EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 June 2013
&
Review Report

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KPMG

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Review Report
To the Board of Directors of the EFG - Hermes Holding Company

Introduction

We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company and its subsidiaries as at 30 June 2013 and the related consolidated statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2013, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

Hassan Bas

KPMG Hazem Hassan

Cairo, August 29, 2013

KPMG Hazem Hassan
Public Accountants and Consultants
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EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of financial position

as at 30 June 2013

	Note no.	30/6/2013 LE	31/12/2012 LE
Assets			
Cash and due from banks	(5)	15 813 323 512	13 481 980 783
Investments at fair value through profit and loss	(6)	1 084 375 413	633 227 335
Accounts receivables (net)	(7)	669 728 522	84 820 830
Assets classified as held for sale	(4-1)	13 400 512	3 346 987 421
Loans and advances	(8)	17 011 286 594	14 285 075 365
Available -for- sale investments	(9)	1 458 221 212	1 400 401 325
Held-to-maturity investments	(10)	22 181 751 090	20 604 633 793
Investments in associates	(11)	80 458 950	72 500 400
Investment property	(12)	344 232 347	132 062 511
Fixed assets (net)	(13)	1 342 530 370	1 153 170 000
Goodwill and other intangible assets	(14)	4 651 404 852	3 607 068 559
Other assets	(15)	1 214 215 923	650 731 211
Total assets		**65 864 929 297**	**59 452 659 533**
Liabilities			
Due to banks and financial institutions	(16)	640 745 593	559 230 000
Customers' deposits	(17)	49 284 077 641	44 191 048 838
Accounts payables - customers' credit balances		1 060 711 268	2 486 650
Liabilities classified as held for sale	(4-2)	-	953 163 490
Bonds	(18)	542 106 300	506 028 600
Creditors and other credit balances	(19)	1 137 981 243	889 485 313
Current tax liability		67 833 146	68 280 980
Deferred tax liabilities	(20)	634 724 276	576 234 873
Other provisions	(22)	285 758 861	338 830 990
Total liabilities		**53 653 938 328**	**48 084 789 734**
Shareholders' equity			
Share capital	(23)	2 391 473 750	2 391 473 750
Legal reserve		990 432 067	961 257 586
Share premium		3 294 067 512	3 294 067 512
Other reserves		1 149 190 608	600 494 783
Retained earnings		1 464 663 268	1 411 730 446
		9 289 827 205	8 659 024 077
Treasury shares	(23-1)	(6 918 613)	(6 918 613)
Shareholders' equity		9 282 908 592	8 652 105 464
Net (loss) profit for the period / year		(39 209 248)	59 577 880
Shareholders' equity including net (loss) profit for the period / year		9 243 699 344	8 711 683 344
Non - controlling interests	(24)	2 967 291 625	2 656 186 455
Total shareholders' equity		**12 210 990 969**	**11 367 869 799**
Total shareholders' equity and liabilities		**65 864 929 297**	**59 452 659 533**

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

~~Review 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 period ended 30 June, 2013

	Note no.	2013 For the period from 1/4/2013 to 30/6/2013 LE	2013 For the period from 1/1/2013 to 30/6/2013 LE	2012 For the period from 1/4/2012 to 30/6/2012 LE	2012 For the period from 1/1/2012 to 30/6/2012 LE
Fee and commission income		269 374 478	539 891 222	293 883 157	552 925 952
Fee and commission expense		(55 120 458)	(148 765 458)	(54 313 016)	(144 797 016)
Net fee and commission income		214 254 020	391 125 764	239 570 141	408 128 936
Securities gains		2 344 090	15 636 725	16 733 234	38 825 316
Share of profit of associate	(11)	3 918 565	5 457 565	2 676 456	4 236 456
Changes in the investments at fair value through profit and loss		15 447 436	29 172 382	2 509 047	32 261 912
Foreign currencies differences		33 210 526	96 155 403	4 344 531	7 735 118
Other income	(21)	130 420 974	141 889 680	8 708 232	26 937 997
Noninterest revenue		399 595 611	679 437 519	274 541 641	518 125 735
Interest and dividend income		803 793 236	1 541 255 339	620 733 301	1 227 122 155
Interest expense		(553 719 306)	(1 053 270 173)	(416 090 554)	(835 283 838)
Net interest income		250 073 930	487 985 166	204 642 747	391 838 317
Total net revenue		649 669 541	1 167 422 685	479 184 388	909 964 052
General administrative expenses	(30)	378 864 809	734 977 660	337 964 528	637 799 290
Net losses on loans and advances	(8)	12 525 923	20 409 923	1 353 552	8 793 552
Other provisions	(22)	(723 516)	13 256 453	11 035 247	17 474 223
Depreciation and amortization	(13),(14)	25 151 121	48 800 018	23 888 899	47 936 011
Impairment loss on assets	(27)	246 738 979	246 916 701	2 175 708	2 175 708
Total noninterest expenses		662 557 316	1 064 360 755	376 417 934	714 178 784
Net (loss) profit before income tax		(12 887 775)	103 061 930	102 766 454	195 785 268
Income tax expense	(28)	(16 111 190)	(34 022 118)	(31 522 157)	(47 524 349)
Net (loss) profit for the period		(28 998 965)	69 039 812	71 244 297	148 260 919
Equity holders of the parent		(80 177 365)	(39 209 248)	27 003 676	61 913 554
Non - controlling interests	(24)	51 178 400	108 249 060	44 240 621	86 347 365
		(28 998 965)	69 039 812	71 244 297	148 260 919
Earnings per share	(31)	(0.17)	(0.08)	0.06	0.13

