

**EFG – Hermes Holding Company**  
**(Egyptian Joint Stock Company)**

**Consolidated financial statements**  
**for the period ended 30 June 2016**  
**&**  
**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 as at 30 June 2016 and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

##### *Scope of Limited Review*

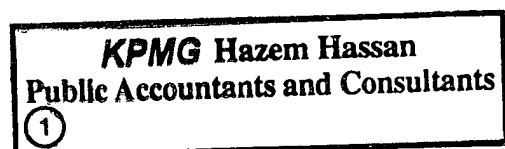
We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible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

##### *Conclusion*

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2016, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

*Hassan Bay*  
KPMG Hazem Hassan

Cairo, August 11, 2016



	Note no.	30/6/2016	31/12/2015
<i>(in EGP)</i>			
<b>Assets</b>			
Cash and due from banks	(6)	6,801,336,329	26,456,336,103
Investments at fair value through profit and loss	(7)	730,314,282	584,988,674
Accounts receivables (net)	(8)	1,338,682,382	1,152,562,684
Loans and advances	(9)	115,711,304	22,767,229,109
Available -for- sale investments	(10)	1,548,682,874	1,839,153,380
Held-to-maturity investments	(11)	-	26,776,423,305
Investments in associates	(12)	-	94,043,999
Investment property	(13)	294,928,713	295,444,152
Leased assets (net)	(14)	851,376,253	467,713,544
Fixed assets (net)	(15)	193,450,921	1,679,295,854
Goodwill and other intangible assets	(16)	587,707,860	4,573,414,469
Other assets	(17)	501,608,951	1,714,180,306
Assets held for sale	(5)	1,236,669,325	-
<b>Total assets</b>		<b>14,200,469,194</b>	<b>88,400,785,579</b>
<b>Liabilities</b>			
Due to banks and financial institutions	(18)	567,665,261	3,855,071,009
Customers' deposits	(19)	-	64,245,803,241
Accounts payable - customers' credit balances		2,798,472,241	1,986,949,572
Bonds	(20)	-	613,917,600
Creditors and other credit balances	(21)	730,160,712	1,878,265,916
Other liabilities	(22)	1,174,478	769,999,478
Current tax liability		9,584,943	116,578,675
Deferred tax liabilities	(23)	114,099,770	798,960,213
Provisions	(24)	256,484,361	422,738,071
Loans	(25)	861,661,501	328,680,803
<b>Total liabilities</b>		<b>5,339,303,267</b>	<b>75,016,964,578</b>
<b>Shareholders' equity</b>			
Share capital	(26)	3,074,472,890	3,074,472,890
Legal reserve		1,523,711,250	1,523,711,250
Share premium		1,922,267,826	1,922,267,826
Other reserves		676,922,638	2,118,547,403
Retained earnings		1,538,262,913	1,319,604,367
Equity attributable to owners of the Company		8,735,637,517	9,958,603,736
Non - controlling interests	(27)	125,528,410	3,425,217,265
<b>Total shareholders' equity</b>		<b>8,861,165,927</b>	<b>13,383,821,001</b>
<b>Total shareholders' equity and liabilities</b>		<b>14,200,469,194</b>	<b>88,400,785,579</b>

The accompanying notes and accounting policies from page (6) to page (60) are an integral part of these financial statements and are to be read therewith.

Review report "attached"

Mona Zulficar  
Chairperson

karim Awad  
Executive Managing Director

## Consolidated income statement for the period ended 30 June 2016

	Note no.	2016		2015	
		For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016	For the period from 1/4/2015 to 30/6/2015	For the period from 1/1/2015 to 30/6/2015
<i>(in EGP)</i>					
<b>Continuing operations</b>					
Fee and commission income		231,395,115	436,307,346	247,731,197	422,730,050
Fee and commission expense		<u>(13,568,599)</u>	<u>(25,600,556)</u>	<u>(11,791,042)</u>	<u>(22,055,175)</u>
Net fee and commission income		217,826,516	410,706,790	235,940,155	400,674,875
Securities gains		5,224,019	19,139,128	9,768,298	19,767,668
Changes in the investments at fair value through profit and loss		(3,847,030)	3,860,381	821,724	232,792
Revenues from leasing activities		47,399,809	82,687,217	1,670,036	1,670,036
Foreign currencies exchange differences		1,840,406	155,816,969	3,728,262	71,687,335
Other income		<u>6,510,607</u>	<u>22,264,484</u>	<u>11,930,983</u>	<u>20,342,381</u>
Non-interest revenue		<u>274,954,327</u>	<u>694,474,969</u>	<u>263,859,458</u>	<u>514,375,087</u>
Interest and dividend income		62,818,170	76,857,143	13,359,586	21,453,813
Interest expense		<u>(49,559,859)</u>	<u>(78,630,673)</u>	<u>(10,795,170)</u>	<u>(19,499,260)</u>
Net interest income		<u>13,258,311</u>	<u>(1,773,530)</u>	<u>2,564,416</u>	<u>1,954,553</u>
Total net revenue		<u>288,212,638</u>	<u>692,701,439</u>	<u>266,423,874</u>	<u>516,329,640</u>
General administrative expenses	(33)	196,296,292	469,402,648	182,031,762	344,340,935
Provisions	(24)	7,309,069	12,521,498	8,344,047	16,778,497
Depreciation and amortization	(13),(14),(15)	23,891,573	44,299,159	5,538,542	10,887,419
Impairment loss on assets	(30)	484,132	484,132	-	93,791
Total non-interest expenses		<u>227,981,066</u>	<u>526,707,437</u>	<u>195,914,351</u>	<u>372,100,642</u>
Profit before income tax		60,231,572	165,994,002	70,509,523	144,228,998
Income tax expense	(31)	<u>(9,688,806)</u>	<u>(19,188,425)</u>	<u>(18,697,314)</u>	<u>(23,890,802)</u>
<b>Profit from continuing operations</b>		50,542,766	146,805,577	51,812,209	120,338,196
<b>Discontinued operations</b>					
(Loss) profit from discontinued operations (net of tax)	(5-1)	<u>(118,090,994)</u>	<u>(278,018,143)</u>	<u>125,674,466</u>	<u>238,694,446</u>
<b>(Loss) profit for the period</b>		<u>(67,548,228)</u>	<u>(131,212,566)</u>	<u>177,486,675</u>	<u>359,032,642</u>
<b>(Loss) profit attributable to:</b>					
Owners of the Company		(69,947,923)	(198,063,313)	125,472,528	261,392,662
Non - controlling interests	(27)	<u>2,399,695</u>	<u>66,850,747</u>	<u>52,014,147</u>	<u>97,639,980</u>
		<u>(67,548,228)</u>	<u>(131,212,566)</u>	<u>177,486,675</u>	<u>359,032,642</u>

The accompanying notes and accounting policies from page (6) to page (60) are an integral part of these financial statements and are to be read therewith.

