المجموعة المالية هيرميس
EFG HERMES
since 1984

INVESTOR RELATIONS
2Q2013 Earnings Release

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EFG HERMES REPORTS SECOND QUARTER 2013 GROUP NET PROFIT OF EGP81 MILLION; ON TOTAL OPERATING REVENUE OF EGP506 MILLON

Cairo, September 1st, 2013 – EFG Hermes reported today Group net profit after tax and before minority and impairment charges of EGP81 million in 2Q2013 from EGP71 million in 2Q2012. The Group operating revenue rose 6% Y-o-Y to EGP506 million in 2Q2013, from EGP477 million a year earlier. Total assets stood at EGP65.9 billion at the end of 2Q2013.

Key Highlights

- Group revenue rose 6% Y-o-Y to reached EGP506 million in 2Q2013 while the Group's operating expenses reached EGP372 million, resulting in a net profit after tax and before minority and impairment charges of EGP81 million. The quarter saw impairment charges relating to legacy investments of about EGP110 million thereby resulting in a net loss after tax and before minority of EGP29 million.

- The Investment Bank revenue declined 8% Y-o-Y to EGP179 million in 2Q2013 pressured by lower fees and commissions. Capital markets & treasury operations revenue rose 301% Y-o-Y to EGP32 million in 2Q2013, mainly on higher fx gains.

- Business divisions including Brokerage, Asset Management and Private Equity all reported higher Y-o-Y revenue in 2Q2013. However, fee and commission revenue declined 21% to EGP148 million as Investment Banking revenue retreated from the strong levels achieved last year.

- Normalizing our earnings for the quarter by excluding one-off expenses and investment impairment charges booked in 2Q2013 and totaling to EGP130 million; the Investment Bank net loss after tax and before minority would have been EGP12 million in 2Q2013. Adjusting for the one-off expenses incurred in the first quarter of 2013 and amounting to an additional EGP26.7 million, the investment bank's earnings for 1H2013 would have been close to breaking even with the a small net loss of EGP3.2 million.

- Credit Libanais net income after tax came at USD17.7 million in 2Q2013, up 2% Y-o-Y and up 9% Q-o-Q, resulting in an after-tax RoAE of 13.1%. The Bank's operating revenue was driven by higher fee and commission revenue as trade finance and insurance premiums saw strong growth during the quarter.

- Brokerage remained #1 on the Egyptian Stock Exchange and maintained a leading position in a number of other regional markets. With rising regional liquidity, Brokerage executions rose 54% Q-o-Q to reach USD8.4 billion in 2Q2013.

- Asset Management AuMs stood at USD2.8 billion at the end of 2Q2013, down 10% Q-o-Q. Net outflows accounted for 11% of the total AuMs while markets appreciation represented 1%. The outflows during the quarter were mostly attributed to local MMFs redemptions that resulted from new regulations that have been put in place by the Central Bank of Egypt and that has affected all MMFs in general.

- EFG-Hermes Investment Banking closed one transaction during the quarter advising Dubai Group on the USD164 million sale of 100% of Dubai First to First Gulf Bank, however the transaction is still pending regulatory approvals with revenues from that transaction likely to hit our financial statements during the second half of 2013.

- Private Equity AuMs stood at USD0.65 billion, with no exits taking place during the quarter.

Strategy Update

In line with the strategy announced earlier this year, below is the quarterly update on the execution of the cost cutting plan and the sale of non-core assets:

Cost Cutting Plan

- As part of our plan to create shareholder value, management continues on an ambitious cost cutting plan with the aim of reducing our operating costs to around EGP500 million (barring any unexpected moves in the EGP/USD rate) in 2014.

- In order to achieve this goal, management has undergone another round of employee reductions during the course of the second quarter. Steps to streamline operations through the combination of functions and the promotion of younger employees have also been taken in order to reduce employee expenses.

- Measures to reduce a multitude of other costs including occupancy, travel and administrative expenses as well generate yield from our idle real estate portfolio are well under way and are expected to reap benefits in the near future.

Assets Disposal

- We also remain committed to our strategy of shedding non-core assets and returning most of the proceeds to our shareholders, while maintaining a well capitalized balance sheet.

- Our strategy regarding the disposal of non-core assets is in place but its execution will be a function of market conditions that we continue to monitor in order to pick the right time to transact on assets at valuations that are viewed as accretive for our shareholders.

- As part of this strategy, we finalized the sale of our building in Dokki for a total amount of EGP38 million, which should generate a capital gain in 3Q2013. Other options for non-core assets are currently being evaluated and will be communicated to the market in case of material developments.

A. GROUP PERFORMANCE

I. Performance Indicators and Financial Highlights

Table 1: Key Operating Indicators

		2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y	1H13	1H12	Y-o-Y
Total Brokerage Executions	USD mn	8,337	5,417	4,677	54%	78%	13,754	10,549	30%
Investment Banking Fees	EGP mn	0	15	84	-97%	-100%	15	96	-84%
Assets under Management:	USD mn	3,481	3,793	4,083	-8%	-15%	3,481	4,083	-15%
In Private Equity*	USD mn	650	646	970	1%	-33%	650	970	-33%
In Asset Management	USD mn	2,831	3,147	3,113	-10%	-9%	2,831	3,113	-9%
Deposits	USD mn	7,024	7,046	6,536	0%	7%	7,024	6,536	7%
Loans	USD mn	2,420	2,386	2,130	1%	14%	2,420	2,130	14%
Group Net Income**	EGP mn	(29)	98	71	N/M	N/M	69	148	-53%

**Due to the expiration of ECP III's investment period, the fund is included at NAV*

*** After tax and Before minority interest*

Source: EFG Hermes and Crédit Libanais data

Table 2: Investment Bank/Commercial Bank Financial Performance – 2Q2013

EGP (mn)	Investment Bank					Commercial Bank				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	179	194	195	-7%	-8%	326	300	282	9%	16%
Total Operating Expenses	187	188	173	-1%	8%	185	163	157	13%	17%
Net Operating Profit	(7)	5	21	N/M	N/M	142	138	125	3%	13%
Net Operating Margin	N/M	3%	11%			43%	46%	44%		
Net Profit After Tax & Before Minority Interest	(142)	(18)	(23)	-685%	-510%	113	116	95	-3%	20%

Source: EFG Hermes management accounts

Table 3: Group Financial Performance – 2Q2013

EGP (mn)	Group EFG Hermes				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	506	494	477	2%	6%
Total Operating Expenses	372	351	330	6%	12%
Net Operating Profit	134	143	146	-6%	-8%
Net Operating Margin	27%	29%	31%		
Net Profit After Tax & Before Minority Interest	(29)	98	71	N/M	N/M

Source: EFG Hermes management accounts

Table 4: Financial Performance – 1H2013

EGP (mn)	Investment Bank			Commercial Bank			Group EFG Hermes		
	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y
Total Operating Revenue	373	361	3%	627	549	14%	1,000	910	10%
Total Operating Expenses	375	336	12%	348	290	20%	723	626	15%
Net Operating Profit	(2)	25	N/M	279	259	8%	277	284	-2%
Net Operating Margin	N/M	7%		45%	47%		28%	31%	
Net Profit After Tax & Before Minority Interest	(160)	(49)	-224%	229	198	16%	69	148	-53%

Source: EFG Hermes management accounts

II. Group Revenue

Table 5: Group Revenue

EGP (mn)	2Q13		1Q13		2Q12		Q-o-Q	Y-o-Y	1H13		1H12		Y-o-Y
Investment Bank	**179**	**35%**	**194**	**39%**	**195**	**41%**	**-7%**	**-8%**	**373**	**37%**	**361**	**40%**	**3%**
Fees & Commissions	148	29%	158	32%	187	39%	-6%	-21%	305	31%	312	34%	-2%
Capital Markets & Treasury Operations	32	6%	36	7%	8	2%	-12%	301%	68	7%	49	5%	38%
of which:													
*Net Interest Income**	27	5%	38	8%	10	2%	-30%	157%	65	7%	23	3%	181%
*Returns on Investments***	5	1%	(2)	0%	(3)	-1%	N/M	N/M	3	0%	26	3%	-90%
Commercial Bank	**326**	**65%**	**300**	**61%**	**282**	**59%**	**9%**	**16%**	**627**	**63%**	**549**	**60%**	**14%**
Total Revenue	**506**	**100%**	**494**	**100%**	**477**	**100%**	**2%**	**6%**	**1,000**	**100%**	**910**	**100%**	**10%**

** Net of bank interest paid, bank charges, FX differences and intercompany revenue (expenses)*
*** Represents realized & unrealized gains/losses on trading portfolio and dividend income*

Source: EFG Hermes management accounts

Group revenue rose 6% Y-o-Y and 2% Q-o-Q to EGP506 million in 2Q2013 driven by higher revenue generated from the Commercial Banking activities. In 2Q2013, the Commercial bank revenue represented 65% of the Group revenue and the Investment Bank represented the remaining 35%. For 1H2013, Group revenue rose 10% Y-o-Y to EGP1.0 billion mainly supported by 14% Y-o-Y increase in the Commercial Bank revenue, and to a lower degree an improvement in the Investment Bank revenue.

