EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the year ended 31 December 2013
&
Auditor's Report

Contents

KPMG

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Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of EFG – Hermes Holding Company and its subsidiaries which comprise the consolidated balance sheet as at 31 December 2013, and the consolidated statements of income, changes in equity and cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to in the first paragraph above present fairly, in all material respects, the consolidated financial position of the group as of December 31, 2013 and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Egyptian Accounting Standards and comply with applicable Egyptian laws and regulations relating to the preparation of these financial statements.

Hassan Bas

KPMG Hazem Hassan

Cairo, March 27, 2014

KPMG Hazem Hassan
Public Accountants and Consultants
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EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated balance sheet
as at 31 December 2013

	Note no.	31/12/2013 EGP	31/12/2012 EGP
Assets			
Cash and due from banks	(5)	16 534 230 948	13 481 980 783
Investments at fair value through profit and loss	(6)	1 124 413 027	633 227 335
Accounts receivables (net)	(7)	823 841 307	84 820 830
Assets classified as held for sale	(4-1)	-	3 346 987 421
Loans and advances	(8)	18 068 865 382	14 285 075 365
Available -for- sale investments	(9)	1 786 563 343	1 400 401 325
Held-to-maturity investments	(10)	22 139 071 831	20 604 633 793
Investments in associates	(11)	81 571 800	72 500 400
Investment property	(12)	320 250 709	132 062 511
Fixed assets (net)	(13)	1 307 073 381	1 153 170 000
Goodwill and other intangible assets	(14)	4 092 415 380	3 607 068 559
Other assets	(15)	1 093 444 771	629 848 811
Total assets		**67 371 741 879**	**59 431 777 133**
Liabilities			
Due to banks and financial institutions	(16)	917 202 147	559 230 000
Customers' deposits	(17)	49 745 040 988	44 191 048 838
Accounts payables - customers' credit balances		1 155 605 256	2 486 650
Liabilities classified as held for sale	(4-2)	-	953 163 490
Bonds	(18)	554 120 600	506 028 600
Creditors and other credit balances	(19)	1 368 202 203	867 565 116
Other liabilities	(20)	694 591 378	1 037 797
Current tax liability		108 977 161	68 280 980
Deferred tax liabilities	(21)	628 913 392	576 234 873
Provisions	(23)	319 636 881	338 830 990
Total liabilities		**55 492 290 006**	**48 063 907 334**
Shareholders' equity			
Share capital	(24)	2 867 422 500	2 391 473 750
Legal reserve		990 432 067	961 257 586
Share premium		3 289 103 899	3 294 067 512
Other reserves		1 359 608 557	600 494 783
Retained earnings		936 046 512	1 411 730 446
		9 442 613 535	8 659 024 077
Treasury shares	(24-1)	-	(6 918 613)
Shareholders' equity		9 442 613 535	8 652 105 464
Net (loss) profit for the year		(540 322 092)	59 577 880
Shareholders' equity including net (loss) profit for the year		8 902 291 443	8 711 683 344
Non - controlling interests	(25)	2 977 160 430	2 656 186 455
Total shareholders' equity		**11 879 451 873**	**11 367 869 799**
Total shareholders' equity and liabilities		**67 371 741 879**	**59 431 777 133**

The accompanying notes from page (5) to page (46) are an integral part of these financial statements and are to be read therewith.

Auditor's report "attached"

Mona Zulficar
Chairperson

Yasser El Mallawany
Executive Managing Director

karim Awad
Executive Managing Director

(Egyptian Joint Stock Company)

Consolidated income statement

for the year ended 31 December 2013

	Note no.	For the year ended 31/12/2013 EGP	For the year ended 31/12/2012 EGP
Fee and commission income		1 039 359 903	909 845 451
Fee and commission expense		(170 121 800)	(143 357 872)
Net fee and commission income		869 238 103	766 487 579
Securities gains		31 524 974	45 862 078
Share of profit of associate	(11)	8 031 600	5 757 458
Changes in the investments at fair value through profit and loss		51 614 241	45 058 651
Gains from selling assets classified as held for sale	(4-1)	24 599 488	8 886 173
Foreign currencies differences		165 533 482	81 842 924
Other income	(22)	196 495 774	70 228 474
Noninterest revenue		1 347 037 662	1 024 123 337
Interest and dividend income		3 186 491 823	2 623 341 207
Interest expense		(2 147 298 277)	(1 799 113 046)
Net interest income		1 039 193 546	824 228 161
Total net revenue		2 386 231 208	1 848 351 498
General administrative expenses	(31)	1 562 723 758	1 370 065 804
Net losses on loans and advances	(8)	59 869 000	34 160 378
Provisions	(23)	58 200 800	57 166 655
Depreciation and amortization	(13),(14)	94 759 321	92 445 970
Impairment loss on assets	(28)	768 069 614	9 380 588
Changes in the fair value of investment property	(12)	83 759 019	2 951 987
Total noninterest expenses		2 627 381 512	1 566 171 382
Net (loss) profit before income tax		(241 150 304)	282 180 116
Income tax expense	(29)	(93 832 079)	(71 042 361)
Net (loss) profit for the year		(334 982 383)	211 137 755
Equity holders of the parent		(540 322 092)	59 577 880
Non - controlling interests	(25)	205 339 709	151 559 875
		(334 982 383)	211 137 755
Earnings per share	(32)	(0.94)	0.10

