

EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 September 2014
&
Review Report

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Review Report

To the Board of Directors of EFG - Hermes Holding Company

Introduction

We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company and its subsidiaries as at 30 September 2014 and the related consolidated statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2014, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Cairo, November 11, 2014

Hassan Ba
KPMG Hazem Hassan
Public Accountants and Consultants
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	Note no.	30/9/2014	31/12/2013
<i>(In EGP)</i>			
Assets			
Cash and due from banks	(4)	21,811,769,291	16,534,230,948
Investments at fair value through profit and loss	(5)	941,528,197	1,124,413,027
Accounts receivables (net)	(6)	1,490,053,577	823,841,307
Loans and advances	(7)	19,904,732,204	18,068,865,382
Available -for- sale investments	(8)	1,756,320,634	1,786,563,343
Held-to-maturity investments	(9)	22,301,463,897	22,139,071,831
Investments in associates	(10)	84,075,000	81,571,800
Investment property	(11)	322,094,914	320,250,709
Fixed assets (net)	(12)	1,482,426,677	1,307,073,381
Goodwill and other intangible assets	(13)	4,213,150,207	4,092,415,380
Other assets	(14)	1,149,250,321	1,093,444,771
Total assets		75,456,864,919	67,371,741,879
Liabilities			
Due to banks, financial institutions	(15)	2,093,900,958	917,202,147
Customers' deposits	(16)	54,726,639,539	49,745,040,988
Accounts payables - customers' credit balances		2,532,735,769	1,155,605,256
Bonds	(17)	562,723,000	554,120,600
Creditors and other credit balances	(18)	1,365,722,392	1,368,202,203
Other liabilities	(19)	717,236,978	694,591,378
Current tax liability		76,941,662	108,977,161
Deferred tax liabilities	(20)	793,054,980	702,897,901
Provisions	(21)	347,709,989	319,636,881
Total liabilities		63,216,665,267	55,566,274,515
Shareholders' equity			
Share capital	(22)	2,867,422,500	2,867,422,500
Legal reserve		990,432,067	990,432,067
Share premium	(30)	2,697,382,769	3,289,103,899
Other reserves		1,692,590,339	1,285,624,048
Retained earnings	(30)	941,606,140	936,046,512
Treasury shares	(22-1)	(426,451,266)	-
Shareholders' equity		8,762,982,549	9,368,629,026
Net profit (loss) for the period / year		407,140,849	(540,322,092)
Shareholders' equity including net profit (loss) for the period /year		9,170,123,398	8,828,306,934
Non - controlling interests	(23)	3,070,076,254	2,977,160,430
Total shareholders' equity		12,240,199,652	11,805,467,364
Total shareholders' equity and liabilities		75,456,864,919	67,371,741,879

The accompanying notes from page (5) to page (45) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar
 Chairperson

Yasser El Mallawany
 Executive Managing Director

karim Awad
 Executive Managing Director

Consolidated income statement for the period ended 30 september 2014

	Note no.	2014		2013	
		For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP	For the period from 1/7/2013 to 30/9/2013 EGP	For the period from 1/1/2013 to 30/9/2013 EGP
<i>(in EGP)</i>					
Fee and commission income		353,346,742	1,152,260,128	292,542,798	855,639,632
Fee and commission expense		<u>(76,916,267)</u>	<u>(283,587,759)</u>	<u>(80,807,908)</u>	<u>(257,114,300)</u>
Net fee and commission income		276,430,475	868,672,369	211,734,890	598,525,332
Securities gains		28,314,708	201,295,230	658,681	16,295,406
Share of profit of associate	(10)	1,417,158	7,299,006	1,090,938	6,548,503
Changes in the investments at fair value through profit and loss		5,788,326	15,648,788	59,113,028	88,285,410
Gains from selling assets classified as held for sale		-	-	24,599,488	24,599,488
Foreign currencies differences		1,992,073	47,703,183	(11,966,255)	84,189,148
Gains on selling fixed assets		144,165	13,947,788	-	-
Other income		<u>30,422,818</u>	<u>58,134,378</u>	<u>17,808,306</u>	<u>159,697,986</u>
Noninterest revenue		<u>344,509,723</u>	<u>1,212,700,742</u>	<u>303,039,076</u>	<u>978,141,273</u>
Interest and dividend income		863,755,528	2,481,549,637	782,891,575	2,324,146,914
Interest expense		<u>(628,795,989)</u>	<u>(1,784,899,835)</u>	<u>(538,496,978)</u>	<u>(1,591,767,151)</u>
Net interest income		<u>234,959,539</u>	<u>696,649,802</u>	<u>244,394,597</u>	<u>732,379,763</u>
Total net revenue		<u>579,469,262</u>	<u>1,909,350,544</u>	<u>547,433,673</u>	<u>1,710,521,036</u>
General administrative expenses	(29)	348,598,190	1,120,925,709	366,317,123	1,096,959,461
Net losses on loans and advances	(7)	15,259,217	34,904,402	9,184,538	29,594,461
Provisions	(21)	20,492,544	40,920,499	6,758,567	20,015,020
Depreciation and amortization	(12),(13)	21,679,480	64,079,452	22,300,584	71,100,602
Impairment loss on assets	(26)	<u>38,001</u>	<u>9,477,522</u>	<u>2,786</u>	<u>246,919,487</u>
Total noninterest expenses		<u>406,067,432</u>	<u>1,270,307,584</u>	<u>404,563,598</u>	<u>1,464,589,031</u>
Net profit before income tax		173,401,830	639,042,960	142,870,075	245,932,005
Income tax expense	(27),(33)	<u>(28,999,207)</u>	<u>(113,070,675)</u>	<u>(26,712,819)</u>	<u>(60,734,937)</u>
Net profit for the period		<u>144,402,623</u>	<u>525,972,285</u>	<u>116,157,256</u>	<u>185,197,068</u>
Equity holders of the parent		100,431,858	407,140,849	63,800,020	24,590,772
Non - controlling interests	(23)	<u>43,970,765</u>	<u>118,831,436</u>	<u>52,357,236</u>	<u>160,606,296</u>
		<u>144,402,623</u>	<u>525,972,285</u>	<u>116,157,256</u>	<u>185,197,068</u>
Earnings per share	(31)	<u>0.19</u>	<u>0.75</u>	<u>0.11</u>	<u>0.04</u>

The accompanying notes from page (5) to page (45) are an integral part of these financial statements and are to be read therewith.