## Consolidated statement of comprehensive income for the period ended 30 June 2016

	2 016		2 015	
	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016	For the period from 1/4/2015 to 30/6/2015	For the period from 1/1/2015 to 30/6/2015
<i>(in EGP)</i>				
(Loss) profit	( 67 548 228)	( 131 212 566)	177 486 675	359 032 642
<b>Other comprehensive income:</b>				
<b>Items that are or may be reclassified to profit or loss</b>				
Foreign operations - foreign currency translation differences	(1 058 035 162)	212 356 562	118 924 428	561 384 672
Available -for- sale - net change in fair value	( 181 215 448)	159 197 797	28 131 371	100 763 027
Foreign currency translation differences - reclassified to retained earnings	( 32 105 365)	( 36 808 275)	( 12 740 324)	-
Foreign currency translation differences - reclassified to profit or loss	(1 305 981 943)	(1 305 981 943)	-	-
Available -for- sale - net change in fair value reclassified to profit or loss	(67 657 211)	(67 657 211)	-	-
Related tax	<u>98 441 568</u>	<u>( 18 425 271)</u>	<u>( 129 869 791)</u>	<u>( 72 132 481)</u>
<b>Other comprehensive income, net of tax</b>	<u>(2 546 553 561)</u>	<u>(1 057 318 341)</u>	<u>4 445 684</u>	<u>590 015 218</u>
<b>Total comprehensive income</b>	<u>(2 614 101 789)</u>	<u>(1 188 530 907)</u>	<u>181 932 359</u>	<u>949 047 860</u>
<b>Other comprehensive income attributable to :</b>				
Owners of the Company	(2 070 636 829)	(1 061 711 181)	4 537 886	394 868 483
Non-controlling interests	<u>( 475 916 732)</u>	<u>4 392 840</u>	<u>( 92 202)</u>	<u>195 146 735</u>
	<u>(2 546 553 561)</u>	<u>(1 057 318 341)</u>	<u>4 445 684</u>	<u>590 015 218</u>
<b>Total comprehensive income attributable to :</b>				
Owners of the Company	(2 140 584 752)	(1 259 774 494)	325 157 149	851 407 880
Non-controlling interests	<u>( 473 517 037)</u>	<u>71 243 587</u>	<u>( 143 224 790)</u>	<u>97 639 980</u>
	<u>(2 614 101 789)</u>	<u>(1 188 530 907)</u>	<u>181 932 359</u>	<u>949 047 860</u>

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Consolidated statement of changes in equity for the period ended 30 June 2016

Attributable to owners of the Company

Other reserves

	Share capital	Legal reserve	Share premium	General reserve	Translation reserve	Fair value reserve	Hedging reserve	Other reserves	Retained earnings	Treasury shares	Total	Non - controlling interests	Total equity
<i>(in EGP)</i>													
<b>Balance as at 31 December, 2014</b>	2 867 422 500	990 432 067	2 697 382 769	158 269	960 100 338	378 666 624	(26 442 387)	276 032 552	1 464 385 399	(426 451 266)	9 181 686 865	3 098 827 747	12 280 514 612
<b>Total comprehensive income</b>													
Profit	-	-	-	-	-	-	-	-	261 392 662	-	261 392 662	97 639 980	359 032 642
Other comprehensive income	-	-	-	-	327 860 801	67 007 682	-	-	12 812 132	-	407 680 615	195 146 735	602 827 350
<b>Total comprehensive income</b>	-	-	-	-	327 860 801	67 007 682	-	-	274 204 794	-	669 073 277	292 786 715	961 859 992
Reclassifications	-	533 279 183	(533 279 183)	-	-	-	-	106 083 444	(106 083 444)	-	-	-	-
<b>Transactions with owners of the Company</b>													
Contributions and Distributions													
Dividends payout	-	-	-	-	-	-	-	-	(58 681 079)	-	(58 681 079)	(61 877 930)	(120 559 009)
<b>Balance as at 30 June, 2015</b>	2 867 422 500	1 523 711 250	2 164 103 586	158 269	1 287 961 139	445 674 306	(26 442 387)	382 115 996	1 573 825 670	(426 451 266)	9 792 079 063	3 329 736 532	13 121 815 595
<b>Balance as at 31 December, 2015</b>	3 074 472 890	1 523 711 250	1 922 267 826	158 269	1 430 705 902	334 212 035	(26 442 387)	379 913 584	1 319 604 367	-	9 958 603 736	3 425 217 265	13 383 821 001
<b>Total comprehensive income</b>													
Profit (loss)	-	-	-	-	-	-	-	-	(198 063 313)	-	(198 063 313)	66 850 747	(131 212 566)
Other comprehensive income	-	-	-	-	(1 134 599 279)	72 888 098	-	-	36 808 275	-	(1 024 902 906)	4 392 840	(1 020 510 066)
<b>Total comprehensive income</b>	-	-	-	-	(1 134 599 279)	72 888 098	-	-	(161 255 038)	-	(1 222 965 219)	71 243 587	(1 151 722 632)
Reclassifications	-	-	-	-	-	-	-	(379 913 584)	379 913 584	-	-	-	-
<b>Transactions with owners of the Company</b>													
Changes in ownership interests													
Acquisition of subsidiary with NCI	-	-	-	-	-	-	-	-	-	-	-	104 855 291	104 855 291
Acquisition of NCI without a change in control	-	-	-	-	-	-	-	-	-	-	-	(77 855 292)	(77 855 292)
Disposal of subsidiary with NCI	-	-	-	-	-	-	-	-	-	-	-	(3 397 932 441)	(3 397 932 441)
<b>Balance as at 30 June, 2016</b>	3 074 472 890	1 523 711 250	1 922 267 826	158 269	296 106 623	407 100 133	(26 442 387)	-	1 538 262 913	-	8 735 637 517	125 528 410	8 861 165 927

The accompanying notes and accounting policies from page (6) to page (60) are an integral part of these financial statements and are to be read therewith.

## Consolidated statement of cash flows for the period ended 30 June 2016

	30, June	
	2 016	2 015
<i>(in EGP)</i>		
<b>Cash flows from operating activities</b>		
Profit before income tax	165 994 002	144 228 998
<b>Adjustments for:</b>		
Depreciation and amortization	44 299 159	10 887 419
Provisions formed	12 521 498	16 778 497
Provisions used	(9 148 493)	(5 932 149)
Gains on sale of fixed assets	(41 526)	(249 002)
Gains on sale of available -for- sale investments	275 565	(7 957 612)
Changes in the fair value of investments at fair value through profit and loss	(3 860 381)	232 792
Impairment loss on assets	484 132	93 791
Foreign currency translation differences	172 543 733	121 898 877
Foreign currencies exchange differences	(155 816 969)	(71 687 335)
	227 250 720	208 294 276
<b>Changes in:</b>		
Other assets	(72 706 230)	(14 261 589)
Creditors and other credit balances	133 842 305	(123 729 597)
Loans and advances	(114 639 951)	(2 293 090)
Accounts receivables	(58 859 667)	(70 378 254)
Accounts payables	577 988 631	686 514 469
Investments at fair value through profit and loss	(360 170 637)	178 737 702
Income tax paid	(28 080 468)	(50 906 137)
	304 624 703	811 977 780
<b>Net cash provided from operating activities</b>		
<b>Cash flows from investing activities</b>		
Payments to purchase fixed assets and other intangible assets	(2 155 343)	(6 192 556)
Proceeds from sale of fixed assets	102 849	249 028
Payments to purchase leased assets	(413 556 681)	(88 726 528)
Proceeds from sale of available -for- sale investments	3 348 563	13 466 971
Payments to purchase available -for- sale investments	(4 638 668)	(24 881 484)
Proceeds from sale of investments in subsidiaries	3 031 739 497	-
Acquisition of subsidiary, net of cash acquired	(410 147 119)	-
Proceeds from sale of held to maturity investments	30 000 000	-
	2 234 693 098	(106 084 569)
<b>Net cash provided from (used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Dividends paid	(32 268 717)	(54 889 418)
Proceeds from long term loans	532 980 698	58 755 868
	500 711 981	3 866 450
<b>Net cash provided from financing activities</b>		
Net increase in cash and cash equivalents	3 040 029 782	709 759 661
Cash and cash equivalents at 1 January (note no. 32)	11 737 583 463	9 710 485 284
Cash disposed through disposal of subsidiaries	(8 494 330 500)	(7 014 207 286)
	6 283 282 745	3 406 037 659
<b>Cash and cash equivalents at 30 June (note no. 32)</b>		

The accompanying notes and accounting policies from page (6) to page (60) are an integral part of these financial statements and are to be read therewith.