The accompanying notes from page (5) to page (46) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the year ended 31 December 2013

	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	Non - controlling interests	Total
		EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP	EGP
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		-	-	-	-	-	205 279 910	-	-	-	-	-	-	-	-	205 279 910
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	333 988 465	-	-	-	-	-	-	-	333 988 465
Other reserves		-	-	-	-	-	-	-	-	-	82 734 710	-	-	-	-	82 734 710
Cumulative adjustments		-	-	-	-	-	-	-	-	10 453 055	-	-	-	-	-	10 453 055
2011 dividends payout		-	4 472 586	-	-	-	-	-	-	-	-	(23 968 613)	-	(119 991 689)	-	(139 487 716)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	79 659 784	79 659 784
Net profit for the year ended 31 December ,2012		-	-	-	-	-	-	-	-	-	-	-	-	59 577 880	151 559 875	211 137 755
Balance as at 31 December, 2012 (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	(38)	-	-	-	-	-	-	-	-	-	-	(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
Increase the issued capital - 2012 dividends payout	(24)	477 903 750	29 174 481	-	-	-	-	-	-	-	-	(517 283 934)	-	(59 577 880)	-	(69 783 583)
Foreign currencies translation differences		-	-	-	-	-	446 887 930	-	-	-	-	-	-	-	-	446 887 930
Transfer other reserves to retaind earnings		-	-	-	-	(41 600 000)	-	-	-	-	-	41 600 000	-	-	-	-
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	340 277 552	-	-	-	-	-	-	-	340 277 552
Fixed assets revaluation surplus		-	-	-	-	-	-	15 449 979	-	-	-	-	-	-	-	15 449 979
Other reserves		-	-	-	-	-	-	-	-	-	8 786 986	-	-	-	-	8 786 986
Cumulative adjustments		-	-	-	-	-	-	-	-	(10 688 673)	-	-	-	-	-	(10 688 673)
Cancelling of treasury shares	(24-1)	(1 955 000)	-	(4 963 613)	-	-	-	-	-	-	-	-	6 918 613	-	-	-
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	115 634 266	115 634 266
Net loss for the year ended 31 December, 2013		-	-	-	-	-	-	-	-	-	-	-	-	(540 322 092)	205 339 709	(334 982 383)
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

The accompanying notes from page (5) to page (46) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of cash flows
for the year ended 31 December 2013

	For the year ended 31/12/2013 EGP	For the year ended 31/12/2012 EGP
Cash flows from operating activities		
Net (loss) profit before income tax	(241 150 304)	282 180 116
Adjustments to reconcile net (loss) profit to net cash provided by operating activities		
Depreciation and amortization	94 759 321	92 445 970
Povisions formed	58 200 800	91 578 668
Provisions used	(18 864 367)	(14 862 554)
Provisions reversed	(124 918 906)	(30 978 907)
Losses on sale of fixed assets	839 422	2 827 373
(Gains) losses on sale of available -for- sale investments	(893 968)	16 068 960
Gains on sale of assets classified as held for sale	(24 599 488)	(4 005 807)
Gains on sale of investment property	(3 033 544)	(8 966 295)
Changes in the fair value of investments at fair value through profit and loss	(51 614 241)	(45 058 651)
Share of profit of equity-accounted invesetees	-	(4 195 800)
Impairment loss on assets	768 069 614	9 214 069
Changes in the fair value of investments property	83 759 019	2 951 987
Foreign currency translation differences	687 231 620	286 804 797
Interest expense	-	25 249 276
Currency differences gains	(165 533 482)	(8 901 858)
Operating profit before changes in working capital	1 062 251 496	692 351 344
Decrease in other assets	150 952 499	257 825 857
Increase (decrease) in creditors and other credit balances	125 074 709	(129 187 483)
Change in loans and advances	(2 562 508 200)	(1 648 407 600)
Change in customers' deposits	1 412 380 148	4 189 153 038
Increase in accounts receivables	(131 817 733)	(242 958 563)
Increase in accounts payables	410 635 597	209 446 931
Increase in investments at fair value through profit and loss	(228 248 733)	(58 784 385)
Change in financial assets (over 3 months)	(287 219 400)	(1 062 301 800)
Income tax paid	(42 724 379)	(84 621 964)
Net cash (used in) provided from operating activities	(91 223 996)	2 122 515 375
Cash flows from investing activities		
Payments to purchase fixed assets	(204 843 322)	(179 991 006)
Proceeds from sale of fixed assets	1 388 357	4 509 855
Proceeds from projects under construction	-	2 055 612
Proceeds from sale of available -for- sale investments	3 182 298	655 852 706
Payments to purchase available -for- sale investments	(5 563 433)	(595 668 937)
Payments to purchase investments in subsidiaries and associates	(13 439 626)	(1 789 200)
Payments to purchase held to maturity investments	-	(1 076 791 800)
Proceeds from sale of held to maturity investments	389 569 400	-
Payments for long term lending	(11 478 469)	(24 830 021)
Payments to increase companies' share in Settlement Guarantee Fund	(201 165)	(211 110)
Proceeds from sale of non -current assets held for sale	78 439 200	91 830 892
Net cash provided from (used in) investing activities	237 053 240	(1 125 033 009)
Cash flows from financing activities		
Proceeds from issuing prefereed shares	693 450 000	-
Dividends paid	(125 261 845)	(57 625 396)
Payments to bonds	(101 200)	-
Payments to long term loans	-	(15 584 600)
Change in non-controlling interests	-	(4 601 436)
Net cash provided from (used in) financing activities	568 086 955	(77 811 432)
Net change in cash and cash equivalents during the year	713 916 199	919 670 934
Cash and cash equivalents at the beginning of the year (note no. 30)	8 147 473 639	7 102 502 629
Cash and cash equivalents at the end of the year (note no. 30)	8 861 389 838	8 022 173 563