The **Investment Bank** revenue declined 8% Y-o-Y to EGP179 million in 2Q2013 on lower fees and commissions revenue. Fees and commissions declined 21% Y-o-Y to EGP148 million as revenue generated from Investment Banking division disappeared in the second quarter. On a quarterly basis, the Investment Bank revenue declined 7% on lower revenue generated by fees and commissions and capital markets and treasury operations. Meanwhile, the Investment Bank revenue climbed 3% Y-o-Y to EGP373 million in 1H2013, on the back of the USD appreciating against the EGP which positively impacted the firm's top line, and particularly capital markets and treasury operations revenue.

The **Commercial Bank** revenue rose 16% Y-o-Y to EGP326 million in 2Q2013, supported by fx gains from currency (USD/EGP) translation, and offsetting the 8% decline in revenue generated by the Investment Bank. On a Q-o-Q, the improvement in the Commercial Bank revenue, up 9%, is attributed to higher net interest income, higher fees and commissions and to some extent FX gains from currency (USD/EGP) translation. For 1H2013, the Commercial Bank revenue rose 14% Y-o-Y to EGP627 million on fx gains recognized from currency (USD/EGP) translation.

III. Group Operating Expenses

Table 6: Investment Bank/Commercial Bank Operating Expenses – 2Q2013

EGP (mn)	Investment Bank					Commercial Bank				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	179	194	195	-7%	-8%	326	300	282	9%	16%
Total Operating Expenses	**187**	**188**	**173**	**-1%**	**8%**	**185**	**163**	**157**	**13%**	**17%**
Net Operating Profit	(7)	5	21	N/M	N/M	142	138	125	3%	13%
Net Operating Margin	N/M	3%	11%			43%	46%	44%		
Employee Expenses	**132**	**134**	**117**	**-1%**	**13%**	**109**	**104**	**92**	**5%**	**19%**
Employee Expenses/Operating Revenue	74%	69%	60%			33%	34%	33%		
Employee Expenses/Operating Expenses	71%	71%	68%			59%	64%	58%		
Other Operating Expenses	**55**	**55**	**56**	**-1%**	**-3%**	**76**	**59**	**65**	**28%**	**16%**
Other Operating Expenses/Operating Revenue	30%	28%	29%			23%	20%	23%		
Other Operating Expenses/Operating Expenses	29%	29%	32%			41%	36%	42%		

Source: EFG Hermes Management Accounts

Table 7: Group Operating Expenses – 2Q2013

EGP (mn)	Group EFG Hermes				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	506	494	477	2%	6%
Total Operating Expenses	**372**	**351**	**330**	**6%**	**12%**
Net Operating Profit	134	143	146	-6%	-8%
Net Operating Margin	27%	29%	31%		
Employee Expenses	**241**	**237**	**209**	**2%**	**16%**
Employee Expenses/Operating Revenue	48%	48%	44%		
Employee Expenses/Operating Expenses	65%	68%	63%		
Other Operating Expenses	**130**	**114**	**122**	**14%**	**7%**
Other Operating Expenses/Operating Revenue	26%	23%	25%		
Other Operating Expenses/Operating Expenses	35%	32%	37%		

Source: EFG Hermes Management Accounts

Table 8: Group Operating Expenses – 1H2013

EGP (mn)	Investment Bank			Commercial Bank			Group EFG Hermes		
	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y
Total Operating Revenue	373	361	3%	627	549	14%	1,000	910	10%
Total Operating Expenses	**375**	**336**	**12%**	**348**	**290**	**20%**	**723**	**626**	**15%**
Net Operating Profit	(2)	25	N/M	279	259	8%	277	284	-2%
Net Operating Margin	N/M	7%		45%	47%		28%	31%	
Employee Expenses	**266**	**223**	**19%**	**213**	**179**	**18%**	**479**	**402**	**19%**
Employee Expenses/Operating Revenue	71%	62%		34%	33%		48%	44%	
Employee Expenses/Operating Expenses	71%	66%		61%	62%		66%	64%	
Other Operating Expenses	**109**	**113**	**-4%**	**135**	**111**	**22%**	**244**	**224**	**9%**
Other Operating Expenses/Operating Revenue	29%	31%		22%	20%		24%	25%	
Other Operating Expenses/Operating Expenses	29%	34%		39%	38%		34%	36%	

Source: EFG Hermes Management Accounts

Group operating expenses rose 12% Y-o-Y to EGP372 million in 2Q2013 on the back of higher operating expenses booked by the Commercial Bank and the Investment Bank. On a Q-o-Q, Group operating expenses rose 6%, triggered by higher cost on the Commercial Bank side. Group operating expenses were split 50/50 between the Investment and the Commercial Bank in 2Q2013. For 1H2013, Group operating expense rose 15% to EGP723 million in 1H2013 driven by the Commercial Bank and the Investment Bank higher Y-o-Y operating expenses.

The **Investment Bank** operating expenses rose 8% Y-o-Y to EGP187 million in 2Q2013, triggered by fx impact of salaries nominated in USD pegged currencies in the Gulf region and to one-off expenses related to the restructuring plan that EFG Hermes is currently undergoing for the whole business that aims to reduce the company's cost base in the coming years. Adjusting for the one-off expenses, the Investment Bank's operating expenses would amount to EGP166 million, which is a 4% reduction from the similar period last year. On a Q-o-Q basis, the Investment Bank operating expenses was muted, down 1%.

The Investment Bank operating expenses rose 12% to EGP375 million in 1H2013 on the aforementioned reasons which include, the fx impact of salaries nominated in USD pegged currencies in the Gulf and one-off expenses related to restructuring of the business which started in 1Q2013. Adjusting for those one-off expenses, the Investment Bank's first half expenses would have amount to EGP329 million, a 2% reduction over the same period of last year. Given that the cost cutting measures have been taking place during the course of the first half and have continued during the third quarter of the year, the actual impact on operating expenses is unlikely to show before 1Q2014.

The **Commercial Bank** operating expenses were impacted by the currency translation (USD/EGP) as the EGP devaluated, operating expenses rose 17% Y-o-Y and 13% Q-o-Q to EGP185 million in 2Q2013, and rose 20% Y-o-Y to EGP348 million in 1H2013.

B. THE INVESTMENT BANK

I. Investment Bank Revenue

Table 9: Investment Bank Revenue

EGP (mn)	2Q13		1Q13		2Q12		Q-o-Q	Y-o-Y	1H13		1H12		Y-o-Y
Fees & Commissions	148	82%	158	81%	187	96%	-6%	-21%	305	82%	312	86%	-2%
Capital Markets & Treasury Operations	32	18%	36	19%	8	4%	-12%	301%	68	18%	49	14%	38%
of which:													
*Net Interest Income**	*27*	*15%*	*38*	*20%*	*10*	*5%*	*-30%*	*157%*	65	17%	23	6%	181%
*Returns on Investments***	*5*	*3%*	*(2)*	*-1%*	*(3)*	*-1%*	*N/M*	*N/M*	3	1%	26	7%	-90%
Total Revenue	**179**	**100%**	**194**	**100%**	**195**	**100%**	**-7%**	**-8%**	**373**	**100%**	**361**	**100%**	**3%**

** Net of bank interest paid, bank charges, FX differences and intercompany revenue (expenses)*
*** Represents realized & unrealized gains/losses on trading portfolio and dividend income*

Source: EFG Hermes Management Accounts

The Investment Bank revenue declined 8% Y-o-Y to EGP179 million as fees and commissions revenue declined 21% to EGP148 million.

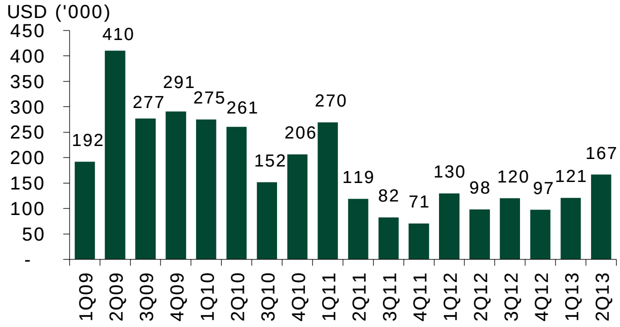
Revenue generated from Brokerage, Asset Management and Private Equity all saw Y-o-Y improvement, however the disappearance of Investment Banking revenue in 2Q2013 versus a strong comparative quarter 2Q2012, was the reason behind the Y-o-Y decline in fees and commissions. Alternatively, Capital Market and Treasury Operations revenue rose 301% Y-o-Y to EGP32 million, supported mainly by fx-gains, as the USD appreciated against the EGP.