Consolidated statement of changes in equity for the period ended 30 September 2014

Other reserves

Note no.	Share capital	Share premium	Legal reserve	Share EGP	General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Other reserves	Retained earnings	Treasury shares	Net profit/(loss) for the year/ period	Non - controlling interests		Total
															EGP	EGP	
	2 391 473 759	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	1 459 922 052	(6 918 613)	59 577 880	2 671 366 550	11 411 241 500		
(36)	-	-	-	-	-	-	-	-	-	-	(28 191 606)	-	-	(15 188 095)	(43 371 701)		
	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		
(22)	477 903 750	-	-	-	-	-	-	-	-	-	(318 497 592)	-	(59 577 880)	-	(70 997 241)		
	-	-	-	-	-	-	433 396 955	-	-	-	-	-	-	-	433 396 955		
	-	-	-	-	-	(41 600 000)	-	-	-	-	41 600 000	-	-	-	-		
	-	-	-	-	-	-	-	257 165 780	-	-	-	-	-	-	257 165 780		
	-	-	-	-	-	-	-	-	-	6 473 644	-	-	-	-	6 473 644		
(22-1)	(1 955 000)	-	(4 963 613)	-	-	-	-	-	-	(10 688 673)	-	-	-	-	(10 688 673)		
	-	-	-	-	-	-	-	-	-	-	-	6 918 613	-	-	-		
	-	-	-	-	-	-	-	-	-	-	-	-	24 590 772	100 459 329	100 459 329		
	-	-	-	-	-	-	-	-	-	-	-	-	24 590 772	160 606 296	185 197 068		
	2 867 422 500	990 432 067	3 289 103 899	373 146	-	823 945 589	2 45 438 851	(26 442 387)	(23 115 304)	225 042 594	934 832 854	-	24 590 772	2 917 252 080	12 268 876 661		
	2 867 422 500	990 432 067	3 289 103 899	373 146	-	823 945 589	2 45 438 851	(26 442 387)	(23 115 304)	227 355 936	936 046 512	-	(540 322 092)	2 977 160 430	11 879 451 873		
(36)	-	-	-	-	-	-	(73 984 509)	-	-	-	-	-	-	-	(73 984 509)		
	2 867 422 500	990 432 067	3 289 103 899	373 146	-	823 945 589	2 45 438 851	(26 442 387)	(23 115 304)	227 355 936	936 046 512	-	(540 322 092)	2 977 160 430	11 805 467 364		
	-	-	-	-	-	-	161 706 589	-	-	-	-	-	-	-	161 706 589		
(30)	-	-	(591 721 130)	-	-	-	-	-	-	-	591 721 130	-	-	-	-		
	-	-	-	-	-	-	-	207 521 649	-	-	-	-	-	-	207 521 649		
	-	-	-	-	-	-	-	-	-	-	(540 322 092)	-	540 322 092	-	-		
	-	-	-	-	-	-	-	-	-	-	37 738 053	-	-	-	-		
(22-1)	-	-	-	-	-	-	-	-	-	-	(8 101 357)	-	-	(99 263 338)	(1 007 564 695)		
	-	-	-	-	-	-	-	-	-	-	-	(426 451 266)	-	-	(426 451 266)		
	-	-	-	-	-	-	-	-	-	-	-	-	-	73 347 726	73 347 726		
	-	-	-	-	-	-	-	-	-	-	-	-	407 140 849	118 831 456	525 972 385		
	2 867 422 500	990 432 067	2 697 382 769	373 146	-	999 143 153	477 337 742	(26 442 387)	(23 115 304)	265 093 989	941 606 140	(426 451 266)	407 140 849	3 070 076 254	12 540 199 652		

The accompanying notes from page (51) to page (45) are an integral part of these financial statements and are to be read therewith

Consolidated statement of cash flows for the period ended 30 september 2014

	30, september	
	2 014	2 013
Cash flows from operating activities		
Net profit before income tax	639 042 960	245 932 005
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	64 079 452	71 100 602
Provisions formed	40 920 499	20 015 020
Provisions used	(9 316 758)	(13 133 769)
Provisions reversed	(7 845 600)	(122 325 702)
Write-back of allowances for impairment of loans and advances	(16 000 400)	(17 566 692)
(Gains) losses on sale of fixed assets	(13 947 788)	824 970
Gains on sale of available -for- sale investments	(150 063 902)	(12 725)
Gains on sale of assets classified as held for sale	-	(24 599 488)
Changes in the fair value of investments at fair value through profit and loss	(15 648 788)	(88 285 410)
Share of profit of equity-accounted investees	(7 299 006)	(6 548 503)
Impairment loss on assets	44 381 924	276 513 948
Foreign currency translation differences	292 400 978	584 036 691
Currency differences gains	(47 703 183)	(84 189 148)
Operating profit before changes in working capital	813 000 388	841 761 799
(Increase) decrease in other assets	(11 517 362)	48 869 650
(Decrease) increase in creditors and other credit balances	(154 714 960)	70 479 584
Change in loans and advances	(1 273 323 000)	(2 034 143 000)
Change in customers' deposits	3 413 925 510	287 734 762
Increase in accounts receivables	(655 230 845)	(90 566 866)
Increase in accounts payables	1 330 315 861	595 225 758
Decrease (increase) in investments at fair value through profit and loss	207 202 353	(249 080 686)
Change in financial assets (over 3 months)	(2 844 794 000)	(584 719 800)
Income tax paid	(38 501 112)	(42 724 379)
Net cash provided from (used in) operating activities	<u>786 362 833</u>	<u>(1 157 163 178)</u>
Cash flows from investing activities		
Payments to purchase fixed assets and other intangible assets	(226 668 189)	(40 441 496)
Proceeds from sale of fixed assets	29 562 451	667 636
Proceeds from sale of available -for- sale investments	443 151 030	26 974
Payments to purchase available -for- sale investments	(10 047 861)	(19 646 401)
Proceeds from sale of / payments to purchase investments in subsidiaries and associates	156 756	(12 018 098)
Proceeds from sale of held to maturity investments	514 163 750	570 561 000
Payments for long term lending	-	(11 478 469)
Payments to companies' share in Settlement Guarantee Fund	(48 638)	(7 122 229)
Proceeds from sale of non -current assets held for sale	-	45 926 600
Net cash provided from investing activities	<u>750 269 299</u>	<u>526 475 517</u>
Cash flows from financing activities		
Proceeds from issuing preferred shares	-	693 450 000
Purchasing of treasury shares	(426 451 266)	-
Dividends paid	(101 681 740)	(113 004 793)
Payments for subordinated bonds	(9 466 750)	(8 953 139)
Change in non-controlling interests	(10 978 964)	(9 471 500)
Net cash (used in) provided from financing activities	<u>(548 578 720)</u>	<u>562 020 568</u>
Net change in cash and cash equivalents during the period	988 053 412	(68 667 093)
Cash and cash equivalents at the beginning of the period (note no. 28)	8 909 093 021	8 066 129 305
Cash and cash equivalents at the end of the period (note no. 28)	<u>9 897 146 433</u>	<u>7 997 462 212</u>