The accompanying notes from page (5) to page (46) are an integral part of these financial statements and are to be read therewith.

EFG- Hermes Holding Company
(Egyptian Joint Stock Company)
Notes to the consolidated financial statements
for the year ended 31 December 2013

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 March 26, 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 (21) – recognition of deferred tax assets and liabilities.
- Note (23) – provisions.
- Note (26) – 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 remeasurement 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 year.

3-22 Profit sharing to employees

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

3-23 Loans and advances to customers and related provision

Loans and advances to customers are stated at principal together with interest earned at the 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.

3-32 Discontinued operation

- 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 automatically terminated.

4-1 Assets classified as held for sale

	31/12/2013 EGP	31/12/2012 EGP
Cash and due from banks	--	989 535 669
Investments at fair value through profit and loss	--	271 103 128
Accounts receivables (net)	--	545 705 549
Available -for- sale investments	--	42 609 363
Investment property	--	193 913 067
Fixed assets (net) *	--	72 923 390
Goodwill and other intangible assets	--	646 120 259
Other assets	--	585 076 996
Balance	--	3 346 987 421

* The Extraordinary General Assembly of Financial Brokerage Group Company – one of company's subsidiary – 99.92% - approved in its session held on May 29, 2013 to the sale of the entire parts of the building no. 58 Tahrir St.El Dokki Egypt and common share in the land owned by the Company which their net book value are represented in the following:

	EGP
Land	5 360 000
Buildings	8 040 512
Balance	13 400 512

The total selling price amounted to EGP 38 million and the gain from sale amounted to EGP 24 599 488.

4-2 Liabilities classified as held for sale

	31/12/2013 EGP	31/12/2012 EGP
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
provisions	--	49 626 660
Balance	--	953 163 490

5- Cash and due from banks

	31/12/2013 EGP	31/12/2012 EGP
Cash on hand	293 937 747	238 630 983
Central Bank of Lebanon *		
- Demand deposits	1 120 748 600	992 329 800
- Time deposits	7 605 755 000	6 524 044 800
Other Central Banks		
- Demand deposits	263 984 800	284 541 600
- Time deposits	53 406 000	--
Cheques under collection	145 494	--
Banks - current accounts (net)	1 302 154 685	88 795 696
Banks - demand deposits	1 291 948 084	702 274 516
Banks - time deposits	4 519 129 738	4 584 335 588
Accrued interest	83 020 800	67 027 800
Balance	16 534 230 948	13 481 980 783

* 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.

