EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 31 March 2014
&
Review Report

Contents

KPMG

Hazem Hassan
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Review Report

To the Board of Directors of 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 31 March 2014 and the related consolidated statements of income, changes in equity and cash flows for the three 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 31 March 2014, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Explanatory Note

Without qualifying our opinion the company's General Ordinary Assembly meeting has not been held yet to approve the financial statements for the year ended 31 December, 2013.

Hassan Ba
KPMG Hazem Hassan

Cairo, May 15, 2014

KPMG Hazem Hassan
Public Accountants and Consultants
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Consolidated statement of financial position as at 31 March 2014

(In EGP)	Note no.	31/3/2014	31/12/2013
Assets			
Cash and due from banks	(4)	18,198,831,783	16,534,230,948
Investments at fair value through profit and loss	(5)	574,500,952	1,124,413,027
Accounts receivables (net)	(6)	941,999,486	823,841,307
Loans and advances	(7)	18,751,252,420	18,068,865,382
Available -for- sale investments	(8)	1,847,220,820	1,786,563,343
Held-to-maturity investments	(9)	22,245,077,009	22,139,071,831
Investments in associates	(10)	83,067,600	81,571,800
Investment property	(11)	320,424,605	320,250,709
Fixed assets (net)	(12)	1,358,754,759	1,307,073,381
Goodwill and other intangible assets	(13)	4,101,522,793	4,092,415,380
Other assets	(14)	1,122,069,473	1,093,444,771
Total assets		69,544,721,700	67,371,741,879
Liabilities			
Due to banks and financial institutions	(15)	1,228,353,830	917,202,147
Customers' deposits	(16)	51,213,936,889	49,745,040,988
Accounts payables - customers' credit balances		1,677,984,777	1,155,605,256
Bonds	(17)	533,131,800	554,120,600
Creditors and other credit balances	(18)	1,354,589,074	1,368,202,203
Other liabilities	(19)	702,132,000	694,591,378
Current tax liability		115,687,760	108,977,161
Deferred tax liabilities	(20)	636,023,954	628,913,392
Provisions	(21)	323,253,159	319,636,881
Total liabilities		57,785,093,243	55,492,290,006
Shareholders' equity			
Share capital	(22)	2,867,422,500	2,867,422,500
Legal reserve		990,432,067	990,432,067
Share premium		3,289,103,899	3,289,103,899
Other reserves		1,486,352,259	1,359,608,557
Retained earnings		399,460,772	936,046,512
		9,032,771,497	9,442,613,535
Treasury shares	(22-1)	(425,974,172)	-
Shareholders' equity		8,606,797,325	9,442,613,535
Net profit (loss) for the period / year		118,898,100	(540,322,092)
Shareholders' equity including net profit (loss) for the period /year		8,725,695,425	8,902,291,443
Non - controlling interests	(23)	3,033,933,032	2,977,160,430
Total shareholders' equity		11,759,628,457	11,879,451,873
Total shareholders' equity and liabilities		69,544,721,700	67,371,741,879

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar	Yasser El Mallawany	karim Awad
Chairperson	Executive Managing Director	Executive Managing Director

Consolidated income statement for the period ended 31 March 2014

	Note no.	31, March 2 014	2 013
(in EGP)			
Fee and commission income		363,007,453	270,516,744
Fee and commission expense		(113,571,600)	(93,645,000)
Net fee and commission income		249,435,853	176,871,744
Securities gains		49,176,385	13,292,635
Share of profit of associate	(10)	1,729,800	1,539,000
Changes in the investments at fair value through profit and loss		5,366,057	(4,936,554)
Foreign currencies differences		16,200,622	81,606,377
Other income		11,887,264	11,468,706
Noninterest revenue		333,795,981	279,841,908
Interest and dividend income		802,599,167	737,462,103
Interest expense		(563,654,937)	(499,550,867)
Net interest income		238,944,230	237,911,236
Total net revenue		572,740,211	517,753,144
General administrative expenses	(29)	345,034,560	356,112,851
Net losses on loans and advances	(7)	9,951,000	7,884,000
Provisions	(21)	6,303,753	13,979,969
Depreciation and amortization	(12),(13)	21,214,486	23,648,897
Impairment loss on assets	(26)	-	177,722
Total noninterest expenses		382,503,799	401,803,439
Net profit before income tax		190,236,412	115,949,705
Income tax expense	(27)	(29,197,812)	(17,910,928)
Net profit for the period		161,038,600	98,038,777
Equity holders of the parent		118,898,100	40,968,117
Non - controlling interests	(23)	42,140,500	57,070,660
		161,038,600	98,038,777
Earnings per share	(30)	0,22	0,07

The accompanying notes from page (5) to page (43) 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 31 March 2014