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 period ended 30 June, 2013

						Other reserves										
	Note no.	Share capital	Legal reserve	Share premium	General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Other reserves	Retained earnings	Treasury shares	Net profit (loss) for the year / period	Non - controlling interests	Total
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December, 2011 (before adjustment)		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 year adjustments		-	-	-	-	-	-	-	-	-	-	-	-	(12 588 237)	-	(12 588 237)
Balance as at 31 December, 2011 (after adjustment)		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		-	-	-	-	-	30 307 854	-	-	-	-	-	-	-	-	30 307 854
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	184 394 349	-	-	-	-	-	-	-	184 394 349
Other reserves		-	-	-	-	-	-	-	-	-	79 414 498	-	-	-	-	79 414 498
Cumulative adjustments		-	-	-	-	-	-	-	-	13 282 200	-	-	-	-	-	13 282 200
2011 dividends payout		-	4 472 586	-	-	-	-	-	-	-	-	(12 535 924)	-	(119 991 689)	-	(128 055 027)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	(12 768 180)	(12 768 180)
Net profit for the period ended 30 June, 2012		-	-	-	-	-	-	-	-	-	-	-	-	61 913 554	86 347 365	148 260 919
Balance as at 30 June, 2012		2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	215 576 578	(161 321 045)	(26 442 387)	(9 597 486)	215 248 738	1 451 354 741	(6 918 613)	61 913 554	2 513 726 076	10 942 312 150
Balance as at 31 December, 2012 (before adjustment)		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
Prior year adjustments	(36)	-	-	-	-	-	-	-	-	-	-	(28 191 606)	-	-	(15 180 095)	(43 371 701)
Balance as at 31 December, 2012 (after adjustment)		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	1 411 730 446	(6 918 613)	59 577 880	2 656 186 455	11 367 869 799
Foreign currencies translation differences		-	-	-	-	-	502 814 390	-	-	-	-	-	-	-	-	502 814 390
Transfer other reserves to retaind earnings		-	-	-	-	(41 600 000)	-	-	-	-	-	41 600 000	-	-	-	-
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	90 493 239	-	-	-	-	-	-	-	90 493 239
Other reserves		-	-	-	-	-	-	-	-	-	7 342 986	-	-	-	-	7 342 986
Cumulative adjustments		-	-	-	-	-	-	-	-	(10 354 790)	-	-	-	-	-	(10 354 790)
2012 dividends payout		-	29 174 481	-	-	-	-	-	-	-	-	11 332 822	-	(59 577 880)	-	(19 070 577)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	202 856 110	202 856 110
Net loss for the period ended 30 June, 2013		-	-	-	-	-	-	-	-	-	-	-	-	(39 209 248)	108 249 060	69 039 812
Balance as at 30 June, 2013		2 391 473 750	990 432 067	3 294 067 512	373 146	-	893 363 024	78 766 310	(26 442 387)	(22 781 421)	225 911 936	1 464 663 268	(6 918 613)	(39 209 248)	2 967 291 625	12 210 990 969