6- Investments at fair value through profit and loss

	31/12/2013 EGP	31/12/2012 EGP
Mutual Fund certificates	863 481 592	413 959 391
Equity securities	19 386 882	18 064 095
Debt securities	151 494 953	120 517 649
Treasury bills	90 049 600	80 686 200
Balance	1 124 413 027	633 227 335

7- Accounts receivables

	31/12/2013 EGP	31/12/2012 EGP
Accounts receivables (net)	927 539 084	84 825 375
Other brokerage companies (net)	(103 697 777)	(4 545)
Balance	823 841 307	84 820 830

8- Loans and advances

		31/12/2013 EGP	31/12/2012 EGP
Loans and advances to customers	(8-1)	17 969 923 982	14 028 029 017
Loans and advances to related parties	(8-2)	98 941 400	166 353 600
Other loans – note (28)		--	90 692 748
Balance		18 068 865 382	14 285 075 365

8-1 Loans and advances to customers

	31/12/2013				31/12/2012
	Gross Amount EGP	Unrealized Interest EGP	Impairment Allowance EGP	Carrying Amount EGP	Carrying Amount EGP
Regular retail customers					
Cash collateral	454 079 800	--	--	454 079 800	477 838 200
Mortgage loans	5 848 198 873	--	--	5 848 198 873	5 133 424 377
Personal loans	226 830 600	--	--	226 830 600	1 602 153 000
Credit cards	178 457 000	--	--	178 457 000	172 481 400
Others	1 984 785 000	--	--	1 984 785 000	99 531 600
Regular corporate customers					
Corporate	8 290 291 428	--	--	8 290 291 428	4 732 676 303

	31/12/2013				31/12/2012
	Gross Amount EGP	**Unrealized Interest EGP**	**Impairment Allowance EGP**	**Carrying Amount EGP**	**Carrying Amount EGP**
Classified retail customers					
Watch	111 196 221	--	--	111 196 221	297 861 468
Substandard	115 791 200	(37 904 000)	--	77 887 200	62 697 600
Doubtful	264 983 000	(108 564 600)	(83 563 600)	72 854 800	49 295 400
Bad	43 313 600	(17 912 400)	(25 401 200)	--	--
Classified corporate customers					
Watch	622 583 660	--	--	622 583 660	1 327 867 469
Substandard	23 805 000	(4 820 800)	--	18 984 200	26 896 800
Doubtful	303 908 200	(87 919 800)	(104 406 200)	111 582 200	74 197 200
Bad	6 315 800	(1 573 200)	(4 742 600)	--	--
Collective provision for retail loans	--	--	(39 491 000)	(39 491 000)	(28 198 800)
Collective provision for corporate loans	--	--	(50 876 000)	(50 876 000)	(44 280 600)
Accrued interest receivable	62 560 000	--	--	62 560 000	43 587 600
Balance	18 537 099 382	(258 694 800)	(308 480 600)	17 969 923 982	14 028 029 017

8-2 Loans and advances to related parties

	31/12/2013 EGP	31/12/2012 EGP
Regular Retail loans	680 800	1 180 200
Regular Corporate loans	98 251 400	165 173 400
Accrued interest receivable	9 200	--
Balance	98 941 400	166 353 600

9- Available - for- sale investments

	31/12/2013 EGP	31/12/2012 EGP
Preferred shares	126 854 200	103 147 800
Equity securities	796 555 353	563 352 448
Mutual fund certificates	854 409 190	726 941 677
Accrued interest receivable	8 744 600	6 959 400
Balance	1 786 563 343	1 400 401 325

10- Held-to-maturity investments

	31/12/2013 EGP	31/12/2012 EGP
Lebanese government treasury bills and Eurobonds	15 762 749 057	14 420 404 321
Other sovereign bonds	68 954 000	39 824 400
Certificates of deposit issued by banks	5 662 645 517	5 591 717 097
Other debt instruments	275 067 257	220 173 975
Accrued interest receivable	369 656 000	332 514 000
Balance	22 139 071 831	20 604 633 793

11- Investments in associates

	2013 Ownership %	2012 Ownership %	31/12/2013 EGP	31/12/2012 EGP
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	35 654 600	31 050 600
Credit Card Management SAL	28.96	28.96	11 270 000	9 949 800
International Payment Network SAL	20.18	20.18	7 544 000	6 753 600
Net Commerce SAL	21.88	21.88	1 173 000	1 071 000
Liberty Executive Center SAL	29.98	29.98	55 200	50 400
Hot Spot Properties SAL	32.23	32.23	9 315 000	8 505 000
Dourrat Loubnan Al Iqaria SAL	30.14	30.14	16 560 000	15 120 000
Balance			81 571 800	72 500 400