	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 (loss) for the year / period	Non - controlling interests	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
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
Foreign currencies translation differences		-	-	-	-	-	371 437 686	-	-	-	-	-	-	-	-	371 437 686
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	76 202 836	-	-	-	-	-	-	-	76 202 836
Other reserves		-	-	-	-	-	-	-	-	-	4 990	-	-	-	-	4 990
Cumulative adjustments		-	-	-	-	-	-	-	-	(7 450 495)	-	-	-	-	-	(7 450 495)
2012 dividends payout		-	29 174 481	-	-	-	-	-	-	-	-	31 730 423	-	(59 577 880)	-	1 327 024
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	207 992 500	207 992 500
Net profit for the period ended 31 March, 2013		-	-	-	-	-	-	-	-	-	-	-	-	40 968 117	57 070 660	98 038 777
Balance as at 31 March, 2013		2 391 473 750	990 432 067	3 294 067 512	373 146	41 600 000	761 986 320	64 475 907	(26 442 387)	(19 877 126)	218 573 940	1 471 652 475	(6 918 613)	40 968 117	2 936 429 710	12 158 794 818
Balance as at 31 December, 2013		2 867 422 500	990 432 067	3 289 103 899	373 146	-	837 436 564	344 000 602	(26 442 387)	(23 115 304)	227 355 936	936 046 512	-	(540 322 092)	2 977 160 430	11 879 451 873
Foreign currencies translation differences		-	-	-	-	-	34 993 726	-	-	-	-	-	-	-	-	34 993 726
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	91 749 976	-	-	-	-	-	-	-	91 749 976
2013 dividends payout		-	-	-	-	-	-	-	-	-	-	(536 585 740)	-	540 322 092	-	3 736 352
purchasing of treasury shares	(22-1)	-	-	-	-	-	-	-	-	-	-	-	(425 974 172)	-	-	(425 974 172)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	14 632 102	14 632 102
Net profit for the period ended 31 March, 2014		-	-	-	-	-	-	-	-	-	-	-	-	118 898 100	42 140 500	161 038 600
Balance as at 31 March, 2014		2 867 422 500	990 432 067	3 289 103 899	373 146	-	872 430 290	435 750 578	(26 442 387)	(23 115 304)	227 355 936	399 460 772	(425 974 172)	118 898 100	3 033 933 032	11 759 628 457

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

Consolidated statement of Cash flows for the period ended 31 March 2014

	31, March	
	2 014	**2 013**
Cash flows from operating activities		
Net profit before income tax	190 236 412	115 949 705
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	21 214 486	23 648 897
Povisions formed	6 303 753	21 977 010
Provisions used	(6 580 942)	(6 282 872)
Provisions reversed	(1 641 450)	(3 127 500)
Gains on sale of fixed assets	-	(4 652)
Gains on sale of available -for- sale investments	(33 444 719)	(13 187)
Losses on sale of assets classified as held for sale	186 018	-
Changes in the fair value of investments at fair value through profit and loss	(5 366 071)	(13 724 935)
Impairment loss on assets	9 951 000	181 574
Foreign currency translation differences	48 051 288	615 533 163
Interest expense	-	(36 494 084)
Currency differences gains	(16 200 622)	(58 837 032)
Operating profit before changes in working capital	212 709 153	658 806 087
(Increase) decrease in other assets	(10 693 475)	80 585 332
(Decrease) increase in creditors and other credit balances	(28 579 391)	23 115 800
Change in loans and advances	(497 057 100)	(1 044 912 050)
Change in customers' deposits	990 901 143	579 849 838
Increase in accounts receivables	(77 824 146)	(344 755 373)
Increase in accounts payables	532 748 580	107 642 466
Decrease (increase) in investments at fair value through profit and loss	475 300 387	(2 817 632)
Change in financial assets (over 3 months)	-	(362 603 150)
Income tax paid	(20 264 700)	(24 828 900)
Net cash provided from (used in) operating activities	1 577 240 451	(329 917 582)
Cash flows from investing activities		
Payments to purchase fixed assets	(59 809 479)	(35 725 239)
Proceeds from sale of fixed assets	33 600	78 065
Proceeds from sale of available -for- sale investments	83 127 917	26 874
Payments to purchase available -for- sale investments	(16 100 900)	(18 251 852)
Payments to purchase investments in subsidiaries and associates	(609 150)	(1 615 250)
Proceeds from sale of held to maturity investments	120 197 850	445 900 000
Payments for long term lending	-	(8 290 815)
Proceeds from companies' share in Settlement Guarantee Fund	3 075 324	774 219
Proceeds from sale of non -current assets held for sale	5 091 852	9 100
Net cash provided from investing activities	135 007 014	382 905 102
Cash flows from financing activities		
Purchasing of treasury shares	(425 974 172)	-
Dividends paid	-	(13 222 371)
Payments for Subordinated Bonds	(27 011 850)	-
Change in non-controlling interests	-	13 650
Net cash used in financing activities	(452 986 022)	(13 208 721)
Net change in cash and cash equivalents during the period	1 259 261 443	39 778 799
Cash and cash equivalents at the beginning of the period (note no. 28)	8 877 590 460	8 040 777 189
Cash and cash equivalents at the end of the period (note no. 28)	10 136 851 903	8 080 555 988