On a quarterly basis, the Investment Bank revenue fell 7% on lower fees and commissions and capital market and treasury operations revenues. Fees and commissions declined 6% Q-o-Q on lower Private Equity and Investment Banking revenue. Capital markets and treasury operations revenue declined 12% Q-o-Q mainly due to lower fx-gains as the magnitude of the USD appreciation against the EGP was smaller in 2Q2013 versus 1Q2013.

In 1H2013, the Investment Bank revenue rose 3% Y-o-Y to EGP373 million, reflecting revenue generated from capital markets and treasury operations which increased 38% to EGP68 million on higher fx gains recognized as the EGP depreciated. Meanwhile, the fees and commissions revenue slipped 2% to EGP305 million.

Fee and Commission Revenue

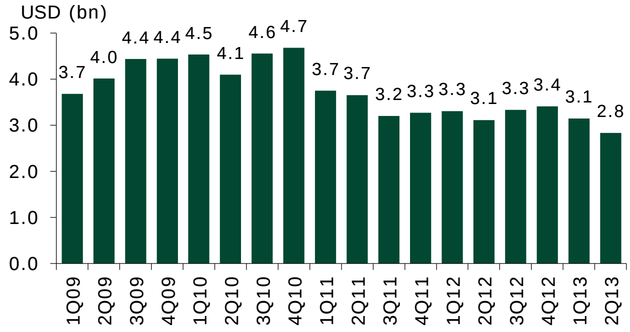
Figure 10: Brokerage Av. Daily Commission



**In 1Q2011, av. daily comm. in Egypt is calc. on 25 trading day*

Source: EFG Hermes

Figure 11: Asset Management AuMs



Source: EFG Hermes

Fees and commissions revenue declined 21% Y-o-Y and 6% Q-o-Q to EGP148 million, driven by lower revenue generated from the Investment Banking division.

Brokerage revenue rose 49% Y-o-Y to EGP76 million in 2Q2013 on higher executions as Regional volumes increased. Asset Management revenue rose 29% Y-o-Y to EGP34 million in 2Q2013 on higher management fees. Private Equity revenue rose 47% Y-o-Y to EGP37 million in 2Q2013, on fx gains as a large portion of the division's receivables are nominated in USD. Investment Banking revenue disappeared in 2Q2013 as no advisory fees were booked during the quarter with a concluded deal awaiting regulatory approvals and other mandates getting delayed due to the difficult operating environment.

Table 12: Fee and Commission Revenue – 2Q2013

(EGP mn)	2Q13		1Q13		2Q12		Q-o-Q	Y-o-Y
Brokerage: Egypt	36	25%	41	26%	36	19%	-11%	1%
Brokerage: UAE	11	8%	7	5%	4	2%	59%	222%
Brokerage: KSA	3	2%	2	1%	2	1%	54%	55%
Brokerage: Oman	4	3%	3	2%	1	1%	39%	189%
Brokerage: Kuwait	20	13%	10	6%	7	4%	94%	166%
Brokerage: Jordan	2	1%	2	1%	1	0%	5%	81%
Total Brokerage	**76**	**52%**	**65**	**41%**	**51**	**27%**	**18%**	**49%**
Asset Management: Egypt	10	7%	11	7%	10	5%	-7%	3%
Asset Management: Regional	24	16%	21	13%	17	9%	18%	44%
Total Asset Management	**34**	**23%**	**31**	**20%**	**26**	**14%**	**9%**	**29%**
Private Equity	**37**	**25%**	**47**	**30%**	**25**	**13%**	**-22%**	**47%**
Investment Banking: Egypt	0	0%	14	9%	84	45%	-97%	-100%
Investment Banking: Regional	0	0%	0	0%	0	0%	-98%	N/M
Total Investment Banking	**0**	**0%**	**15**	**9%**	**84**	**45%**	**-97%**	**-100%**
Fees & Commissions	**148**	**100%**	**158**	**100%**	**187**	**100%**	**-6%**	**-21%**

Source: EFG Hermes Management Accounts

In 1H2013, fee and commission revenue declined 2% Y-o-Y to EGP305 million, pressured by lower Investment Banking revenue. Brokerage revenue rose 25% Y-o-Y to EGP141 million on higher executions. Asset Management revenue rose 29% Y-o-Y to EGP66 million on higher management fees. Private Equity revenue rose 62% Y-o-Y to EGP84 million on strong fx gains booked in 1H2013. On the other hand, Investment Banking revenue declined 84% to EGP15 million on lower advisory fees.

Table 13: Fee and Commission Revenue – 1H2013

(EGP mn)	1H13		1H12		Y-o-Y
Brokerage: Egypt	77	25%	76	24%	1%
Brokerage: UAE	19	6%	10	3%	84%
Brokerage: KSA	5	2%	5	1%	17%
Brokerage: Oman	7	2%	3	1%	153%
Brokerage: Kuwait	30	10%	17	6%	71%
Brokerage: Jordan	3	1%	2	1%	74%
Total Brokerage	**141**	**46%**	**113**	**36%**	**25%**
Asset Management: Egypt	21	7%	18	6%	13%
Asset Management: Regional	45	15%	33	10%	38%
Total Asset Management	**66**	**21%**	**51**	**16%**	**29%**
Private Equity	**84**	**27%**	**52**	**17%**	**62%**
Investment Banking: Egypt	15	5%	96	31%	-85%
Investment Banking: Regional	0	0%	0	0%	N/M
Total Investment Banking	**15**	**5%**	**96**	**31%**	**-84%**
Total Fees & Commissions	**305**	**100%**	**312**	**100%**	**-2%**

Source: EFG Hermes Management Accounts

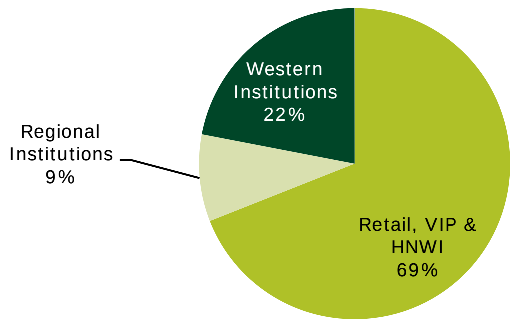
Fee and Commission Revenue – Brokerage

Regional equity markets ended 2Q2013 on a mixed note, with UAE and Kuwait among the best performing markets, while the Egyptian market among the worst performers. The S&P Pan Arab Comp ML Index added 3.0% and EFG Hermes MENA Index climbed 3.6% over the same period.

With the improvement in liquidity seen across Regional markets (except for Egypt) as the average regional volumes rose 49% Q-o-Q (excluding KSA), the EFG Hermes Brokerage executions rose 54% Q-o-Q to reach USD8.4 billion in 2Q2013 compared to USD5.4 billion a quarter earlier.

Revenue generated from the retail business (which includes online, call center, branches, VIP individuals and HNWI), rose to account for 69% of total brokerage revenue versus 66% in 1Q2013. Meanwhile, western institutional clients accounted for 22% of total Brokerage revenue at the end of 2Q2013 versus 24% in 1Q2013 and regional institutional clients accounted for 9% versus 10% a quarter earlier.