12- Investment property

Investment property amounted EGP 320 250 709 as at 31 December, 2013 , 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 63 596 237 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	Note no.	Land & Buildings EGP	Leasehold Improvements EGP	Office furniture, equipment & electrical Appliances EGP	Computer Equipment EGP	Vehicles EGP	* Projects Under Construction EGP	Total EGP
alance 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
ansferred 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
dditions		784 926	1 021 213	16 901 385	3 135 068	1 196 180	181 804 550	204 843 322
sposals		(64 000)	(4 075 561)	(19 905 592)	(12 327 097)	(1 148 661)	(392 000)	(37 912 911)
eclassification of assets		--	5 294 600	1 725 000	--	--	(7 019 600)	--
reign currency translation differences		58 663 492	20 123 581	26 469 401	2 536 061	758 974	18 293 250	126 844 759
ansfer to assets held for sale		(129 705 610)	--	--	--	--	--	(129 705 610)
ansfer to investment property		(5 450 000)	--	--	--	--	--	(5 450 000)
tal cost as at 31/12/2013		864 628 558	246 489 250	359 813 749	76 203 228	20 936 255	396 796 300	1 964 867 340
cumulated depreciation as at 1/1/2013		103 546 492	150 602 255	140 977 353	31 847 456	11 556 536	--	438 530 092
nsferred from assets held for sale		17 034 591	8 192 213	76 871 333	36 014 405	3 511 756	--	141 624 298
preciation		25 179 044	17 122 229	34 645 869	6 547 615	1 578 449	--	85 073 206
sposals' accumulated depreciation		--	(3 806 118)	(18 688 142)	(12 306 032)	(884 840)	--	(35 685 132)
eign currency translation differences		6 576 786	14 176 367	17 204 758	2 444 884	466 771	--	40 869 566
nsfer to assets held for sale		(17 535 122)	--	--	--	--	--	(17 535 122)
nsfer to investment property		(1 550 000)	--	--	--	--	--	(1 550 000)
pairment of assets	(28)	4 819 987	1 128 047	493 202	25 815	--	--	6 467 051
umulated depreciation as at 31/12/2013		138 071 778	187 414 993	251 504 373	64 574 143	16 228 672	--	657 793 959
rying 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
rying amount as at 31/12/2012-continued ration		787 802 652	59 984 401	94 024 829	12 503 686	4 528 832	194 325 600	1 153 170 000
ying amount as at 31/12/2012-discontinued ation. 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 :

	31/12/2013 EGP	31/12/2012 EGP
Office spaces in Egypt	9 784 500	--
Preparation of new headquarters – Credit Libanais SAL "the Bank" - Lebanon	387 011 800	194 325 600
Balance	396 796 300	194 325 600

14- Goodwill and other intangible assets

		31/12/2013 EGP	31/12/2012 EGP
Goodwill	(14-1)	195 309 571	65 083 756
Other intangible assets	(14-2)	3 897 105 809	3 541 984 803
Balance		4 092 415 380	3 607 068 559

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

	31/12/2013 EGP	31/12/2012 EGP
Flemming CIIC group (S.A.E) – Egypt *	--	63 483 756
EFG- Hermes Oman LLC *	5 921 803	--
EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait *	179 148 550	--
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	8 639 218	--
Balance	195 309 571	65 083 756

* Note no. (28)

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

	31/12/2013 EGP	31/12/2012 EGP
Branches network - Credit Libanais Bank	3 872 523 738	3 521 084 100
Key Money	1 196 000	1 251 600
Licenses & Franchise	9 861 296	3 334 800
Software	13 524 775	16 314 303
Balance	3 897 105 809	3 541 984 803

15- Other assets

		31/12/2013 EGP	31/12/2012 EGP
Deposits with others	(15-1)	50 573 225	26 486 689
Downpayments to suppliers		11 107 597	89 280
Prepaid expenses		110 459 628	190 882 289
Employees' advances		16 075 628	3 950 161
Accrued revenues		24 777 317	17 014 831
Taxes withheld by others		9 577 354	8 161 658
Payments for investments	(15-2)	7 454 500	8 454 500
Re-insurers' share of technical reserve		66 727 600	69 875 400
Receivables - sale of investments		94 463 829	--
Receivables - sale of assets classified as held for sale	(4-1)	15 000 000	--
Infra Egypt fund		3 650 489	--
Settlement Guarantee Fund		28 604 207	211 287
Unquoted assets - Ready for sale acquired in satisfaction of loans		151 077 800	167 676 600
Due from EFG- Hermes Employee Trust		339 901 084	--
Due from Ara inc. company		544 630	--
Due from related parties		33 409 800	21 789 600
Re-insurance accrued commission		16 376 000	15 078 000
Cards transaction on ATM		4 494 200	1 638 000
Re-insurance debtors		427 800	1 050 000
Sundry debtors		108 742 083	97 490 516
Balance		1 093 444 771	629 848 811

15-1 Deposits with others include an amount of EGP 27 669 000 (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 19 169 162 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:

	31/12/2013 EGP	31/12/2012 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
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

	31/12/2013 EGP	31/12/2012 EGP
Due to Central Bank of Lebanon	355 497 200	15 015 000
Current deposits of banks	245 165 910	111 312 600
Time deposits	42 554 600	116 457 600
Financial institutions	271 298 037	313 135 200
Accrued interest payable	2 686 400	3 309 600
Balance	917 202 147	559 230 000