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

1- Background

1-1 Incorporation

EFG-Hermes holding S.A.E "the company" is an Egyptian joint stock company subject to the provisions of the Capital Market Law No.95 of 1992 and its executive regulations. The company's registered office is located in Smart Village building No. B129, phase 3, KM 28 Cairo Alexandria Desert Road, 6 October 12577 Egypt.

1-2 Purpose of the company

- The company is a universal bank with a lead position in the Arab world in investment banking, securities brokerage, asset management, private equity and research. The purpose of the company also includes the participation in the establishment of companies which issue securities or in increasing their share capitals, custody activities and margin trading.
- **Acquisition of the Credit Libanais SAL (the Bank)**
  During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stake 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 has been completed.

1-3 Authorization of the Financial Statements

The financial statements were authorized for issue in accordance with a resolution of the board of directors on May 14, 2014.

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 at fair value:

- Derivative financial instruments.
- Financial instruments at fair value through profit and loss.
- Available-for-sale financial assets.
- Investment property

2.3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pounds (EGP) 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 (20) – recognition of deferred tax assets and liabilities.
- Note (21) – provisions.
- Note (24) – contingent liabilities, valuation of financial instruments.

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 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 group 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. Income Statement 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 Income Statement resulting from intragroup transactions.
- Non - controlling interests are presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the Income Statement of the group are also separately disclosed.
- The Group 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 accounted for using the equity method. Under the equity method the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the income statement 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

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. Foreign currency 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 consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the period 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 period of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet.

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 income statement 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 income statement.
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 Income Statement in the same period that the hedged item affects Income Statement.

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

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 re-measurement are recognized in income statement. 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 is 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, and 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).
- Negative goodwill arose from business combinations 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, is based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value cannot be measured reliably are valued by 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 cannot 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 balance sheet at their amortized cost, after taking into account any discounts 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 cost upon initial recognition, the company valued the investment property at fair value on balance sheet date, any gain or loss arising from a change in the fair value of investment property shall be recognized in income statement 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 income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement.

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 income statement. 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 income statement.

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 do not exceed three months from the date of acquisition , 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 current 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.

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 associates, 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 income statement.

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

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 method of all instruments bearing interest other than those classified held for trading or which have been classified at inception "fair value through income statement.

3-18-5 Fee and commission income

Fee related to servicing the loan or facility are recognized in 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 collected. 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 income statement 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 income statement 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 balance sheet 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 made 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 balance sheet and are recorded as memorandum accounts when all possible means of collection recourses have been exhausted, and the possibility of 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 period 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 are not recorded in the balance sheet.

3-29 Reserves for general banking risks

In compliance with the Lebanon Central Bank regulations and effective from1996, 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.

4- Cash and due from banks

	31/3/2014 EGP	31/12/2013 EGP
Cash on hand	249,198,816	293,937,747
Central Bank of Lebanon *		
- Demand deposits	1,182,485,700	1,120,748,600
- Time deposits	8,115 ,649,650	7,605,755,000
Other Central Banks		
- Demand deposits	221,646,900	263,984,800
- Time deposits	41,989,500	53,406,000
Cheques under collection	1,684,040	145,494
Banks - current accounts (net)	1,705,774,668	1,302,154,685
Banks - demand deposits	1,090,791,480	1,291,948,084
Banks - time deposits	5,548,797,979	4,519,129,738
Accrued interest	40,813,050	83,020,800
Balance	18,198,831,783	16,534,230,948

* In accordance with Central Bank of Lebanon regulations, the Bank is required to constitute mandatory reserve in Lebanese pounds of 15% and 25% of the average weekly customers' deposit accounts denominated in Lebanese pounds. The Bank is also required to constitute mandatory reserve in foreign currency, calculated on the basis of 15% of customers' deposit accounts denominated in foreign currency. Lebanese pounds reserve is non- interest bearing, whereas foreign currency reserve is floating –rate interest.

