease commitments	15,883	15,183	3,997	35,063
Total	61,050,691	15,183	3,997	61,069,871

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	3,260,944	-	-	3,260,944
Letters of credit	2,927,944	-	-	2,927,944
Letters of guarantee	43,011,514	-	-	43,011,514
Operating lease commitments	11,824	19,185	5,496	36,505
Total	49,212,226	19,185	5,496	49,236,907

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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.

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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:

	30-September <u>2023</u> <u>EGP000</u>	31-December <u>2022</u> <u>EGP000</u>
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	2,546,942	4,882,040
Change In fair value for investment at fair value through OCI	(285,897)	(656,372)
Total disposals from going concern capital	(1,681,497)	(1,572,139)
Total going concern capital after disposals (common equity)	20,598,990	17,790,931
Tier 1		
<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	181,524	134,202
Total Tier 2 after disposals (going concern capital)	1,533,524	1,846,202
Total capital adequacy after disposals (1+2)	22,132,514	19,637,133
Risk (credit, market and operation)		
Credit risk	72,832,036	66,204,924
Excess of top 50 customers' exposures	15,242,806	-
Capital requirements for market risk	10,870	16,260
Capital requirements for operation risk	8,865,825	7,961,175
Total credit, market and operation risk	96,951,537	74,182,359
Capital adequacy ratio (%)	22.83%	26.47%

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B.Leverage financial ratio

The table below summarizes the leverage financial ratio:

	30-September <u>2023</u> EGP000	31-December <u>2022</u> EGP000
<u>Tier 1 after disposals (going concern capital)</u>	20,598,989	17,790,031
Total on balance sheet exposures, derivatives contracts and financial papers operations.	225,998,505	180,763,289
Total exposures off-balance sheet.	36,761,494	30,290,761
Total exposures on balance sheet and off-balance sheet	262,759,999	211,054,050
Financial leverage ratio (%)	7.84%	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.

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7.Segment analysis

A) By activity segment

30-Sep-23

	Corporate	Global Markets	RBWM	Other activities	Total
Income and expenses according to activity segment					
Net revenue according to activity segment *	9,006,624	2,602,652	4,481,672	161,255	16,252,203
Expenses activity segment	(1,374,744)	(295,865)	(1,442,475)	(249,247)	(3,362,331)
Provisions	(826,947)	5,000	(8,642)	1,944	(828,645)
Profit before tax	6,804,933	2,311,787	3,030,555	(86,048)	12,061,227
Tax	(2,069,067)	(576,582)	(633,020)	-	(3,278,669)
Profit for the year	4,735,866	1,735,205	2,397,535	(86,048)	8,782,558
Assets and liabilities according to activity segment					
Assets activity segment	38,086,957	166,133,667	10,421,429	12,984,024	227,626,077
Total assets	38,086,957	166,133,667	10,421,429	12,984,024	227,626,077
Liabilities activity segment	99,312,286	5,150,692	76,545,015	18,005,593	199,013,586
Total liabilities	99,312,286	5,150,692	76,545,015	18,005,593	199,013,586

30-Sep-22

	Corporate	Global Markets	RBWM	Other activities	Total
Income and expenses according to activity segment					
Net revenue according to activity segment *	3,503,370	1,699,251	2,165,746	107,235	7,475,602
Expenses activity segment	(909,113)	(154,013)	(1,010,133)	(64,132)	(2,137,391)
Provisions	(588,864)	(1,265)	(10,662)	(2,990)	(603,781)
Profit before tax	2,005,393	1,543,973	1,144,951	40,113	4,734,430
Tax	(847,439)	(209,564)	(243,216)	-	(1,300,219)
Profit for the year	1,157,954	1,334,409	901,735	40,113	3,434,211
Assets and liabilities according to activity segment					
Assets activity segment	37,987,997	109,596,957	7,261,276	7,778,686	162,624,916
Total assets	37,987,997	109,596,957	7,261,276	7,778,686	162,624,916
Liabilities activity segment	66,366,203	4,253,679	60,579,103	13,431,931	144,630,916
Total liabilities	66,366,203	4,253,679	60,579,103	13,431,931	144,630,916

*Represents net interest income and other revenues.

