**EFG – Hermes Holding Company**
**(Egyptian Joint Stock Company)**

**Consolidated financial statements**
**for the year ended 31 December 2012**
**&**
**Auditor's Report**

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KPMG

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# Auditor's Report

## To the Board of Directors of the EFG – Hermes Holding Company

### *Report on the Financial Statements*

We have audited the accompanying consolidated financial statements of EFG – Hermes Holding Company and its subsidiaries which comprise the consolidated balance sheet as at 31 December 2012, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

### *Auditor's Responsibility*

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of the group as of December 31, 2012 and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations relating to the preparation of these financial statements.

*Explanatory Note*

Without qualifying our opinion, we draw attention to Note No. (31) to the financial statements. On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and published in the Official Gazette on that date. Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions. Due to the lack of emphatic information to the management on the enforcement date of such resolutions or the date of cancellation ,the management hereby did not affect the tax bases, the related assets and liabilities , the results of operations during the year and the net profit available for distribution. These amounts and results may differ when reliable information become available on the enforcement of such resolutions and the effective date therefore.

Hassan Bas

KP~~MG Hazem~~ Hassan

Cairo, March 31, 2013

KPMG Hazem Hassan
Public Accountants and Consultants
(11)

**EFG - Hermes Holding Company**
**(Egyptian Joint Stock Company)**
**Consolidated balance sheet**
**as at 31 December 2012**

| | Note no. | 31/12/2012 LE | 31/12/2011 LE (Amended) |
|---|---|---|---|
| **Assets** | | | |
| Cash and due from banks | (5) | 13 481 980 783 | 12 287 220 080 |
| Investments at fair value through profit and loss | (6) | 633 227 335 | 817 449 045 |
| Accounts receivables (net) | (7) | 84 820 830 | 382 556 027 |
| Assets classified as held for sale | (4-1) | 3 346 987 421 | - |
| Loans and advances | (8) | 14 285 075 365 | 12 037 028 726 |
| Available -for- sale investments | (9) | 1 400 401 325 | 1 168 979 102 |
| Held-to-maturity investments | (10) | 20 604 633 793 | 18 681 518 778 |
| Investments in associates | (11) | 72 500 400 | 67 344 000 |
| Investment property | (12) | 132 062 511 | 320 045 183 |
| Fixed assets (net) | (13) | 1 153 170 000 | 1 105 532 741 |
| Goodwill and other intangible assets | (14) | 3 607 068 559 | 4 091 559 340 |
| Other assets | (15) | 694 102 912 | 1 531 935 847 |
| **Total assets** | | **59 496 031 234** | **52 491 168 869** |
| **Liabilities** | | | |
| Due to banks and financial institutions | (16) | 559 230 000 | 613 772 600 |
| Customers' deposits | (17) | 44 191 048 838 | 38 163 023 300 |
| Accounts payables - customers' credit balances | | 2 486 650 | 483 536 711 |
| Liabilities classified as held for sale | (4-2) | 953 163 490 | - |
| Bonds | (18) | 506 028 600 | 486 932 000 |
| Creditors and other credit balances | (19) | 1 465 720 186 | 1 680 366 419 |
| Current tax liability | | 68 280 980 | 87 810 614 |
| Other provisions | (21) | 338 830 990 | 348 251 688 |
| **Total liabilities** | | **48 084 789 734** | **41 863 693 332** |
| **Shareholders' equity** | | | |
| Share capital | (22) | 2 391 473 750 | 2 391 473 750 |
| Legal reserve | | 961 257 586 | 956 785 000 |
| Share premium | | 3 294 067 512 | 3 294 067 512 |
| Other reserves | | 600 494 783 | (31 961 357) |
| Retained earnings | | 1 439 922 052 | 1 463 890 665 |
| | | 8 687 215 683 | 8 074 255 570 |
| Treasury shares | (22-1) | (6 918 613) | (6 918 613) |
| Shareholders' equity | | 8 680 297 070 | 8 067 336 957 |
| Net profit for the year | | 59 577 880 | 119 991 689 |
| Shareholders' equity including net profit for the year | | 8 739 874 950 | 8 187 328 646 |
| Non - controlling interests | (23) | 2 671 366 550 | 2 440 146 891 |
| **Total shareholders' equity** | | **11 411 241 500** | **10 627 475 537** |
| **Total shareholders' equity and liabilities** | | **59 496 031 234** | **52 491 168 869** |

The accompanying notes from page (5) to page (44) are an integral part of these financial statements and are to be read therewith.

~~Auditor's Report "attached"~~

| Mona Zulficar | Yasser El Mallawany | Hassan Heikal |
|---|---|---|
| Chairperson | Executive Managing Director | Executive Managing Director |

**EFG - Hermes Holding Company**

**(Egyptian Joint Stock Company)**

**Consolidated income statement**

**for the year ended 31 December, 2012**

| | Note no. | For the year ended 31/12/2012 LE | For the year ended 31/12/2011 LE (Amended) |
|---|---|---|---|
| **Continuing operations** | | | |
| Fee and commission income | | 456 484 984 | 445 946 289 |
| Fee and commission expense | | ( 143 357 872) | ( 134 972 640) |
| Net fee and commission income | | 313 127 112 | 310 973 649 |
| Securities gains | | 37 005 842 | 38 892 355 |
| Share of profit of associate | (11) | 5 757 458 | 5 342 040 |
| Changes in the investments at fair value through profit and loss | | 85 914 141 | 438 265 |
| Foreign currencies differences | | 13 372 694 | 31 898 486 |
| Other income | (20) | 52 799 413 | 72 636 875 |
| Noninterest revenue | | 507 976 660 | 460 181 670 |
| Interest and dividends income | | 2 604 041 980 | 2 494 873 685 |
| Interest expense | | (1 786 153 645) | (1 665 639 608) |
| Net interest income | | 817 888 335 | 829 234 077 |
| Total net revenue | | 1 325 864 995 | 1 289 415 747 |
| General administrative expenses | (28) | 927 570 473 | 823 019 830 |
| Net losses on loans and advances | (8) | 34 160 378 | 20 374 200 |
| Other provisions | (21) | 39 647 081 | 78 690 371 |
| Depreciation and amortization | (13),(14) | 74 878 614 | 69 139 038 |
| Impairment loss on assets | (25) | 242 760 | 1 121 736 |
| Total noninterest expenses | | 1 076 499 306 | 992 345 175 |
| Net profit before income tax | | 249 365 689 | 297 070 572 |
| Income tax expense | (26) | ( 46 246 736) | ( 70 230 852) |
| **Net profit from continuing operations** | | 203 118 953 | 226 839 720 |
| **Discontinued operation** | | | |
| Profit from discontinued operation (net of tax) | (4-3) | 8 018 802 | 68 272 097 |
| **Net profit for the period** | | 211 137 755 | 295 111 817 |
| Equity holders of the parent | | 59 577 880 | 119 991 689 |
| Non - controlling interests | (23) | 151 559 875 | 175 120 128 |
| | | 211 137 755 | 295 111 817 |
| Earnings per share | (29) | 0.12 | 0.25 |

The accompanying notes from page (5) to page (44) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the year ended 31 December, 2012