5- Investments at fair value through profit and loss

	31/3/2014 EGP	31/12/2013 EGP
Mutual Fund certificates	391,427,545	863,481,592
Equity securities	13,984,002	19,386,882
Debt securities	33,643,760	151,494,953
Treasury bills	135,445,645	90,049,600
Balance	574,500,952	1,124,413,027

6- Accounts receivables

	31/3/2014 EGP	31/12/2013 EGP
Accounts receivables (net)	1,006,509,056	927,539,084
Other brokerage companies (net)	(64,509,570)	(103,697,777)
Balance	941,999,486	823,841,307

7- Loans and advances

		31/3/2014 EGP	31/12/2013 EGP
Loans and advances to customers	(7-1)	18,610,929,370	17,969,923,982
Loans and advances to related parties	(7-2)	140,323,050	98,941,400
Balance		18,751,252,420	18,068,865,382

7-1 Loans and advances to customers

	31/3/2014				31/12/2013
	Gross Amount EGP	Unrealized Interest EGP	Impairment Allowance EGP	Carrying Amount EGP	Carrying Amount EGP
Regular retail customers					
Cash collateral	487,315,350	--	--	487,315, 350	454,079,800
Mortgage loans	6,294,061,829	--	--	6,294,061,829	5,848,198,873
Personal loans	286,653,900	--	--	286,653,900	226,830,600
Credit cards	182,652,000	--	--	182,652,000	178,457,000
Others	1,940,700,750	--	--	1,940,700,750	1,984,785,000
Regular corporate customers					
Corporate	8,433,115,705	--	--	8,433,115,705	8,290,291,428

	31/3/2014				31/12/2013
	Gross Amount EGP	**Unrealized Interest EGP**	**Impairment Allowance EGP**	**Carrying Amount EGP**	**Carrying Amount EGP**
Classified retail customers					
Watch	121,296,885	--	--	121,296,885	111,196,221
Substandard	137,742,300	(40,348,050)	--	97,394,250	77,887,200
Doubtful	264,589,650	(108,893,700)	(82,821,150)	72,874,800	72,854,800
Bad	44,816,700	(19,023,150)	(25,793,550)	--	--
Classified corporate customers					
Watch	618,794,551	--	--	618,794,551	622,583,660
Substandard	25,100,700	(5,142,900)	--	19,957,800	18,984,200
Doubtful	304,449,450	(91,818,900)	(112,962,450)	99,668,100	111,582,200
Bad	6,384,450	(1,590,300)	(4,794,150)	--	--
Collective provision for retail loans	--	--	(39,920,250)	(39,920,250)	(39,491,000)
Collective provision for corporate loans	--	--	(52,479,900)	(52,479,900)	(50,876,000)
Accrued interest receivable	48,843,600	--	--	48,843,600	62,560,000
Balance	19,196,517,820	(266,817,000)	(318,771,450)	18,610,929,370	17,969,923,982

7-2 Loans and advances to related parties

	31/3/2014 EGP	31/12/2013 EGP
Regular Retail loans	34,730,850	680,800
Regular Corporate loans	105,513,150	98,251,400
Accrued interest receivable	79,050	9,200
Balance	140,323,050	98,941,400

8- Available - for- sale investments

	31/3/2014 EGP	31/12/2013 EGP
Preferred shares	142,727,100	126,854,200
Equity securities	828,415,104	774,302,190
Mutual fund certificates	924,670,653	936,507,390
Accrued interest receivable	11,253,000	8,744,600
	1,907,065,857	1,846,408,380
Impairment of available for sale investments	(59,845,037)	(59,845,037)
Balance	1,847,220,820	1,786,563,343

9- Held-to-maturity investments

	31/3/2014 EGP	31/12/2013 EGP
Lebanese government treasury bills and Eurobonds	17,001,940,060	15,762,749,057
Other sovereign bonds	130,562,700	68,954,000
Certificates of deposit issued by banks	4,443,158,330	5,662,645,517
Other debt instruments	281,201,369	275,067,257
Accrued interest receivable	388,214,550	369,656,000
Balance	22,245,077,009	22,139,071,831

10- Investments in associates

	2014 Ownership %	2013 Ownership %	31/3/2014 EGP	31/12/2013 EGP
Agence Générale de Courtage d'Assurance SAL	25,86	25,86	44,802,750	35,654,600
Credit Card Management SAL	28,96	28,96	11,931,900	11,270,000
International Payment Network SAL	20,18	20,18	7,942,200	7,544,000
Net Commerce SAL	21,88	21,88	1,134,600	1,173,000
Liberty Executive Center SAL	29,98	29,98	55,800	55,200
Hot Spot Properties SAL	32,23	32,23	5,403,300	9,315,000
Dourrat Loubnan Al Iqaria SAL	30,14	30,14	11,797,050	16,560,000
Balance			83,067,600	81,571,800

11- Investment property

Investment property amounted EGP 320,424,605 as at 31 March, 2014 , represents the following:

- EGP 156,754,472 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building.
- EGP 96,000,000 represents the fair value of the area owned by EFG – Hermes Holding Company in the headquarter of the company in Smart Village Building.
- EGP 3,900,000 represents the fair value of the area owned by Hermes Securities Brokerage in the Elmanial Branch.
- EGP 63,770,133 represents the fair value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.