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B) Analysis according to the geographical segment

30-Sep-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	15,527,356	642,145	82,701	16,252,202
Expenses by geographical segment	(3,297,121)	(51,717)	(13,492)	(3,362,330)
Provisions	(648,726)	(187,034)	7,115	(828,645)
Profit before tax	11,581,509	403,394	76,324	12,061,227
Tax	(3,148,264)	(109,657)	(20,748)	(3,278,669)
Profit for the period	8,433,245	293,737	55,576	8,782,558
Assets and liabilities according to geographical segment				
Assets of geographical segment	222,729,159	4,280,029	616,889	227,626,077
Total assets	222,729,159	4,280,029	616,889	227,626,077
Liabilities of geographical segment	184,638,074	10,387,921	3,987,591	199,013,586
Total liabilities	184,638,074	10,387,921	3,987,591	199,013,586

30-Sep-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	7,073,496	364,093	38,013	7,475,602
Expenses by geographical segment	(2,074,652)	(48,328)	(14,411)	(2,137,391)
Provisions	(488,549)	(136,875)	21,643	(603,781)
Profit before tax	4,510,295	178,890	45,245	4,734,430
Tax	(1,238,546)	(49,224)	(12,449)	(1,300,219)
Profit for the period	3,271,749	129,666	32,796	3,434,211
Assets and liabilities according to geographical segment				
Assets of geographical segment	158,686,779	3,122,749	815,388	162,624,916
Total assets	158,686,779	3,122,749	815,388	162,624,916
Liabilities of geographical segment	132,776,965	8,457,766	3,396,185	144,630,916
Total liabilities	132,776,965	8,457,766	3,396,185	144,630,916

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8. Expected credit (charges)

	<u>For the period ended</u>		<u>For the three months ended</u>	
	<u>30-September-2023</u>	<u>30-September-2022</u>	<u>30-September-2023</u>	<u>30-September-2022</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Loans and advances to customers	(559,978)	(628,877)	(295,426)	49,250
Cash and balances with Central Bank	2,191	(203)	4,102	65
Due from Banks	(16,263)	(5,087)	553	(5,090)
Financial Investments at fair value through OCI	(46,153)	(5,921)	31,460	(3,399)
Other assets	161	(1,404)	1,851	24,444
	<u>(620,042)</u>	<u>(641,492)</u>	<u>(257,460)</u>	<u>65,270</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>For the period ended</u>		<u>For the three months ended</u>	
	<u>30-September-2023</u>	<u>30-September-2022</u>	<u>30-September-2023</u>	<u>30-September-2022</u>
	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>	<u>EGP000</u>
Net profit distributable for the period	8,782,558	3,434,211	3,678,729	1,591,490
Employees' profit share (estimated)	(878,256)	(343,421)	(367,873)	(159,149)
Net Profit attributable to shareholders of the bank	7,904,302	3,090,790	3,310,856	1,432,341
Common shares issued - weighted average (1,000 shares)	59,524	59,524	59,524	59,524
Earnings per share/EGP	132.79	51.93	55.62	24.06

- 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

	<u>30-September-23</u>	<u>31-December-22</u>
	<u>EGP000</u>	<u>EGP000</u>
Term loans	134,791	142,411
Current balances	-	34,453
Non-current balances	134,791	107,958
	<u>134,791</u>	<u>142,411</u>

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11. Loans and advances to customers (Net)

	<u>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
Retail:		
Overdrafts	73,129	92,602
Credit cards	2,985,195	2,064,948
Personal loans	7,272,681	5,509,229
Mortgage loans	511	719
Total	<u>10,331,516</u>	<u>7,667,498</u>
Corporate loans including small loans:		
Overdrafts	3,107,472	3,831,433
Direct loans	19,843,375	19,308,241
Syndicated loans	9,020,725	10,096,972
Total	<u>31,971,572</u>	<u>33,236,646</u>
Total loans and advances to customers	<u>42,303,088</u>	<u>40,904,144</u>
Less: expected credit loss " ECL "	(3,739,635)	(2,979,726)
Net	<u>38,563,453</u>	<u>37,924,418</u>

During the period ended 30 September 2023, the Bank has accepted trading financial securities with a fair value amounting to EGP 176,020 thousand as a commercial loan guarantee (EGP 200,977 as at 31 December 2022).