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 period ended 30 June, 2013

	For the period ended 30/6/2013 LE	For the period ended 30/6/2012 LE
Cash flows from operating activities		
Net profit before income tax	103 061 930	195 785 268
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	48 800 018	47 932 003
Povisions formed	33 666 376	26 267 775
Provisions used	(8 495 161)	(5 385 265)
Provisions reversed	(124 918 906)	(12 972 897)
(Gains) losses on sale of fixed assets	(26 986)	2 997 870
(Gains) losses on sale of available -for- sale investments	(12 729)	391 962
Gains on sale of unquoted assets ready for sale	-	(2 795 095)
Gains on sale of investment property	-	(8 898 882)
Changes in the fair value of investments at fair value through profit and loss	(29 172 382)	(32 088 707)
Share of profit of equity-accounted invesetees	-	(4 003 992)
Impairment loss on assets	246 916 701	2 001 024
Foreign currency translation differences	713 186 444	72 036 642
Interest expense	(17 965 273)	(20 561 040)
Currency differences gains	(96 155 403)	(2 487 172)
Operating profit before changes in working capital	868 884 629	258 219 494
Decrease in other assets	110 119 601	39 931 212
decrease in creditors and other credit balances	(9 743 671)	(122 714 346)
Change in loans and advances	(1 312 085 850)	(933 111 900)
Change in customers' deposits	389 089 475	1 445 473 201
Increase in accounts receivables	(23 761 242)	(76 672 283)
Increase in accounts payables	316 808 067	209 475 891
Increase in investments at fair value through profit and loss	(207 488 672)	(159 161 264)
Change in financial assets (over 3 months)	(644 094 750)	(1 022 025 600)
Income tax paid	(42 919 964)	(59 854 365)
Net cash used in operating activities	(555 192 377)	(420 439 960)
Cash flows from investing activities		
Payments to purchase fixed assets	(36 935 759)	(90 907 255)
Proceeds from sale of fixed assets	193 933	8 838 427
Proceeds from projects under construction	-	546 858
Proceeds from sale of available -for- sale investments	26 978	87 596 851
Payments to purchase available -for- sale investments	(15 779 468)	(24 738 960)
Payments to purchase investments in subsidiaries and associates	(180 658)	(366 140)
Payments to purchase held to maturity investments	-	(18 500 400)
Proceeds from sale of held to maturity investments	613 000 200	-
Increase in long term lending	(11 478 469)	(20 610 573)
payments to / Proceeds from companies' share in Settlement Guarantee Fund	(1 721 383)	714 549
Proceeds from sale of non -current assets held for sale	4 087 350	85 075 507
Net cash provided from investing activities	551 212 724	27 648 864
Cash flows from financing activities		
Paid dividends	(74 662 434)	(37 444 288)
Payments to long term loans	-	(35 580 989)
Changes in reserves	(4 869 348)	-
Change in non-controlling interests	(9 471 500)	(4 873 368)
Net cash used in financing activities	(89 003 282)	(77 898 645)
Net change in cash and cash equivalents during the period	(92 982 935)	(470 689 741)
Cash and cash equivalents at the beginning of the period (note no. 29)	8 078 095 560	7 082 645 232
Cash and cash equivalents at the end of the period (note no. 29)	7 985 112 625	6 611 955 491

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 period ended 30 June 2013

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. 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

A fair value study was conducted during the period post acquisition of Credit Libanais SAL on the assets and liabilities held on acquisition date and 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 period ended 30 June 2013 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

Company's name	**% 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 (22) – other provisions.
- Note (25) – contingent liabilities, valuation of financial instruments.
- Note (20) – 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 period.

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.

- If an entity has classified an asset or disposal group as held for sale, but the criteria are no longer met, the entity shall cease to classify the asset or disposal group as held for sale, also the results of operations of the component previously presented in discontinued operations shall be reclassified and included in income from continuing operations for all periods presented. The amounts for prior periods shall be described as having been re-presented.

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.

- On May 1, 2013 EFG Hermes Holding Company and QInvest, announced that the long-stop date for the satisfaction of the conditions precedent for their joint venture agreement to proceed had been reached without receiving the necessary regulatory approvals from the Egyptian Financial Supervisory Authority (EFSA). As a result of the long-stop date being reached, the joint venture agreement will automatically terminate.

4-1 Assets classified as held for sale

	30/6/2013 LE	31/12/2012 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)	* 13 400 512	72 923 390
Goodwill and other intangible assets	--	646 120 259
Other assets	--	585 076 996
Balance	13 400 512	3 346 987 421

* The amount represents the value of the entire parts of the of previous company's building no. 58 Tahrir St.El Dokki Egypt and common share in the land owned by Financial Brokerage Group Company - one of company's subsidiary – 99.92% - which the company decided to sell it according to the company's Extraordinary General Assembly approved in its session held on May 29, 2013.