**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 June, 2016  
(In the notes all amounts are shown in EGP unless otherwise stated)

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**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 capital, 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 with an amount of USD 577,8 million. Note no. (5)

**Acquisition of the Tanmeyah Micro Enterprise Services S.A.E**

- On 23 February 2016, the company signed purchase agreements to acquire 76.7 % of Tanmeyah Micro Enterprise Services S.A.E. stocks through acquiring 70 % the stack owned by Financial Unlimited Company – a subsidiary of Qalaa Holding Company – and acquiring 6.7% of the shares held by Tanmeyah’s management, in a transaction with an amount of EGP 345 million, The procedures of transferring of the title had been completed.
- On 18 April 2016, The company announced that it has completed the purchase of 17.30% of Tanmeyah Micro Enterprise Services S.A.E. which owned by Egyptian Gulf Bank S.A.E in a bargain of an amount of EGP 77.9 million. And the procedures of transferring of the title had been completed.

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

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**2- Basis of preparation**

**2-1 Statement of compliance**

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

**2-2 Authorization of the financial statements**

The financial statements were authorized for issue in accordance with a resolution of the board of directors on August 10, 2016.

**3- Functional and presentation currency**

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

**4- Use of estimates and judgments**

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognized prospectively.

- Estimates and assumptions about them are re-viewed on regular basis.
- The change in accounting estimates is recognized in the period where the estimate is changed whether the change affects only that period, or in the period of change and the future periods if the change affects them both.

**4-1 Fair value measurement**

- The fair value of financial instruments are determined based on the market value of the financial instrument or similar financial instruments at the date of the financial statements without deducting any estimated future selling costs.
- The value of financial assets are determined by the values of the current purchase prices for those assets, while the value of financial liabilities is determined by the current prices that can be settled by those liabilities.
- In the absence of an active market to determine the fair value of financial instruments, the fair value is estimated using various valuation techniques, taking into consideration the prices of the transactions occurred recently, and guided by the current fair value of other similar tools substantially - discounted cash flow method - or any other evaluation method to get resulting values that can rely on.
- When using the discounted cash flow method as a way to evaluate, the future cash flows are estimated based on the best estimates of management. And the discount rate used is determined in the light of the prevailing market price at the date of the financial statements that are similar in nature and conditions.

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

**5- Discontinued operations**

On 16 March 2016, the Company's Board of Directors approved to:

- Proceed with all necessary steps required to sell 9 408 749 shares (Phase I) represent approximately 40% of it's indirect subsidiary Credit Libanais Bank S.A.L. (total Bank shares 23 400 000) at US\$ 33 per share (prior to payment of associated fees) to a consortium of Lebanese and Arab Investors. This sale process is subject to some conditions precedent, including the approval of the Central Bank of Lebanon. The company agreed with Credit Libanais Investment Bank S.A.L. ("CLIB"), a wholly owned subsidiary of Credit Libanais, to sell 5 506 134 shares represent the remaining stake of the bank on best effort basis at the same price (Phase II).
- During the period the company sold 9 408 749 shares (Phase I) and 954 578 shares from (Phase II) accordingly the company's stake on 30 June 2016 is 4 551 556 shares represent approximately 19.45% of Credit Libanais Bank S.A.L. 23 400 000 shares, which presented as Assets Held for Sale on the consolidated statement of financial position with an amount of 1 236 669 325 EGP.

**5-1 Results of discontinued operations**

	<b>For the period from 1/1/2016 to 30/6/2016</b>	<b>For the period from 1/1/2015 to 30/6/2015</b>
Fee and commission income	194,769,780	305,550,000
Fee and commission expense	(121,841,220)	(181,360,000)
Securities gains	12,791,860	1,170,000
Share of profit of associate	3,501,280	7,550,000
Changes in the investments at fair value through profit and loss	349,020	2,275,000
Foreign currencies differences	10,902,720	17,345,000
Other income	10,559,240	7,900,000
Interest and dividend income	1,157,701,674	1,912,810,660
Interest expense	(836,197,046)	(1,353,086,033)
General administrative expenses	(228,087,340)	(382,860,000)
Net losses on loans and advances	(36,730,200)	(25,465,000)
Other provisions	(4,088,520)	(7,735,000)
Depreciation and amortization	(22,529,196)	(31,478,674)
Impairment loss on measurement of assets held for sale *	(126,088,923)	--
Loss on sale of investment subsidiaries	(153,786,521)	--
Net (loss) profit before income tax	<u>(138,773,392)</u>	<u>272,615,953</u>
Income tax expense **	(139,244,751)	(33,921,507)
Net (loss) profit for the period	<u><u>(278,018,143)</u></u>	<u><u>238,694,446</u></u>

\* Impairment loss relates to selling of the company's remaining stake in the investment in Credit Libanais Bank, which is measured at the lower of its carrying amount and fair value less costs to sell.

\*\* Include the income tax computed on the capital gain resulted from partial redemption of the investment in the subsidiary EFG- Hermes Global CB Holding Limited ,which is eliminated in the consolidation process , consequently to partial selling of the indirect subsidiary Credit Libanais Bank.

**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 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

**6- Cash and due from banks**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Cash on hand	8,777,533	330,455,059
Central Bank of Lebanon		
- Demand deposits	--	2,439,916,500
- Time deposits	--	14,423,916,900
Other Central Banks		
- Demand deposits	--	180,412,500
- Time deposits	--	91,743,900
Cheques under collection	540,542	191,092
Banks - current accounts (net)	3,669,587,062	3,264,037,258
Banks - demand deposits	--	2,074,277,100
Banks - time deposits	3,122,431,192	3,651,385,794
	<u>6,801,336,329</u>	<u>26,456,336,103</u>
	=====	=====

**7- Investments at fair value through profit and loss**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Mutual fund certificates	153,306,420	279,857,518
Equity securities	20,492,916	44,918,956
Debt securities	--	33,802,800
Treasury bills	556,514,946	211,338,900
Financial International Sukuk	--	15,070,500
	<u>730,314,282</u>	<u>584,988,674</u>
	=====	=====

**8- Accounts receivables (net)**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Accounts receivables (net)	1,293,718,518	1,161,543,659
Other brokerage companies (net)	44,963,864	(8,980,975)
	<u>1,338,682,382</u>	<u>1,152,562,684</u>
	=====	=====

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**9- Loans and advances**

		<b>30/6/2016</b>	<b>31/12/2015</b>
Loans and advances to customers	(9-1)	--	22,682,036,365
Loans and advances to related parties	(9-2)	--	84,267,300
Other loans		115,711,304	925,444
		<hr/>	<hr/>
Balance		115,711,304	22,767,229,109
		=====	=====

**9-1 Loans and advances to customers**

		<b>30/6/2016</b>	<b>31/12/2015</b>
<b>Regular retail customers</b>			
Cash collateral		--	634,363,500
Mortgage loans		--	8,317,810,579
Personal loans		--	239,133,900
Credit cards		--	205,198,500
Others		--	1,619,193,900
<b>Regular corporate customers</b>			
Corporate		--	10,292,945,401
<b>Classified retail customers</b>			
Watch		--	188,221,679
Substandard		--	153,617,100
Doubtful		--	131,697,300
<b>Classified corporate customers</b>			
Watch		--	709,012,506
Substandard		--	83,461,500
Doubtful		--	205,030,200
Collective provision for retail loans		--	(55,559,400)
Collective provision for corporate loans		--	(42,090,300)
		<hr/>	<hr/>
Balance		--	22,682,036,365
		=====	=====