The accompanying notes from page (5) to page (45) are an integral part of these financial statements and are to be read therewith.

Notes to the consolidated financial statements for the period ended 30 September, 2014

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 November 10, 2014.

2- Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured at fair value:

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

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

- Note (20) – recognition of deferred tax assets and liabilities.
- Note (21) – provisions.
- Note (24) – contingent liabilities, valuation of financial instruments.

2.5 Financial assets and liabilities

Recognition and derecognition:

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

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

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

Offsetting

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

3- Significant accounting policies applied

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

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

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

3-1-2 Associates

Investments in associates are accounted for using the equity method. Under the equity method the investment in associates is initially recognized at cost and the carrying amount is increased or decreased to recognize the investor's share of the income statement of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net fair 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 fair value in respect of the risk being hedged, with any gain or loss being recognized in income statement.

3-5 Non-current assets held for sale

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

3-6 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-11). Depreciation is charged to the income statement over the estimated useful-life of each

asset using the straight-line method, the company reassess the useful lives of fixed assets on regular basis at the end of the financial year, 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, the book value is amended by any impairment concerning the value of these projects (note 3-11) Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3-8 Intangible assets

3-8-1 Goodwill

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

- Positive goodwill is stated at cost less impairment losses (note 3-11).
- Negative goodwill arose from business combinations recognized directly in the income statement.
- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

3-8-2 Other intangible assets

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

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

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

3-8-3 Subsequent expenditure

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

3-9 Treasury bills

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

3-10 Investments

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

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

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

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

3-10-3 Held-to-maturity investments

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

3-10-4 Investment property

Investment property is recorded at cost upon initial recognition, the company valued the investment property at fair value on balance sheet date, any gain or loss arising from a change in the fair value of investment property shall be recognized in income statement for the period in which it arises.

3-11 Impairment

3-11-1 Financial Assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss

in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognized in income statement. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred to the income statement.

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

3-11-2 Non-financial assets

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

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

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

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

3-12 Cash and cash equivalents

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

3-13 Interest-bearing borrowings

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

3-14 Other assets

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

3-15 Provisions

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

3-16 Legal reserve

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

3-17 Share capital

3-17-1 Repurchase of share capital

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

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

3-17-2 Dividends

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

3-18 Revenue recognition

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

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

3-18-2 Dividend income

Dividend income is recognized when declared.

3-18-3 Custody fee

Custody fees are recognized when the service is provided.

3-18-4 Interest income and expenses

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

3-18-5 Fee and commission income

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

3-18-6 Brokerage commission

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

3-18-7 Management fee

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

3-18-8 Incentive fee

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

3-19 Long term lending

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

3-20 Expenses

3-20-1 Employees' pension

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

3-20-2 Taxation

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

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

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

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

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

3-21 Earnings per share

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

3-22 Profit sharing to employees

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

3-23 Loans and advances to customers and related provision

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

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

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

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

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

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

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

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

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

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

3-26 Due from banks and other financial institutions

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

3-27 Customers' deposits

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

3-28 Fiduciary assets

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

3-29 Reserves for general banking risks

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

This reserve is not available for distribution, and is constituted in Lebanese weighted assets and off balance sheet items.

3-30 Allowances for credit losses

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

3-31 Segment reporting

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

4- Cash and due from banks

	30/9/2014	31/12/2013
	EGP	EGP
Cash on hand	276,986,297	293,937,747
Central Bank of Lebanon *		
- Demand deposits	1,256,223,000	1,120,748,600
- Time deposits	11,645,665,250	7,605,755,000
Other Central Banks		
- Demand deposits	258,233,750	263,984,800
- Time deposits	--	53,406,000
Cheques under collection	126,000	145,494
Banks - current accounts (net)	2,585,762,359	1,302,154,685
Banks - demand deposits	1,506,572,391	1,291,948,084
Banks - time deposits	4,185,689,744	4,519,129,738
Accrued interest	96,510,500	83,020,800
Balance	<u>21,811,769,291</u>	<u>16,534,230,948</u>

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

5- Investments at fair value through profit and loss

	30/9/2014	31/12/2013
	EGP	EGP
Mutual Fund certificates	824,804,431	863,481,592
Equity securities	27,192,903	19,386,882
Debt securities	60,432,363	151,494,953
Treasury bills	29,098,500	90,049,600
Balance	<u>941,528,197</u>	<u>1,124,413,027</u>

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6- Accounts receivables (net)

	30/9/2014	31/12/2013
	EGP	EGP
Accounts receivables (net)	1,717,700,734	927,539,084
Other brokerage companies (net)	(227,647,157)	(103,697,777)
Balance	<u>1,490,053,577</u>	<u>823,841,307</u>

7- Loans and advances

		30/9/2014	31/12/2013
		EGP	EGP
Loans and advances to customers	(7-1)	19,735,114,454	17,969,923,982
Loans and advances to related parties	(7-2)	169,617,750	98,941,400
Balance		<u>19,904,732,204</u>	<u>18,068,865,382</u>