| | Note no. | Share capital | Legal reserve | Share premium | Other reserves: General reserve | Other reserves: Special reserve | Other reserves: Translation reserve | Other reserves: Fair value reserve | Other reserves: Hedging reserve | Other reserves: Cumulative adjustments | Other reserves: Other reserves | Retained earnings | Treasury shares | Net profit for the year | Interim dividends | Non - controlling interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE | LE |
| Balance as at 31 December,2010 | | 1 913 570 000 | 956 785 000 | 3 294 067 512 | 373 146 | 41 600 000 | 116 063 387 | 348 074 103 | ( 26 442 387) | ( 19 106 177) | 16 416 281 | 2 132 104 558 | - | 707 910 729 | ( 774 517 396) | 2 232 176 534 | 10 939 075 290 |
| Share capital increase | (22) | 477 903 750 | - | - | - | - | - | - | - | - | - | ( 477 903 750) | - | - | - | - | - |
| Foreign currencies translation differences | | - | - | - | - | - | 69 205 337 | - | - | - | - | - | - | - | - | - | 69 205 337 |
| Net changes in the fair value of available -for-sale investments | | - | - | - | - | - | - | (693 789 497) | - | - | - | - | - | - | - | - | ( 693 789 497) |
| Other reserves | | - | - | - | - | - | - | - | - | - | 119 417 959 | - | - | - | - | - | 119 417 959 |
| Cumulative adjustments | | - | - | - | - | - | - | - | - | ( 3 773 509) | - | - | - | - | - | - | ( 3 773 509) |
| Purchasing of treasury shares | | - | - | - | - | - | - | - | - | - | - | - | ( 6 918 613) | - | - | - | ( 6 918 613) |
| 2010 dividends payout | | - | - | - | - | - | - | - | - | - | - | ( 190 310 143) | - | ( 707 910 729) | 774 517 396 | - | ( 123 703 476) |
| Change in non - controlling interests | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 32 850 229 | 32 850 229 |
| Net profit for the year ended 31 December, 2011 | | - | - | - | - | - | - | - | - | - | - | - | - | 132 579 926 | - | 175 120 128 | 307 700 054 |
| Balance as at 31 December, 2011 (before adjustments) | | 2 391 473 750 | 956 785 000 | 3 294 067 512 | 373 146 | 41 600 000 | 185 268 724 | ( 345 715 394) | ( 26 442 387) | ( 22 879 686) | 135 834 240 | 1 463 890 665 | ( 6 918 613) | 132 579 926 | - | 2 440 146 891 | 10 640 063 774 |
| Prior years adjustment | (34) | - | - | - | - | - | - | - | - | - | - | - | - | ( 12 588 237) | - | - | ( 12 588 237) |
| Balance as at 31 December, 2011 (amended) | | 2 391 473 750 | 956 785 000 | 3 294 067 512 | 373 146 | 41 600 000 | 185 268 724 | ( 345 715 394) | ( 26 442 387) | ( 22 879 686) | 135 834 240 | 1 463 890 665 | ( 6 918 613) | 119 991 689 | - | 2 440 146 891 | 10 627 475 537 |
| Foreign currencies translation differences | | - | - | - | - | - | 205 279 910 | - | - | - | - | - | - | - | - | - | 205 279 910 |
| Net changes in the fair value of available -for-sale investments | | - | - | - | - | - | - | 333 988 465 | - | - | - | - | - | - | - | - | 333 988 465 |
| Other reserves | | - | - | - | - | - | - | - | - | - | 82 734 710 | - | - | - | - | - | 82 734 710 |
| Cumulative adjustments | | - | - | - | - | - | - | - | - | 10 453 055 | - | - | - | - | - | - | 10 453 055 |
| 2011 dividends payout | | - | 4 472 586 | - | - | - | - | - | - | - | - | ( 23 968 613) | - | ( 119 991 689) | - | - | ( 139 487 716) |
| Change in non - controlling interests | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 79 659 784 | 79 659 784 |
| Net profit for the year ended 31 December, 2012 | | - | - | - | - | - | - | - | - | - | - | - | - | 59 577 880 | - | 151 559 875 | 211 137 755 |
| Balance as at 31 December, 2012 | | 2 391 473 750 | 961 257 586 | 3 294 067 512 | 373 146 | 41 600 000 | 390 548 634 | ( 11 726 929) | ( 26 442 387) | ( 12 426 631) | 218 568 950 | 1 439 922 052 | ( 6 918 613) | 59 577 880 | - | 2 671 366 550 | 11 411 241 500 |

The accompanying notes from page (5) to page (44) are an integral part of these financial statements and are to be read therewith.

**EFG - Hermes Holding Company**
**(Egyptian Joint Stock Company)**
**Consolidated statement of cash flows**
**for the year ended 31 December, 2012**

| | For the year ended 31/12/2012 LE | For the year ended 31/12/2011 LE |
|---|---|---|
| **Cash flows from operating activities** | | |
| Net profit before income tax | 249 365 689 | 297 070 572 |
| **Adjustments to reconcile net profit to net cash provided by operating activities** | | |
| Profit from discontinued operation | 32 814 426 | 77 998 327 |
| Depreciation and amortization | 92 445 970 | 95 590 080 |
| Povisions formed | 91 578 668 | 107 245 262 |
| Provisions used | ( 14 862 554) | ( 12 238 815) |
| Provisions reversed | ( 30 978 907) | ( 50 299 688) |
| Losses (gains) on sale of fixed assets | 2 827 373 | ( 10 751) |
| Losses (gains) on sale of available -for- sale investments | 16 068 960 | ( 1 658 310) |
| Gains on sale of unquoted assets ready for sale | ( 4 005 807) | ( 7 587 360) |
| Losses on sale of investments in associates | - | 657 360 |
| Gains on selling Investment Real Property | ( 8 966 295) | - |
| Changes in the fair value of investments at fair value through profit and loss | ( 85 292 057) | 1 793 898 |
| Share of profit of equity - accounted invesetees | ( 4 195 800) | - |
| Impairment loss on assets | 9 214 069 | 825 457 |
| Changes in the fair value of investments property | 2 951 987 | - |
| Foreign currency translation differences | 286 804 798 | 22 029 369 |
| Interest expense | 25 249 276 | ( 38 256 169) |
| Currency differences gains | (8 901 858) | ( 21 008 665) |
| Operating profit before changes in working capital | 652 117 938 | 472 150 567 |
| Decrease (increase) in other assets | 257 825 857 | ( 301 249 380) |
| Decrease in creditors and other credit balances | ( 129 187 483) | ( 156 523 421) |
| Change in loans and advances | (1 648 407 600) | (1 914 752 000) |
| Change in customers' deposits | 4 189 153 038 | 3 857 724 165 |
| (Increase) decrease in accounts receivables | ( 242 958 563) | 381 412 144 |
| Increase (decrease) in accounts payables | 209 446 931 | ( 163 108 160) |
| (Increase) decrease in investments at fair value through profit and loss | ( 58 784 385) | 179 526 897 |
| Change in financial assets (over 3 months) | (1 062 301 800) | (1 842 252 000) |
| Income tax paid | ( 84 621 964) | ( 343 911 684) |
| Net cash provided from operating activities | 2 082 281 969 | 169 017 128 |
| **Cash flows from investing activities** | | |
| Payments to purchase fixed assets | ( 179 991 006) | ( 148 943 143) |
| Proceeds from sale of fixed assets | 4 509 855 | 172 537 539 |
| Proceeds from projects under construction | 2 055 612 | 5 686 408 |
| Proceeds from sale of available -for- sale investments | 655 852 706 | 258 571 787 |
| Payments to purchase available -for- sale investments | ( 595 668 937) | ( 204 665 971) |
| Proceeds from sale of investments in subsidiaries and associates | - | 140 988 |
| Payments to purchase investments in subsidiaries and associates | ( 1 789 200) | ( 14 636 654) |
| Payments to purchase held to maturity investments | (1 076 791 800) | - |
| Proceeds from sale of held to maturity investments | - | 65 356 000 |
| Increase in long term lending | ( 24 830 021) | ( 14 817 280) |
| Payments to companies' share in Settlement Guarantee Fund | ( 211 110) | ( 2 451 839) |
| Proceeds from / payments to sale of non -current assets held for sale | 91 830 892 | ( 5 344 640) |
| Net cash (used in) provided from investing activities | (1 125 033 009) | 111 433 195 |
| **Cash flows from financing activities** | | |
| Purchasing of treasury shares | - | ( 6 918 613) |
| Changes in retained earnings | - | 322 115 387 |
| Paid dividends | ( 57 625 396) | ( 95 423 917) |
| Payments to long term loans | ( 15 584 600) | ( 49 990 226) |
| Payments to preferred shares | - | ( 300 700 000) |
| Change in non-controlling interests | ( 4 601 436) | ( 4 988 520) |
| Net cash used in financing activities | ( 77 811 432) | ( 135 905 889) |
| Net change in cash and cash equivalents during the year | 879 437 528 | 144 544 434 |
| Cash and cash equivalents at the beginning of the year (note no. 27) | 7 102 502 629 | 6 918 344 840 |
| Cash and cash equivalents at the end of the year (note no. 27) | 7 981 940 157 | 7 062 889 274 |

The accompanying notes from page (5) to page (44) are an integral part of these financial statements and are to be read therewith.

**EFG- Hermes Holding Company**
**(Egyptian Joint Stock Company)**
**Notes to the consolidated financial statements**
**for the year ended 31 December 2012**

## 1- Description of business

### 1-1 Legal status

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.
- EFG – Hermes is the leading investment bank in the Arab world and market leader in securities brokerage, investment banking, asset management, private equity and research.
- EFG-Hermes Group has been converted from an investment bank to an universal bank through the acquisition of Credit Libanais SAL (the Bank) group.

### 1-2 Purpose of the company

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14, 2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.

### 1-3 Acquisition of the Credit Libanais SAL (the Bank)

- During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stack in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million and the purchase agreement includes a Call Option for an additional 25 % of the Bank's shares. The call option will be exercisable over the next two years, at the terms including pricing same as those applicable to the initial acquisition. The company obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title had been completed.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

| | LE |
|---|---|
| Total assets | 32 750 757 718 |
| Total liabilities | (30 550 046 293) |
| Net carrying value of assets | 2 200 711 425 |
| Increase in carrying value - intangible assets | 3 175 551 947 |
| Increase in carrying value - other assets | 287 117 311 |
| **Fair value of identifiable assets acquired and liabilities assumed** | 5 663 380 683 |

The non-controlling interest has been accounted at its proportionate interest in the fair value of the identifiable assets and liabilities at the acquisition date.