12- Fixed assets

Particular	Land & Buildings EGP	Leasehold Improvements EGP	Office furniture, equipment & electrical Appliances EGP	Computer Equipment EGP	Vehicles EGP	* Projects Under Construction EGP	Total EGP
Balance as at 1/1/2014	864,628,558	248,522,321	359,813,749	76,203,228	20,936,255	396,796,300	1,966,900,411
Additions	--	81,900	1,214,893	413,736	--	58,098,950	59,809,479
Disposals	--	--	(60,560)	--	--	--	(60,560)
Foreign currency translation differences	4,482,426	2,480,698	2,847,348	75,568	93,721	5,478,900	15,458,661
Total cost as at 31/3/2014	869,110,984	251,084,919	363,815,430	76,692,532	21,029,976	460,374,150	2,042,107,991
Accumulated depreciation as at 1/1/2014	138,071,778	189,448,063	251,504,373	64,574,143	16,228,672	--	659,827,029
Depreciation	5,432,233	3,615,046	8,100,761	1,473,804	328,095	--	18,949,939
Disposals' accumulated depreciation	--	--	(26,960)	--	--	--	(26,960)
Foreign currency translation differences	772,632	1,856,531	1,844,161	74,738	55,162	--	4,603,224
Accumulated depreciation as at 31/3/2014	144,276,643	194,919,640	261,422,335	66,122,685	16,611,929	--	683,353,232
Carrying amount as at 31/3/2014	724,834,341	56,165,279	102,393,095	10,569,847	4,418,047	460,374,150	1,358,754,759
Carrying amount as at 31/12/2013	726,556,780	59,074,257	108,309,376	11,629,085	4,707,583	396,796,300	1,307,073,381

* Projects under construction are represented in the following :

	31/3/2014 EGP	31/12/2013 EGP
Office spaces in Egypt	9,784,500	9,784,500
Preparation of new headquarters – Credit Libanais SAL "the Bank" - Lebanon	450,589,650	387,011,800
Balance	460,374,150	396,796,300

13- Goodwill and other intangible assets

		31/3/2014 EGP	31/12/2013 EGP
Goodwill	(13-1)	195,309,571	195,309,571
Other intangible assets	(13-2)	3,906,213,222	3,897,105,809
Balance		4,101,522,793	4,092,415,380

13-1 Goodwill is relating to the acquisition of the following subsidiaries:

	31/3/2014 EGP	31/12/2013 EGP
EFG- Hermes Oman LLC	5,921,803	5,921,803
EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait	179,148,550	179,148,550
IDEAVELOPERS – Egypt	1,600,000	1,600,000
EFG- Hermes Jordan	8,639,218	8,639,218
Balance	195,309,571	195,309,571

13-2 Other intangible assets are represented in the following :

	31/3/2014 EGP	31/12/2013 EGP
Branches network - Credit Libanais Bank	3,883,112,626	3,872,523,738
Key Money	1,162,500	1,196,000
Licenses & Franchise	9,624,294	9,861,296
Software	12,313,802	13,524,775
Balance	3,906,213,222	3,897,105,809

14- Other assets

		31/3/2014	31/12/2013
		EGP	**EGP**
Deposits with others	(14-1)	44,543,706	50,573,225
Downpayments to suppliers		19,022,519	11,107,597
Prepaid expenses		138,169,052	110,459,628
Employees' advances		18,469,794	16,075,628
Accrued revenues		34,578,223	24,777,317
Taxes withheld by others		10,834,169	9,577,354
Payments for investments	(14-2)	7,454,500	7,454,500
Re-insurers' share of technical reserve		67,894,650	66,727,600
Receivables - sale of investments		95,674,317	94,463,829
Receivables - sale of assets classified as held for sale		10,000,000	15,000,000
Infra Egypt fund		3,659,780	3,650,489
Settlement Guarantee Fund		25,787,425	28,604,207
Unquoted assets - Ready for sale acquired in satisfaction of loans		152,692,050	151,077,800
Due from EFG- Hermes Employee Trust		258,274,227	339,901,084
Due from Ara inc. company		737,368	544,630
Due from related parties		77,920,050	33,409,800
Re-insurance accrued commission		16,693,500	16,376,000
Cards transaction on ATM		12,559,650	4,494,200
Re-insurance debtors		1,120,650	427,800
Sundry debtors		125,983,843	108,742,083
Balance		1,122,069,473	1,093,444,771

14-1 Deposits with others include an amount of EGP 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 EGP 12,473,158 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.