7-1 Loans and advances to customers

	30/9/2014				31/12/2013
	Gross	Unrealized	Impairment	Carrying	Carrying
	Amount	Interest	Allowance	Amount	Amount
	EGP	EGP	EGP	EGP	EGP
Regular retail customers					
Cash collateral	521,844,500	--	--	521,844,500	454,079,800
Mortgage loans	6,393,650,291	--	--	6,393,650,291	5,848,198,873
Personal loans	294,371,750	--	--	294,371,750	226,830,600
Credit cards	189,472,750	--	--	189,472,750	178,457,000
Others	2,295,371,000	--	--	2,295,371,000	1,984,785,000
Regular corporate customers					
Corporate	8,506,167,595	--	--	8,506,167,595	8,290,291,428

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	30/9/2014				31/12/2013
	Gross	Unrealized	Impairment	Carrying	Carrying
	Amount	Interest	Allowance	Amount	Amount
	EGP	EGP	EGP	EGP	EGP
Classified retail customers					
Watch	171,942,198	--	--	171,942,198	111,196,221
Substandard	200,849,000	(51,528,000)	--	149,321,000	77,887,200
Doubtful	239,005,750	(93,304,250)	(70,494,750)	75,206,750	72,854,800
Bad	69,806,000	(33,240,500)	(36,565,500)	--	--
Classified corporate customers					
Watch	896,998,620	--	--	896,998,620	622,583,660
Substandard	124,469,000	(6,578,750)	--	117,890,250	18,984,200
Doubtful	241,604,000	(48,112,750)	(47,775,500)	145,715,750	111,582,200
Bad	115,553,250	(44,184,500)	(71,368,750)	--	--
Collective provision for retail loans	--	--	(40,778,750)	(40,778,750)	(39,491,000)
Collective provision for corporate loans	--	--	(52,036,250)	(52,036,250)	(50,876,000)
Accrued interest receivable	69,977,000	--	--	69,977,000	62,560,000
Balance	20,331,082,704	(276,948,750)	(319,019,500)	19,735,114,454	17,969,923,982

7-2 Loans and advances to related parties

	30/9/2014	31/12/2013
	EGP	EGP
Regular Retail loans	12,483,000	680,800
Regular Corporate loans	156,940,000	98,251,400
Accrued interest receivable	194,750	9,200
Balance	169,617,750	98,941,400

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8- Available - for- sale investments

	30/9/2014	31/12/2013
	EGP	EGP
Preferred shares	145,364,250	126,854,200
Stocks Subscription right	128,998,765	--
Equity securities	460,886,119	774,148,090
Mutual fund certificates	1,073,477,427	936,661,490
Accrued interest receivable	7,438,500	8,744,600
	<u>1,816,165,061</u>	<u>1,846,408,380</u>
Impairment of available for sale investments	(59,844,427)	(59,845,037)
Balance	<u><u>1,756,320,634</u></u>	<u><u>1,786,563,343</u></u>

9- Held-to-maturity investments

	30/9/2014	31/12/2013
	EGP	EGP
Lebanese government treasury bills and Eurobonds	16,960,837,637	15,762,749,057
Other sovereign bonds	161,348,000	68,954,000
Certificates of deposit issued by banks	4,556,358,679	5,662,645,517
Other debt instruments	226,080,831	275,067,257
Accrued interest receivable	396,838,750	369,656,000
Balance	<u><u>22,301,463,897</u></u>	<u><u>22,139,071,831</u></u>

10- Investments in associates

	2014	2013	30/9/2014	31/12/2013
	Ownership	Ownership	EGP	EGP
	%	%		
Agence Générale de Courtage d'Assurance SAL	25,86	25,86	45,571,500	35,654,600
Credit Card Management SAL	28,96	28,96	11,927,250	11,270,000
International Payment Network SAL	20,18	20,18	7,899,250	7,544,000
Net Commerce SAL	21,88	21,88	1,173,250	1,173,000
Liberty Executive Center SAL	29,98	29,98	57,000	55,200
Hot Spot Properties SAL	32,23	32,23	5,415,000	9,315,000
Dourrat Loubnan Al Iqaria SAL	30,14	30,14	12,031,750	16,560,000
Balance			<u><u>84,075,000</u></u>	<u><u>81,571,800</u></u>

11- Investment property

	30/9/2014	31/12/2013
	EGP	EGP
Balance at 1 January	320 250 709	132 062 511
Reclassification from property, plant and equipment	--	118 119 954
Reclassification from / (to) assets classified as held for sale	--	208 649 494
Change in fair value	--	(83 759 019)
Disposals	--	(57 337 600)
Currency translation differences	1 844 205	2 515 369
Balance	<u>322 094 914</u>	<u>320 250 709</u>

Investment property amounted EGP 322,094,914 as at 30 September, 2014 , represents the following:

- EGP 156,754,473 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 65,440,441 represents the fair value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.

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12- Fixed assets

Particular	Office furniture, equipment & electrical				* Projects Under Construction		Total EGP
	Land & Buildings EGP	Leasehold Improvements EGP	Appliances EGP	Computer Equipment EGP	Vehicles EGP	Construction EGP	
Balance as at 1/1/2014	864,628,558	248,522,321	359,813,749	76,203,228	20,936,255	396,796,300	1,966,900,411
Additions	--	536,750	11,242,415	1,890,305	404,619	197,211,350	211,285,439
Disposals	(16,530,568)	(6,364,755)	(4,253,791)	(8,500)	(1,518,629)	--	(28,676,243)
Foreign currency translation differences	19,612,869	7,472,103	9,258,814	799,536	316,011	13,892,100	51,351,433
Total cost as at 30/9/2014	867,710,859	250,166,419	376,061,187	78,884,569	20,138,256	607,899,750	2,200,861,040
Accumulated depreciation as at 1/1/2014	138,071,778	189,448,064	251,504,373	64,574,143	16,228,672	--	659,827,030
Depreciation	16,231,035	10,727,196	24,239,439	4,155,320	1,135,161	--	56,488,151
Disposals' accumulated depreciation	(2,168,776)	(6,347,400)	(3,446,012)	(4,533)	(1,094,859)	--	(13,061,580)
Reclassification	--	--	(147,648)	11,862	--	--	(135,786)
Foreign currency translation differences	2,676,871	5,603,926	6,415,517	792,108	(171,874)	--	15,316,548
Accumulated depreciation as at 30/9/2014	154,810,908	199,431,786	278,565,669	69,528,900	16,097,100	--	718,434,363
Carrying amount as at 30/9/2014	712,899,951	50,734,633	97,495,518	9,355,669	4,041,156	607,899,750	1,482,426,677
Carrying amount as at 31/12/2013	726,556,780	59,074,257	108,309,376	11,629,085	4,707,583	396,796,300	1,307,073,381