- Credit Libanais SAL (the Bank) has subsidiaries, so the consolidated financial statements of the company for the year ended 31 December 2012 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

| **Company** | **% of control** |
|---|---|
| Credit Libanais Investment Bank SAL | 99.86 |
| Lebanese Islamic Bank SAL | 99.84 |
| Credit International SA | 92.82 |
| Cedar's Real Estate SAL | 99.92 |
| Soft Management SAL | 47 |
| Hermes Tourism & Travel SAL | 99.99 |
| Crédit Libanais d'Assurances et de Réassurances SAL | 66.97 |
| Business Development Center SARL | 98.62 |
| Capital Real Estate SAL | 98 |
| Credilease SAL | 99.26 |
| Collect SAL | 44.94 |

All subsidiaries were incorporated in Lebanon except for Credit International SA, which was incorporated in Senegal.

## 2- Basis of preparation

### 2-1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

### 2-2 Basis of measurement

- The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value:
  - Derivative financial instruments.
  - Financial instruments at fair value through profit and loss.
  - Available-for-sale financial assets.
- The determination of fair values of financial instruments traded in active markets is based on quoted market prices. For financial instruments where there is no quoted price, fair value is determined by using valuation techniques. Valuation techniques include net present value technique, the discounted cash flow method and comparison to similar instruments for which market observable prices exist.

## 2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pounds (LE) which is the Company's functional currency.

## 2-4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (21) – other provisions.
- Note (24) – contingent liabilities, valuation of financial instruments.
- Note (19-1) – recognition of deferred tax assets and liabilities.

## 2-5 Financial assets and liabilities

**Recognition and derecognition:**

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

**Offsetting**

Financial assets and liabilities are set-off and the net amount is presented in the financial position when, and only when, the Group has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 3- Significant accounting policies applied

The accounting policies set out below have been applied consistently with those applied in the previous period presented in these consolidated financial statements and applied consistently by Group's entities.

### 3-1 Basis of consolidation

The consolidated financial statements include the following companies:

#### 3-1-1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- Non - controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the profit or loss of the group shall also be separately disclosed.
- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

#### 3-1-2 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.
Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

### 3-2 Translation of the foreign currencies transactions

The holding company and some of its subsidiaries maintain their books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

### 3-3 Translation of the foreign subsidiaries' financials

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the year end, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

### 3-4 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

*Cash flow hedges*

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

*Fair value hedges*

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at faire value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

**3-5 Non-current assets held for sale**

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

## 3-6 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-11). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

| | **Estimated useful life** |
|---|---|
| - Buildings | 33.3 - 40 years |
| - Office furniture, equipment & electrical appliances | 2-16.67 years |
| - Computer equipment | 3.33 - 5 years |
| - Transportation means | 3.33 - 8 years |

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

## 3-7 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

## 3-8 Intangible assets

### 3-8-1 Goodwill

Goodwill (positive and negative) represents amounts arising on acquisition of subsidiaries, associates. Goodwill (positive and negative) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

- Positive goodwill is stated at cost less impairment losses (note 3-11).
- While negative goodwill arose from business combinations after applying International Financial Reporting Standards (IFRS3) will be recognized directly in the income statement.

- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

**3-8-2 Other intangible assets**

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (note 3-11). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets which have useful lives.

The following are the estimated useful lives, for each class of assets, for amortization calculation purposes:

| | Estimated useful life |
|---|---|
| - Research and development expenses | 3 years |
| - Key money | 10 years |
| - License and franchise | 5 years |
| - Software | 3 years |

**3-8-3 Subsequent expenditure**

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

**3-9 Treasury bills**

Treasury bills are recorded at nominal value and the unearned income is recorded under the item of "creditors and other credit balances". Treasury bills are presented on the balance sheet net of the unearned income.

**3-10 Investments**

**3-10-1 Investments at fair value through profit and loss**

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

**3-10-2 Available-for-sale financial investments**

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably are valued by an accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the company can not estimate the fair value, it can be stated at cost less impairment loss.

**3-10-3 Held-to-maturity investments**

Held-to-maturity investments are bought with the ability and intention to hold until maturity. They are stated in the statement of financial position at their amortized cost, after taking into account any discount or premium on acquisition, less provision for impairment value. Differences between amortized cost and redemption price are prorated over the period of the securities.

**3-10-4 Investment property**

Investment property is recorded at fair value, any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

**3-11 Impairment**

**3-11-1 Financial assets**

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

**3-11-2 Non-financial assets**

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

## 3-12 Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents includes the balances, whose maturity not exceeding three months from the date of acquisition and the balances included cash on hand, cheques under collection and due from banks and financial institutions.

### 3-13 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, Interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

### 3-14 Other assets

Other assets are recognized at cost less impairment losses (note 3-11).

### 3-15 Provisions

Provisions are recognized when the group has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

### 3-16 Legal reserve

The Company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be ceased when the total reserve reaches an amount equal to half of the company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

### 3-17 Share capital

#### 3-17-1 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

#### 3-17-2 Dividends

Dividends are recognized as a liability in the year in which they are declared.

## 3-18 Revenue recognition

### 3-18-1 Gain (loss) on sale of investments

Gain (loss) resulting from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses. In case of derecognizing of investments in associate, the difference between the carrying amount and the sum of both the consideration received and cumulative gain or loss that had been recognized in shareholders' equity shall be recognized in profit or loss.

### 3-18-2 Dividend income

Dividend income is recognized when declared.

### 3-18-3 Custody fee

Custody fees are recognized when the service is provided and the invoice is issued.

### 3-18-4 Interest income and expenses

Interest income and expenses are recognized in the income statement under "Interest income" item or "Interest expenses" by using the effective interest rate of all instruments bearing interest other than those classified held for trading or which have been classified when at inception fair value through profits and losses.

### 3-18-5 Fee and commission income

Fee related to servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records off the balance sheet. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized. As for fees which represent an integral part of the actual return on the financial assets, they are treated as an amendment to the rate of actual return.

### 3-18-6 Brokerage commission

Brokerage commission resulting from purchase of and sale of securities operations in favor of clients are recorded when operation is implemented and the invoice is issued.

**3-18-7 Management fee**

Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.

**3-18-8 Incentive fee**

Incentive fee is calculated based on certain percentages of the annual return realized by the fund and portfolio, however these incentive fee will not be recognized until revenue realization conditions are satisfied and there is adequate assurance of collection.

**3-19 Long term lending**

Long term lending is recognized at cost net of any impairment loss. The group evaluates the loans at the balance sheet date, and in case of impairment in the redeemable value of the loan the loan is reduced by the value of impairment loss which is recognized in income statement.

**3-20 Expenses**

**3-20-1 Employees' pension**

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

**3-20-2 Taxation**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Taxation is provided for in accordance with the fiscal regulations of the respective countries in which the Company and its subsidiaries operate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**3-21 Earnings per share**

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

**3-22 Profit sharing to employees**

The holding company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

**3-23 Loans and advances to customers and related provision**

Loans and advances to customers are stated at principal together with interest earned at the statement of financial position date, and after deduction of unrealized interest and provisions on sub-standard, doubtful and bad debts. These provisions are reviewed periodically by the management of the Bank, using criteria that are consistent with those of the preceding year. Specific provision for credit losses is determined by assessing each case individually.

Provisions for doubtful and bad debts are set up to cover any possible losses in principal and interest in the existing portfolio of loans and advances to customers and contingent accounts.

The level of provision to be constituted is based on the difference between the book value and the present value of the expected future cash flows after taking into consideration the realizable value of the guarantees provided. This provision charge is accounted in the statement of income. No general provisions are requested on the loan portfolio apart from the "Reserve for general banking risks".

Provisions on doubtful accounts are written back to income only when the debt is restructured or repayment effectively resumed. Provision charges and provisions written back are recorded under "Net losses on loans and advances", in the statement of income.

Doubtful and bad loans and advances are written-off from the statement of financial position and are recorded as memorandum accounts when all possible means of collection recourses have been exhausted, and the possibility if any future recovery is considered to be remote.

**3-24 Unrealized interest on sub-standard, doubtful and bad debts**

Interest on non performing loans and advances are only recognized in the statement of income upon realization. Interest receivable from sub-standard, doubtful and bad loans is reserved and deducted directly from the loan accounts at the year-end.

Interests are transferred to the "unrealized interest" account for every loan considered by the management as doubtful in the short run and transferred to the "non ordinary loans" account in accordance with the Lebanon Central Bank Circular N° 58.