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>9-2 Loans and advances to related parties</b>				
		<b>30/6/2016</b>	<b>31/12/2015</b>	
Regular retail loans		--	16,034,400	
Regular corporate loans		--	68,232,900	
Balance		--	84,267,300	
		=====	=====	
<b>10- Available - for- sale investments</b>				
		<b>30/6/2016</b>	<b>31/12/2015</b>	
Preferred shares		--	146,747,400	
Equity securities		477,378,380	740,682,044	
Mutual fund certificates		1,071,304,494	951,723,936	
Balance		1,548,682,874	1,839,153,380	
		=====	=====	
<b>11- Held-to-maturity investments</b>				
		<b>30/6/2016</b>	<b>31/12/2015</b>	
Lebanese government treasury bills and Eurobonds		--	18,769,882,679	
Other sovereign bonds		--	212,267,100	
Certificates of deposit issued by banks		--	7,493,521,703	
Other debt instruments		--	300,751,823	
Balance		--	26,776,423,305	
		=====	=====	
<b>12- Investments in associates</b>				
	<b>2016</b>	<b>2015</b>	<b>30/6/2016</b>	<b>31/12/2015</b>
	<b>Ownership</b>	<b>Ownership</b>		
	<b>%</b>	<b>%</b>		
Agence Générale de Courtage d'Assurance SAL	--	25.86	--	42,304,500
Credit Card Management SAL	--	28.96	--	14,881,800
International Payment Network SAL	--	20.18	--	8,292,600
Net Commerce SAL	--	21.88	--	1,377,000
Hot Spot Properties SAL	--	48.12	--	8,236,500
Dourrat Loubnan Al Iqaria SAL	--	45	--	18,951,599
Balance			--	94,043,999
			=====	=====

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(In the notes all amounts are shown in EGP unless otherwise stated)

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**13- Investment property**

	<b>Buildings</b>
Balance as at 1/1/2016	295,444,152
Foreign currency translation differences	5,202,480
	<hr/>
Total cost as at 30/6/2016	300,646,632
	<hr/>
Depreciation for the period	5,680,571
Foreign currency translation differences	37,348
	<hr/>
Accumulated depreciation as at 30/6/2016	5,717,919
	<hr/>
Net carrying amount as at 30/6/2016	294,928,713
	=====

Investment property amounted EGP 294,928,713 as at 30 June 2016, represents the following:-

- EGP 154,487,022 the cost of the area owned by EFG – Hermes Holding Company in Nile City Building.
- EGP 94,272,000 the cost of the area owned by EFG – Hermes Holding Company in the headquarters of the Company in Smart Village Building.
- EGP 3,832,335 the cost of the area owned by Hermes Securities Brokerage, one of the subsidiaries, in the Elmanial Branch.
- EGP 42,337,356 the cost of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.

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**14- Leased assets**

**For the period ended 30 June 2016**

<b>Particular</b>	<b>Land</b>	<b>Building &amp; property</b>	<b>Equipment</b>	<b>Computer equipment</b>	<b>Vehicles</b>	<b>Total</b>
<b>Balance as at 1/1/2016</b>	47,104,210	278,564,535	27,097,500	2,625,401	119,651,070	475,042,716
<b>Additions</b>	90,261,650	189,547,025	21,209,938	2,540,306	109,389,228	412,948,147
<b>Disposals</b>	--	--	--	--	(122,850)	(122,850)
<b>Total cost as at 30/6/2016</b>	<u>137,365,860</u>	<u>468,111,560</u>	<u>48,307,438</u>	<u>5,165,707</u>	<u>228,917,448</u>	<u>887,868,013</u>
<b>Accumulated depreciation as at 1/1/2016</b>	--	4,517,922	643,537	47,146	2,120,567	7,329,172
<b>Depreciation</b>	--	9,052,622	3,386,355	719,824	16,022,215	29,181,016
<b>Disposals' accumulated depreciation</b>	--	--	--	--	(18,428)	(18,428)
<b>Accumulated depreciation as at 30/6/2016</b>	<u>--</u>	<u>13,570,544</u>	<u>4,029,892</u>	<u>766,970</u>	<u>18,124,354</u>	<u>36,491,760</u>
<b>Carrying amount as at 30/6/2016</b>	<u>137,365,860</u>	<u>454,541,016</u>	<u>44,277,546</u>	<u>4,398,737</u>	<u>210,793,094</u>	<u>851,376,253</u>
<b>Carrying amount as at 31/12/2015</b>	<u>47,104,210</u>	<u>274,046,613</u>	<u>26,453,963</u>	<u>2,578,255</u>	<u>117,530,503</u>	<u>467,713,544</u>

- Leased assets (after depreciation) include an amount of EGP 11,680,000 represents leased assets that have not been registered yet in the Egyptian Financial Supervisory Authority and the required procedures to register those assets are currently taking place.

**For the period ended 30 June 2015**

<b>Particular</b>	<b>Building &amp; premises</b>	<b>Cars &amp; transportation means</b>	<b>Total</b>
<b>Additions</b>	83,030,550	5,695,978	88,726,528
<b>Total cost as at 30/6/2015</b>	<u>83,030,550</u>	<u>5,695,978</u>	<u>88,726,528</u>
<b>Depreciation</b>	<u>257,720</u>	<u>46,514</u>	<u>304,234</u>
<b>Accumulated depreciation as at 30/6/2015</b>	<u>257,720</u>	<u>46,514</u>	<u>304,234</u>
<b>Carrying amount as at 30/6/2015</b>	<u>82,772,830</u>	<u>5,649,464</u>	<u>88,422,294</u>



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**15- Fixed assets**

Particular	For the period ended 30 June 2016						Total
	Land & buildings	Leasehold improvements	Office furniture, equipment & electrical appliances	Computer equipment	Vehicles	* Projects under construction	
Balance as at 1/1/2016	911,211,588	288,049,350	405,947,371	123,063,157	25,081,927	744,062,100	2,497,415,493
Additions	--	--	233,737	1,994,885	--	--	2,228,622
Disposals	--	--	(217,545)	(25,714)	(459,927)	(34,838)	(738,024)
Disposals of subsidiaries	(732,266,717)	(279,913,500)	(306,759,900)	--	(10,230,600)	(734,277,600)	(2,063,448,317)
Acquisition from subsidiaries	--	19,437,569	6,740,824	14,830,520	538,700	105,249	41,652,862
Foreign currency translation differences	--	37,313	7,521,508	8,599,874	506,505	--	16,665,200
<b>Total cost as at 30/6/2016</b>	<b>178,944,871</b>	<b>27,610,732</b>	<b>113,465,995</b>	<b>148,462,722</b>	<b>15,436,605</b>	<b>9,854,911</b>	<b>493,775,836</b>
<b>Accumulated depreciation as at 1/1/2016</b>	<b>178,036,906</b>	<b>222,141,127</b>	<b>294,618,358</b>	<b>108,552,151</b>	<b>14,771,097</b>	<b>--</b>	<b>818,119,639</b>
<b>Depreciation</b>	<b>2,466,188</b>	<b>575,798</b>	<b>2,170,119</b>	<b>3,234,371</b>	<b>991,096</b>	<b>--</b>	<b>9,437,572</b>
<b>Disposals' accumulated depreciation</b>	<b>--</b>	<b>--</b>	<b>(172,747)</b>	<b>(4,695)</b>	<b>(459,927)</b>	<b>--</b>	<b>(637,369)</b>
<b>Disposals of subsidiaries</b>	<b>(146,424,627)</b>	<b>(216,556,199)</b>	<b>(201,455,100)</b>	<b>--</b>	<b>(7,017,600)</b>	<b>--</b>	<b>(571,453,526)</b>
<b>Acquisition from subsidiaries</b>	<b>--</b>	<b>14,652,122</b>	<b>4,779,841</b>	<b>9,480,055</b>	<b>202,899</b>	<b>--</b>	<b>29,114,917</b>
<b>Foreign currency translation differences</b>	<b>--</b>	<b>37,337</b>	<b>7,136,477</b>	<b>8,256,522</b>	<b>313,346</b>	<b>--</b>	<b>15,743,682</b>
<b>Accumulated depreciation as at 30/6/2016</b>	<b>34,078,467</b>	<b>20,850,185</b>	<b>107,076,948</b>	<b>129,518,404</b>	<b>8,800,911</b>	<b>--</b>	<b>300,324,915</b>
<b>Carrying amount as at 30/6/2016</b>	<b>144,866,404</b>	<b>6,760,547</b>	<b>6,389,047</b>	<b>18,944,318</b>	<b>6,635,694</b>	<b>9,854,911</b>	<b>193,450,921</b>
<b>Carrying amount as at 31/12/2015</b>	<b>733,174,682</b>	<b>65,908,223</b>	<b>111,329,013</b>	<b>14,511,006</b>	<b>10,310,830</b>	<b>744,062,100</b>	<b>1,679,295,854</b>