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* Projects under construction are represented in the following :

	30/9/2014	31/12/2013
	EGP	EGP
Office spaces in Egypt	9,784,500	9,784,500
Preparation of new headquarters – Credit Libanais SAL “the Bank” - Lebanon	598,115,250	387,011,800
Balance	<u>607,899,750</u>	<u>396,796,300</u>

13- Goodwill and other intangible assets

		30/9/2014	31/12/2013
		EGP	EGP
Goodwill	(13-1)	195,309,571	195,309,571
Other intangible assets	(13-2)	4,017,840,636	3,897,105,809
Balance		<u>4,213,150,207</u>	<u>4,092,415,380</u>

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

		30/9/2014	31/12/2013
		EGP	EGP
EFG- Hermes Oman LLC		5,921,803	5,921,803
EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait		179,148,550	179,148,550
IDEA VELOPERS – Egypt		1,600,000	1,600,000
EFG- Hermes Jordan		8,639,218	8,639,218
Balance		<u>195,309,571</u>	<u>195,309,571</u>

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

		30/9/2014	31/12/2013
		EGP	EGP
Branches network - Credit Libanais Bank		3,984,821,688	3,872,523,738
Key Money		1,239,750	1,196,000
Licenses & Franchise		22,290,106	9,861,296
Software		9,489,092	13,524,775
Balance		<u>4,017,840,636</u>	<u>3,897,105,809</u>

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14- Other assets

		30/9/2014	31/12/2013
		EGP	EGP
Deposits with others	(14-1)	45,293,913	50,573,225
Downpayments to suppliers		21,209,691	11,107,597
Prepaid expenses		152,139,002	110,459,628
Employees' advances		17,895,678	16,075,628
Accrued revenues		23,186,496	24,777,317
Taxes withheld by others		9,413,795	9,577,354
Payments for investments	(14-2)	7,567,938	7,454,500
Re-insurers' share of technical reserve		66,661,500	66,727,600
Receivables - sale of investments		97,552,734	94,463,829
Receivables - sale of assets classified as held for sale		21,450,218	15,000,000
Infra Egypt fund		3,749,018	3,650,489
Settlement Guarantee Fund		28,861,942	28,604,207
Unquoted assets - Ready for sale acquired in satisfaction of loans		152,840,750	151,077,800
Due from EFG- Hermes Employee Trust		277,617,001	339,901,084
Due from Ara inc. company		756,681	544,630
Due from related parties		45,676,000	33,409,800
Re-insurance accrued commission		16,938,500	16,376,000
Cards transaction on ATM		7,623,750	4,494,200
Re-insurance debtors		289,750	427,800
Sundry debtors		152,525,964	108,742,083
Balance		<u>1,149,250,321</u>	<u>1,093,444,771</u>

14-1 Deposits with others include an amount of EGP 28,571,250 (equivalent to LBP 6,015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon , in addition to an amount of EGP 12,511,239 in the name of the subsidiaries, Financial

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Brokerage Group Company and Hermes Securities Brokerage Company which represents blocked deposits for same day trading operations Settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use these amounts without prior approval from Misr Clearance Company.

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

	30/9/2014	31/12/2013
	EGP	EGP
Arab Visual Company	3,749,500	3,749,500
IDEA DEVELOPERS	25,000	25,000
AAW Company for Infrastructure	3,040,000	3,040,000
EFG –Hermes Direct Fund Management	640,000	640,000
Beaufort Investments	113,438	--
	<u>7,567,938</u>	<u>7,454,500</u>
	=====	=====

15- Due to banks and financial institutions

	30/9/2014	31/12/2013
	EGP	EGP
Due to Central Bank of Lebanon	1,391,403,250	355,497,200
Current deposits of banks	156,536,250	144,987,400
Time deposits	33,915,000	42,554,600
Financial institutions	221,001,352	271,298,037
Bank overdraft	288,926,606	100,178,510
Accrued interest payable	2,118,500	2,686,400
	<u>2,093,900,958</u>	<u>917,202,147</u>
	=====	=====

16- Customers' deposits

	30/9/2014	31/12/2013
	EGP	EGP
Deposits from customers (private sector):		
Saving accounts	29,743,482,539	28,170,802,502
Time deposits	14,903,870,750	12,587,614,800
Current accounts	5,194,296,000	4,833,771,286
	<u>49,841,649,289</u>	<u>45,592,188,588</u>
Deposits from customers (public sector):		
Time deposits	2,116,372,000	1,782,389,600
Current accounts	410,708,750	316,530,600
	<u>2,527,080,750</u>	<u>2,098,920,200</u>
Others	195,742,750	177,679,600
	<u>52,564,472,789</u>	<u>47,868,788,388</u>
Accrued interest payable	258,034,250	256,270,600
	<u>52,822,507,039</u>	<u>48,125,058,988</u>
Deposits from related parties:		
Long term saving accounts	721,577,250	537,399,600
Long term deposits	1,019,003,250	999,524,800
Short term deposits	153,748,000	79,101,600
Accrued interest payable	9,804,000	3,956,000
	<u>1,904,132,500</u>	<u>1,619,982,000</u>
Balance	<u><u>54,726,639,539</u></u>	<u><u>49,745,040,988</u></u>

17- Bonds

On November 11, 2010 Credit Libanais SAL issued US.\$ 75,000,000, 6.75% Subordinated Bonds due January 15, 2018 at an issue price of 100% of their principal amount. The bonds have been fully underwritten. The net proceeds from the sale of bonds will be used for general corporate purposes, and the obligation of the issuer in respect of the bonds constitutes direct, unsecured and general obligation of the issuer. The arranger of the offering is Credit Libanais Investment Bank SAL (an affiliate) and the bonds will not be listed on any stock exchange. The bonds balance is equivalent to EGP 562,723,000 as at September 30, 2014 versus EGP 554,120,600 as at December 31, 2013.