**3-25 Assets acquired in satisfaction of loans (unquoted assets ready for sale)**

Real estate property acquired through the enforcement of security over loans and advances to customers is measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the Lebanon Banking Authorities which require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the Group's lead regulator requires an appropriation from the yearly net income to a special reserve that is reflected under equity. This reserve can neither be distributed nor considered as an equity component while calculating the ratios set according to applicable laws, regulations and decisions.

**3-26 Due from banks and other financial institutions**

These are stated at cost less any amounts written off and provision for impairment where necessary.

**3-27 Customers' deposits**

All money market and customer deposits are carried at cost including interest, less amounts repaid.

### 3-28 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly did not recorded in the balance sheet.

### 3-29 Reserves for general banking risks

In compliance with the Lebanon Central Bank regulations and effective year 1996, Lebanese banks should appropriate from net profit for the year a minimum of 0.2% and a maximum of 0.3% from the total risk weighted assets and off balance sheet items based on rates specified by the Central Bank of Lebanon for any unspecified risks. The consolidated ratio should not be less than 1.25% of these risks at the end of the tenth financial year and 2% at the end of the twentieth financial year.
This reserve is not available for distribution, and is constituted in Lebanese weighted assets and off balance sheet items.

### 3-30 Allowances for credit losses

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses including the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

### 3-31 Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subjected to risks and rewards that are different from those of other segments. The group's primary format for segment reporting is based on business segment.

### 3-32 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

## 4- Discontinued operation

- **Strategic alliance with QInvest L.L.C.**

EFG Hermes Holding Company's Extraordinary General Assembly - the parent company- agreed at the meetings dated June 2, 2012 and September 16,2012 to enter into a strategic alliance with QInvest through its subsidiary EFG Hermes Qatar LLC which will be 60% owned by QInvest and 40% owned by EFG Hermes Holding. The agreement involves the moving of the following business lines, Brokerage, Research, Asset Management, Investment Banking and the Infrastructure Fund businesses to EFG Hermes Qatar LLC. Approvals of relevant regulatory bodies are in process.

### 4-1 Assets classified as held for sale

| | 31/12/2012<br>LE |
|---|---|
| Cash and due from banks | 989 535 669 |
| Investments at fair value through profit and loss | 271 103 128 |
| Accounts receivables (net) | 545 705 549 |
| Available -for- sale investments | 42 609 363 |
| Investment property | 193 913 067 |
| Fixed assets (net) | 72 923 390 |
| Goodwill and other intangible assets | 646 120 259 |
| Other assets | 585 076 996 |
| Balance | 3 346 987 421 |

### 4-2 Liabilities classified as held for sale

| | 31/12/2012<br>LE |
|---|---|
| Due to banks and financial institutions | 20 283 764 |
| Accounts payables - customers' credit balances | 699 431 731 |
| Creditors and other credit balances | 156 778 342 |
| Current tax liability | 27 042 993 |
| Other provisions | 49 626 660 |
| Balance | 953 163 490 |

- Tangible net assets classified as held for sale amounted to approximately LE 1 003 million after deducting the due to holding company and it's subsidiaries which will not be sold. Some major transactions will affect that amount before the selling transaction ,accordingly the net tangible assets held for sale will decrease.

## 4-3 Results of discontinued operation

| | For the year 31/12/2012 LE | For the year 31/12/2011 LE |
|---|---|---|
| Fee & commission income * | 453 360 467 | 436 606 594 |
| Securities gains | 8 856 236 | 13 977 868 |
| Changes in the investments at fair value through profit and loss | (622 066) | (2 380 106) |
| Changes in the fair value of investment property | (2 951 987) | -- |
| Losses on sale of fixed assets | (2 976 206) | (38 115) |
| Foreign currencies differences | 28 236 806 | (11 594 299) |
| Other income | 26 513 524 | 15 170 147 |
| Interest and dividends income | 19 299 227 | 38 644 121 |
| Interest expense | (12 959 402) | 29 251 808 |
| General administrative expenses | (439 717 415) | (407 141 450) |
| Other provisions | (17 519 574) | (7 285 793) |
| Depreciation and amortization | (17 567 356) | (26 451 042) |
| Impairment loss on assets | (9 137 828) | (761 406) |
| Net profit before income tax | 32 814 426 | 77 998 327 |
| Income tax expenses | (24 795 624) | (9 726 230) |
| Net profit for the year | 8 018 802 | 68 272 097 |

- The operating expenses of EFG Hermes Holding and some of the subsidiaries that are not included in the sale, include the costs of some joint departments that are intended for transfer to EFG Hermes Qatar along with the subsidiaries subject to transfer.

* **Incentive fee revenue**

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of LE 8 637 819 till December 31, 2012 versus an amount of LE 38 595 till December 31, 2011 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

| Subsidiary's name | For the year ended 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Egyptian Portfolio Management Group | 5 473 431 | 38 595 |
| Hermes Fund Management | 1 192 556 | -- |
| EFG- Hermes Financial Management (Egypt) Ltd. | 1 971 832 | -- |
| Total | 8 637 819 | 38 595 |

## 5- Cash and due from banks

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Cash on hand | 238 630 983 | 179 141 029 |
| Central Bank of Lebanon * | | |
| - Demand deposits | 992 329 800 | 645 616 000 |
| - Time deposits | 6 524 044 800 | 4 852 380 000 |
| Other Central Banks | | |
| - Demand deposits | 284 541 600 | 179 252 000 |
| Cheques under collection | -- | 8 364 805 |
| Banks - current accounts (net) | 88 795 696 | 811 733 349 |
| Banks - demand deposits | 702 274 516 | 552 293 748 |
| Banks - time deposits | 4 584 335 588 | 5 014 083 149 |
| Accrued interest | 67 027 800 | 44 356 000 |
| Balance | 13 481 980 783 | 12 287 220 080 |

* Current accounts with Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with Lebanon banking regulations.

## 6- Investments at fair value through profit and loss

### Trading investment

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Mutual Fund certificates | 413 959 391 | 507 242 358 |
| Equity securities | 18 064 095 | 122 901 007 |
| Debt securities | 120 517 649 | 89 945 680 |
| Lebanese treasury bills | 80 686 200 | 97 360 000 |
| Balance | 633 227 335 | 817 449 045 |

## 7- Accounts receivables

| | 31/12/2012 | 31/12/2011 |
|---|---|---|
| | LE | LE |
| Accounts receivables (net) | 84 825 375 | 400 841 981 |
| Other brokerage companies (net) | (4 545) | (18 285 954) |
| Balance | 84 820 830 | 382 556 027 |

## 8- Loans and advances

| | | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| | | LE | LE |
| Loans and advances to customers | (8-1) | 14 028 029 017 | 11 827 850 000 |
| Loans and advances to related parties | (8-2) | 166 353 600 | 143 316 000 |
| Other loans | | 90 692 748 | 65 862 726 |
| Balance | | 14 285 075 365 | 12 037 028 726 |

### 8-1 Loans and advances to customers

| | 31/12/2012 | | | | 31/12/2011 |
|---|---|---|---|---|---|
| | Gross amount LE | Unrealized Interest LE | Impairment Allowance LE | Carrying Amount LE | Carrying amount LE |
| **Regular retail customers** | | | | | |
| Cash collateral | 477 838 200 | -- | -- | 477 838 200 | 367 392 000 |
| Mortgage loans | 5 133 424 377 | -- | -- | 5 133 424 377 | 4 850 657 189 |
| Personal loans | 1 602 153 000 | -- | -- | 1 602 153 000 | 1 387 236 000 |
| Credit cards | 172 481 400 | -- | -- | 172 481 400 | 162 504 000 |
| Others | 99 531 600 | -- | -- | 99 531 600 | 66 504 000 |
| **Regular corporate customers** | | | | | |
| Corporate | 4 732 676 303 | -- | -- | 4 732 676 303 | 4 677 934 300 |

| | 31/12/2012 | | | | 31/12/2011 |
|---|---|---|---|---|---|
| | **Gross amount LE** | **Unrealized Interest LE** | **Impairment Allowance LE** | **Carrying Amount LE** | **Carrying amount LE** |
| **Classified retail customers** | | | | | |
| Watch | 297 861 468 | -- | -- | 297 861 468 | 51 352 946 |
| Substandard | 94 445 400 | (31 747 800) | -- | 62 697 600 | 53 692 000 |
| Doubtful | 232 239 000 | (104 521 200) | (78 422 400) | 49 295 400 | 19 676 000 |
| Bad | 46 746 000 | (27 988 800) | (18 757 200) | -- | -- |
| **Classified corporate customers** | | | | | |
| Watch | 1 327 867 469 | -- | -- | 1 327 867 469 | 165 225 565 |
| Substandard | 31 987 200 | (5 090 400) | -- | 26 896 800 | 8 068 000 |
| Doubtful | 248 026 800 | (81 001 200) | (92 828 400) | 74 197 200 | 62 632 000 |
| Bad | 46 166 400 | (31 395 000) | (14 771 400) | -- | -- |
| Collective provision for retail loans | -- | -- | (28 198 800) | (28 198 800) | (22 984 000) |
| Collective provision for corporate loans | -- | -- | (44 280 600) | (44 280 600) | (42 172 000) |
| Accrued interest receivable | 43 587 600 | -- | -- | 43 587 600 | 20 132 000 |
| Balance | 14 587 032 217 | (281 744 400 ) | (277 258 800 ) | 14 028 029 017 | 11 827 850 000 |