14-2 Payments for investments are represented in the following:

	31/3/2014	31/12/2013
	EGP	**EGP**
Arab Visual Company	3,749,500	3,749,500
IDEAVELOPERS	25,000	25,000
AAW Company for Infrastructure	3,040,000	3,040,000
EFG –Hermes Direct Fund Management	640,000	640,000
	7,454,500	7,454,500

15- Due to banks and financial institutions

	31/3/2014	31/12/2013
	EGP	**EGP**
Due to Central Bank of Lebanon	612,530,550	355,497,200
Current deposits of banks	294,920,293	245,165,910
Time deposits	34,112,400	42,554,600
Financial institutions	284,456,287	271,298,037
Accrued interest payable	2,334,300	2,686,400
Balance	1,228,353,830	917,202,147

16- Customers' deposits

	31/3/2014 EGP	31/12/2013 EGP
Deposits from customers (private sector):		
Saving accounts	29,035,251,909	28,170,802,502
Time deposits	13,063,728,600	12,587,614,800
Current accounts	4,826,991,430	4,833,771,286
	46,925,971,939	45,592,188,588
Deposits from customers (public sector):		
Time deposits	1,854,364,200	1,782,389,600
Current accounts	299,194,950	316,530,600
	2,153,559,150	2,098,920,200
Others	113,952,900	177,679,600
	49,193,483,989	47,868,788,388
Accrued interest payable	244,455,150	256,270,600
	49,437,939,139	48,125,058,988
Deposits from related parties:		
Long term saving accounts	638,640,300	537,399,600
Long term deposits	1,046,784,750	999,524,800
Short term deposits	85,169,400	79,101,600
Accrued interest payable	5,403,300	3,956,000
	1,775,997,750	1,619,982,000
Balance	51,213,936,889	49,745,040,988

17- 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 EGP 533,131,800 as at March 31, 2014 versus EGP 554,120,600 as at December 31, 2013.

18- Creditors and other credit balances

	31/3/2014	31/12/2013
	EGP	EGP
Margins held against documentary credits	209,905,650	207,763,600
Technical reserve for insurance companies	405,698,550	389,210,600
Social Insurance Association	643,865	528,048
Unearned revenues	17,876,838	15,136,531
Suppliers	183,850,382	132,802,515
Accrued expenses	162,820,201	291,089,488
Clients' coupons- Custody Activity	7,604,711	5,950,397
Due to Industry Modernization Center	5,647,125	5,628,458
Dividends payable	106,348,195	106,582,450
Cards transaction on ATM	64,444,350	35,976,600
Re-insurance creditors	141,964,500	138,138,000
Sundry creditors	47,784,707	39,395,516
Balance	1,354,589,074	1,368,202,203

19- Other liabilities

	31/3/2014	31/12/2013
	EGP	EGP
Preferred shareholders in subsidiaries *	700,987,500	693,450,000
Others	1,144,500	1,141,378
Balance	702,132,000	694,591,378

* On 16 September 2013, the extraordinary general meeting of Credit Libanaies SAL (the Bank) approved to issue 1,000,000 preferred shares at a price of LBP 11,000 per share with total amount of LBP 11,000 million (equivalent to EGP 51,150,000). These shares were issued and fully paid.
The extraordinary general meeting of the Bank approved at the same date to issue the preferred shares with premium amounting to LBP 139,750 per share with total amount of LBP 139,750 million (equivalent to EGP 649,837,500), settled in cash by the subscribers according to the terms set by the extraordinary general meeting on 4 July 2013.

20- Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	**31/3/2014**		**31/12/2013**	
	Assets EGP	**Liabilities EGP**	**Assets EGP**	**Liabilities EGP**
Fixed assets depreciation	--	6,965,498	--	6,428,210
Expected claims provision	703,250	--	828,250	--
Impairment loss on assets	5,690,935	--	6,347,907	--
Prior year losses forward	2,767,238	--	2,885,203	--
Company's share in subsidiaries's profits	--	8,942,959	--	4,894,300
Total deferred tax assets / liabilities	9,161,423	15,908,457	10,061,360	11,322,510
Net deferred tax liabilities		6,747,034		1,261,150

(B) Deferred tax recognized directly in equity

	31/3/2014 EGP	**31/12/2013 EGP**
Fair value adjustments *	635,889,517	634,264,839
Changes in fair value of cash flow hedges**	(6,612,597)	(6,612,597)
	629,276,920	627,652,242

* Deferred tax liabilities arising from the assets acquired and liabilities assumed as a result of the acquisition of the subsidiary Credit Libanais Bank.