18- Creditors and other credit balances

	30/9/2014	31/12/2013
	EGP	EGP
Margins held against documentary credits	171,318,250	207,763,600
Technical reserve for insurance companies	426,953,750	389,210,600
Social Insurance Association	635,137	528,048
Unearned revenues	14,381,059	15,136,531
Suppliers	139,597,750	132,802,515
Accrued expenses	271,366,024	291,089,488
Clients' coupons- Custody Activity	10,974,537	5,950,397
Due to Industry Modernization Center	5,281,526	5,628,458
Dividends payable	122,470,821	106,582,450
Cards transaction on ATM	45,505,000	35,976,600
Re-insurance creditors	115,505,750	138,138,000
Sundry creditors	41,732,788	39,395,516
	<u>1,365,722,392</u>	<u>1,368,202,203</u>
	=====	=====

19- Other liabilities

	30/9/2014	31/12/2013
	EGP	EGP
Preferred shareholders in subsidiaries *	716,062,500	693,450,000
Others	1,174,478	1,141,378
	<u>717,236,978</u>	<u>694,591,378</u>
	=====	=====

- * 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 52,250,000). These shares were issued and fully paid. The extraordinary general meeting of the Bank approved at the same date to issue the preferred shares with premium amounting to LBP 139,750 per share with total amount of LBP 139,750 million (equivalent to EGP 663,812,500), settled in cash by the subscribers according to the terms set by the extraordinary general meeting on 4 July 2013.

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20- Deferred tax assets and liabilities

Balance as at 30 September 2014

	Balance at 1/1/2014	Recognized in profit or loss	Recognized in equity	Net	Deferred tax assets	Deferred tax liabilities
	EGP	EGP	EGP	EGP	EGP	EGP
Fixed assets depreciation	(6,428,210)	(498,058)	--	(6,926,268)	--	(6,926,268)
Expected claims provision	828,250	2,033,497	--	2,861,747	2,861,747	--
Impairment loss on assets	6,347,907	(2,704,368)	--	3,643,539	3,643,539	--
Prior year losses forward	2,885,204	(89,524)	--	2,795,680	2,795,680	--
Company's share in affiliate's profits	(4,894,300)	(12,753,283)	--	(17,647,583)	--	(17,647,583)
Fair value adjustments *	(634,264,839)	--	(17,564,346)	(651,829,185)	--	(651,829,185)
Changes in fair value of cash flow hedges **	6,612,597	--	--	6,612,597	6,612,597	--
Fair value of available for sale financial assets ***	(73,984,510)	--	(58,580,997)	(132,565,507)	--	(132,565,507)
	<u>(702,897,901)</u>	<u>(14,011,736)</u>	<u>(76,145,343)</u>	<u>(793,054,980)</u>	<u>15,913,563</u>	<u>(808,968,543)</u>

* 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.

*** Directly deducted from changes in the fair value of available -for-sale investments item presented in the statement of changes in equity.

21- Provisions

		30/9/2014	31/12/2013
		EGP	EGP
Expected claims provision	(21-1)	156,036,026	142,724,113
Servance pay provision	(21-1)	190,367,713	175,638,568
Other provisions		1,306,250	1,274,200
Balance		<u>347,709,989</u>	<u>319,636,881</u>

21-1

	Expected Claims Provision EGP	Severance pay provision EGP	Total EGP
Balance at the beginning of the period	142,724,113	175,638,568	318,362,681
Formed during the period	21,898,898	19,021,601	40,920,499
Provision reversed	(7,845,600)	--	(7,845,600)
Foreign currency differences	(512,386)	4,795,303	4,282,917
Amounts used during the period	(228,999)	(9,087,759)	(9,316,758)
Balance at the end of the period	<u>156,036,026</u>	<u>190,367,713</u>	<u>346,403,739</u>

22- Share capital

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

Share capital	Ordinary shares
Issue at 1 January 2014	573,484,500
Treasury share	<u>(36,956,522)</u>
Outstanding share at 30 September 2014	<u>536,527,978</u>
Authorized - par value 5 EGP	<u><u>3,200,000,000</u></u>

22-1 Treasury shares

- The company's board of directors approved in its session held on April 27, 2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of EGP 6 918 613. The company's Extraordinary General Assembly approved in its session held on July 25, 2013 to decrease the company's issued capital through cancelling a number of 391 000 shares of the company's shares which was thereon approved by The Egyptian Financial Supervisory Authority on September 1, 2013.
- The company's board of directors meeting held on January 8, 2014 approved to purchase treasury shares with a billion Egyptian pounds during the first nine months of the year 2014 through two phases, the first phase have been implemented through purchase of 36 956 522 shares at an average exercising price of EGP 11.5 per share with a total cost of EGP 425 974 172 and the second phase aims to purchase shares with an amount of approximately EGP 575 million during the period between the end of the second quarter or the third quarter of 2014, on October 1, 2014 the company's board of directors agreed to extend the period of implementation of the second phase of purchasing treasury shares program until the end of the second quarter of 2015.
- On July 22, 2014 the company's board of directors decided to sell the 36 956 522 treasury shares owned by the company to EFG- Hermes IB Limited company (wholly owned subsidiary of the Group) at a price of EGP 15.32 per share, the procedures of selling have been taken on July 31, 2014. The Egyptian Accounting Standards require presenting the above mentioned sold shares as treasury shares in the consolidated financial statements as the parent company and its subsidiary are one entity.