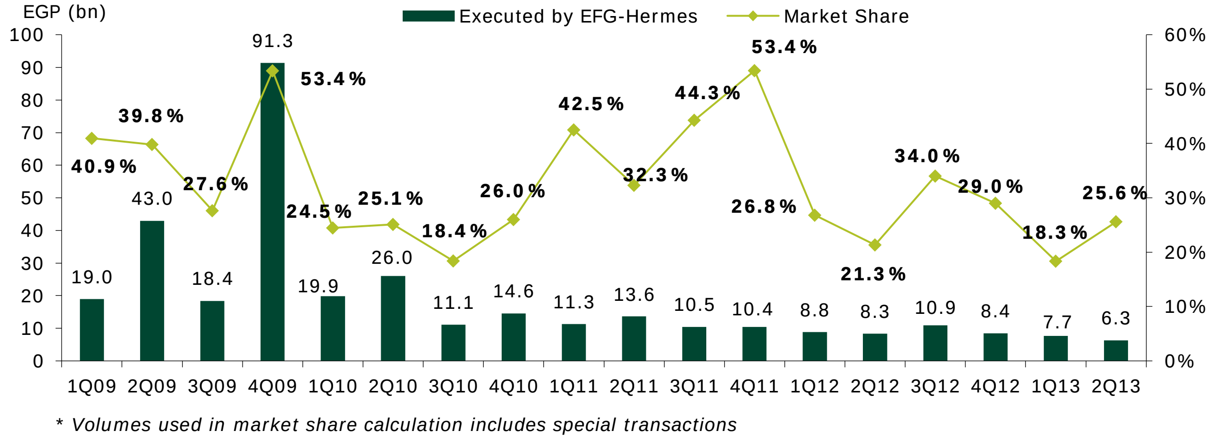
Figure 14: Brokerage Revenue by Desk



**2Q2013 Revenue Breakdown*
Source: EFG Hermes

Egypt

Figure 15: Egypt Executions and Market Share



Source: EGX, EFG Hermes

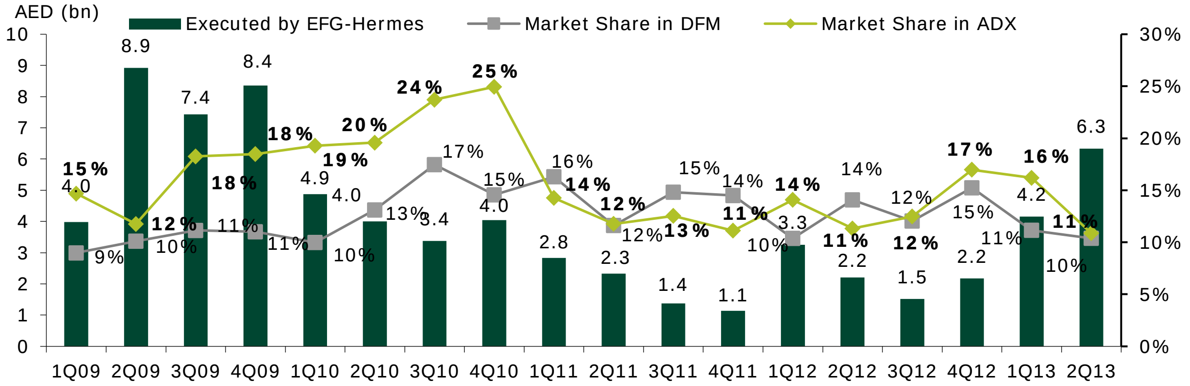
Rising political tension and deteriorating economic conditions during 2Q2013 weighted heavily on the Egyptian Exchange (EGX) in terms of volumes and performance. Volumes dried up, falling 60% Q-o-Q, the lowest volume recorded over the last 6 quarters, and the Hermes Financial Index (HFI) lost 6%.

However, EFG Hermes maintained a strong share of foreign institutional participation in the market, reaching an average of 84% versus an average of 65% a quarter earlier. Accordingly, the firm's market share reached 34.8% (excluding special transactions) with a first place ranking on the EGX and 69% higher executions than the following broker.

Revenue generated from Egypt brokerage declined 11% Q-o-Q to EGP36 million in 2Q2013, driving Egypt's brokerage revenue contribution to the Group's total brokerage revenue to 48% from 63% a quarter earlier.

UAE

Figure 16: UAE Executions and Market Share



Source: DFM, ADX, EFG Hermes

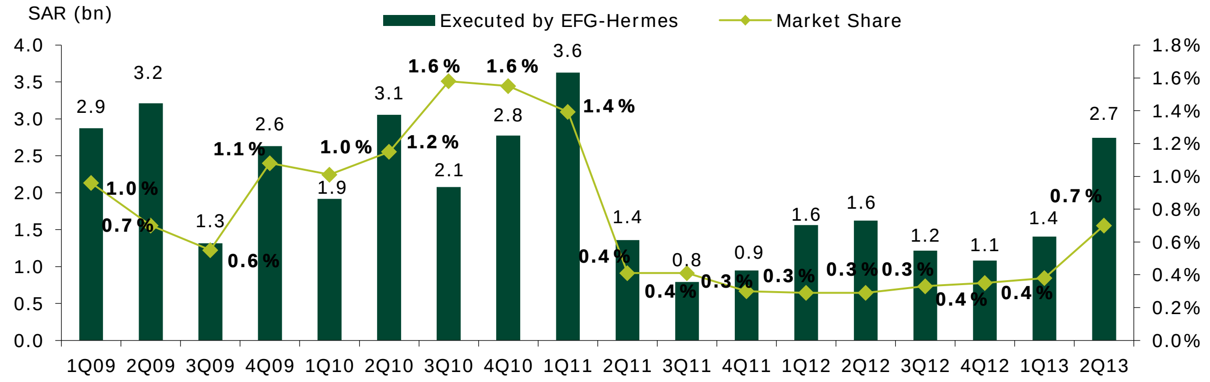
Second quarter was another robust quarter for the UAE markets, with volumes hitting three and a half years high. Volumes on the Dubai Financial Market (DFM) rose 82% Q-o-Q and on the Abu Dhabi Exchange (ADX) jumped 73% Q-o-Q. In terms of performance, the Dubai Financial Market General Index (DFMGI) gained 22% Q-o-Q and Abu Dhabi Index (ADI) climbed 17% Q-o-Q.

EFG Hermes's institutional and HNW executions declined on the DFM and the ADX. On the DFM, institutional business market share declined to 5.0% in 2Q2013 from 5.9% in 1Q2013 together with the decline in the HNW business which reached 0.9% in 2Q2013 from 1.1% in 1Q2013, thus pushing our market share to 10.4% in 2Q2013 from 11.2% in 1Q2013, while maintaining the sixth place ranking. On the ADX, institutional business market share dropped to 7.9% in 2Q2013 from 12.7% in 1Q2013 and the HNW dropped to 0.2% in 2Q2013 versus 1.2% in 1Q2013, resulting in a market share of 10.9% and a 7th place ranking.

Revenue generated from UAE brokerage operations reached EGP11 million; up 59% Q-o-Q in 2Q2013. This brings UAE's contribution to the Group's total brokerage revenue to 15% from 11% in 1Q2013.

Saudi Arabia

Figure 17: KSA Executions and Market Share



Source: Tadawul, EFG Hermes

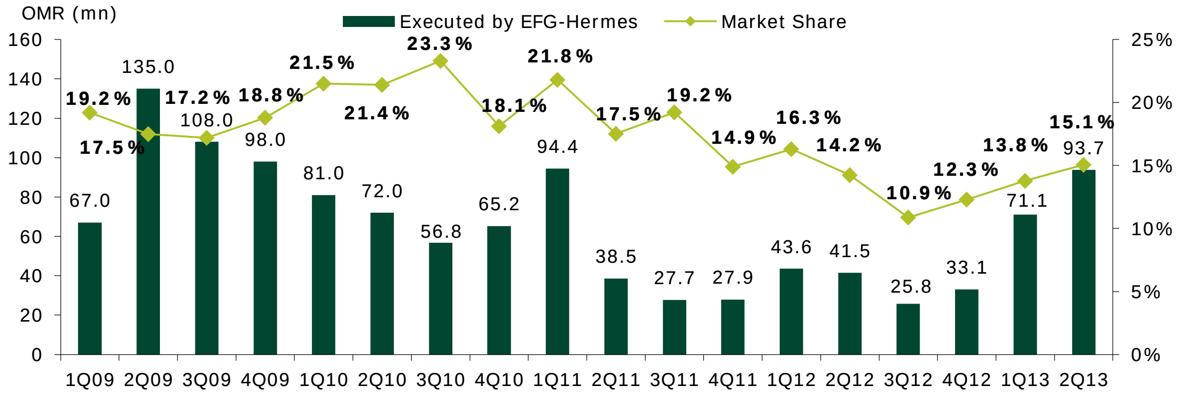
The Tadawul All Share Index (TASI) gained 5% over the quarter and volumes rose 6% over the same period.

Retail investors continued to dominate the Saudi market while the percentage of foreign institutions participation via participatory notes did not exceed an average of 2.6% of the total market volumes. In 2Q2013, EFG Hermes managed to more than double its market share to reach 0.7% from 0.3% a quarter earlier, this was largely driven by higher call center, GCC HNW and GCC institutions activity.

The improvement in the firm's market share was reflected in the revenue generated from KSA operations, revenue rose 54% Q-o-Q to EGP3 million and represented 4% of the Group's total brokerage revenue.