4-2 Liabilities classified as held for sale

	30/6/2013 LE	31/12/2012 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

5- Cash and due from banks

	30/6/2013 LE	31/12/2012 LE
Cash on hand	310 153 220	238 630 983
Central Bank of Lebanon *		
- Demand deposits	985 739 550	992 329 800
- Time deposits	7 430 653 500	6 524 044 800
Other Central Banks		
- Demand deposits	740 610 150	284 541 600
Cheques under collection	1 299 763	--
Banks - current accounts (net)	1 245 552 886	88 795 696
Banks - demand deposits	1 001 745 664	702 274 516
Banks - time deposits	4 015 361 429	4 584 335 588
Accrued interest	82 207 350	67 027 800
Balance	15 813 323 512	13 481 980 783

* 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

	30/6/2013 LE	31/12/2012 LE
Mutual Fund certificates	645 513 002	413 959 391
Equity securities	16 746 317	18 064 095
Debt securities	179 418 644	120 517 649
Lebanese treasury bills	242 697 450	80 686 200
Balance	1 084 375 413	633 227 335

7- Accounts receivables

	30/6/2013 LE	31/12/2012 LE
Accounts receivables (net)	755 246 817	84 825 375
Other brokerage companies (net)	(85 518 295)	(4 545)
Balance	669 728 522	84 820 830

8- Loans and advances

		30/6/2013 LE	31/12/2012 LE
Loans and advances to customers	(8-1)	16 874 804 444	14 028 029 017
Loans and advances to related parties	(8-2)	136 482 150	166 353 600
Other loans – note (27)		--	90 692 748
Balance		17 011 286 594	14 285 075 365

8-1 Loans and advances to customers

	30/6/2013				31/12/2012
	Gross Amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	542 589 900	--	--	542 589 900	477 838 200
Mortgage loans	5 693 963 223	--	--	5 693 963 223	5 133 424 377
Personal loans	1 163 699 700	--	--	1 163 699 700	1 602 153 000
Credit cards	181 308 150	--	--	181 308 150	172 481 400
Others	904 578 450	--	--	904 578 450	99 531 600
Regular corporate customers					
Corporate	7 403 119 632	--	--	7 403 119 632	4 732 676 303
Classified retail customers					
Watch	107 254 338	--	--	107 254 338	297 861 468
Substandard	110 628 150	(37 534 800)	--	73 093 350	62 697 600
Doubtful	270 220 800	(112 841 550)	(89 624 100)	67 755 150	49 295 400
Bad	35 437 650	(14 926 500)	(20 511 150)	--	--

	30/6/2013				31/12/2012
	Gross Amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Classified corporate customers					
Watch	642 215 201	--	--	642 215 201	1 327 867 469
Substandard	17 497 950	(4 175 700)	--	13 322 250	26 896 800
Doubtful	308 202 000	(95 813 250)	(111 065 250)	101 323 500	74 197 200
Bad	6 384 450	(1 590 300)	(4 794 150)	--	--
Collective provision for retail loans	--	--	(31 220 100)	(31 220 100)	(28 198 800)
Collective provision for corporate loans	--	--	(49 024 950)	(49 024 950)	(44 280 600)
Accrued interest receivable	60 826 650	--	--	60 826 650	43 587 600
Balance	17 447 926 244	(266 882 100)	(306 239 700)	16 874 804 444	14 028 029 017

8-2 Loans and advances to related parties

	30/6/2013 LE	31/12/2012 LE
Regular Retail loans	8 793 150	1 180 200
Regular Corporate loans	127 689 000	165 173 400
Balance	136 482 150	166 353 600

9- Available - for- sale investments

	30/6/2013 LE	31/12/2012 LE
Preferred shares	127 921 500	103 147 800
Equity securities	483 949 195	563 352 448
Mutual fund certificates	841 258 767	726 941 677
Accrued interest receivable	5 091 750	6 959 400
Balance	1 458 221 212	1 400 401 325

10- Held-to-maturity investments

	30/6/2013 LE	31/12/2012 LE
Lebanese government treasury bills and Eurobonds	15 388 445 614	14 420 404 321
Other sovereign bonds	40 069 050	39 824 400
Certificates of deposit issued by banks	6 114 828 787	5 591 717 097
Other debt instruments	278 320 939	220 173 975
Accrued interest receivable	360 086 700	332 514 000
Balance	22 181 751 090	20 604 633 793

11- Investments in associates

	2013 Ownership %	2012 Ownership %	30/6/2013 LE	31/12/2012 LE
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	33 931 050	31 050 600
Credit Card Management SAL	28.96	28.96	11 136 750	9 949 800
International Payment Network SAL	20.18	20.18	7 946 850	6 753 600
Net Commerce SAL	19.10	19.10	1 232 250	1 071 000
Liberty Executive Center SAL	6.27	6.27	55 800	50 400
Hot Spot Properties SAL	32.23	32.23	9 416 250	8 505 000
Dourrat Loubnan Al Iqaria SAL	30.14	30.14	16 740 000	15 120 000
Balance			80 458 950	72 500 400

12- Investment property

Investment property amounted LE 344 232 347 as at 30 June, 2013 , represents the following:

- LE 132 062 511 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building
- LE 57 337 600 represents the fair value of the area owned by EFG – Hermes Holding Company in the Index Tower – UAE.
- LE 154 832 236 represents the fair value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.