** Directly deducted from cash flow hedges item presented in the statement of changes in equity.

21- Provisions

		31/3/2014 EGP	**31/12/2013 EGP**
Expected claims provision	(21-1)	147,189,032	142,724,113
Servance pay provision	(21-1)	174,776,078	175,638,568
Other provisions		1,288,049	1,274,200
Balance		323,253,159	319,636,881

21-1	Expected Claims Provision	Severance pay provision	Total
	EGP	EGP	EGP
Balance at the beginning of the period	142,991,220	175,638,568	318,629,788
Formed during the period	4,223,311	2,080,442	6,303,753
Foreign currency differences	203,500	1,413,764	1,617,264
Amounts used during the period	(228,999)	(4,356,696)	(4,585,695)
Balance at the end of the period	147,189,032	174,776,078	321,965,110

22- Share capital

- The company's authorized capital amounts EGP 3,200 million and issued and paid in capital amounts EGP 2,867,422,500 distributed on 573,484,500 shares of par value EGP 5 per share.

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 EGP 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 through cancelling a number of 391 000 shares of the company's shares which was thereon approved by The Egyptian Financial Supervisory Authority on September 1, 2013.

- The company's board of directors meeting held on January 8, 2014 approved to purchase treasury shares with a billion Egyptian pounds during the first nine months of the year 2014 through two phases, the first phase have been implemented through purchase of 36,956,522 shares at an average exercising price of EGP 11.5 per share with a total cost of EGP 425,974,172 and the second phase aims to purchase shares with an amount of approximately EGP 575 million during the period between the end of the second quarter or the third quarter of 2014.

23- Non - Controlling interests

	31/3/2014 EGP	31/12/2013 EGP
Share capital	438,051,635	444,194,165
Legal reserve	139,428,435	139,390,534
Other reserves	693,255,508	671,828,945
Retained earnings	318,270,172	144,359,186
Other equity	97,264,050	75,108,800
Increase in fair value of net assets	1,305,522,732	1,296,939,091
Net profit for the period/year	42,140,500	205,339,709
Balance	3 ,033,933,032	2,977,160,430

24- Contingent liabilities

- The company has issued a final letter of guarantee to the European Union with an amount of EURO 500 000 (equivalent to EGP 4,972,500) end on September 8, 2014.
- The company guarantees its subsidiaries – Financial Brokerage Group, Hermes Securities Brokerage , EFG Hermes Jordan and EFG Hermes Oman LLC. – against the credit facilities granted from banks and EFG-Hermes Brokerage – UAE against the Letters of Guarantee granted from banks amounting to AED 132,670,000 (equivalent to EGP 251,674,990).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

Off-balance sheet items :

	31/3/2014 EGP	31/12/2013 EGP
Financing commitments given to financial institutions	836,209,500	738,304,600
Commitments to customers	2,488,517,250	2,536,766,600
Guarantees given to customers	980,029,350	1,002,629,800
Restricted and non – restricted fiduciary accounts	53,270,400	52,191,600
Commitments of signature received from financial intermediaries	151,701,600	136,362,400
Securities' commitments	547,509,600	511,952,400
Other commitments received	35,292,630,450	33,750,802,600
Assets under management	29,533,308,050	28,884,605,600

25- 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 EGP 25,364,613 till March 31, 2014 versus EGP 8,544,819 till March 31, 2013 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	**For the period ended**	
	31/3/2014	**31/3/2013**
	EGP	**EGP**
Egyptian Portfolio Management Group	7,400,323	85,273
Hermes Fund Management	4,248,823	--
EFG- Hermes Financial Management (Egypt) Ltd.	13,715,467	8,459,546
Total	25,364,613	8,544,819

26- Impairment loss on assets

	For the period ended	
	31/3/2014	**31/3/2013**
	EGP	**EGP**
Impairment loss on accounts receivables & debit accounts	--	159,722
Impairment loss on available –for– sale investments	--	18,000
Total	--	177,722

27- Income tax expense

	For the period ended	
	31/3/2014	**31/3/2013**
	EGP	**EGP**
Current income tax	(23 ,926,763)	(16,948,109)
Deferred tax	(5,271,049)	(962,819)
Total	(29,197,812)	(17,910,928)

28- Cash and cash equivalents

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

	31/3/2014	31/12/2013
	EGP	EGP
Cash and due from banks	18,198,831,783	16,534,230,948
Due to banks and financial institutions	(1,228,353,830)	(917,202,147)
Less: Assets – maturity more than three months	(6,833,626,050)	(6,755,638,963)
Effect of exchange rate	--	16,200,622
Cash and cash equivalents	10,136,851,903	8,877,590,460

29- General administrative expenses

	For the period ended	
	31/3/2014	31/3/2013
	EGP	EGP
Wages, salaries and similar items	231,354,297	237,036,549
Consultancy	8,987,811	21,316,197
Travel, accommodation and transportation	9,559,718	9,293,556
Leased line and communication	11,489,230	10,977,093
Rent and utilities expenses	18,334,591	31,971,979
Other expenses	65,308,913	45,517,477
Total	345,034,560	356,112,851