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23- Non - Controlling interests

	30/9/2014	31/12/2013
	EGP	EGP
Share capital	437,422,423	444,194,165
Legal reserve	153,758,808	139,390,534
Other reserves	737,707,464	671,828,945
Retained earnings	196,169,299	144,359,186
Other equity	86,453,103	75,108,800
Increase in fair value of net assets	1,339,733,721	1,296,939,091
Net profit for the period / year	<u>118,831,436</u>	<u>205,339,709</u>
Balance	<u>3,070,076,254</u>	<u>2,977,160,430</u>

24- 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 Letters of Guarantee granted from banks amounting to:

	30/9/2014	31/12/2013
AED	153,670,000	97,670,000
equivalent to EGP	299,164,756	180,962,976

Off-balance sheet items :

	30/9/2014	31/12/2013
	EGP	EGP
Financing commitments given to financial institutions	1,029,405,750	738,304,600
Commitments to customers	2,437,828,250	2,536,766,600
Guarantees given to customers	976,291,250	1,002,629,800
Restricted and non – restricted fiduciary accounts	52,786,750	52,191,600
Commitments of signature received from financial intermediaries	192,840,500	136,362,400
Securities' commitments	492,290,000	511,952,400
Other commitments received	36,991,926,500	33,750,802,600
Assets under management	31,284,038,599	28,884,605,600

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25- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of EGP 23,569,419 till September 30, 2014 versus EGP 34, 513, 503 till September 30, 2013 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended	
	30/9/2014	30/9/2013
	EGP	EGP
Egyptian Portfolio Management Group	1,980,200	3,015,920
Hermes Fund Management	10,421,427	1,443,345
EFG- Hermes Financial Management (Egypt) Ltd.	11,167,792	30,054,238
Total	<u>23,569,419</u>	<u>34,513,503</u>

26- Impairment loss on assets

	2014		2013	
	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP	For the period from 1/7/2013 to 30/9/2013 EGP	For the period from 1/1/2013 to 30/9/2013 EGP
Impairment loss on accounts receivables & debit accounts	38,001	8,245,587	2,786	18,892,034
Impairment loss on available –for– sale investments	--	1,231,935	--	125,856,237
Impairment loss on loans – others	--	--	--	102,171,216
Total	<u>38,001</u>	<u>9,477,522</u>	<u>2,786</u>	<u>246,919,487</u>

27- Income tax expense

	2014		2013	
	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP	For the period from 1/7/2013 to 30/9/2013 EGP	For the period from 1/1/2013 to 30/9/2013 EGP
Current income tax	(26,855,069)	(99,058,939)	(23,936,873)	(57,052,263)
Deferred tax	(2,144,138)	(14,011,736)	(2,775,946)	(3,682,674)
Total	<u>(28,999,207)</u>	<u>(113,070,675)</u>	<u>(26,712,819)</u>	<u>(60,734,937)</u>

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28- Cash and cash equivalents

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

	30/9/2014 EGP	31/12/2013 EGP
Cash and due from banks	21,811,769,291	16,534,230,948
Due to banks and financial institutions	(2,093,900,958)	(917,202,147)
Less: Assets – maturity more than three months	(9,820,721,900)	(6,755,638,963)
Effect of exchange rate	--	47,703,183
Cash and cash equivalents	<u>9,897,146,433</u>	<u>8,909,093,021</u>

29- General administrative expenses

	2014		2013	
	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP	For the period from 1/7/2013 to 30/9/2013 EGP	For the period from 1/1/2013 to 30/9/2013 EGP
Wages , salaries and similar items	215,278,272	737,669,269	241,636,459	719,391,878
Consultancy	6,672,562	32,749,945	12,402,607	48,939,694
Travel , accommodation and transportation	10,405,413	29,753,288	11,068,555	32,333,119
Leased line and communication	12,151,855	36,104,168	14,032,027	38,148,168
Rent and utilities expenses	19,802,052	57,379,610	27,987,859	81,586,797
Other expenses	84,288,036	227,269,429	59,189,616	176,559,805
Total	<u>348,598,190</u>	<u>1,120,925,709</u>	<u>366,317,123</u>	<u>1,096,959,461</u>

30- Retained earnings

On May 17, 2014 the Ordinary General Assembly meeting decided to use the amount of EGP 591 721 138 of Share premium reserve shown in the separate financial statements for the year ended 31 December 2013 to cover the holding company retained losses.

31- Earnings per share

	2014		2013	
	For the period from 1/7/2014 to 30/9/2014 EGP	For the period from 1/1/2014 to 30/9/2014 EGP	For the period from 1/7/2013 to 30/9/2013 EGP	For the period from 1/1/2013 to 30/9/2013 EGP
Net profit for the period	144,402,623	525,972,285	116, 157, 256	185, 197,068
Net profit for equity holders of the parent company	100 431 858	407,140,849	63, 800, 020	24,590,772
Weighted average number of shares	536,527,978	541,147,543	573,484,500	573,484,500
Earnings per share	<u>0.19</u>	<u>0.75</u>	<u>0.11</u>	<u>0.04</u>

32- Segment reporting

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

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

For the period ended September 30, 2014

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Fee and commission income	702,959,484	449,300,644	--	1,152,260,128
Fee and commission expense	(36,019,217)	(247,568,542)	--	(283,587,759)
Net fee and commission income	666,940,267	201,732,102	--	868,672,369
Securities gains	181,346,496	19,948,734	--	201,295,230
Gain on selling fixed assets	13,881,904	65,884	--	13,947,788
Share of profit of associate	--	7,299,006	--	7,299,006
Changes in the investments at fair value through profit and loss	17,041,764	(1,392,976)	--	15,648,788
Foreign currencies differences	19,486,009	28,217,174	--	47,703,183
Other income	35,296,160	22,838,218	--	58,134,378
Noninterest revenue	933,992,600	278,708,142	--	1,212,700,742
Interest and dividends income	155,197,103	2,452,047,182	(125,694,648)	2,481,549,637
Interest expense	(19,655,999)	(1,728,984,400)	(36,259,436)	(1,784,899,835)
Net interest income	135,541,104	723,062,782	(161,954,084)	696,649,802
Total net revenue	1,069,533,704	1,001,770,924	(161,954,084)	1,909,350,544
Total noninterest expenses	(614,576,633)	(647,169,121)	(8,561,830)	(1,270,307,584)
Net profit before income tax	454,957,071	354,601,803	(170,515,914)	639,042,960
Income tax expense	(65,385,286)	(48,504,725)	819,336	(113,070,675)
Net profit for the period	389,571,785	306,097,078	(169,696,578)	525,972,285
Total assets	11,182,391,188	63,181,816,248	1,092,657,483	75,456,864,919
Total liabilities	3,541,286,993	58,227,913,000	1,447,465,274	63,216,665,267
Shareholders' equity	7,641,104,195	4,953,903,248	(354,807,791)	12,240,199,652
Total equity and liabilities	11,182,391,188	63,181,816,248	1,092,657,483	75,456,864,919