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
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Particular	For the period ended 30 June 2015						* Projects Under construction	Total
	Land & buildings	Leasehold improvements	Office furniture, equipment & electrical appliances	Computer equipment	Vehicles			
Balance as at 1/1/2015	871,088,471	262,539,563	377,872,052	80,164,594	19,714,924	656,105,000	2,267,484,604	
Additions	--	3,420,000	18,629,500	3,348,647	2,279,021	26,385,000	54,062,168	
Disposals	(10,977,562)	--	(8,561,043)	(2,383,110)	(819,289)	--	(22,741,004)	
Reclassification	--	4,945,000	2,530,000	--	--	(7,475,000)	--	
Foreign currency translation differences	39,399,335	15,876,348	17,177,065	1,595,219	692,462	41,254,500	115,994,929	
Total cost as at 30/6/2015	899,510,244	286,780,911	407,647,574	82,725,350	21,867,118	716,269,500	2,414,800,697	
Accumulated depreciation as at 1/1/2015	159,437,451	200,954,815	283,993,960	70,842,683	14,457,099	--	729,686,008	
Depreciation	11,384,858	6,440,477	15,526,348	2,692,391	850,515	--	36,894,589	
Disposals' accumulated depreciation	(10,977,562)	--	(8,396,175)	(2,390,574)	(819,289)	--	(22,583,600)	
Reclassification	--	(310,000)	310,000	--	--	--	--	
Foreign currency translation differences	4,753,502	12,028,143	12,599,442	1,583,652	446,473	--	31,411,212	
Accumulated depreciation as at 30/6/2015	164,598,249	219,113,435	304,033,575	72,728,152	14,934,798	--	775,408,209	
Carrying amount as at 30/6/2015	734,911,995	67,667,476	103,613,999	9,997,198	6,932,320	716,269,500	1,639,392,488	

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)

*	Projects under construction are represented in the following:	<b>30/6/2016</b>	<b>31/12/2015</b>
	Office spaces in Egypt	9,784,500	9,784,500
	Preparation of new headquarters – Credit Libanais SAL “the Bank” - Lebanon	--	734,277,600
	Preparation of Tanmeyah – Micro Enterprise Services S.A.E new branches	70,411	--
	Balance	<u>9,854,911</u>	<u>744,062,100</u>
		=====	=====

**16- Goodwill and other intangible assets**

		<b>30/6/2016</b>	<b>31/12/2015</b>
Goodwill	(16-1)	584,031,766	195,309,571
Other intangible assets	(16-2)	3,676,094	4,378,104,898
Balance		<u>587,707,860</u>	<u>4,573,414,469</u>
		=====	=====

16-1 Goodwill is relating to the acquisition of the following subsidiaries:

		<b>30/6/2016</b>	<b>31/12/2015</b>
EFG- Hermes Oman LLC		5,921,803	5,921,803
EFG- Hermes IFA Financial Brokerage Company			
Kuwait – (KSC)		179,148,550	179,148,550
IDEAVELOPERS – Egypt		1,600,000	1,600,000
EFG- Hermes Jordan		8,639,218	8,639,218
Tanmeyah Micro Enterprise Services S.A.E *		388,722,195	--
Balance		<u>584,031,766</u>	<u>195,309,571</u>
		=====	=====

\* The acquiree’s financial statements have been consolidated based on the book value of the identifiable assets and liabilities, The Company has a grace period of 12 months ending March 2017 for preparing Purchase Price Allocation (PPA) study to determine the fair value of the identifiable assets and liabilities according to the Egyptian Accounting Standards. The Company is in the process of determining this fair value exercise and adjust accordingly.

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16-2 Other intangible assets are represented in the following:

	<b>30/6/2016</b>	<b>31/12/2015</b>
Branches network - Credit Libanais Bank	--	4,344,286,589
Key money	--	1,076,100
Licenses & franchise	3,676,094	23,063,540
Software	--	9,678,669
	<hr/>	<hr/>
Balance	3,676,094	4,378,104,898
	=====	=====

**17- Other assets**

		<b>30/6/2016</b>	<b>31/12/2015</b>
Deposits with others	(17-1)	44,638,237	47,854,400
Downpayments to suppliers		7,495,532	299,910
Prepaid expenses		38,632,817	133,954,610
Employees' advances		18,356,524	15,414,994
Accrued revenues		19,694,050	742,890,543
Taxes withheld by others		14,677,589	13,347,142
Payments for investments	(17-2)	10,662,090	5,768,590
Re-insurers' share of technical reserve		--	95,109,900
Infra Egypt Fund		--	3,959,279
Settlement Guarantee Fund		38,972,473	30,881,735
Unquoted assets - ready for sale acquired in satisfaction of loans		--	164,138,400
Due from EFG- Hermes Employee Trust		261,444,740	263,989,219
Due from Ara Inc. Company		312,004	274,349
Due from related parties		--	13,550,700
Re-insurance accrued commission		--	18,309,000
Cards transaction on ATM		--	14,948,100
Re-insurance debtors		--	1,591,200
Sundry debtors		41,729,368	147,898,235
Due from Egypt Gulf Bank- Tanmeyah clients		4,993,527	--
		<hr/>	<hr/>
Balance		501,608,951	1,714,180,306
		=====	=====

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17-1 Deposits with others include an amount of EGP 12,998,357 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents blocked deposits for same day trading operations settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use these amounts without prior approval from Misr Clearance Company.

17-2 Payments for investments are represented in the following:

	<b>30/6/2016</b>	<b>31/12/2015</b>
Arab Visual Company	3,749,500	3,749,500
IDEAVELOPERS	25,000	25,000
AAW Company for Infrastructure	1,887,590	1,887,590
Vortex Energy Investments II	--	106,500
EFG Finance Holding	5,000,000	--
	<hr/>	<hr/>
Balance	10,662,090	5,768,590
	=====	=====

**18- Due to banks and financial institutions**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Due to Central Bank of Lebanon	--	2,939,160,600
Current deposits of banks	--	156,294,600
Time deposits	--	38,168,400
Financial institutions	5,743,899	294,089,450
Bank overdraft	561,921,362	427,357,959
	<hr/>	<hr/>
Balance	567,665,261	3,855,071,009
	=====	=====

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**19- Customers' deposits**

	<b>30/6/2016</b>	<b>31/12/2015</b>
<b>Deposits from customers (private sector):</b>		
Saving accounts	--	33,931,427,100
Time deposits	--	19,028,397,441
Current accounts	--	5,814,484,500
	--	58,774,309,041
<b>Deposits from customers (public sector):</b>		
Time deposits	--	2,542,401,000
Current accounts	--	473,183,100
	--	3,015,584,100
<b>Others:</b>	--	228,158,700
	--	228,158,700
	--	62,018,051,841
<b>Deposits from related parties:</b>		
Long term saving accounts	--	721,956,000
Long term deposits	--	1,367,610,900
Short term deposits	--	138,184,500
	--	2,227,751,400
Balance	--	64,245,803,241

**20- 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 as at June 30, 2016 nil due to deconsolidation of the Bank versus an amount of EGP 613,917,600 as at December 31, 2015.