## 8-2 Loans and advances to related parties

| | 31/12/2012 | 31/12/2011 |
|---|---|---|
| | LE | LE |
| Regular Retail loans | 1 180 200 | 1 068 000 |
| Regular Corporate loans | 165 173 400 | 142 248 000 |
| Balance | 166 353 600 | 143 316 000 |

## 9- Available - for- sale investments

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Preferred shares | 103 147 800 | 98 096 000 |
| Equity securities | 1 290 294 125 | 1 065 019 102 |
| Accrued interest receivable | 6 959 400 | 5 864 000 |
| Balance | 1 400 401 325 | 1 168 979 102 |

## 10- Held-to-maturity investments

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Lebanese government treasury bills and Eurobonds | 14 420 404 321 | 12 651 797 718 |
| Other sovereign bonds | 39 824 400 | 33 748 000 |
| Certificates of deposit issued by banks | 5 591 717 097 | 5 362 460 111 |
| Other debt instruments | 220 173 975 | 341 720 949 |
| Accrued interest receivable | 332 514 000 | 291 792 000 |
| Balance | 20 604 633 793 | 18 681 518 778 |

## 11- Investments in associates

| | 2012 Ownership % | 2011 Ownership % | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|---|---|
| Agence Générale de Courtage d'Assurance SAL | 25.86 | 25.86 | 31 050 600 | 28 152 000 |
| Credit Card Management SAL | 28.96 | 28.96 | 9 949 800 | 9 448 000 |
| International Payment Network SAL | 20.18 | 19.88 | 6 753 600 | 6 180 000 |
| Net Commerce SAL | 19.10 | 19.10 | 1 071 000 | 1 016 000 |
| Liberty Executive Center SAL | 6.27 | 6.27 | 50 400 | 48 000 |
| Hot Spot Properties SAL | 32.23 | 32.23 | 8 505 000 | 8 100 000 |
| Dourrat Loubnan Al Iqaria SAL | 30.14 | 30.14 | 15 120 000 | 14 400 000 |
| Balance | | | 72 500 400 | 67 344 000 |

## 12- Investment property

Investment property amounted LE 132 062 511 as at 31 December, 2012, represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building .

## 13- Fixed assets

| Particular | Land & Buildings LE | Leasehold Improvements LE | Office furniture, equipment & electrical Appliances LE | Computer Equipment LE | Vehicles LE | * Projects Under Construction LE | Total LE |
|---|---|---|---|---|---|---|---|
| Balance as at 1/1/2012 | 910 419 265 | 194 005 632 | 313 424 908 | 80 246 635 | 19 766 282 | 85 082 246 | 1 602 944 968 |
| Additions | 14 392 907 | 14 180 796 | 22 455 081 | 1 526 875 | 664 150 | 131 226 344 | 184 446 153 |
| Disposals | -- | (2 380 789) | (24 145 559) | (66 574) | (448 000) | (2 293 740) | (29 334 662) |
| Reclassification of assets | -- | 9 454 200 | 8 576 400 | -- | -- | (17 837 400) | 193 200 |
| Foreign currency translation differences | 15 587 578 | 8 865 578 | 14 312 725 | 1 152 260 | 147 330 | 7 932 650 | 47 998 121 |
| Transferred to assets held for sale | (49 050 606) | (13 538 761) | (99 621 373) | (38 508 054) | (4 044 394) | (9 784 500) | (214 547 688) |
| Total cost as at 31/12/2012 | 891 349 144 | 210 586 656 | 235 002 182 | 44 351 142 | 16 085 368 | 194 325 600 | 1 591 700 092 |
| Accumulated depreciation as at 1/1/2012 | 93 699 055 | 136 800 743 | 194 145 947 | 59 112 376 | 13 654 106 | -- | 497 412 227 |
| Depreciation – continued operation | 22 677 179 | 13 790 108 | 23 267 463 | 5 631 114 | 1 236 053 | -- | 66 601 917 |
| Depreciation – discontinued operation | 1 019 558 | 2 675 667 | 11 055 354 | 2 037 974 | 456 590 | -- | 17 245 143 |
| Disposals' accumulated depreciation | -- | (1 213 475) | (18 730 359) | (27 258) | (328 000) | -- | (20 299 092) |
| Foreign currency translation differences | 3 185 291 | 6 741 425 | 8 110 281 | 1 107 655 | 49 543 | -- | 19 194 195 |
| Transferred to assets held for sale | (17 034 591) | (8 192 213) | (76 871 333) | (36 014 405) | (3 511 756) | -- | (141 624 298) |
| Accumulated depreciation as at 31/12/2012 | 103 546 492 | 150 602 255 | 140 977 353 | 31 847 456 | 11 556 536 | -- | 438 530 092 |
| Carrying amount as at 31/12/2012-continued operation | 787 802 652 | 59 984 401 | 94 024 829 | 12 503 686 | 4 528 832 | 194 325 600 | 1 153 170 000 |
| Carrying amount as at 31/12/2012-discontinued operation. note no. (4-1) | 32 016 015 | 5 346 548 | 22 750 040 | 2 493 649 | 532 638 | 9 784 500 | 72 923 390 |
| Carrying amount as at 31/12/2011 | 816 720 210 | 57 204 889 | 119 278 961 | 21 134 259 | 6 112 176 | 85 082 246 | 1 105 532 741 |

* Projects under construction are represented in the following :

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Office spaces in Egypt | -- | 9 784 500 |
| Preparation of alternate headquarters in emergency - United Arab Emirates | -- | 1 961 746 |
| Preparation of new headquarters – Credit Libanais SAL "the Bank" | 194 325 600 | 73 336 000 |
| Balance | 194 325 600 | 85 082 246 |

## 14- Goodwill and other intangible assets

| | | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|---|
| Goodwill | (14-1) | 65 083 756 | 707 539 161 |
| Other intangible assets | (14-2) | 3 541 984 803 | 3 384 020 179 |
| Balance | | 3 607 068 559 | 4 091 559 340 |

14-1 Goodwill is relating to the acquisition of the following subsidiaries:

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Flemming CIIC group (S.A.E) – Egypt | 63 483 756 | 63 483 756 |
| EFG- Hermes Oman LLC * | -- | 66 039 857 |
| EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait * | -- | 567 776 330 |
| IDEAVELOPERS – Egypt | 1 600 000 | 1 600 000 |
| EFG- Hermes Jordan * | -- | 8 639 218 |
| Balance | 65 083 756 | 707 539 161 |

* Goodwill related to these companies included in assets classified as held for sale (Note 4-1).

14-2 Other intangible assets are represented in the following :

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Branches network - Credit Libanais Bank | 3 521 084 100 | 3 360 300 184 |
| Key Money | 1 251 600 | 1 348 000 |
| Licenses & Franchise | 3 334 800 | 5 229 650 |
| Software | 16 314 303 | 17 142 345 |
| Balance | 3 541 984 803 | 3 384 020 179 |

## 15- Other assets

| | | 31/12/2012 | 31/12/2011 |
|---|---|---|---|
| | | LE | LE |
| Deposits with others | (15-1) | 26 486 689 | 48 388 384 |
| Downpayments to suppliers | | 89 280 | 1 870 574 |
| Prepaid expenses | | 190 882 289 | 92 111 894 |
| Employees' advances | | 3 950 161 | 18 802 301 |
| Accrued revenues | | 17 014 831 | 31 940 043 |
| Taxes withheld by others | | 51 533 359 | 53 846 601 |
| Payments for investments | (15-2) | 8 454 500 | 22 895 075 |
| Re-insurers' share of technical reserve | | 69 875 400 | 214 688 000 |
| Receivables - sale of investments | | -- | 76 694 259 |
| Infra Egypt fund | | -- | 3 187 862 |
| Perching Brokerage | | -- | 1 178 414 |
| Settlement Guarantee Fund | | 211 287 | 27 173 750 |
| Unquoted assets - Ready for sale acquired in satisfaction of loans | | 188 559 000 | 183 704 000 |
| Due from EFG- Hermes Employee Trust | | -- | 398 946 562 |
| Due from Ara inc. company | | -- | 3 477 331 |
| Due from related parties | | 21 789 600 | 10 468 000 |
| Re-insurance accrued commission | | 15 078 000 | 14 360 000 |
| Cards transaction on ATM | | 1 638 000 | 536 000 |
| Re-insurance debtors | | 1 050 000 | 1 564 000 |
| Non current assets available for sale | | -- | 70 936 046 |
| Sundry debtors | | 97 490 516 | 255 166 751 |
| Balance | | 694 102 912 | 1 531 935 847 |

15-1 Deposits with others include an amount of LE 25 263 000 (equivalent to LBP 6 015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon.