Oman

Figure 18: Oman Executions and Market Share



Source: Muscat Securities Market, EFG Hermes

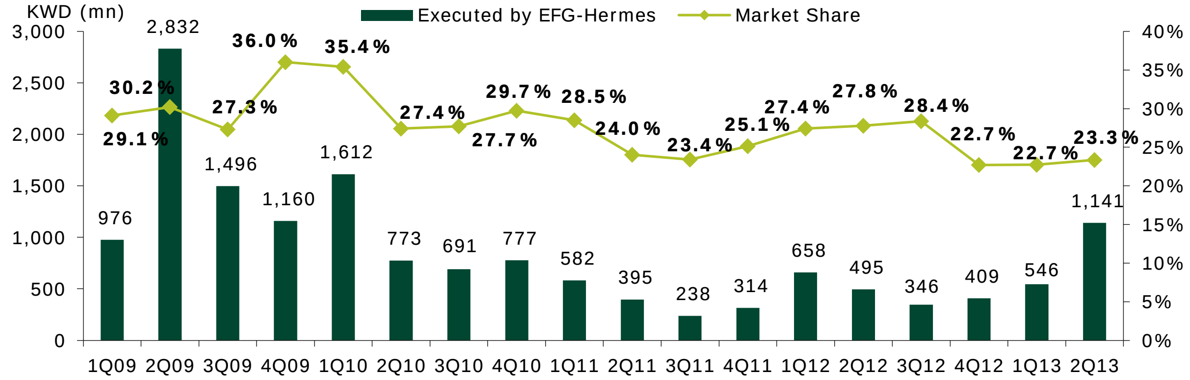
The Muscat Securities Market (MSM) gained some steam over 2Q2013, with volumes rising 20% Q-o-Q and the Muscat Securities Index (MSM30) adding 6% Q-o-Q.

EFG-Hermes market share increased to 15.1% in 2Q2013 from 13.8% in 1Q2013, primarily as a result of a notable increase in local institutions activity during the quarter. The firm came in a 7th place ranking in 2Q2013.

Revenue generated from Oman brokerage stood at EGP4 million, up 39% Q-o-Q and bringing its contribution to total brokerage revenue to 5% from 4% a quarter earlier.

Kuwait

Figure 19: Kuwait Executions and Market Share



Source: Kuwait Securities Exchange, EFG Hermes

With Kuwait's political scene remaining relatively calm, the Kuwaiti market witnessed a strong quarter, volumes increased 108% Q-o-Q and the KSE Index gained 16% over the quarter.

During the quarter, trading was focused on small cap. stocks rather than the blue chips which our HNW clients trade, however given our solid retail platform the firm managed to increase its market share to 23.3% with a 2nd place ranking. It is worth noting that in May & June the firm's market share came around 24.5%, thus putting the firm as a 1st place in ranking in the month of June.

Kuwait Brokerage revenue rose 94% Q-o-Q to EGP20 million, bringing it as the second largest contributor to the Group's total brokerage revenue with a 26%.

Jordan

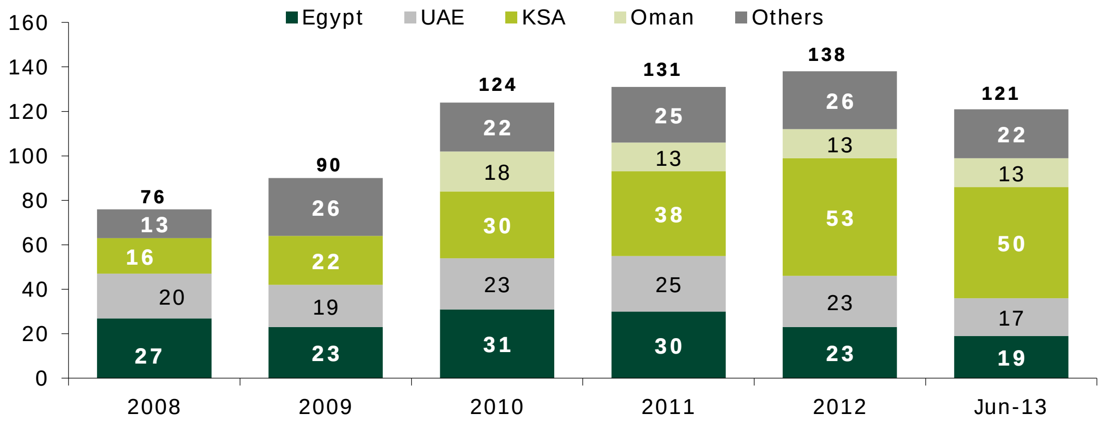
Amman Stock Exchange (ASE) lost some momentum, with the index slipping 6% Q-o-Q. Volumes rose 53% Q-o-Q, boosted by large cross trade deals executed in April. Excluding those transactions, volumes would be modestly changed.

EFG Hermes market share declined to 3.8% in 2Q2013, as the market volumes included exceptionally large cross trade deals executed on the Arab Bank shares.

Revenue booked from Jordan Brokerage increased 5% Q-o-Q to EGP2 million, and represented 2% of total brokerage revenue in 2Q2013.

Research

Figure 20: Research Coverage Universe



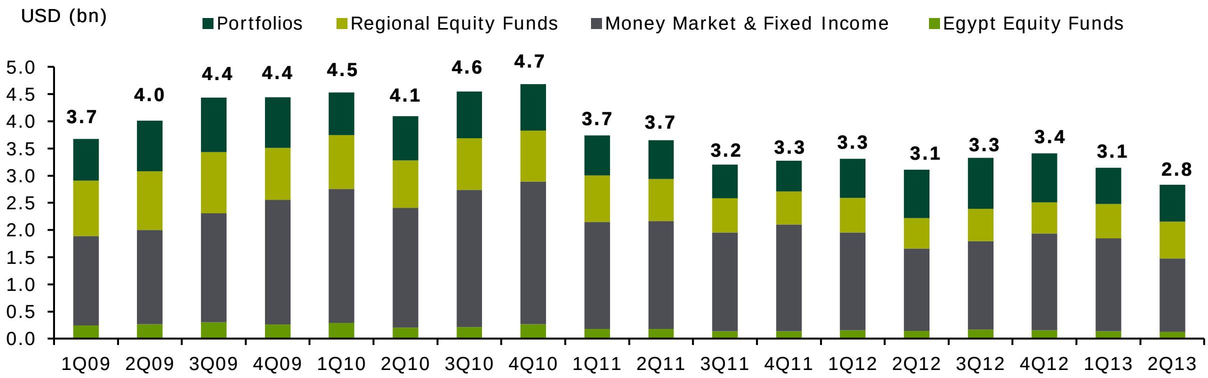
Source: EFG Hermes

The Research department coverage declined to 121 companies at the end of 2Q2013, distributed across the region (Egypt 19, UAE 17, KSA 50, Kuwait 7, Oman 13, Qatar 8, Lebanon 3, Morocco 3 and Jordan 1). Currently EFG Hermes covers 57% of the regional market capitalization. The decline in our coverage universe came as a result of streamlining our coverage with our costs.

The research department covers 11 economies from a macro level and 8 countries in terms of regular strategy notes in addition to companies and sector notes. In addition, the research team issues regular publications, including daily morning round-ups, after end of session wrap-ups and a regional monthly product.

Fee and Commission Revenue – Asset Management

Figure 21: Development of Listed Assets under Management



Source: EFG Hermes

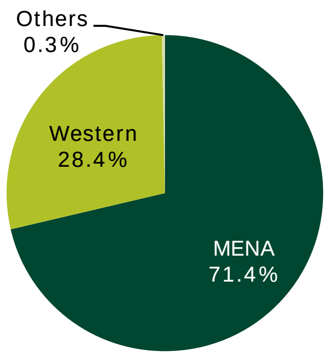
EFG Hermes Asset Management ended 2Q2013 with assets under management of USD2.8 billion, down 10% Q-o-Q. During the quarter, net outflows represented 11% of total AuMs, while markets appreciation, namely regional equity markets, represented a 1% improvement. The funds outflow is attributed to local money market funds (MMFs) redemptions, which reached 11% of total AuMs due to the new MMFs regulations that have been introduced by the Central Bank of Egypt during the second quarter of the year and that caps the size of money market funds and limits their growth. Consequently, given that the sizes of most of the MMFs that we manage are above this cap, further subscriptions were and are not allowed until the size falls below the cap.

Over 1H2013 assets under management declined 17%, with market outflows representing 15.7% and the decline in markets' performance representing another 1.3%. Of total outflows, money market funds redemptions represented 62% and redemptions in fixed income portfolios (mostly coming from one portfolio deciding to manage its funds in house) represented another 36%.