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**21- Creditors and other credit balances**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Margins held against documentary credits	--	124,455,300
Technical reserve for insurance companies	--	541,033,500
Social Insurance Association	1,587,281	805,996
Unearned revenues	55,204,855	10,770,337
Suppliers	17,483,000	202,536,381
Accrued expenses	342,917,348	643,506,178
Clients' coupons- custody activity	24,909,547	11,248,960
Due to Industry Modernization Center	6,571,701	5,773,294
Dividends payable	122,331,684	154,466,265
Cards transaction on ATM	--	15,835,500
Re-insurance creditors	--	118,513,800
Lease settlement account	31,048,370	14,881,999
Sundry creditors	74,106,926	34,438,406
Cleopatra Hospital Co. Stabilization Account	54 000 000	--
	<u>730,160,712</u>	<u>1,878,265,916</u>
	=====	=====

**22- Other liabilities**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Preferred shareholders in subsidiaries *	--	768,825,000
Others	1,174,478	1,174,478
	<u>1,174,478</u>	<u>769,999,478</u>
	=====	=====

\* On 16 September 2013, the extraordinary general meeting of Credit Libanais 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 64,350,000). 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 817,537,500), settled in cash by the subscribers according to the terms set by the extraordinary general meeting on 4 July 2013.

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**23- Deferred tax liabilities**

	Balance at 1/1/2016	Recognized in profit or loss	Recognized in equity	Disposal of subsidiaries	Acquisition from subsidiaries	Foreign currency differences	Net	Deferred tax assets	Deferred tax liabilities
Fixed assets depreciation	(7,401,208)	(694,148)	--	--	(286,000)	(9,757)	(8,391,113)	--	(8,391,113)
Expected claims provision	610,250	--	--	--	--	--	610,250	610,250	--
Impairment loss on assets	3,151,533	(1,906,996)	--	--	--	2,658	1,247,195	1,247,195	--
Prior year losses carried forward	2,368,282	(37,116)	--	--	--	(75,097)	2,256,069	2,256,069	--
Fair value adjustments *	(706,292,170)	--	--	706,292,170	--	--	--	--	--
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 ***	(98,009,497)	--	(18,425,271)	--	--	--	(116,434,768)	--	(116,434,768)
	<u>(798,960,213)</u>	<u>(2,638,260)</u>	<u>(18,425,271)</u>	<u>706,292,170</u>	<u>(286,000)</u>	<u>(82,196)</u>	<u>(114,099,770)</u>	<u>10,726,111</u>	<u>(124,825,881)</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.

**24- Provisions**

		30/6/2016	31/12/2015
Expected claims provision	(24-1)	178,031,551	190,387,261
Severance pay provision	(24-1)	73,339,603	230,973,810
Financial guarantee for contingent liabilities	(24-1)	5,113,207	--
Other provisions		--	1,377,000
Balance		<u>256,484,361</u>	<u>422,738,071</u>
		=====	=====



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**24-1**

	<b>Expected claims provision</b>	<b>Severance pay provision</b>	<b>Financial guarantee for contingent liabilities</b>	<b>Total</b>
Balance at the beginning of the period	190,387,261	230,973,810	--	421,361,071
Formed during the period	6,458,254	5,990,869	72,375	12,521,498
Foreign currency differences	1,004,373	8,878,279	--	9,882,652
Disposals of subsidiaries	(15,310,200)	(168,860,999)	--	(184,171,199)
Acquisition from subsidiaries	998,000	--	5,040,832	6,038,832
Amounts used during the period	(5,506,137)	(3,642,356)	--	(9,148,493)
Balance at the end of the period	<u>178,031,551</u> =====	<u>73,339,603</u> =====	<u>5,113,207</u> =====	<u>256,484,361</u> =====

**25- Loans**

Loans as at 30 June 2016 represent the following:

<b>Currency</b>	<b>Financial limit</b>	<b>Finance contract date</b>	<b>Maturity date</b>	<b>30/6/2016</b>
EGP*	150 million	10/6/2015	10/6/2023	146,234,553
EGP*	80 million	4/6/2015	4/6/2022	74,872,521
EGP*	200 million	14/7/2015	14/7/2022	123,958,848
EGP*	200 million	4/11/2015	4/11/2022	190,568,112
EGP*	200 million	9/8/2015	9/8/2023	42,333,083
EGP*	100 million	30/9/2015	30/9/2025	74,339,955
EGP*	100 million	14/3/2016	14/3/2023	56,941,696
EGP*	50 million	1/6/2016	1/6/2023	2,412,733
EGP**	150 million	29/2/2016	28/2/2021	<u>150,000,000</u>
Total				<u>861,661,501</u>
Current				138,867,611
Non-current				<u>722,793,890</u>
Balance				<u>861,661,501</u>

\* Loans from banks to EFG-Hermes Leasing (wholly owned subsidiary), which is committed to settle the finance granted by waiving the rental value of the finance lease contracts to the banks within those limit of the facility amount.

\*\* Loan from Audi Bank to EFG-Hermes Holding used to finance regional expansion of the holding company.

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## **26- 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.
- The company's Extraordinary General Assembly approved in its session held on May 31, 2015 to increase the company's authorized capital from EGP 3 200 million to EGP 6 billion and to increase issued and paid-in capital from EGP 2,867,422,500 to EGP 3,259,255,500 with an increase amounting to EGP 391,833,000 by issuing 78,366,600 shares of par value EGP 5 through the issuance of free shares at a ratio of 1.46 free share for every ten outstanding shares and approximating the fractions in favor of the small shareholders. This increase is financed from the 2014 profits which were approved in the Ordinary General Assembly in its session held on May 17, 2015 after the exclusion of 36,956,522 shares. The required procedures have been taken for this increase and the registration in the Commercial Register took place on July 5, 2015.
- On September 30, 2015, The company's board of directors approved to decrease the company's issued capital from EGP 3,259,255,500 to EGP 3,074,472,890 with a decrease amounting to EGP 184,782,610 by cancelling 36,956,522 treasury shares with par value EGP 5 each and the company's Extraordinary General Assembly approved it in its session held on November 16, 2015, and the Egyptian Financial Supervisory Authority approved the cancellation on December 15, 2015, The required procedures have been taken for this decrease and the registration in the Commercial Register took place on December 20, 2015.

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**27- Non - controlling interests**

	<b>30/6/2016</b>	<b>31/12/2015</b>
Share capital	72,136,659	423,420,239
Legal reserve	18,344,483	164,513,308
Other reserves	(24,880,076)	875,611,621
Retained earnings	18,920,051	206,077,866
Other equity	--	111,613,500
Increase in fair value of net assets	--	1,456,486,747
Goodwill of subsidiary	23,323,331	--
Interim dividends	(2,474,899)	--
Net profit for the period*	<u>20,158,861</u>	<u>187,493,984</u>
Balance	<u>125,528,410</u>	<u>3,425,217,265</u>

\* The non- controlling interests presented in the income statement with an amount of 66 850 747 EGP include an amount of 46 691 886 EGP represents the non - controlling interests relating the discontinued operations.