15-2 Payments for investments are represented in the following:

| | 31/12/2012<br>LE | 31/12/2011<br>LE |
|---|---|---|
| EFG- Hermes Mutual Funds Co. | -- | 10 000 000 |
| Financial Group for Real Estate Co. | -- | 250 000 |
| EFG-Hermes Securitization Company | -- | 5 000 000 |
| Arab Visual Company | 3 749 500 | 3 749 500 |
| Egyptian Company for Funds Investments | -- | 400 200 |
| IDEAVELOPERS | 25 000 | 25 000 |
| AAW Company for Infrastructure | 3 040 000 | 3 040 000 |
| Egyptian Company for Marketing | -- | -- |
| International Company for Projects Management | 1 000 000 | -- |
| EFG –Hermes Direct Fund Management | 640 000 | -- |
| Sohail Investment Company | -- | 430 375 |
| | 8 454 500 | 22 895 075 |

## 16- Due to banks and financial institutions

| | | 31/12/2012<br>LE | 31/12/2011<br>LE |
|---|---|---|---|
| Current deposits of banks | | 126 327 600 | 198 044 000 |
| Time deposits | | 116 457 600 | 76 372 000 |
| Financial institutions | | 313 135 200 | 319 256 000 |
| Borrowings | (16-1) | -- | 15 584 600 |
| Accrued interest payable | | 3 309 600 | 4 516 000 |
| Balance | | 559 230 000 | 613 772 600 |

16-1 Borrowings

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US$ 20 million with an applied annual floating interest rate in order to finance regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US$ 2 million for each installment and the first installment was due on May 15, 2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15, 2006. The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US$ 20 million on September 3, 2006. The loan has been fully paid.

B- On December 29, 2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006. The loan agreement provides for that some of the comp any's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The loan has been fully paid.

## 17- Customers' deposits

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| **Deposits from customers (private sector):** | | |
| Saving accounts | 25 224 625 500 | 22 832 211 300 |
| Term deposits | 11 804 423 400 | 9 062 524 000 |
| Current accounts | 3 853 067 738 | 3 474 632 000 |
| | 40 882 116 638 | 35 369 367 300 |
| **Deposits from customers (public sector):** | | |
| Saving accounts | 224 754 600 | 238 348 000 |
| Term deposits | 942 471 600 | 638 296 000 |
| Current accounts | 576 025 800 | 415 288 000 |
| | 1 743 252 000 | 1 291 932 000 |
| Others | 81 488 400 | 70 592 000 |
| | 42 706 857 038 | 36 731 891 300 |
| Accrued interest payable | 225 850 800 | 201 492 000 |
| | 42 932 707 838 | 36 933 383 300 |
| **Deposits from related parties:** | | |
| Long term saving accounts | 382 548 600 | 382 336 000 |
| Short term saving accounts | 33 600 | -- |
| Long term deposits | 784 950 600 | 822 072 000 |
| Short term deposits | 87 389 400 | 21 156 000 |
| Accrued interest payable | 3 418 800 | 4 076 000 |
| | 1 258 341 000 | 1 229 640 000 |
| Balance | 44 191 048 838 | 38 163 023 300 |

## 18- Bonds

On November 11, 2010 Credit Libanais SAL issued US.$ 75 000 000, 6.75% Subordinated Bonds due January 15, 2018 at an issue price of 100% of their principal amount. The bonds have been fully underwritten. The net proceeds from the sale of Bonds will be used for general corporate purposes, and the obligation of the issuer in respect of the Bonds constitutes direct, unsecured and general obligation of the issuer. The Arranger of the offering is Credit Libanais Investment Bank SAL (an affiliate) and the Bonds will not be listed on any stock exchange. The bonds balance amounted to LE 506 028 600 as at December 31, 2012 versus LE 486 932 000 as at December 31,2011.

## 19- Creditors and other credit balances

| | | 31/12/2012<br>LE | 31/12/2011<br>LE<br>(Amended) |
|---|---|---|---|
| Margins held against documentary credits | | 82 559 400 | 71 352 000 |
| Technical reserve for insurance companies | | 310 191 000 | 343 052 000 |
| Interbranch reconciling items | | -- | 5 984 000 |
| Revaluation of assets acquired in satisfaction of loans | | 20 882 400 | 19 888 000 |
| Social Insurance Association | | 219 138 | 589 324 |
| Unearned revenues | | 6 316 801 | 14 438 691 |
| Accrued interest & commission | | -- | 82 256 |
| Suppliers | | 197 937 600 | 94 560 762 |
| Accrued expenses | | 66 209 113 | 242 258 425 |
| Clients' coupons- Custody Activity | | 6 926 836 | 8 267 925 |
| Due to Industry Modernization Center | | 5 695 508 | 6 748 849 |
| Dividends payable | | 29 871 308 | 36 441 011 |
| Cards transaction on ATM | | 19 278 000 | 13 592 000 |
| Re-insurance creditors | | 136 260 600 | 221 504 000 |
| Deferred tax liabilities | (19-1) | 576 234 873 | 564 194 962 |
| Due to related parties | | -- | 15 235 000 |
| Sundry creditors | | 7 137 609 | 22 177 214 |
| Balance | | 1 465 720 186 | 1 680 366 419 |

19-1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

| **(A) Deferred tax** | **31/12/2012** Assets LE | **31/12/2012** Liabilities LE | **31/12/2011** Assets LE (Amended) | **31/12/2011** Liabilities LE (Amended) |
|---|---|---|---|---|
| Fixed assets depreciation | -- | 4 762 302 | -- | 5 040 533 |
| Expected claims provision | 90 750 | -- | 2 132 865 | -- |
| Impairment loss on assets | 2 393 287 | -- | 5 581 321 | -- |
| Prior year losses forward | 38 925 | -- | 1 602 917 | -- |
| Company's share in affiliate's profits | -- | 5 546 978 | -- | 20 467 479 |
| Total deferred tax assets / liabilities | 2 522 962 | 10 309 280 | 9 317 103 | 25 508 012 |
| Net deferred tax liabilities | | 7 786 318 | | 16 190 909 |

**(B) Deferred tax recognized directly in equity**

| | **31/12/2012** LE | **31/12/2011** LE |
|---|---|---|
| Fair value adjustments * | 575 061 152 | 554 616 650 |
| Changes in fair value of cash flow hedges | (6 612 597) | (6 612 597) |
| | 568 448 555 | 548 004 053 |

* Deferred tax liabilities arising from the assets acquired and liabilities assumed as a result of the acquisition of the subsidiary Credit Libanais Bank – (note no. 1-3).

## 20- Other income

Other income presented in the income statement includes LE 19 817 308 represents provision reversed and LE 7 614 572 represents gains on sale of non current assets held for sale.

## 21- Other provisions

| | | **31/12/2012** LE | **31/12/2011** LE |
|---|---|---|---|
| Expected claims provision | (21-1) | 233 877 194 | 232 734 753 |
| Servance pay provision | (21-1) | 104 021 396 | 114 636 935 |
| Other provisions | | 932 400 | 880 000 |
| Balance | | 338 830 990 | 348 251 688 |

| 21-1 | Expected claims Provision | Severance pay provision | Total |
|---|---|---|---|
| | LE | LE | LE |
| Balance at the beginning of the year | 232 734 753 | 114 636 935 | 347 371 688 |
| Formed during the year | 31 237 560 | 28 791 611 | 60 029 171 |
| Provision reversed | (11 079 288) | (2 626 804) | (13 706 092) |
| Foreign currency differences | 1 034 475 | 6 192 280 | 7 226 755 |
| Amounts used during the year | (5 948 716) | (7 447 556) | (13 396 272) |
| Transferred to liabilities as held for sale. Note no. (4-2) | (14 101 590) | (35 525 070) | (49 626 660) |
| Balance at the end of the year | 233 877 194 | 104 021 396 | 337 898 590 |

## 22- Share capital

- The company's authorized capital amounts LE 3 200 million and issued and paid in capital amounts LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.
- The company's Extraordinary General Assembly approved in its session held on June 13, 2011 to increase the company's share capital from LE 1 913 570 000 to LE 2 391 473 750 with an increase amount of LE 477 903 750 through distributing of 95 580 750 stock dividend at one share to each four shares outstanding at the declaration date , this increase are financed from retained earnings according to the decision of the company's Ordinary General Assembly in its session held at the same date and the required procedures had been taken and this increase have been registered in the Commercial Register on September 6, 2011.