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 1/1/2013	891 349 144	210 586 656	235 002 182	44 351 142	16 085 368	194 325 600	1 591 700 092
Transferred from 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
Additions	638 271	316 453	3 156 642	490 943	50 050	27 027 000	31 679 359
Disposals	(68 000)	--	(2 063 685)	(238 324)	(40 000)	--	(2 410 009)
Reclassification of assets	--	734 700	297 600	--	--	(1 032 300)	--
Foreign currency translation differences	65 849 414	22 485 671	31 562 732	2 843 112	919 782	63 469 200	187 129 911
Transfer to assets held for sale	(19 110 270)	--	--	--	--	--	(19 110 270)
Total cost as at 30/6/2013	987 709 165	247 662 241	367 576 844	85 954 927	21 059 594	293 574 000	2 003 536 771
Accumulated depreciation as at 1/1/2013	103 546 492	150 602 255	140 977 353	31 847 456	11 556 536	--	438 530 092
Transferred from assets held for sale	17 034 591	8 192 213	76 871 333	36 014 405	3 511 756	--	141 624 298
Depreciation	12 622 248	8 467 485	17 311 877	3 356 483	863 060	--	42 621 153
Disposals' accumulated depreciation	--	--	(1 968 122)	(228 685)	(42 000)	--	(2 238 807)
Foreign currency translation differences	7 441 963	15 806 066	19 604 606	2 744 206	582 582	--	46 179 423
Transfer to assets held for sale	(5 709 758)	--	--	--	--	--	(5 709 758)
Accumulated depreciation as at 30/6/2013	134 935 536	183 068 019	252 797 047	73 733 865	16 471 934	--	661 006 401
Carrying amount as at 30/6/2013	852 773 629	64 594 222	114 779 797	12 221 062	4 587 660	293 574 000	1 342 530 370
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

* Projects under construction are represented in the following :

	30/6/2013	31/12/2012
	LE	LE
Office spaces in Egypt	9 784 500	--
Preparation of new headquarters – Credit Libanais SAL "the Bank" - Lebanon	283 789 500	194 325 600
Balance	293 574 000	194 325 600

14- Goodwill and other intangible assets

		30/6/2013	31/12/2012
		LE	LE
Goodwill	(14-1)	707 539 161	65 083 756
Other intangible assets	(14-2)	3 943 865 691	3 541 984 803
Balance		4 651 404 852	3 607 068 559

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

	30/6/2013	31/12/2012
	LE	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	707 539 161	65 083 756

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

	30/6/2013	31/12/2012
	LE	LE
Branches network - Credit Libanais Bank	3 915 269 409	3 521 084 100
Key Money	1 297 350	1 251 600
Licenses & Franchise	6 217 050	3 334 800
Software	21 081 882	16 314 303
Balance	3 943 865 691	3 541 984 803

15- Other assets

		30/6/2013 LE	31/12/2012 LE
Deposits with others	(15-1)	50 782 592	26 486 689
Downpayments to suppliers		4 719 217	89 280
Prepaid expenses		146 869 766	190 882 289
Employees' advances		17 376 978	3 950 161
Accrued revenues		27 380 474	17 014 831
Taxes withheld by others		8 914 726	8 161 658
Payments for investments	(15-2)	7 454 500	8 454 500
Re-insurers' share of technical reserve		75 102 150	69 875 400
Receivables - sale of investments		82 494 881	--
Infra Egypt fund		3 687 994	--
Settlement Guarantee Fund		30 770 058	211 287
Unquoted assets - Ready for sale acquired in satisfaction of loans		204 674 400	188 559 000
Due from EFG- Hermes Employee Trust		339 856 716	--
Due from Ara inc. company		321 588	--
Due from related parties		43 607 700	21 789 600
Re-insurance accrued commission		16 693 500	15 078 000
Cards transaction on ATM		4 087 350	1 638 000
Re-insurance debtors		302 250	1 050 000
Sundry debtors		149 119 083	97 490 516
Balance		1 214 215 923	650 731 211

15-1 Deposits with others include an amount of LE 27 969 750 (equivalent to LBP 6 015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon , in addition to an amount of LE 19 215 650 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents blocked deposits for Same Day Trading Operations Settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use these amounts without prior approval from Misr Clearance Company.