17- Customers' deposits

	31/12/2013 EGP	31/12/2012 EGP
Deposits from customers (private sector):		
Saving accounts	28 170 802 502	25 224 625 500
Term deposits	12 587 614 800	11 804 423 400
Current accounts	4 833 771 286	3 853 067 738
	45 592 188 588	40 882 116 638
Deposits from customers (public sector):		
Saving accounts	--	224 754 600
Term deposits	1 782 389 600	942 471 600
Current accounts	316 530 600	576 025 800
	2 098 920 200	1 743 252 000
Others	177 679 600	81 488 400
	47 868 788 388	42 706 857 038
Accrued interest payable	256 270 600	225 850 800
	48 125 058 988	42 932 707 838

	31/12/2013 EGP	31/12/2012 EGP
Deposits from related parties:		
Long term saving accounts	537 399 600	382 548 600
Short term saving accounts	--	33 600
Long term deposits	999 524 800	784 950 600
Short term deposits	79 101 600	87 389 400
Accrued interest payable	3 956 000	3 418 800
	1 619 982 000	1 258 341 000
Balance	49 745 040 988	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 EGP 554 120 600 as at December 31, 2013 versus EGP 506 028 600 as at December 31, 2012.

19- Creditors and other credit balances

	31/12/2013 EGP	31/12/2012 EGP
Margins held against documentary credits	207 763 600	82 559 400
Technical reserve for insurance companies	389 210 600	310 191 000
Social Insurance Association	528 048	219 138
Unearned revenues	15 136 531	6 316 801
Suppliers	132 802 515	197 937 600
Accrued expenses	291 089 488	66 209 113
Clients' coupons- Custody Activity	5 950 397	6 926 836
Due to Industry Modernization Center	5 628 458	5 695 508
Dividends payable	106 582 450	29 871 308
Cards transaction on ATM	35 976 600	19 278 000
Re-insurance creditors	138 138 000	136 260 600
Sundry creditors	39 395 516	6 099 812
Balance	1 368 202 203	867 565 116

20- Other liabilities

	31/12/2013 EGP	31/12/2012 EGP
Preferred shareholders in subsidiaries *	693 450 000	--
Others	1 141 378	1 037 797
Balance	694 591 378	1 037 797

* 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 50 600 000). These shares were issued and fully paid during the year.
The extraordinary general meeting of the Bank approved at the same date to issue the share with premium amounting to LBP 139 750 per share with total amount of LBP 139 750 million (equivalent to EGP 642 850 000), settled in cash by the subscribers according to the terms set by the extraordinary general meeting on 4 July 2013.

21- Deferred tax liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/12/2013 Assets EGP	31/12/2013 Liabilities EGP	31/12/2012 Assets EGP	31/12/2012 Liabilities EGP
Fixed assets depreciation	--	6 428 210	--	4 762 302
Expected claims provision	828 250	--	90 750	--
Impairment loss on assets	6 347 907	--	2 393 287	--
Prior year losses forward	2 885 203	--	38 925	--
Company's share in subsidiaries's profits	--	4 894 300	--	5 546 978
Total deferred tax assets / liabilities	10 061 360	11 322 510	2 522 962	10 309 280
Net deferred tax liabilities		1 261 150		7 786 318

(B) Deferred tax recognized directly in equity

	31/12/2013 EGP	31/12/2012 EGP
Fair value adjustments *	634 264 839	575 061 152
Changes in fair value of cash flow hedges**	(6 612 597)	(6 612 597)
	627 652 242	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.

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

22- Other income

Other income presented in the income statement includes EGP 124 918 906 represents provision reversed note 23-1.

23- Provisions

		31/12/2013	31/12/2012
		EGP	EGP
Expected claims provision	(23-1)	142 724 113	233 877 194
Servance pay provision	(23-1)	175 638 568	104 021 396
Other provisions		1 274 200	932 400
Balance		319 636 881	338 830 990

23-1

	Expected Claims Provision	Severance pay provision	Total
	EGP	EGP	EGP
Balance at the beginning of the year	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 year	23 356 735	34 844 065	58 200 800
Provision reversed	(122 292 102)	(2 626 804)	(124 918 906)
Foreign currency differences	2 249 412	12 099 842	14 349 254
Amounts used during the year	(8 200 887)	(10 663 480)	(18 864 367)
Balance at the end of the year	142 724 113	175 638 568	318 362 681

24- Share capital

- The company's authorized capital amounts EGP 3 200 million and issued and paid in capital amounts EGP 1 913 570 000 distributed on 382 714 000 shares of par value EGP 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 EGP 1 913 570 000 to EGP 2 391 473 750 with an increase amount of EGP 477 903 750 through distributing of 95 580 750 stock dividends at one share to each four shares outstanding at the declaration date (company's issued shares became 478 294 750 shares) , 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 EGP 477 903 750 through distributing stock dividends by one share to every outstanding five shares from retained earnings presented on December 31, 2012.
- The Egyptian Financial Supervisory Authority approved on September 1,2013 to cancel a number of 391 000 shares of the company's shares. The company's issued shares became 573 484 500 shares with an amount of EGP 2 867 422 500 and the cancelation have been registered in the Commercial Register on September 4, 2013.