### 22-1 Treasury shares

The company's board of directors approved in its session held on April 27,2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of LE 6 918 613.

## 23- Non - Controlling interests

| | 31/12/2012<br>LE | 31/12/2011<br>LE |
|---|---|---|
| Share capital | 450 790 962 | 449 146 509 |
| Legal reserve | 127 049 733 | 115 287 877 |
| Other reserves | 563 475 870 | 501 626 252 |
| Retained earnings | 123 777 605 | 67 551 400 |
| Other equity | 78 913 800 | 64 156 000 |
| Increase in fair value of net assets | 1 175 798 705 | 1 067 258 725 |
| Net profit for the year | 151 559 875 | 175 120 128 |
| Balance | 2 671 366 550 | 2 440 146 891 |

## 24- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 153 670 000 (equivalent to LE 264 373 868).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-balance sheet items :

| | 31/12/2012<br>LE | 31/12/2011<br>LE |
|---|---|---|
| Financing commitments given to financial institutions | 778 621 200 | 680 256 000 |
| Commitments to customers | 1 434 006 000 | 1 830 912 000 |
| Guarantees given to customers | 810 339 600 | 526 324 000 |
| Restricted and non – restricted fiduciary accounts | 51 702 000 | 48 720 000 |
| Commitments of signature received from financial intermediaries | 73 155 600 | 84 572 000 |
| Securities' commitments | 484 734 600 | 383 156 000 |
| Other commitments received | 29 514 294 600 | 23 092 916 000 |
| Assets under management | 27 792 973 200 | 27 453 901 000 |

## 25- Impairment loss on assets

| | For the year ended<br>31/12/2012<br>LE | <br>31/12/2011<br>LE |
|---|---|---|
| Impairment loss on accounts receivables & debit accounts | -- | 76 296 |
| Impairment loss on available –for– sale investments | 242 760 | 1 045 440 |
| Total | 242 760 | 1 121 736 |

## 26- Income tax expense

| | For the year ended 31/12/2012 LE | 31/12/2011 LE (Amended) |
|---|---|---|
| Current income tax | 66 783 276 | 86 545 200 |
| Deferred tax | (20 536 540) | (16 314 348) |
| Total | 46 246 736 | 70 230 852 |

## 27- Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents are represented in the following :

| | 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Cash and due from banks | 14 471 516 453 | 12 287 220 080 |
| Due to banks and financial institutions | (579 512 696) | (613 772 600) |
| Less: Assets – maturity more than three months | (5 910 063 600) | (4 610 558 207) |
| Effect of exchange rate | -- | 39 613 356 |
| Cash and cash equivalents | 7 981 940 157 | 7 102 502 629 |

## 28- General administrative expenses

| | For the year ended 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Wages , salaries and similar items | 546 600 717 | 505 023 980 |
| Consultancy | 35 626 846 | 12 886 026 |
| Travel , accommodation and transportation | 29 214 042 | 28 979 950 |
| Other expenses | 316 128 868 | 276 129 874 |
| Total | 927 570 473 | 823 019 830 |

## 29- Earnings per share

| | For the year ended 31/12/2012 LE | 31/12/2011 LE |
|---|---|---|
| Net profit for the year | 211 137 755 | 295 111 817 |
| Net profit for equity holders of the parent company | 59 577 880 | 119 991 689 |
| Weighted average number of shares | 477 903 750 | 478 099 250 |
| Earnings per share | 0.12 | 0.25 |

## 30- Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment. The revenue & expense and assets & liabilities analyses in the table below are based on the type of business activities and services that are distinguishable component.

**For the year ended December 31, 2012**

| | Investment banking | Commercial banking | Elimination | Total |
|---|---|---|---|---|
| | LE | LE | LE | LE |
| Fee and commission income | 91 017 896 | 365 467 088 | -- | 456 484 984 |
| Fee and commission expense | -- | (143 357 872) | -- | (143 357 872) |
| Net fee and commission income | 91 017 896 | 222 109 216 | -- | 313 127 112 |
| Securities gains | 14 748 796 | 22 257 046 | -- | 37 005 842 |
| Share of profit of associate | -- | 5 757 458 | -- | 5 757 458 |
| Changes in the investments at fair value through profit and loss | 37 827 431 | 48 086 710 | -- | 85 914 141 |
| Foreign currencies differences | 13 372 694 | -- | -- | 13 372 694 |
| Other income | 20 362 631 | 32 436 782 | -- | 52 799 413 |
| Noninterest revenue | 177 329 448 | 330 647 212 | -- | 507 976 660 |
| Interest and dividends income | 59 215 517 | 2 616 366 130 | (71 539 667) | 2 604 041 980 |
| Interest expense | (249 172) | (1 786 341 368) | 436 895 | (1 786 153 645) |
| Net interest income | 58 966 345 | 830 024 762 | (71 102 772) | 817 888 335 |
| Total net revenue | 236 295 793 | 1 160 671 974 | (71 102 772) | 1 325 864 995 |
| Total noninterest expenses | (345 783 776) | (720 515 726) | (10 199 804) | (1 076 499 306) |
| Net (loss) profit before income tax | (109 487 983) | 440 156 248 | (81 302 576) | 249 365 689 |
| Income tax expense | 14 443 700 | (66 783 276) | 6 092 840 | (46 246 736) |
| Net (loss) profit from continued operations | (95 044 283) | 373 372 972 | (75 209 736) | 203 118 953 |
| Profit from discontinued operations (net of tax) | 8 018 802 | -- | -- | 8 018 802 |
| Net (loss) profit for the year | (87 025 481) | 373 372 972 | (75 209 736) | 211 137 755 |
| Total assets | 9 301 454 383 | 49 537 538 400 | 657 038 451 | 59 496 031 234 |
| Total liabilities | 1 267 891 144 | 46 123 219 800 | 693 678 790 | 48 084 789 734 |
| Shareholders' equity | 8 033 563 239 | 3 414 318 600 | (36 640 339) | 11 411 241 500 |
| Total equity and liabilities | 9 301 454 383 | 49 537 538 400 | 657 038 451 | 59 496 031 234 |

**For the year ended December 31, 2011**

| | Investment banking | Commercial banking | Elimination | Total |
|---|---|---|---|---|
| | LE | LE | LE | LE |
| Fee and commission income | 114 910 089 | 331 036 200 | -- | 445 946 289 |
| Fee and commission expense | -- | (134 972 640) | -- | (134 972 640) |
| Net fee and commission income | 114 910 089 | 196 063 560 | -- | 310 973 649 |
| Securities gains | 28 766 635 | 10 125 720 | -- | 38 892 355 |
| Share of profit of associate | -- | 5 342 040 | -- | 5 342 040 |
| Changes in the investments at fair value through profit and loss | (12 257 495) | 12 695 760 | -- | 438 265 |
| Foreign currencies differences | 31 898 486 | -- | -- | 31 898 486 |
| Other income | 7 934 435 | 64 702 440 | -- | 72 636 875 |
| Noninterest revenue | 171 252 150 | 288 929 520 | -- | 460 181 670 |
| Interest and dividends income | 48 392 904 | 2 421 080 640 | 25 400 141 | 2 494 873 685 |
| Interest expense | (3 916 923) | (1 647 550 080) | (14 172 605) | (1 665 639 608) |
| Net interest income | 44 475 981 | 773 530 560 | 11 227 536 | 829 234 077 |
| Total net revenue | 215 728 131 | 1 062 460 080 | 11 227 536 | 1 289 415 747 |
| Total noninterest expenses | (371 460 367) | (611 150 760) | (9 734 048) | (992 345 175) |
| Net (loss) profit before income tax | (155 732 236) | 451 309 320 | 1 493 488 | 297 070 572 |
| Income tax expense | (2 718 145) | (64 053 000) | (3 459 707) | (70 230 852) |
| Net (loss) profit from continued operations | (158 450 381) | 387 256 320 | (1 966 219) | 226 839 720 |
| Profit from discontinued operations (net of tax) | 68 272 097 | -- | -- | 68 272 097 |
| Net (loss) profit for the year | (90 178 284) | 387 256 320 | (1 966 219) | 295 111 817 |
| Total assets | 8 952 629 439 | 42 918 200 000 | 620 339 430 | 52 491 168 869 |
| Total liabilities | 1 119 701 382 | 39 971 160 000 | 772 831 950 | 41 863 693 332 |
| Shareholders' equity | 7 832 928 057 | 2 947 040 000 | (152 492 520) | 10 627 475 537 |
| Total equity and liabilities | 8 952 629 439 | 42 918 200 000 | 620 339 430 | 52 491 168 869 |

## 31- Tax status

- As to Income Tax, the years from starting the operations to 31/12/2010 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to year 2011, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and the due amount has been paid and as to years 2009 / 2011, the parent company's books have not been inspected yet.