**28- 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 issued from banks amounting to:

	<b>30/6/2016</b>	<b>31/12/2015</b>
AED	118,670,000	118,670,000
Equivalent to EGP	285,790,588	251,877,075

Group off-balance sheet items :

	<b>30/6/2016</b>	<b>31/12/2015</b>
Financing commitments given to financial institutions	--	1,101,375,600
Commitments to customers	--	2,622,165,000
Guarantees given to customers	--	965,450,400
Restricted and non – restricted fiduciary accounts	--	54,197,700
Commitments of signature received from financial intermediaries	--	194,218,200
Securities' commitments	--	411,131,400
Other commitments received	--	42,128,590,800
Assets under management	27,833,641,004	28,218,132,733

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**29- 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 288,934 till June 30, 2016 versus EGP 3,547,250 till June 30, 2015 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended	
	30/6/2016	30/6/2015
Egyptian Portfolio Management Group	288,934	2,949,960
EFG- Hermes Financial Management (Egypt) Ltd.	--	597,290
Total	<u>288,934</u>	<u>3,547,250</u>
	=====	=====

**30- Impairment loss on assets**

	2016		2015	
	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016	For the period from 1/4/2015 to 30/6/2015	For the period from 1/1/2015 to 30/6/2015
Impairment loss on accounts receivables & debit accounts	484,132	484,132	--	93,791
Total	<u>484,132</u>	<u>484,132</u>	<u>--</u>	<u>93,791</u>
	=====	=====	=====	=====

**31- Income tax expense**

	2016		2015	
	For the period from 1/4/2016 to 30/6/2016	For the period from 1/1/2016 to 30/6/2016	For the period from 1/4/2015 to 30/6/2015	For the period from 1/1/2015 to 30/6/2015
Current income tax	(9,098,708)	(16,550,165)	(18,534,609)	(23,418,810)
Deferred tax	(590,098)	(2,638,260)	(162,705)	(471,992)
Total	<u>(9,688,806)</u>	<u>(19,188,425)</u>	<u>(18,697,314)</u>	<u>(23,890,802)</u>
	=====	=====	=====	=====

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**32- Cash and cash equivalents**

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

	<b>30/6/2016</b>	<b>31/12/2015</b>
Cash and due from banks	6,801,336,329	26,456,336,103
Due to banks and financial institutions	(567,665,261)	(3,855,071,009)
Assets – maturity more than three months	--	(11,019,498,600)
Treasury bills less than 90 days	49,611,677	--
Effect of exchange rate	--	155,816,969
	<hr/>	<hr/>
Cash and cash equivalents	6,283,282,745	11,737,583,463
	=====	=====

**33- General administrative expenses**

	<b>2016</b>		<b>2015</b>	
	<b>For the period from 1/4/2016 to 30/6/2016</b>	<b>For the period from 1/1/2016 to 30/6/2016</b>	<b>For the period from 1/4/2015 to 30/6/2015</b>	<b>For the period from 1/1/2015 to 30/6/2015</b>
Wages , salaries and similar items	144,624,827	352,653,322	124,832,718	246,523,185
Consultancy	(4,101,276)	10,534,211	4,316,455	(1,448,621)
Travel , accommodation and transportation	4,359,770	8,352,275	5,887,829	10,251,627
Leased line and communication	12,822,284	24,588,600	10,904,541	21,817,340
Rent and utilities expenses	10,845,080	18,613,217	7,999,335	15,425,298
Other expenses	27,745,607	54,661,023	28,090,884	51,772,106
	<hr/>	<hr/>	<hr/>	<hr/>
Total	196,296,292	469,402,648	182,031,762	344,340,935
	=====	=====	=====	=====

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**34- Operating segment**

**(a) Basis for operating segment**

Segment information is presented in respect of the Group's business segments.

The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

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

**For the period ended June 30, 2016**

	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Micro Finance</b>	<b>Total</b>
Fee and commission income	297,068	218,030,251	62,517,924	82,154,932	50,992,499	--	22,314,672	436,307,346
Fee and commission expense	(9,783)	(17,818,304)	(6,592,139)	(131,610)	--	(39,296)	(1,009,424)	(25,600,556)
Net fee and commission income	287,285	200,211,947	55,925,785	82,023,322	50,992,499	(39,296)	21,305,248	410,706,790
Securities gains	14,936,880	4,202,248	--	--	--	--	--	19,139,128
Changes in the investments at fair value through profit and loss	2,058,090	1,193,753	--	--	608,538	--	--	3,860,381
Revenues from leasing activities	--	--	--	--	--	82,687,217	--	82,687,217
Foreign currencies differences	75,591,058	15,752,409	38,653,497	2,273,587	23,486,567	985	58,866	155,816,969
Other income	7,851,697	6,871,844	1,746,052	7,201,326	510,885	--	(1,917,320)	22,264,484
Non-interest revenue	100,725,010	228,232,201	96,325,334	91,498,235	75,598,489	82,648,906	19,446,794	694,474,969

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	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Micro Finance</b>	<b>Total</b>
Interest and dividend income	16,713,398	29,283,535	53	2,267,617	2,518,431	1,206,032	24,868,077	76,857,143
Interest expense	(17,682,096)	(13,466,995)	--	--	--	(37,828,612)	(9,652,970)	(78,630,673)
Net interest income	(968,698)	15,816,540	53	2,267,617	2,518,431	(36,622,580)	15,215,107	(1,773,530)
Total net revenue	99,756,312	244,048,741	96,325,387	93,765,852	78,116,920	46,026,326	34,661,901	692,701,439
General administrative expenses	195,172,528	155,971,265	36,032,656	26,437,125	26,355,191	7,988,658	21,445,225	469,402,648
Provisions	2,147,004	2,760,645	1,087,591	370,284	6,083,598	--	72,376	12,521,498
Depreciation and amortization	10,248,668	3,081,925	256,080	125,854	61,218	29,512,302	1,013,112	44,299,159
Impairment loss on assets	--	484,132	--	--	--	--	--	484,132
Total non-interest expense	207,568,200	162,297,967	37,376,327	26,933,263	32,500,007	37,500,960	22,530,713	526,707,437
(Loss) profit before income tax	(107,811,888)	81,750,774	58,949,060	66,832,589	45,616,913	8,525,366	12,131,188	165,994,002
Income tax expense	9,487,133	(10,289,726)	(844,046)	(11,277,558)	(2,308,399)	(1,544,792)	(2,411,037)	(19,188,425)
(Loss) profit from continuing operations	(98,324,755)	71,461,048	58,105,014	55,555,031	43,308,514	6,980,574	9,720,151	146,805,577
Total assets	5,185,546,267	5,520,445,902	938,474,079	69,050,974	935,280,311	904,264,595	647,407,066	14,200,469,194
Total liabilities	698,407,854	3,254,189,809	120,329,735	75,896,762	255,082,779	796,013,800	139,382,528	5,339,303,267

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	For the period ended June 30, 2015					Leasing	Total
	Holding & Treasury	Brokerage	Asset Management	Investment Banking	Private Equity		
Fee and commission income	3,510,008	211,846,143	66,435,817	99,303,518	41,634,564	--	422,730,050
Fee and commission expense	(69,207)	(17,018,282)	(4,817,166)	(106,649)	(43,871)	--	(22,055,175)
Net fee and commission income	3,440,801	194,827,861	61,618,651	99,196,869	41,590,693	--	400,674,875
Securities gains	15,202,612	4,565,056	--	--	--	--	19,767,668
Changes in the investments at fair value through profit and loss	2,511,400	25,797	--	--	(2,304,405)	--	232,792
Revenues from leasing activities	--	--	--	--	--	1,670,036	1,670,036
Foreign currencies differences	49,632,552	4,610,299	7,418,002	257,491	9,768,991	--	71,687,335
Other income	8,710,638	8,621,182	2,969,350	--	41,191	--	20,342,381
Non-interest revenue	79,498,023	212,650,195	72,006,003	99,454,360	49,096,470	1,670,036	514,375,087
Interest and dividend income	8,845,248	10,612,712	777	29,947	1,316,899	648,230	21,453,813
Interest expense	(9,065,083)	(10,152,668)	--	--	--	(281,509)	(19,499,260)
Net interest income	(219,835)	460,044	777	29,947	1,316,899	366,721	1,954,553
Total net revenue	79,278,188	213,110,239	72,006,780	99,484,307	50,413,369	2,036,757	516,329,640



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	<b>Holding &amp; Treasury</b>	<b>Brokerage</b>	<b>Asset Management</b>	<b>Investment Banking</b>	<b>Private Equity</b>	<b>Leasing</b>	<b>Total</b>
General administrative expenses	149,808,217	122,964,826	31,557,710	21,674,783	15,924,278	2,411,121	344,340,935
Provisions	3,850,119	2,425,702	874,648	356,399	9,271,629	--	16,778,497
Depreciation and amortization	6,871,030	3,176,621	311,313	150,582	46,896	330,977	10,887,419
Impairment loss on assets	--	93,791	--	--	--	--	93,791
Total noninterest expenses	160,529,366	128,660,940	32,743,671	22,181,764	25,242,803	2,742,098	372,100,642
(Loss) profit before income tax	(81,251,178)	84,449,299	39,263,109	77,302,543	25,170,566	(705,341)	144,228,998
Income tax expense	(8,725,401)	(12,235,169)	(153,046)	(2,658,362)	(93,549)	(25,275)	(23,890,802)
(Loss) profit from continuing operations	(89,976,579)	72,214,130	39,110,063	74,644,181	25,077,017	(730,616)	120,338,196
Total assets	5,963,735,391	5,315,222,112	163,515,192	66,786,494	295,546,272	162,279,163	11,967,084,624
Total liabilities	506,997,871	3,271,943,046	38,321,982	13,853,777	203,543,415	86,506,014	4,121,166,105

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**(b) Geographical segments**

The Group operates in three main geographical areas: Egypt, GCC and Lebanon.