30- Earnings per share

	For the period ended	
	31/3/2014	31/3/2013
	EGP	EGP
Net profit for the period	161,038,600	98,038,777
Net profit for equity holders of the parent company	118,898,100	40,968,117
Weighted average number of shares	550,899,959	573,484,500
Earnings per share	0.22	0.07

31- 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 March 31, 2014

	Investment banking	Commercial banking	Elimination	Total
	EGP	EGP	EGP	EGP
Fee and commission income	184,382,353	178,625,100	--	363,007,453
Fee and commission expense	--	(113,571,600)	--	(113,571,600)
Net fee and commission income	184,382 353	65,053,500	--	249,435,853
Securities gains	48,720,685	455,700	--	49,176,385
Share of profit of associate	--	1,729,800	--	1,729,800
Changes in the investments at fair value through profit and loss	5,854,307	(488,250)	--	5,366,057
Foreign currencies differences	2,064,622	14,136,000	--	16,200,622
Other income	9,831,964	2,055,300	--	11,887,264
Noninterest revenue	250,853,931	82,942,050	--	333,795,981
Interest and dividends income	8,531,628	791,988,000	2,079,539	802,599,167
Interest expense	(3,764,087)	(547,704,900)	(12,185,950)	(563,654,937)
Net interest income	4,767,541	244,283,100	(10,106,411)	238,944,230
Total net revenue	255,621,472	327,225,150	(10,106,411)	572,740,211
Total noninterest expenses	(177,999,613)	(201,693,750)	(2,810,436)	(382,503,799)
Net profit before income tax	77,621,859	125,531,400	(12,916,847)	190,236,412
Income tax expense	(13,330,046)	(15,977,400)	109,634	(29,197,812)
Net profit for the period	64,291,813	109,554,000	(12,807,213)	161,038,600
Total assets	9,542,231,124	58,969,700,400	1,032,790,176	69,544,721,700
Total liabilities	2,279,548,971	54,053,408,850	1,452,135,422	57,785,093,243
Shareholders' equity	7,262,682,153	4,916,291,550	(419,345,246)	11,759,628,457
Total equity and liabilities	9,542,231,124	58,969,700,400	1,032,790,176	69,544,721,700

For the period ended March 31, 2013

	Investment banking	Commercial banking	Elimination	Total
	EGP	EGP	EGP	EGP
Fee and commission income	117,629,244	152,887,500	--	270,516,744
Fee and commission expense	--	(93,645,000)	--	(93,645,000)
Net fee and commission income	117,629,244	59,242,500	--	176,871,744
Securities gains	10,921,135	2,371,500	--	13,292,635
Share of profit of associate	--	1,539,000	--	1,539,000
Changes in the investments at fair value through profit and loss	(3,568,554)	(1,368,000)	--	(4,936,554)
Foreign currencies differences	81,606,377	--	--	81,606,377
Other income	8,228,706	3,240,000	--	11,468,706
Noninterest revenue	214,816,908	65,025,000	--	279,841,908
Interest and dividends income	5,699,237	721,714,500	10,048,366	737,462,103
Interest expense	(3,047,084)	(496,615,500)	111,717	(499,550,867)
Net interest income	2,652,153	225,099,000	10,160,083	237,911,236
Total net revenue	217,469,061	290,124,000	10,160,083	517,753,144
Total noninterest expenses	(215,816,834)	(183,262,500)	(2,724,105)	(401,803,439)
Net profit before income tax	1,652,227	106,861,500	7,435,978	115,949,705
Income tax expense	(1,092,108)	(15,709,500)	(1,109,320)	(17,910,928)
Net profit for the period	560,119	91,152,000	6,326,658	98,038,777
Total assets	9,751,767,530	54,383,333,550	953,799,033	65,088,900,113
Total liabilities	1,633,180,027	50,566,384,050	730,541,218	52,930,105,295
Shareholders' equity	8,118,587,503	3,816,949,500	223,257,815	12,158,794,818
Total equity and liabilities	9,751,767,530	54,383,333,550	953,799,033	65,088,900,113

32- 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 years 2012 / 2013, 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 / 2013, 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 31/12/2013 have not been inspected yet.

33- 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.	--	100
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
October Property Development Ltd.	100	--
EFG- Hermes Lebanon	99	0,97
Mena Opportunities Management Limited	--	95

	Direct ownership	Indirect ownership
	%	%
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

	Direct ownership	Indirect ownership
	%	%
EFG-Hermes Securitization Company	100	--
Financial Group for Real Estate Co.	99,992	--
EFG- Hermes Mutual Funds Co.	100	--

34- 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. Notes (no. 2&3) 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.

34-1 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.

34-2 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 financial position date.

34-3 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.

34-4 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 overall 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.

34-5 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.

34-6 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.

34-7 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.

34-8 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.

34-9 Fair value of financial instruments

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

34-10 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.