Notes to the interim condensed separate financial statements - for the Nine months ended 30 September 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:

30-Sep-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)	(725)	2,814	2,418	-	4,507
Amounts written off during the period	-	(11,443)	(14,162)	-	(25,605)
Amounts recovered during period	-	7,639	9,011	-	16,650
Foreign revaluation difference related to provision	-	58	436	-	494
Balance at the end of the period	1,798	17,411	23,566	-	42,775

	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 reversed	46,230	509,241	-	555,471
Amounts written off during the period	(32,478)	(9,008)	-	(41,486)
Amounts recovered during the period	-	500	-	500
Foreign revaluation difference related to provision	41,258	188,474	19,646	249,378
Balance at the end of the period	536,765	2,911,048	249,047	3,696,860

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/(reversed)	(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

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12. Financial investments

	<u>30-Sep-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)	6,181,039	11,291,864
Debt instruments unlisted (Mutual fund)	34,539	30,897
Financial investments at fair value through OCI	6,248,447	11,355,630
Total financial investments	6,248,447	11,355,630
Current balances	5,289,174	9,224,010
Non-current balances	959,273	2,131,620
Total	6,248,447	11,355,630
 <u>Financial assets at amortized cost</u>		
<u>Debt instruments listed</u>		
Government Bonds	1,546,050	3,705,635
Total financial investments	7,794,497	15,061,265

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>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>	<u>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>	<u>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
Treasury bills – Egyptian	36,183,132	23,300,265	1,987,118	10,801,413	38,170,250	34,101,678
Treasury bills – United states of America	12,307,320	7,407,380	0	0	12,307,320	7,407,380
Total	48,490,452	30,707,645	1,987,118	10,801,413	50,477,570	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>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>	<u>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>	<u>30-Sep-23</u> <u>EGP000</u>	<u>31-Dec-22</u> <u>EGP000</u>
91 days maturity	2,156,596	7,538,990	0	0	2,156,596	7,538,990
182 days maturity	18,494,437	8,520,960	0	4,863,001	18,494,437	13,383,961
273 days maturity	19,748,543	51,781	0	2,392,837	19,748,543	2,444,618
364 days maturity	8,090,876	14,595,914	1,987,118	3,545,575	10,077,994	18,141,489
Total	48,490,452	30,707,645	1,987,118	10,801,413	50,477,570	41,509,058

Treasury bills includes EGP 623,603 thousands related to end of service compensation benefits and related Treasury bills fair value reserve EGP 9,996 thousand (End of Service Treasury bills amounted to EGP 608,734 thousand as of 31 December 2022)

Treasury bills fair value reserve reached EGP (84,824) as of 30 September 2023 against EGP (168,070) as of 31 December 2022 (with net change of EGP 110,449 thousands).

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14. Investment in subsidiary

A.

	30-Sep-23	31-Dec-22
	<u>EGP000</u>	<u>EGP000</u>
Cost	35,517	35,517
Impairment	<u>(23,471)</u>	<u>(23,471)</u>
Net	<u>12,046</u>	<u>12,046</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 December 31, 2022 from HSBC's consolidated balance sheet.

	Company's	Ownership	Company's	Company's	Company's
	country	%	Assets	liabilities	Loss
HSBC Securities Egypt Company SAE	Egypt	98.00%	0.01%	0.01%	(0.35%)

15. Intangible assets

	Computer software	
	30-Sep-23	31-Dec-22
	<u>EGP000</u>	<u>EGP000</u>
Balance at the beginning of the current period/year		
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/year	<u>498,839</u>	<u>346,367</u>
Additions	121,183	227,645
Disposals (Cost)	-	(42,063)
Amortization	(142,400)	(76,567)
Impairment provision reversal	-	43,457
Net book value at the end of the current period/year	<u>477,622</u>	<u>498,839</u>
Balance at the end of the current period/year		
Cost	843,927	722,744
Accumulated amortization	(366,305)	(223,905)
Net book value at the end of the current period/year	<u>477,622</u>	<u>498,839</u>