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

	30/6/2013 LE	31/12/2012 LE
Arab Visual Company	3 749 500	3 749 500
IDEAVELOPERS	25 000	25 000
AAW Company for Infrastructure	3 040 000	3 040 000
International Company for Projects Management	--	1 000 000
EFG –Hermes Direct Fund Management	640 000	640 000
	7 454 500	8 454 500

16- Due to banks and financial institutions

	30/6/2013 LE	31/12/2012 LE
Current deposits of banks	300 756 138	126 327 600
Time deposits	32 940 600	116 457 600
Financial institutions	304 044 955	313 135 200
Accrued interest payable	3 003 900	3 309 600
Balance	640 745 593	559 230 000

17- Customers' deposits

	30/6/2013 LE	31/12/2012 LE
Deposits from customers (private sector):		
Saving accounts	28 750 269 078	25 224 625 500
Term deposits	11 470 112 263	11 804 423 400
Current accounts	4 534 159 200	3 853 067 738
	44 754 540 541	40 882 116 638
Deposits from customers (public sector):		
Saving accounts	223 711 500	224 754 600
Term deposits	1 444 238 850	942 471 600
Current accounts	655 236 150	576 025 800
	2 323 186 500	1 743 252 000
Others	182 726 400	81 488 400
	47 260 453 441	42 706 857 038
Accrued interest payable	224 320 650	225 850 800
	47 484 774 091	42 932 707 838
Deposits from related parties:		
Long term saving accounts	545 040 450	382 548 600
Short term saving accounts	--	33 600
Long term deposits	1 157 287 350	784 950 600
Short term deposits	92 669 850	87 389 400
Accrued interest payable	4 305 900	3 418 800
	1 799 303 550	1 258 341 000
Balance	49 284 077 641	44 191 048 838

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 is equivalent to LE 542 106 300 as at June 30, 2013 versus LE 506 028 600 as at December 31,2012.

19- Creditors and other credit balances

	30/6/2013	31/12/2012
	LE	LE
Margins held against documentary credits	161 266 650	82 559 400
Technical reserve for insurance companies	335 925 300	310 191 000
Revaluation of assets acquired in satisfaction of loans	23 119 800	20 882 400
Social Insurance Association	608 200	219 138
Unearned revenues	7 249 350	6 316 801
Suppliers	197 112 781	197 937 600
Accrued expenses	169 107 807	66 209 113
Clients' coupons- Custody Activity	5 769 848	6 926 836
Due to Industry Modernization Center	6 111 142	5 695 508
Dividends payable	35 566 799	29 871 308
Cards transaction on ATM	5 087 100	19 278 000
Re-insurance creditors	153 794 100	136 260 600
Sundry creditors	37 262 366	7 137 609
Balance	1 137 981 243	889 485 313

20- Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	30/6/2013 Assets LE	30/6/2013 Liabilities LE	31/12/2012 Assets LE	31/12/2012 Liabilities LE
Fixed assets depreciation	--	4 935 428	--	4 762 302
Expected claims provision	1 908 033	--	90 750	--
Impairment loss on assets	5 725 617	--	2 393 287	--
Prior year losses forward	2 827 213	--	38 925	--
Company's share in subsidiaries's profits	--	6 303 993	--	5 546 978
Total deferred tax assets / liabilities	10 460 863	11 239 421	2 522 962	10 309 280
Net deferred tax liabilities		778 558		7 786 318

(B) Deferred tax recognized directly in equity

	30/6/2013 LE	31/12/2012 LE
Fair value adjustments *	640 558 315	575 061 152
Changes in fair value of cash flow hedges	(6 612 597)	(6 612 597)
	633 945 718	568 448 555

* 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).

21- Other income

Other income presented in the income statement includes LE 124 918 906 represents provision reversed.

22- Other provisions

		30/6/2013 LE	31/12/2012 LE
Expected claims provision	(22-1)	130 283 329	233 877 194
Servance pay provision	(22-1)	154 173 532	104 021 396
Other provisions		1 302 000	932 400
Balance		285 758 861	338 830 990

22-1	Expected Claims Provision	Severance pay provision	Total
	LE	LE	LE
Balance at the beginning of the period	233 877 194	104 021 396	337 898 590
Transferred from liabilities held for sale	13 733 761	37 963 549	51 697 310
Formed during the period	5 669 458	7 586 995	13 256 453
Provision reversed	(122 292 102)	(2 626 804)	(124 918 906)
Foreign currency differences	3 004 913	14 275 604	17 280 517
Amounts used during the period	(3 709 895)	(7 047 208)	(10 757 103)
Balance at the end of the period	130 283 329	154 173 532	284 456 861

23- 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 dividends 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.
- The company's Ordinary General Assembly approved in its session held on July 7, 2013 to increase the company's share capital with an amount of LE 477 903 750 through distributing stock dividends by one share to every outstanding five shares from retained earnings presented on December 31, 2012.