The strategy of targeting long term clients and increasing institutional base while maintaining diversified client base remains one of the Asset Management team main focuses. During the quarter, institutional clients' to the total AuMs reached 19.0%, SWF clients' came at 25.1% and Foundation/Pension/Insurance rose to 37.8%.

In terms of funds' origination, fund sourcing remained largely skewed towards MENA-based clients. Investor mix changed slightly in 2Q2013: European clients increased to 27.5% from 26.0% a quarter earlier mainly on the account of the MENA-based clients which decreased to 71.4% from 72.6% a quarter earlier.

Figure 22: Assets under Management by Geography



Source: EFG Hermes Asset Management

Fee and Commission Revenue – Investment Banking

The Investment Banking team sustained its strong regional push and had a noteworthy quarter, during which the team successfully closed a landmark transaction in the United Arab Emirates, advising Dubai Group on the USD164 million sale of 100% of Dubai First, a leading UAE based consumer finance company to First Gulf Bank. The transaction, amongst the largest M&A transactions in the UAE to date, is pending regulatory approvals for final execution.

The team was involved in a number of high profile transactions that was not completed including advising Vimplcom on its attempt to acquire the free float in Orascom Telecom. In addition to the ongoing extensive coverage of the Egyptian market, Investment Banking's pitching efforts shifted vigorously to key regional markets outside Egypt, namely the UAE and Saudi Arabia. The team's perseverance and determination to generate deal flow from these markets has paid off with a number of new mandates being sourced effectively. We are currently advising the Abraaj Group on the prospective sale of the Spinneys Group across four countries; the transaction is in a fairly advanced stage with notable regional retail heavyweights finalizing their due diligence. Furthermore, the investment banking team is currently advising a high profile principal on a significant cross-border transaction that is also currently in advanced stages. We have been able to distinguish ourselves in the market, by being able to bring our client's attentions to potential transactions beyond the MENA region, particularly in markets such as Turkey and East Africa. Our ability to secure similar engagements will play an important role in ensuring a sustainable flow of business to the Investment Banking department and a diversification of its revenue streams.

In Egypt we are continuing our strategy of sourcing quality mandates that we believe have a good chance of closing despite the current turbulent situation. Several mandates have been secured for prospective M&A and equity raising activities that might need time to weather the current difficult investment scene, but are nevertheless sound and executable once a proper opportunity presents itself.

Fee and Commission Revenue – Private Equity

Assets under management at the end of 2Q2013 stood at USD0.65 billion post the expiration of ECP III's investment period in 3Q2012.

Following the USD100 million investment in the Egyptian Refining Company (ERC) last year, InfraMed Infrastructure fund remains committed to investing further in Egypt. Hence, the team has been screening a few opportunities in the renewable and transport sectors in Egypt. Furthermore, InfraMed was successful in negotiating a position in the 120MW Tafila wind project in Jordan. InfraMed's first investment, Iskendrun Port, is progressing well and according to plan.

Capital Markets and Treasury Operations Revenue

Table 23: Capital Markets and Treasury Operations Revenue

EGP (mn)	2Q13		1Q13		2Q12		Q-o-Q	Y-o-Y	1H13		1H12		Y-o-Y
Fees & Commissions	148	82%	158	81%	187	96%	-6%	-21%	305	82%	312	86%	-2%
Capital Markets & Treasury Operations	32	18%	36	19%	8	4%	-12%	301%	68	18%	49	14%	38%
of which:													
*Net Interest Income**	*27*	*15%*	*38*	*20%*	*10*	*5%*	*-30%*	*157%*	65	17%	23	6%	181%
*Returns on Investments***	*5*	*3%*	*(2)*	*-1%*	*(3)*	*-1%*	*N/M*	*N/M*	3	1%	26	7%	-90%
Total Revenue	**179**	**100%**	**194**	**100%**	**195**	**100%**	**-7%**	**-8%**	**373**	**100%**	**361**	**100%**	**3%**

** Net of bank interest paid, bank charges, FX differences and intercompany revenue (expenses)*
*** Represents realized & unrealized gains/losses on trading portfolio and dividend income*

Source: EFG Hermes Management Accounts

Capital markets & treasury operations revenue rose 301% Y-o-Y to EGP32 million in 2Q2013, mainly on higher fx gains.

Net interest income rose 157% Y-o-Y to EGP27 million on higher fx gains which reached EGP20.0 million in 2Q2013 versus EGP4.9 million in 2Q2012. This Y-o-Y increase in fx gains is attributed to the SYP (Syrian Pound) and the EGP depreciating against the USD.

Returns on Investments reached EGP5 million in 2Q2013 versus a loss of EGP3 million in 2Q2012, supported mainly by higher dividend income. Meanwhile, realized and unrealized gains/losses on investments were broadly muted, as losses on investments came at EGP2.8 million versus EGP3.6 million a year earlier.

On a Q-o-Q basis, capital markets & treasury operations revenue declined 12%, mainly due to a decline in fx gains booked Q-o-Q as the magnitude of EGP devaluation was greater in 1Q2013.

In 1H2013, capital markets & treasury operations revenue rose 38% Y-o-Y to EGP68 million, as net interest income rose 181% to EGP65 million on fx-gains. Alternatively, returns of investments declined 90% to EGP3 million. Unrealized losses on equities came at EGP6.7 million in 1H2013 versus unrealized gains of EGP19.9 million in 1H2012, as the Egyptian equity market performance weakened Y-o-Y.

II. Investment Bank Operating Expenses

Table 24: Investment Bank Operating Expenses – 2Q2013

EGP (mn)	Fees & Commissions					Capital Markets & Treasury Operations				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	148	158	187	-6%	-21%	32	36	8	-12%	301%
Total Operating Expenses	**166**	**168**	**154**	**-1%**	**8%**	**21**	**21**	**19**	**0%**	**8%**
Net Operating Profit	(18)	(10)	33	-79%	N/M	11	15	(11)	-29%	N/M
Net Operating Margin	N/M	N/M	18%			35%	43%	N/M		
Employee Expenses	**116**	**120**	**104**	**-3%**	**12%**	**16**	**14**	**13**	**15%**	**24%**
Employee Expenses/Operating Revenue	79%	76%	56%			51%	39%	166%		
Employee Expenses/Operating Expenses	70%	71%	67%			78%	68%	68%		
Other Operating Expenses	**50**	**48**	**50**	**4%**	**0%**	**4**	**6**	**6**	**-31%**	**-26%**
Other Operating Expenses/Operating Revenue	34%	31%	27%			14%	18%	77%		
Other Operating Expenses/Operating Expenses	30%	29%	33%			22%	32%	32%		

Source: EFG Hermes Management Accounts

Table 25: Investment Bank Operating Expenses – 2Q2013

EGP (mn)	Total Investment Bank				
	2Q13	1Q13	2Q12	Q-o-Q	Y-o-Y
Total Operating Revenue	179	194	195	-7%	-8%
Total Operating Expenses	**187**	**188**	**173**	**-1%**	**8%**
Net Operating Profit	(7)	5	21	N/M	N/M
Net Operating Margin	N/M	3%	11%		
Employee Expenses	**132**	**134**	**117**	**-1%**	**13%**
Employee Expenses/Operating Revenue	74%	69%	60%		
Employee Expenses/Operating Expenses	71%	71%	68%		
Number of Employees	826	861	928	-4%	-11%
Other Operating Expenses	**55**	**55**	**56**	**-1%**	**-3%**
Other Operating Expenses/Operating Revenue	30%	28%	29%		
Other Operating Expenses/Operating Expenses	29%	29%	32%		

Source: EFG Hermes Management Accounts

Table 26: Investment Bank Operating Expenses – 1H2013

	Fees & Commissions			Capital Markets & Treasury Operations			Total Investment Bank		
	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y	1H13	1H12	Y-o-Y
Total Operating Revenue	305	312	-2%	68	49	38%	373	361	3%
Total Operating Expenses	**334**	**298**	**12%**	**41**	**38**	**10%**	**375**	**336**	**12%**
Net Operating Profit	(29)	13	N/M	27	12	128%	(2)	25	N/M
Net Operating Margin	N/M	4%		39%	24%		N/M	7%	
Employee Expenses	**236**	**196**	**20%**	**30**	**26**	**15%**	**266**	**223**	**19%**
Employee Expenses/Operating Revenue	77%	63%		45%	53%		71%	62%	
Employee Expenses/Operating Expenses	71%	66%		73%	70%		71%	66%	
Number of Employees							826	928	-11%
Other Operating Expenses	**98**	**102**	**-4%**	**11**	**11**	**-3%**	**109**	**113**	**-4%**
Other Operating Expenses/Operating Revenue	32%	33%		16%	23%		29%	31%	
Other Operating Expenses/Operating Expenses	29%	34%		27%	30%		29%	34%	

Source: EFG Hermes Management Accounts

The Investment Bank operating expenses rose 8% Y-o-Y to EGP187 million in 2Q2013, driven by higher employees expenses, which rose 13% Y-o-Y to EGP132 million in 2Q2013.