For the period ended September 30, 2013

	Investment banking EGP	Commercial banking EGP	Elimination EGP	Total EGP
Fee and commission income	429,624,406	426,015,226	--	855,639,632
Fee and commission expense	(40,944,866)	(216,169,434)	--	(257,114,300)
Net fee and commission income	388,679,540	209,845,792	--	598,525,332
Securities gains (loss)	16,506,500	(211,094)	--	16,295,406
Share of profit of associate	--	6,548,503	--	6,548,503
Changes in the investments at fair value through profit and loss	37,177,717	51,107,693	--	88,285,410
Gains from selling assets classified as held for sale	24,599,488	--	--	24,599,488
Foreign currencies differences	84,189,148	--	--	84,189,148
Other income	132,177,753	27,520,233	--	159,697,986
Noninterest revenue	683,330,146	294,811,127	--	978,141,273
Interest and dividends income	116,153,699	2,280,411,770	(72,418,555)	2,324,146,914
Interest expense	(9,844,240)	(1,580,667,283)	(1,255,628)	(1,591,767,151)
Net interest income	106,309,459	699,744,487	(73,674,183)	732,379,763
Total net revenue	789,639,605	994,555,614	(73,674,183)	1,710,521,036
Total noninterest expenses	(868,364,022)	(587,869,256)	(8,355,753)	(1,464,589,031)
Net (loss) profit before income tax	(78,724,417)	406,686,358	(82,029,936)	245,932,005
Income tax expense	(10,973,775)	(48,418,539)	(1,342,623)	(60,734,937)
Net (loss) profit for the period	(89,698,192)	358,267,819	(83,372,559)	185,197,068
Total assets	9,955,384,189	55,446,316,200	1,023,347,418	66,425,047,807
Total liabilities	1,889,347,726	50,818,076,800	1,448,746,620	54,156,171,146
Shareholders' equity	8,066,036,463	4,628,239,400	(425,399,202)	12,268,876,661
Total equity and liabilities	9,955,384,189	55,446,316,200	1,023,347,418	66,425,047,807

33- Tax status

- As to Income Tax, the years from starting the operations to 31/12/2010 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the internal committee and as to year 2011 has been inspected which was objected thereon on the due date and as to years 2012 / 2013, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the internal committee and the due amount has been paid and as to years 2009 / 2013, the parent company's books have not been inspected yet.
- As to Stamp Tax, the parent company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of appeal committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2013 have not been inspected yet.
- On June 4, 2014 a new law No. 44/2014 has imposed a 5% temporary additional annual tax on amounts exceed EGP 1 million from the tax base on the income of natural persons or the profits of Corporate Buddies in accordance with income tax law , and it has been proven and collected in accordance with this provisions . This law will start working from June 5, 2014 for 3 years beginning from the current taxation period.
- On June 30, 2014 Presidential Decree has issued with Law No. 53 for the year 2014, this law has amended some articles of the Income Tax Law. promulgated by Law 91 of 2005, the most important amended rules are:
 - Impose tax on profit dividend.
 - Impose tax on capital gains resulting from selling of securities.

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34- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership	Indirect ownership
	%	%
Financial Brokerage Group	99,88	0,04
Egyptian Fund Management Group	88,51	11,49
Egyptian Portfolio Management Group	66,33	33,67
Hermes Securities Brokerage	97,58	2,42
Hermes Fund Management	89,95	10,05
Hermes Corporate Finance	99,37	0,53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	--	100
EFG - Hermes Promoting & Underwriting	99,88	--
Bayonne Enterprises Ltd.	100	--
EFG- Hermes Fixed Income	99	1
EFG- Hermes Management	96,3	3,7
EFG- Hermes Private Equity	1,59	63,41
EFG- Hermes Brokerage – UAE LLC.	--	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
Middle East North Africa 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 Holding Company
(Egyptian Joint Stock Company)**

Translation of consolidated financial
statements originally issued in Arabic

Notes to the consolidated financial statements for the period ended 30 September, 2014 (Continued)

	Direct ownership	Indirect ownership
	%	%
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG - Hermes Syria LLC	49	20,37
Sindyana Syria LLC	97	--
Talas & Co. LLP	--	97
EFG - Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG - Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63,739
Credit Libanais Investment Bank SAL	--	63,65
Lebanese Islamic Bank SAL	--	63,64
Credit International SA	--	59,16
Cedar's Real Estate SAL	--	63,69
Soft Management SAL	--	29,96
Hermes Tourism & Travel SAL	--	63,73
Crédit Libanais d'Assurances et 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	--
EFG-Hermes IB Limited.	--	100
Meda Access Cayman Holdings Limited.	--	100
EFG- Hermes Mutual Funds Co.	100	--

35- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. 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.

35-1 Market risk

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

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

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

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

35-2 Foreign currencies risk

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

35-3 Risk management

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

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

35-4 Credit risk

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio 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.

35-5 Liquidity risk

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

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

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

35-6 Interest rate risk

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

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

35-7 Equity price risk

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

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

35-8 Operational risk

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

35-9 Fair value of financial instruments

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

35-10 Derivative financial instruments and hedge accounting

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

In order to hedge the price risks with respect to the reference securities under the contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. (“MENA-F”) and EFG-Hermes KSA.

Accordingly, the Share Swap Transactions are measured at fair value based on underlying reference securities under the contracts.

36- Corresponding figures

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

	(As reported)		(Amended)
	For the	Adjustments	For the
	year ended		year ended
	31/12/2013		31/12/2013
	EGP	EGP	EGP
Deferred tax liabilities	628 913 392	73 984 509	702 897 901
Other reserves	1 359 608 557	(73 984 509)	1 285 624 048