24-1 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.

25- Non - Controlling interests

	31/12/2013	31/12/2012
	EGP	EGP
Share capital	444 194 165	450 790 962
Legal reserve	139 390 534	127 049 733
Other reserves	671 828 945	563 475 870
Retained earnings	144 359 186	108 597 510
Other equity	75 108 800	78 913 800
Increase in fair value of net assets	1 296 939 091	1 175 798 705
Net profit for the year	205 339 709	151 559 875
Balance	2 977 160 430	2 656 186 455

26- Contingent liabilities

- 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 credit facilities granted from banks amounting to AED 97 670 000 (equivalent to EGP 180 962 976).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

Off-balance sheet items :

	31/12/2013	31/12/2012
	EGP	EGP
Financing commitments given to financial institutions	738 304 600	778 621 200
Commitments to customers	2 536 766 600	1 434 006 000
Guarantees given to customers	1 002 629 800	810 339 600
Restricted and non – restricted fiduciary accounts	52 191 600	51 702 000
Commitments of signature received from financial intermediaries	136 362 400	73 155 600
Securities' commitments	511 952 400	484 734 600
Other commitments received	33 750 802 600	29 514 294 600
Assets under management	28 884 605 600	27 792 973 200

27- 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 22 156 909 till December 31, 2013 versus 8 637 819 till December 31, 2012 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	**For the year ended**	
	31/12/2013	**31/12/2012**
	EGP	**EGP**
Egyptian Portfolio Management Group	8 305 866	5 473 431
Hermes Fund Management	274 966	1 192 556
EFG- Hermes Financial Management (Egypt) Ltd.	13 576 077	1 971 832
Total	22 156 909	8 637 819

28- Impairment loss on assets

	For the year ended	
	31/12/2013	**31/12/2012**
	EGP	**EGP**
Impairment loss on accounts receivables & debit accounts	18 553 375	9 137 828
Impairment loss on available –for– sale investments	128 648 382	242 760
Impairment loss on fixed assets	6 467 051	--
Impairment loss on good will	512 229 590	--
Impairment loss on other loans	102 171 216	--
Total	768 069 614	9 380 588

29- Income tax expense

	For the year ended	
	31/12/2013	31/12/2012
	EGP	EGP
Current income tax	91 774 921	92 091 241
Deferred tax	2 057 158	(21 048 880)
Total	93 832 079	71 042 361

30- Cash and cash equivalents

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

	31/12/2013	31/12/2012
	EGP	EGP
Cash and due from banks	16 534 230 948	14 471 516 453
Due to banks and financial institutions	(917 202 147)	(579 512 696)
Less: Assets – maturity more than three months	(6 755 638 963)	(5 910 063 600)
Effect of exchange rate	--	165 533 482
Cash and cash equivalents	8 861 389 838	8 147 473 639

31- General administrative expenses

	For the year ended	
	31/12/2013	31/12/2012
	EGP	EGP
Wages , salaries and similar items	1 035 266 023	860 830 082
Consultancy	65 719 025	74 275 893
Travel, accommodation and transportation	44 319 120	41 642 116
Leased line and communication	49 935 777	47 864 598
Rent and utilities expenses	83 560 851	82 975 838
Other expenses	283 922 962	262 477 277
Total	1 562 723 758	1 370 065 804

32- Earnings per share

	For the year ended 31/12/2013 EGP	31/12/2012 EGP
Net (loss) profit for the year	(334 982 383)	211 137 755
Net (loss) profit for equity holders of the parent company	(540 322 092)	59 577 880
Weighted average number of shares	573 484 500	573 484 500
Earnings per share	(0.94)	0.10

33- Segment reporting

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

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

For the year ended December 31, 2013

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Fee and commission income	611 168 903	428 191 000	--	1 039 359 903
Fee and commission expense	--	(170 121 800)	--	(170 121 800)
Net fee and commission income	611 168 903	258 069 200	--	869 238 103
Securities gains	33 038 374	(1 513 400)	--	31 524 974
Share of profit of associate	--	8 031 600	--	8 031 600
Changes in the investments at fair value through profit and loss	63 325 841	(11 711 600)	--	51 614 241
Gains from selling assets classified as held for sale	24 599 488	--	--	24 599 488
Foreign currencies differences	85 286 482	80 247 000	--	165 533 482
Other income	144 704 374	51 791 400	--	196 495 774
Noninterest revenue	962 123 462	384 914 200	--	1 347 037 662