23-1 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.
- The company's Extraordinary General Assembly approved in its session held on July 25, 2013 to decrease the company's issued capital from LE 2 391 473 750 to LE 2 389 518 750 through cancelling a number of 391 000 shares of the company's shares which represent treasury shares were purchased for more than one year.

24- Non - Controlling interests

	30/6/2013 LE	31/12/2012 LE
Share capital	448 912 489	450 790 962
Legal reserve	140 213 802	127 049 733
Other reserves	678 350 543	563 475 870
Retained earnings	204 193 128	108 597 510
Other equity	76 102 652	78 913 800
Increase in fair value of net assets	1 311 269 951	1 175 798 705
Net profit for the period / year	108 249 060	151 559 875
Balance	2 967 291 625	2 656 186 455

25- 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 293 939 976).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-balance sheet items :

	30/6/2013 LE	31/12/2012 LE
Financing commitments given to financial institutions	662 518 050	778 621 200
Commitments to customers	2 153 991 600	1 434 006 000
Guarantees given to customers	989 152 650	810 339 600
Restricted and non – restricted fiduciary accounts	54 432 900	51 702 000
Commitments of signature received from financial intermediaries	124 285 200	73 155 600
Securities' commitments	564 668 100	484 734 600
Other commitments received	33 445 645 800	29 514 294 600
Assets under management	26 721 056 150	27 792 973 200

26- 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 20 429 158 till June 30, 2013 versus an amount of 16 052 180 till June 30, 2012 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended	
	30/6/2013	30/6/2012
	LE	LE
Egyptian Portfolio Management Group	1 565 317	7 243 711
Hermes Fund Management	--	8 407 555
EFG- Hermes Financial Management (Egypt) Ltd.	18 863 841	400 914
Total	20 429 158	16 052 180

27- Impairment loss on assets

	2013		2012	
	For the period from 1/4/2013 to 30/6/2013	For the period from 1/1/2013 to 30/6/2013	For the period from 1/4/2012 to 30/6/2012	For the period from 1/1/2012 to 30/6/2012
	LE	LE	LE	LE
Impairment loss on accounts receivables & debit accounts	18 729 526	18 889 248	1 935 228	1 935 228
Impairment loss on available –for–sale investments	125 838 237	125 856 237	240 480	240 480
Impairment loss on loans – others *	102 171 216	102 171 216	--	--
Total	246 738 979	246 916 701	2 175 708	2 175 708

* Note (8).

28- Income tax expense

	2013		2012	
	For the period from 1/4/2013 to 30/6/2013	For the period from 1/1/2013 to 30/6/2013	For the period from 1/4/2012 to 30/6/2012	For the period from 1/1/2012 to 30/6/2012
	LE	LE	LE	LE
Current income tax	(16 167 281)	(33 115 390)	(32 779 328)	(50 318 345)
Deferred tax	56 091	(906 728)	1 257 171	2 793 996
Total	(16 111 190)	(34 022 118)	(31 522 157)	(47 524 349)

29- Cash and cash equivalents

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

	30/6/2013 LE	31/12/2012 LE
Cash and due from banks	15 813 323 512	14 471 516 453
Due to banks and financial institutions	(640 745 593)	(579 512 696)
Less: Assets – maturity more than three months	(7 187 465 294)	(5 910 063 600)
Effect of exchange rate	--	96 155 403
Cash and cash equivalents	7 985 112 625	8 078 095 560

30- General administrative expenses

	2013		2012	
	For the period from 1/4/2013 to 30/6/2013 LE	For the period from 1/1/2013 to 30/6/2013 LE	For the period from 1/4/2012 to 30/6/2012 LE	For the period from 1/1/2012 to 30/6/2012 LE
Wages , salaries and similar items	240 718 870	477 755 419	208 740 923	398 326 323
Consultancy	12 904 612	30 922 309	12 306 611	28 128 636
Travel , accommodation and transportation	11 971 009	21 264 565	10 820 917	19 566 065
Other expenses	113 270 318	205 035 367	106 096 077	191 778 266
Total	378 864 809	734 977 660	337 964 528	637 799 290

31- Earnings per share

	2013		2012	
	For the period from 1/4/2013 to 30/6/2013 LE	For the period from 1/1/2013 to 30/6/2013 LE	For the period from 1/4/2012 to 30/6/2012 LE	For the period from 1/1/2012 to 30/6/2012 LE
Net (loss) profit for the period	(28 998 965)	69 039 812	71 244 297	148 260 919
Net (loss) profit for equity holders of the parent company	(80 177 365)	(39 209 248)	27 003 676	61 913 554
Weighted average number of shares	477 903 750	477 903 750	477 903 750	477 903 750
Earnings per share	(0.17)	(0.08)	0.06	0.13