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16. Other assets

	30-September-23	31-December-22
	EGP000	EGP000
Accrued revenues	1,628,237	1,466,546
Prepaid expenses	56,437	37,299
Ownership assets transferred to B&D (net of impairment)	10,293	10,293
Costs of branches under construction	18,177	34,341
Others	636,355	531,042
Advances for projects under process	631,658	290,967
Impairment from provision ECL	(2,315)	(2,476)
Total	2,978,842	2,368,012

17. Fixed assets

	Land & buildings	Leasehold improvement	Machines and equipment	Others	Total EGP000
Balance at the beginning of the current period/year					
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/year	104,440	84,661	527,712	12,711	729,524
Additions	-	-	330,647	-	330,647
Disposals (Cost)	-	-	(69,008)	-	(69,008)
Disposals (Accumulated depreciation)	-	-	1,414	-	1,414
Depreciation for the period	(8,682)	(23,910)	(53,604)	(11,220)	(97,416)
Net book value at the end of the period/year	95,758	60,751	737,161	1,491	895,161
Balance at the end of the current period/year					
Cost	357,528	247,332	929,047	165,939	1,699,846
Accumulated depreciation	(261,770)	(186,581)	(191,886)	(164,448)	(804,685)
Net book value at the end of the current period/year	95,758	60,751	737,161	1,491	895,161

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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.

	30-September-23 EGP000	31-December-22 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	(7,032)	(9,845)
Net book value at the end of the period / year	45,214	52,246
Balance at the end of the period / year		
Cost	163,112	163,112
Accumulated depreciation	(117,898)	(110,866)
Net book value at the end of the period / year	45,214	52,246

19. Customers' deposits

	30-September-23 EGP000	31-December-22 EGP000
Demand deposits	85,926,433	69,864,711
Time and call deposits	43,072,776	32,730,094
Certificates of savings and deposits	12,040,474	14,520,812
Saving deposits	32,149,236	30,372,380
Other deposits	6,633,379	3,658,983
	179,822,298	151,146,980
Corporate deposits	101,008,473	81,209,756
Retail deposits	78,813,825	69,937,224
	179,822,298	151,146,980
Non-interest bearing balances	90,033,494	72,682,062
Interest bearing balances	89,788,804	78,464,918
	179,822,298	151,146,980

Customers' deposits include deposits of EGP 2,146,560 thousand as of 30 September 2023 against EGP 1,371,613 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

	30-September-23	31-December-22
	EGP000	EGP000
Accrued interest	715,747	380,466
Deferred income	112,604	97,861
Accrued expenses	577,660	447,898
Creditors	4,579,266	988,125
Other credit balances	1,859,562	1,279,978
Total	7,844,839	3,194,328

- The creditors' balance includes an amount of EGP 3,853,923 thousands in September 2023 compared to 446,615 in December 2022. This amount represents payments for taxes owed by customers that have not yet been transferred to e-Finance.

21. Other provisions

	Provision for claims		Provision for contingent liabilities (ECL)		Total	
	30-Sep 2023	31-Dec 2022	30-Sep 2023	31-Dec 2022	30-Sep 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	65,295	54,477	144,759	-	210,054	54,477
Provisions valuation differences	2,226	2,980	13,466	62,667	15,692	65,647
	137,285	111,964	416,162	429,556	553,447	541,520
Used during the period/year	(48,373)	(42,198)	-	-	(48,373)	(42,198)
No longer required	(1,451)	(2)	-	(171,619)	(1,451)	(171,621)
Balance at the end of the period/year	87,461	69,764	416,162	257,937	503,623	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 period	59.523810	5,000,000	5,000,000	6,728
Balance at 30 September 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

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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, the Authorized capital amounted to EGP 10,000,000,000.

23. Reserves and retained earnings.

	30-September-23 EGP000	31-December-22 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	(285,897)	(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	4,813,700	3,894,681

Reserves movements during the period are as follows:

A) General reserve

	30-September-23 EGP000	31-December-22 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

B) Legal reserve

	30-September-23 EGP000	31-December-22 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

	30-September-23 EGP000	31-December-22 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

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D) Reserves for excess over par value - issuance premium

	30-September-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

	30-September-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	83,246	(153,453)
Net change in investments FVOCI- Bonds	256,441	(731,813)
Net change in investments FVOCI- Mutual funds	3,642	2,916
Net change in investments FVOCI- Equity instruments	-	904
Deferred tax for financial investment through OCI	(19,007)	85,828
Expected credit loss - Financial investment at FVOCI	46,153	1,073
Balance at the end of the period/year	(285,897)	(656,372)

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

F) General risk reserves

	30-September-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

	30-September-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.