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Interest and dividends income	124 176 745	3 129 076 400	(66 761 322)	3 186 491 823
Interest expense	(16 787 242)	(2 117 407 600)	(13 103 435)	(2 147 298 277)
Net interest income	107 389 503	1 011 668 800	(79 864 757)	1 039 193 546
Total net revenue	1 069 512 965	1 396 583 000	(79 864 757)	2 386 231 208
Total noninterest expenses	(1 769 035 428)	(847 200 400)	(11 145 684)	(2 627 381 512)
Net (loss) profit before income tax	(699 522 463)	549 382 600	(91 010 441)	(241 150 304)
Income tax expense	(17 457 106)	(74 579 800)	(1 795 173)	(93 832 079)
Net (loss) profit for the year	(716 979 569)	474 802 800	(92 805 614)	(334 982 383)
Total assets	9 376 543 627	56 955 452 000	1 039 746 252	67 371 741 879
Total liabilities	1 848 473 515	52 195 372 000	1 448 444 491	55 492 290 006
Shareholders' equity	7 528 070 112	4 760 080 000	(408 698 239)	11 879 451 873
Total equity and liabilities	9 376 543 627	56 955 452 000	1 039 746 252	67 371 741 879

For the year ended December 31, 2012

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Fee and commission income	544 378 363	365 467 088	--	909 845 451
Fee and commission expense	--	(143 357 872)	--	(143 357 872)
Net fee and commission income	544 378 363	222 109 216	--	766 487 579
Securities gains	23 605 032	22 257 046	--	45 862 078
Share of profit of associate	--	5 757 458	--	5 757 458
Gains on selling investments in real property held for sale	8 886 173	--	--	8 886 173
Changes in the investments at fair value through profit and loss	37 205 365	7 853 286	--	45 058 651
Foreign currencies differences	41 609 500	40 233 424	--	81 842 924
Other income	37 989 946	32 238 528	--	70 228 474
Noninterest revenue	693 674 379	330 448 958	--	1 024 123 337
Interest and dividends income	78 514 744	2 616 366 130	(71 539 667)	2 623 341 207
Interest expense	(13 208 574)	(1 786 341 368)	436 896	(1 799 113 046)
Net interest income	65 306 170	830 024 762	(71 102 771)	824 228 161
Total net revenue	758 980 549	1 160 473 720	(71 102 771)	1 848 351 498
Total noninterest expenses	(835 654 106)	(720 317 472)	(10 199 804)	(1 566 171 382)

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Net profit before income tax	(76 673 557)	440 156 248	(81 302 575)	282 180 116
Income tax expense	(10 351 924)	(66 783 276)	6 092 839	(71 042 361)
Net (loss) profit	(87 025 481)	373 372 972	(75 209 736)	211 137 755
Total assets	9 237 200 282	49 537 538 400	657 038 451	59 431 777 133
Total liabilities	1 247 008 744	46 123 219 800	693 678 790	48 063 907 334
Shareholders' equity	7 990 191 538	3 414 318 600	(36 640 339)	11 367 869 799
Total equity and liabilities	9 237 200 282	49 537 538 400	657 038 451	59 431 777 133

34- 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.

35- 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	--

	Direct ownership %	Indirect ownership %
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
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

	Direct ownership	Indirect ownership
	%	%
EFG - Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.65
Lebanese Islamic Bank SAL	--	63.64
Credit International SA	--	59.16
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.96
Hermes Tourism & Travel SAL	--	63.73
Crédit Libanais d'Assuranceset de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.86
Capital Real Estate SAL	--	62.46
Credilease SAL	--	63.27
Collect SAL	--	28.64
EFG - Hermes Investment Funds Co.	99.998	--
Mena FI Cayman Ltd.	--	100
EFG - Hermes Mena FI Management Limited.	--	100
Fixed Income Investment Limited.	--	100
Meda Access Cayman Holdings Limited .	--	100
EFG-Hermes Securitization Company	100	--
Financial Group for Real Estate Co.	99.992	--
EFG- Hermes Mutual Funds Co.	100	--

36- 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.

36-1 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.

36-2 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.

36-3 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.

36-4 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.

36-5 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.

36-6 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.

36-7 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.

36-8 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.

36-9 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.

36-10 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.

37- Subsequent events

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 EGP 11.5 per share 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.

38- 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 EGP	Adjustments EGP	(Amended) For the year ended 31/12/2012 EGP
Other assets	694 102 912	(64 254 101)	629 848 811
Creditors and other credit balances	1 465 720 186	(598 155 070)	867 565 116
Other liabilities	--	1 037 797	1 037 797
Deferred tax liabilities	--	(576 234 873)	(576 234 873)
Retained earnings	1 439 922 052	(28 191 606)	1 411 730 446
Non - Controlling interests	2 671 366 550	(15 180 095)	2 656 186 455