32- 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 period ended June 30, 2013

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	251 188 317	288 702 905	--	539 891 222
Fee and commission expense	--	(148 765 458)	--	(148 765 458)
Net fee and commission income	251 188 317	139 937 447	--	391 125 764
Securities gains	14 796 397	840 328	--	15 636 725
Share of profit of associate	--	5 457 565	--	5 457 565
Changes in the investments at fair value through profit and loss	875 250	28 297 132	--	29 172 382
Foreign currencies differences	96 155 403	--	--	96 155 403
Other income	130 983 685	10 905 995	--	141 889 680
Noninterest revenue	493 999 052	185 438 467	--	679 437 519
Interest and dividends income	105 991 993	1 511 763 773	(76 500 427)	1 541 255 339
Interest expense	(4 375 112)	(1 049 044 467)	149 406	(1 053 270 173)
Net interest income	101 616 881	462 719 306	(76 351 021)	487 985 166
Total net revenue	595 615 933	648 157 773	(76 351 021)	1 167 422 685
Total noninterest expenses	(675 394 407)	(383 422 485)	(5 543 863)	(1 064 360 755)
Net (loss) profit before income tax	(79 778 474)	264 735 288	(81 894 884)	103 061 930
Income tax expense	(1 251 388)	(31 676 712)	(1 094 018)	(34 022 118)
Net (loss) profit for the period	(81 029 862)	233 058 576	(82 988 902)	69 039 812
Total assets	9 523 773 747	55 317 785 700	1 023 369 850	65 864 929 297
Total liabilities	1 492 489 622	51 472 589 100	688 859 606	53 653 938 328
Shareholders' equity	8 031 284 125	3 845 196 600	334 510 244	12 210 990 969
Total equity and liabilities	9 523 773 747	55 317 785 700	1 023 369 850	65 864 929 297

For the period ended June 30, 2012

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	304 726 544	248 199 408	--	552 925 952
Fee and commission expense	--	(144 797 016)	--	(144 797 016)
Net fee and commission income	304 726 544	103 402 392	--	408 128 936
Securities gains	13 386 540	25 438 776	--	38 825 316
Share of profit of associate	--	4 236 456	--	4 236 456
Changes in the investments at fair value through profit and loss	20 987 408	11 274 504	--	32 261 912
Foreign currencies differences	7 735 118	--	--	7 735 118
Other income	6 461 125	20 476 872	--	26 937 997
Noninterest revenue	353 296 735	164 829 000	--	518 125 735
Interest and dividends income	59 954 625	1 218 387 912	(51 220 382)	1 227 122 155
Interest expense	(10 810 182)	(824 473 656)	--	(835 283 838)
Net interest income	49 144 443	393 914 256	(51 220 382)	391 838 317
Total net revenue	402 441 178	558 743 256	(51 220 382)	909 964 052
Total noninterest expenses	(393 032 296)	(316 255 248)	(4 891 240)	(714 178 784)
Net profit before income tax	9 408 882	242 488 008	(56 111 622)	195 785 268
Income tax expense	(22 147 558)	(27 667 224)	2 290 433	(47 524 349)
Net (loss) profit	(12 738 676)	214 820 784	(53 821 189)	148 260 919
Total assets	9 194 075 372	45 070 182 000	555 434 817	54 819 692 189
Total liabilities	1 211 942 902	41 947 482 150	705 366 750	43 864 791 802
Shareholders' equity	7 982 132 470	3 122 699 850	(149 931 933)	10 954 900 387
Total equity and liabilities	9 194 075 372	45 070 182 000	555 434 817	54 819 692 189

33- 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 has been inspected which was objected thereon on the due date and as to 2012, 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 / 2012, 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 31/12/2012 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 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 bases, the related assets and liabilities, the results of operations during the period.

34- 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

	Direct ownership	Indirect ownership
	%	%
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
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

	Direct ownership %	Indirect ownership %
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	--

35- 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.

35-1 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.

35-2 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.

35-3 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.

35-4 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.

35-5 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.

35-6 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.

35-7 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.

35-8 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.

35-9 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

35-10 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.

36- 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 31/12/2012	Adjustments	(Amended) For the year ended 31/12/2012
	LE	LE	LE
Other assets	694 102 912	(43 371 701)	650 731 211
Retained earnings	1 439 922 052	(28 191 606)	1 411 730 446
Creditors and other credit balances	1 465 720 186	(576 234 873)	889 485 313
Deferred tax liabilities	--	(576 234 873)	(576 234 873)
Non - Controlling interests	2 671 366 550	(15 180 095)	2 656 186 455