Operating expenses included one-off expenses, a significant portion of which, relates to the restructuring plan that the company is carrying out and that aims at reducing the cost base in the coming years, together with the impact of the USD appreciation against the EGP, as 50% of the employees' salaries are denominated in USD pegged currencies.

Other operating expenses declined 3% Y-o-Y to EGP55 million in 2Q2013, as the management remains committed to maintain a low cost operating environment.

Excluding the one-off expenses, the total operating expenses would have been around EGP166 million, reflecting a 4% decline over the same period of last year. Given that the restructuring process has spanned most of the first half and is expected to continue during the third quarter, the actual impact of those cost cutting measures will not show before the first quarter of 2014.

Of other operating expenses, consultancy and service fees declined 22% to EGP13.0 million, telephone/fax/mobile expense fell 44% Y-o-Y to EGP1.7 million and promotional and advertising expenses declined 13% Y-o-Y to EGP3.2 million. On the other hand, travel expenses rose 15% Y-o-Y to EGP5.7 million, data communication expense was up 20% Y-o-Y to EGP7.7 million, office expenses rose 5% Y-o-Y to EGP5.9 million, occupancy expense added 7% Y-o-Y to EGP12.1 million and general expenses rose 8% to EGP3.9 million.

On a Q-o-Q, the Investment Bank operating expenses was relatively unchanged, down 1%, as employee expenses and other operating expenses slipped 1%. Excluding one-off expenses in both quarters, the operating expenses would have witnessed a 3% increase over 1Q2013 of this year.

In 1H2013, operating expenses rose 12% Y-o-Y to EGP375 million on higher employee expenses. Employee expenses added 19% Y-o-Y to reach EGP266 million in 1H2013, mirroring largely the measures initiated in 1Q2013 which include one-off restructuring costs of the business and the fx impact of salaries nominated in USD pegged currencies. If we exclude the one-off expenses in 1H2013, operating expenses would be in the range of EGP328.5 million, down 2% Y-o-Y.

C. THE COMMERCIAL BANK

Table 27: Commercial Bank Key Financial Highlights and Ratios

USD (mn)	2Q13	1Q13	4Q12	3Q12	2Q11	Q-o-Q	Y-o-Y	1H13	1H12	Y-o-Y
Balance Sheet:										
Total Assets	8,025	8,002	7,948	7,735	7,493	0%	7%	8,025	7,493	7%
Cash and due from banks	2,026	2,089	2,088	1,931	1,910	-3%	6%	2,026	1,910	6%
Loans	2,420	2,386	2,234	2,203	2,130	1%	14%	2,420	2,130	14%
Deposits	7,024	7,046	6,961	6,694	6,536	0%	7%	7,024	6,536	7%
Shareholders' Equity:	626	633	619	607	589	-1%	6%	626	589	6%
Tier 1 capital	538	546	529	517	501	-1%	7%	538	501	7%
Tier 2 capital	88	86	90	89	88	1%	0%	88	88	0%
P&L:										
Net Interest Income:	31.7	29.7	30.8	31.5	31.9	7%	-1%	61.4	63.3	-3%
Interest Income	110.7	102.9	115.8	102.4	100.2	8%	11%	213.6	199.6	7%
Interest Expense	(79.0)	(73.2)	(85.0)	(71.0)	(68.3)	8%	16%	(152.2)	(136.3)	12%
Net Fees and Commissions	11.6	8.7	10.4	8.8	9.1	33%	27%	20.3	17.1	19%
Trading Income	3.6	6.3	7.4	6.5	3.8	-43%	-5%	9.9	7.9	26%
Total Operating Income	47.1	44.8	48.9	47.1	45.3	5%	4%	91.9	89.8	2%
Net Provisions	(1.0)	(0.7)	(2.3)	(0.5)	0.9	37%	N/M	(1.7)	0.4	N/M
Net Operating Income	46.2	44.0	46.6	46.6	46.2	5%	0%	90.2	90.2	0%
Staff Cost	15.6	15.3	16.5	16.3	15.2	2%	3%	30.9	29.7	4%
General Expenses	9.4	8.7	14.2	10.5	10.1	8%	-7%	18.1	17.6	3%
Total Operating Expenses	26.8	25.8	32.8	28.7	27.1	4%	-1%	52.6	50.8	3%
Net Income	17.7	16.2	9.8	15.7	17.3	9%	2%	33.9	35.6	-5%
Ratios:										
Net Interest Margin	1.6%	1.6%	1.7%	1.8%	1.8%	(0.2)	(0.2)	1.6%	1.8%	(0.2)
Cost-to-income*	56.7%	57.3%	60.1%	57.7%	56.1%	0.6	0.6	56.7%	56.1%	0.6
Loans-to-deposits	34.5%	33.9%	32.1%	32.9%	32.6%	1.9	1.9	34.5%	32.6%	1.9
NPL / Gross Loans	3.6%	3.7%	3.9%	3.6%	3.8%	(0.2)	(0.2)	3.6%	3.8%	(0.2)
Provision Cover	85.3%	92.4%	90.8%	95.0%	93.9%	(8.6)	(8.6)	85.3%	93.9%	(8.6)
ROAE (after- tax)	13.1%	12.2%	12.9%	14.5%	15.1%	(2.0)	(2.0)	13.1%	15.1%	(2.0)
ROAA (after-tax)	0.9%	0.8%	0.8%	0.9%	1.0%	(0.1)	(0.1)	0.9%	1.0%	(0.1)
Core Tier 1 Capital Ratio**	10.9%	N/A	11.6%	N/A	12.3%	N/A	(1.4)	10.9%	12.3%	(1.4)
Capital Adequacy Ratio**	12.8%	N/A	13.7%	N/A	14.5%	N/A	(1.7)	12.8%	14.5%	(1.7)

** Including extraordinary items*
*** Equity includes 1H2013 net profits*

Source: Crédit Libanais

I. Overview

Credit Libanais posted strong 2Q2013 results delivering net income for the quarter of USD17.7 million, an increase of 9% Q-o-Q and 2% Y-o-Y, resulting in a ROAE of 13.1%.

On a straight line basis, this points to a full year net income projection of around USD68 million, highlighting the Bank's growth in organic income.

The main contributors to this performance were:

(i) Containment of deposit growth (particularly term deposits), which reduced interest expense and boosted NII and,

(ii) Superior net fees & commissions growth from trade finance and insurance premiums in Lebanon.

Deposits were flat Q-o-Q and up 1% YTD, in line with strategy. Persistent focus on trade finance is continuing to yield recurring growth in fees & commissions as is the case with insurance fees. The latter is a result of increased lending in LBP, mainly for housing loans that in turn boosts life insurance revenues.

As is the case with all other banks in Lebanon, during 2Q2013, CL was allocated by the central Bank the amount of low cost LBP60 billion (or USD equivalent of USD40 million) in order to on-lend, at a subsidized cost, to the Lebanese economy.

Loan growth (1% Q-o-Q and 14% Y-o-Y) together with the containment of deposit growth resulted in a record loans/deposits ratio of 34.5%, while cost to income dropped to 56.7%.

Total operating expenses increased 4% Q-o-Q and declined 1% Y-o-Y, indicating management's continued commitment to contain CL's expense base.

Provision cover declined by approximately 7% due to:

(i) The transfer to off-balance sheet of 100% provisioned loans, which have been classified as non-recoverable, as per regulatory requirements. (The total amount of such loans booked to-date off-balance sheet is 1.5% of the total loan portfolio, ie approximately USD38 million)

(ii) New partially provisioned loans added, classified as doubtful.

Corporate Actions:

(a) The Board approved the payment of a dividend of LBP1,500 per share for 2012, equivalent to USD23.3 million, a 40% pay-out ratio.

(b) The AGM held on July 4th, 2013 approved the issuance of USD100 million of non-cumulative perpetual preferred shares (callable at par at any time after year 5) in order to boost core-tier 1 capital to support the Bank's organic growth. The dividend of the preferred shares will be determined at the end of the offering period scheduled in September and is expected to be around 7%.

International Operations:

In Senegal, loan portfolio quality problems together with related changes in local management have not allowed the subsidiary to continue its initial trend of growth in profitability, which is now expected to recover in the coming months.

In Iraq, which closed 1H2013 with USD3.3 million of net profit, the main area of growth is customer driven fx operations. Iraq now contributes about 10% of the Bank's consolidated net income.