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H) Retained earnings

	30-September-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	8,782,558	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 to capital reserve	-	(11,457)
Transferred to general reserve	(274,272)	(164,975)
Transferred to general bank risk reserve	-	(89,661)
Balance at the end of the period/year	18,798,791	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 30 September 2023. There is provision formed with EGP 21 thousand during this period against these lawsuits, there is a refund from legal provision with EGP 1 451 thousand and utilized the amount of EGP 641 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:

	30-September-23	31-December-22
	EGP000	EGP000
Acceptances	2,164,672	1,406,739
Letters of guarantee	55,521,589	44,383,127
Letters of credit (import and export)	2,568,411	3,443,507
Other contingent liabilities	910,731	1,696,009
Commitments for loans	2,362,383	377,833
Cash margin	(2,492,978)	(2,106,813)
Total	61,034,808	49,200,402

C) Commitments for operating lease contracts

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

	30-September-23	31-December-22
	EGP000	EGP000
Less than one year	15,883	11,824
More than one year and less than five years	15,183	19,185
More than five years	3,997	5,496
Total	35,063	36,505

26. Related party transactions

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

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

The Extraordinary General Assembly of the company decided on November 1, 2021 to put the company under liquidation and appoint a liquidator, and a provision for impairment of EGP 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	
	30-September-23	31-December-22
	EGP000	EGP000
Statement of financial position		
Subordinated loans note (27)	2,072,000	2,072,000
Statement of income statement		
Interest expenses	309,169	195,461

B- Deposits from related parties

	Subsidiaries	
	30-September-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	(1,620)	(20,209)
Deposits at the end of the period/year	13,604	15,224

C- Other related party transactions

	HSBC group	
	30-September-23	31-December-22
	EGP000	EGP000
Statement of income statement		
Operating lease	62,943	32,135
Head office services revenue	116,626	52,474
Cost of services provided by HSBC Group	(2,098,743)	(833,801)
Total	(1,919,174)	(749,192)

	HSBC group	
	30-September-23	31-December-22
	EGP000	EGP000
Statement of financial position		
Due from banks	3,161,350	1,112,154
Loans and advances to banks	134,791	107,958
Due to banks	1,980,856	1,827,555
Total	5,276,997	3,047,667

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27. Subordinated loans

	Current interest rate	30-September-23 EGP000	31-December-22 EGP000
Subordinated loans, variable interest rate (1)	23.75%	272,000	272,000
Subordinated loans, variable interest rate (2)	22.00%	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 year1992 and its Executive Regulations. The fund is managed by Hermes for Managing Mutual Funds. The certificates of the fund reached 1,000,000 certificates with an amount of EGP 100,000,000 of which 50,000 certificate (with nominal value of EGP 5,000,000) were allocated to the Bank to undertake the funds' activity.

The Bank held as of 30 September 2023, 78,559 certificates amounting to EGP 9,141,998 with a redeemable value amounting to EGP 34,538,753 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 421.69 against EGP 393.29 as of 31 December 2022. The outstanding certificates reached 2,677,259 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 2,480 thousand for the period ended 30 September 2023 against EGP 2,891 thousand for the period ended 30 June 2023 under the item of fees and commission income caption in the income statement.

29 - Important events

During 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 at 22nd June 2023 to hold the overnight deposit rate, the overnight lending rate, and the rate of the main operation on 18.25 %, 19.25 %, and 18.75 %, respectively. In its meeting at 3rd August 2023, 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 100 bps to 19.25 percent, 20.25 percent, and 19.75 percent, respectively. The discount rate was also raised by 100 bps to 19.75 percent.

30-Subsequent events

During the subsequent period, Moody's credit rating agency lowered Egypt's credit rating from B3 to Caa1 with a stable outlook. Also, Standard & Poor's agency lowered Egypt's credit rating from B to B- with a stable outlook. The bank's management is currently evaluating the potential impacts resulting from the previous events on the financial statements in the fourth quarter of the fiscal year.