- As to Stamp Tax, the parent company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of Appeal Committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2011 have not been inspected yet.
- On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and has been published in the Official Gazette on the that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:
- Amending the provisions of the Income tax Law No. 91 of 2005.
- Amending the provisions of the General Sales tax Law No. 11 of 1991.
- Amending the provisions of the Real Estate tax Law No. 196 of 2008.
- Amending the provisions of the Stamp Duty Law No. 111 of 1980.

Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the management did not affect the financial statements with these amendments. when reliable information become available on the enforcement of such resolutions and the effective date therefore, these amendments might affect the taxes pools, the related assets and liabilities, the results of operations during the year and the net profit available for distribution.

## 32- Group's entities

The parent company owns the following subsidiaries:

| | Direct ownership % | Indirect ownership % |
|---|---|---|
| Financial Brokerage Group | 99.88 | 0.04 |
| Egyptian Fund Management Group | 88.51 | 11.49 |
| Egyptian Portfolio Management Group | 66.33 | 33.67 |
| Hermes Securities Brokerage | 97.58 | 2.42 |
| Hermes Fund Management | 89.95 | 10.05 |
| Hermes Corporate Finance | 99.37 | 0.53 |
| EFG - Hermes Advisory Inc. | 100 | -- |
| EFG- Hermes Financial Management (Egypt) Ltd. | 100 | -- |
| EFG – Hermes Promoting & Underwriting | 99.88 | -- |
| Bayonne Enterprises Ltd. | 100 | -- |
| EFG- Hermes Fixed Income | 99 | 1 |
| EFG- Hermes Management | 96.3 | 3.7 |
| EFG- Hermes Private Equity | 1.59 | 63.41 |
| EFG- Hermes Brokerage – UAE Ltd. | -- | 90 |
| Flemming CIIC Holding | 100 | -- |
| Flemming Mansour Securities | -- | 99.33 |
| Flemming CIIC Securities | -- | 96 |
| Flemming CIIC Corporate Finance | -- | 74.92 |
| EFG- Hermes UAE Ltd. | 100 | -- |
| EFG- Hermes Holding - Lebanon | 99 | -- |
| EFG- Hermes KSA | 73.1 | 26.9 |

| | Direct ownership % | Indirect ownership % |
|---|---|---|
| October Property Development Ltd. | 94.14 | -- |
| EFG- Hermes Lebanon | 99 | 0.97 |
| Mena Opportunities Management Limited | -- | 95 |
| EFG- Hermes Mena (Caymen) Holding | -- | 100 |
| Mena (BVI) Holding Ltd. | -- | 95 |
| EFG – Hermes Mena Securities Ltd. | -- | 100 |
| Mena Financial Investments W.L.L | -- | 100 |
| EFG – Hermes Qatar LLC | 100 | -- |
| EFG- Hermes Oman LLC | -- | 51 |
| EFG- Hermes Regional Investment Ltd. | 100 | -- |
| Offset Holding KSC | -- | 50 |
| EFG- Hermes IFA Financial Brokerage | -- | 45 |
| IDEAVELOPERS | -- | 52 |
| EFG- Hermes CB Holding Limited | -- | 100 |
| EFG- Hermes Global CB Holding Limited. | 100 | -- |
| EFG – Hermes Orient Advisory Inc. | -- | 70 |
| EFG – Hermes Syria LLC | 49 | 20.37 |
| Sindyan Syria LLC | 97 | -- |
| Talas & Co. LLP | -- | 97 |
| EFG – Hermes Jordan | 100 | -- |
| Mena Long-Term Value Feeder Holdings Ltd | -- | 100 |
| Mena Long-Term Value Master Holdings Ltd | -- | 90 |
| Mena Long-Term Value Management Ltd | -- | 90 |
| EFG – Hermes CL Holding SAL | -- | 100 |
| Credit Libanais SAL "the Bank" | -- | 63.739 |
| Credit Libanais Investment Bank SAL | -- | 63.65 |
| Lebanese Islamic Bank SAL | -- | 63.64 |
| Credit International SA | -- | 59.16 |
| Cedar's Real Estate SAL | -- | 63.69 |
| Soft Management SAL | -- | 29.96 |
| Hermes Tourism & Travel SAL | -- | 63.73 |
| Crédit Libanais d'Assuranceset de Réassurances SAL | -- | 42.69 |
| Business Development Center SARL | -- | 62.86 |
| Capital Real Estate SAL | -- | 62.46 |
| Credilease SAL | -- | 63.27 |
| Collect SAL | -- | 28.64 |
| EFG – Hermes Investment Funds Co. | 99.998 | -- |
| Mena FI Cayman Ltd. | -- | 100 |
| EFG – Hermes Mena FI Management Limited. | -- | 100 |
| Fixed Income Investment Limited. | -- | 100 |
| Meda Access Cayman Holdings Limited . | -- | 100 |
| EFG-Hermes Securitization Company | 100 | -- |
| Financial Group for Real Estate Co. | 99.992 | -- |
| EFG- Hermes Mutual Funds Co. | 100 | -- |

## 33- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Note (no. 2) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

### 33-1 Market risk:

Market risk is defined as the potential loss in both on and off balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates, and equity prices.

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the company's investments and their development.

### 33-2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3-2) the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the balance sheet date.

### 33-3 Risk management

In the ordinary course of business, the group is exposed to a variety of risks, the most important of which are liquidity risk, interest rate risk, currency risk, credit risk and market risk. These risks are identified, measured and monitored through various control mechanisms in order to price facilities and products on a risk adjusted basis and to prevent undue risk concentrations.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

### 33-4 Credit risk

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio over all economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted and the creditworthiness of the borrowers. The credit risk of connected accounts is monitored on a united basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Group, adopts as the main criteria the repayment capability and obtaining sufficient collateral. The continuous monitoring of credit accounts and the timely preventive action further minimize, to a large extent, the exposure to credit risk. Note 7 of this report shows the distribution of loan portfolio by nature of facility, by economic sector.

### 33-5 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of high marketable and diverse assets that can be easily liquidated in the event of an unforeseen interpretation of cash flow. In addition, the Group maintains statutory deposits with the Central Banks.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and to the Group in specific. The Group maintains a solid ratio of high liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking markets conditions into consideration.

### 33-6 Interest rate risk

Interest rate risk stems from the sensitivity of earnings to future movements in interest rates applied on assets and liabilities.

The Group's management closely monitors interest rate fluctuations on a continuous basis and ensures that assets and liabilities are matched and re-priced in a timely manner. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or are re-priced in a given period. The most important source of interest rate risk derives from the lending, funding and investing activities, where fluctuations in interest rates are reflected in interest margins and earnings.

### 33-7 Equity price risk

Equity price risk is the risk that the value of a portfolio will fall as a result of change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities), in which the Group holds equity-related positions.

The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or a portfolio of equity products.

### 33-8 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

### 33-9 Fair value of financial instruments

The fair value of the financial instruments do not substantially deviated from their book value at the balance sheet date. According to the valuation basis applied, in accounting policies to the assets and liabilities

### 33-10 Derivative financial instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value, according to the valuation basis applied, in accounting policies to derivative financial instruments, (note no. 3-4).
- In accordance with an arrangement between the subsidiary, EFG Hermes MENA Securities Limited Co. and its customers ("the customers"), the Company from time to time enters into fully paid Shares Swap Transaction Contracts ("the Contracts") with the customers. Under the Contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the Contracts can be terminated at any time by either of the parties, which shall be the affected party.
  In order to hedge the price risks with respect to the reference securities under the Contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. ("MENA-F") and EFG-Hermes KSA.
  Accordingly, the Shares Swap Transactions are measured at fair value based on underlying reference securities under the Contracts.

### 34- Corresponding figures

Certain reclassification and adjustments have been made to some comparative figures in order to conform with the current year presentation. These adjustments are attributable to the following:

| | (as reported) For the year ended 31/12/2011 | Adjustments | (Amended) For the year ended 31/12/2011 |
|---|---|---|---|
| | LE | LE | LE |
| Available -for- sale investments | 1 191 479 102 | (22 500 000) | 1 168 979 102 |
| Investments in associates | 44 844 000 | 22 500 000 | 67 344 000 |
| Interest and dividends income | 2 479 801 925 | 15 071 760 | 2 494 873 685 |
| Securities gains | 53 964 115 | (15 071 760) | 38 892 355 |
| Creditors and other credit balances | 1 667 778 182 | 12 588 237 | 1 680 366 419 |
| Income tax expanse | 57 642 615 | 12 588 237 | 70 230 852 |