II. Selected Financials & qualitative information

Assets:

Total Assets stood at USD8.0 billion at the end of 2Q2013, flat Q-o-Q, and up 7% Y-o-Y, mainly driven by loan growth.

The composition of total assets slightly changed Q-o-Q. Loans increased from 29.8% of total assets to 30.2% and securities increased from 41.2% to 41.8% over 2Q2013. On the other hand, cash declined to 25.2% from 26.2% a quarter earlier.

Total assets allocation by business line changed slightly compared to the previous quarter, with retail banking and corporate banking accounting for 20.0% and 15.7%, respectively, compared to 19.5% and 14.1%, respectively, in 1Q2013, on the account of capital markets and treasury which declined to 63.0% from 65.2% a quarter earlier. Investment banking was broadly flat Q-o-Q at 1.2%.

Loans:

Total Loans reached USD2.4 billion at the end of 2Q2013, an increase of 1% Q-o-Q and 14% Y-o-Y.

Table 28: Loans by Type

USD (mn)	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
Loans:	**2,420**	**2,386**	**2,234**	**2,203**	**2,130**	**1.4%**	**13.6%**
Corporate	1,172	1,158	993	966	933	1.2%	25.7%
Retail	969	964	930	900	878	0.5%	10.3%
SME	278	264	312	336	318	5.4%	-12.6%

Loan growth by type: The Q-o-Q increase in loans was largely driven by SME loan growth, which grew 5.4%. Corporate loan growth was the second contributor to loan growth, increasing 1.2% Q-o-Q. Meanwhile, retail loans added 0.5% over the quarter.

Loan distribution by type: Loan distribution was broadly stable during the quarter, with corporate loans contribution to the total loan book unchanged at 48.4%, Retail loans represented 40.1% and SME represented the remaining, 11.5%.

Loan distribution by sector: Personal & consumer loans and loans to the trading sector represented 45.0% and 26.9% of the total loan book, respectively. Loans to the industrial sector accounted for 15.8% while loans to the construction sector accounted for 8.8%.

Loan quality: The NPL ratio came at 3.6% in 2Q2012 versus 3.7% a quarter earlier, while provision cover declined to 85.3% from 92.4% a quarter earlier. The decline in provision coverage came as a result of reclassifying to off-balance sheet fully provisioned loans with 100% probability of default, according to Central Bank regulatory requirements and the reclassification of new partially provisioned doubtful loans.

Loans by currency: At the end of 2Q2013, the loan book was split 36/64, virtually unchanged. A marginal increase in LBP lending was a result of new LBP loans extended to customers using LBP liquidity given to banks to support the local economy. Otherwise, CL would have been unable to lend in LBP as it has LBP reserves requirement constraints with the Central Bank.

Deposits:

Deposits were flat Q-o-Q at USD7.0 billion at the end of 2Q2013, and up 7% Y-o-Y.

Table 29: Deposits by Type

USD (mn)	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
Deposits:	**7,024**	**7,046**	**6,961**	**6,694**	**6,536**	**-0.3%**	**7.5%**
Savings	4,216	4,168	4,084	4,035	4,016	1.2%	5.0%
Term	2,026	2,119	2,141	1,927	1,821	-4.4%	11.3%
Sight	782	759	736	732	699	3.0%	11.9%

Deposits contribution by type: Term deposits, which are the most expensive deposit type, declined 4.4% Q-o-Q. This resulted in term deposits contribution to total deposits declining to 28.8% in 2Q2013 versus 30.1% a quarter earlier. On the other hand, saving deposits accounted for 60.0% at the end of 2Q2013 versus 59.2% in 1Q2013, and sight deposits accounted for 11.1% versus 10.8% a quarter earlier.

Deposits by sector: By the end of 2Q2013, deposits were split 95/5% between retail and corporate, respectively, virtually unchanged Q-o-Q.

Deposits by currency: The split between foreign and local currency deposits came at 54/46%, respectively, versus 53/47 in the previous quarter.

Loans/Deposits ratio: The loans/deposits ratio reached 34.5% in 2Q2013 from 33.9% in 1Q2013, reflecting the bank's strategy to mute deposits growth.

Net Interest income:

Net Interest Income reached USD31.7 million in 2Q2013, a 7% increase Q-o-Q and a 1% decline Y-o-Y. For 1H2013, net interest income was USD61.4 million, down 3% Y-o-Y.

The quarterly improvement in NII was attributed to lower interest expense resulting from deposits growth containment, particularly in the more expensive deposit type, term deposits, over 2Q2013.

However, the Y-o-Y decline in NII for 1H2013 reflects the pressure on lending yields as competition becomes stronger within the Lebanese market.

Fee & Commission Income:

Fees and commissions reached USD11.6 million in 2Q2013, up 33% Q-o-Q and 27% Y-o-Y. In 1H2013, F&Cs totaled USD20.3 million up 19% Y-o-Y.

The increase in fees and commissions for the quarter was driven by high insurance premiums booked at the subsidiary insurance company level. For 1H2013, the increase in F&Cs is attributed to both, higher insurance revenue and higher trade finance revenue.

Trading income:

Trading Income came at USD3.6 million, lower 43% Q-o-Q and 5% Y-o-Y. In 1H2013, trading income reached USD9.9 million, up 26% Y-o-Y.

The Q-o-Q decline in trading income mirrors mark-to-market losses in the trading portfolios, while the Y-o-Y improvement in 1H2013 trading income represents strong recurring foreign exchange income generated from Iraq.

Net Provisions:

In 1Q2013 net provisions was USD1.0 million versus USD0.7 million a quarter earlier and a net collection of USD0.9 million in 2Q2012. In 1H2013, net provisions amounted to USD1.7 million compared to net collections of USD0.4 in 1H2012.

CL ended the quarter with an NPL ratio of 3.6% and a coverage ratio of 85.3%.

Net Operating Income (i.e. after provisions):

Net operating Income came at USD46.2 million for 2Q2013, a higher 5% Q-o-Q and virtually flat Y-o-Y. In 1H2013, NOI was flat Y-o-Y at USD90.2 million.

Total Operating Expenses:

Total operating expenses were USD26.8 million in 2Q2013, up 4% Q-o-Q and down 1% Y-o-Y. For 1H2013, TOEs reached USD52.6 million, up 3% Y-o-Y.

The slight increase in expenses (Q-o-Q and Y-o-Y for 1H2013) was inline/lower than inflation levels, staff expenses rose 2% Q-o-Q and up 4% Y-o-Y for 1H2013. General expenses rose 8% Q-o-Q and 3% Y-o-Y for 1H2013.

Net Income:

NI came at USD17.7 million in 2Q2013, an increase of 9% Q-o-Q and 2% Y-o-Y. For 1H2013, net income came at USD33.9 million, down 5% Y-o-Y.

The Q-o-Q improvement in NI reflects higher fee and commission revenue and higher net interest income as a result of lower interest expense charges during the quarter.

The Y-o-Y decline in 1H2013 net income reflects provisions taken during the quarter which muted the growth in net operating income, combined with slightly higher operating expenses (+3%).

Cost / Income Ratio:

Cost-to-Income was marginally reduced to 56.7% from 57.3% in 1Q2013.

Net Interest Margin:

NIM was stable at 1.6% in 2Q2013, mainly as a result of interest expense containment.

Branch Productivity and Efficiency ratios:

Table 30: Branch Productivity

	2Q13	1Q13	4Q12	3Q12	2Q12	Q-o-Q	Y-o-Y
Employees/Branch	23.1	22.9	23.0	22.8	23.1	0.8%	-0.2%
Loans/Branch (USD mn)	34.6	34.1	31.9	31.5	30.9	1.4%	12.0%
Deposits/Branch (USD mn)	100.3	100.7	99.4	95.6	94.7	-0.4%	5.9%

III. International Operations

SENEGAL

Credit International reported a net loss of USD8,400 in 2Q2013 versus a net profit of USD42,500 in 1Q2013.

Balance sheet highlights:

Total Assets : USD56.3 million

Loans : USD28.8 million

Deposits : USD32.8 million

IRAQ

The Iraq operations reported a net profit of USD1.8 million in 2Q2013 versus a net profit of USD1.5 million in 1Q2013, mainly driven by foreign exchange trading income.

Balance sheet highlights:

Total Assets: USD116.9 million

Loans : USD5.0 million

Deposits : USD28.4 million

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EFG Hermes Holding SAE has its address at Building No. B129, Phase 3, Smart Village – km 28 Cairo Alexandria Desert Road, 6 October and has an issued capital of EGP 2,391,473,750

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