In presenting the geographic information, segment revenue has been based on the geographical location of operation and the segment assets were based on the geographical location of the assets. The group's operations are reported under geographical segments, reflecting their respective size of operation.

The revenue analysis in the tables below is based on the location of the operating company, which is the same as the location of the major customers and the location of the operating companies:

	<b>June 30, 2016</b>				
	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total net revenue	522,625,358	154,594,470	325,764	15,155,847	692,701,439
Segment assets	6,772,826,307	4,970,646,955	2,403,884,423	53,111,509	14,200,469,194

	<b>June 30, 2015</b>				
	<b>Egypt</b>	<b>GCC</b>	<b>Lebanon</b>	<b>Other</b>	<b>Total</b>
Total net revenue	334,277,949	170,552,480	2,052,292	9,446,919	516,329,640
Segment assets	5,701,747,899	3,146,699,351	75,526,270,987	87,327,415	84,462,045,652

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### **35- Tax status (the holding company)**

- As to Income Tax, the years till 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 years 2011 / 2012 have been inspected and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2013 the competent Tax Inspectorate inspected the parent company's books and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to years 2014/2015, it has not been inspected yet.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee, and the due amount has been paid and as to years 2009/2012 company's books had been examined and the settlement procedures are currently taking place, and as to years 2013 / 2015 , 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 court, and the period from 1/8/2006 till 31/12/2013 has been inspected and the company was notified by form no. (19) which was objected thereon on the due date and the settlement procedures are currently taking place and as to year 2014/2015, it has not been inspected yet.

### **36- Group's entities**

The parent company owns the following subsidiaries:

	<b>Direct ownership</b>	<b>Indirect ownership</b>
	%	%
Financial Brokerage Group	99,87	0,09
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

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	<b>Direct ownership</b>	<b>Indirect ownership</b>
	%	%
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
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	--	57,723
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited	100	--
EFG - Hermes Syria LLC	49	20,37
Sindyan Syria LLC	97	--
Talas & Co. LLP	--	97
EFG - Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd.	--	100
Mena Long-Term Value Master Holdings Ltd.	--	90
Mena Long-Term Value Management Ltd.	--	90
EFG - Hermes CL Holding SAL	--	100
EFG - Hermes Investment Funds Co.	99,998	--
EFG-Hermes IB Limited	100	--
Meda Access Cayman Holdings Limited	--	100
EFG- Hermes Mutual Funds Co.	100	--
Beaufort Investments Company	100	--
EFG-Hermes Leasing	99	1
EFG Hermes-Direct Investment Fund	64	--
Tanmeyah Micro Enterprise Services S.A.E	94	--

**37- 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 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.

**37-1 Market risk**

Market risk is defined as the potential loss in both on and off financial position 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.

**37-2 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.

- The company has reevaluate assets and liabilities at the financial position date as disclosed in foreign currency accounting policy.

**37-3 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.

#### **37-4 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.

#### **37-5 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.

**37-6 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.

**37-7 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.

**37-8 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.

**37-9 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.

**37-10 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.
- 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.

**37-11 Risk of fund granting**

The risk of fund granting is defined as the expected losses of a failure of one or some of the lenders to repay debts due to the institution in the agreed maturity dates with the institution.

And it can result the customer’s failure to fulfill their debts toward the institution ,whether for forced circumstances related to the customers such as client activity suffered a financial crisis, natural disasters or economic sector exposure to the client or the financial crisis exposed the economic sector for the client to the crisis outside the client's control or as a result of the nature of the new laws and regulations especially the geographical scope of the client It can also be the result of deliberate omission by the client or as a result of the failure of credit information system and ensure the solvency of the client and its ability to fulfill its payment commitment with the company.



## **38- Significant accounting policies**

### **38-1 Business Combination**

- The Group accounts for business combinations using the acquisition method when control is transferred to the Group.
- The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.
- Any goodwill that arises is tested annually for impairment, any gain on a bargain purchase is recognized immediately in profit or loss
- Transaction costs are expensed as incurred, except if related to the issue of debtor equity securities.
- The consideration transferred doesn't include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.
- Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not re measured and settlement is accounted for within equity. Otherwise, other contingent consideration is re measured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

### **38-2 Subsidiaries**

- Subsidiaries are entities controlled by the Group.
- The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.
- The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### **38-2-1 Non-controlling interests**

NCI are measured at their proportionate share of the acquiree 's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

### **38-2-2 Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

### **38-3 Interests in equity-accounted investees**

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, where by the Group has rights to the net assets of the arrangement.

Rather than rights to its assets and obligations for its liabilities. Interests in associates and the joint venture are accounted for using the equity method. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

#### **38-3-1 Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### **38-4 Foreign currency**

#### **38-4-1 Foreign currency transactions**

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that

are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss. However, foreign currency differences arising from the translation of the following items are recognized in OCI:

- Available-for-sale equity investments (except on impairment, in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss);
- A financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective.
- Qualifying cash flow hedges to the extent that the hedges are effective.

#### **38-4-2 Foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions.

Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

#### **38-5 Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held-for-sale.

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

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When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is re-presented as if the operation had been discontinued from the start of the comparative period.

## **38-6 Revenue**

### **38-6-1 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.

### **38-6-2 Dividend income**

Dividend income is recognized when declared.

### **38-6-3 Custody fee**

Custody fees are recognized when the service is provided and the invoice is issued.

### **38-6-4 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".

### **38-6-5 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 financial position. 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.

**38-6-6 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.

**38-6-7 Management fee**

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

**38-6-8 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.

**38-6-9 Finance lease income**

Income resulted from lease contracts is recognized based on internal return rate resulted from lease contracts in addition to the equivalent amount of a periodical depreciation installment. The differences between the income recognized and accrued rental value for the same period is suspended in a separate account, and is to be settled with the carrying amount of the leased assets at the end of contract period.

**38-6-10 Investment property rental income**

Rental income from investment property is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from other property is recognized as other income.

**38-6-11 Revenue for micro-finance services**

- Revenue from micro-finance services is recognized based on time proportion taking into consideration the rate of return on asset. Revenue yield is recognized in the income statement using the effective interest method for all financial instruments that carry a yield, the effective interest method is the method of measuring the amortized cost of a financial asset and distributing the revenue over the life of time the relevant instrument. The effective interest

rate is the rate that discounts estimated future cash receipts during the expected life of the financial instrument to reach the book value of the financial asset.

- When classifying loans to customers as irregular, no income is recognized on its return and it is recognized in marginal records outside the financial statements and are recognized as revenue in accordance with the cash basis when it is collected.
- The commission income is represented in the value of the difference between the yield of the financing granted micro-enterprises and the accruals of the company's bank by deducting the services provided directly from the amounts collected from the entrepreneurs.
- The benefits and commissions resulting from the performance of the service are recognized, according to the accrual basis as soon as the service is provided to the client unless those revenues cover more of the financial period are recognized on a time proportion basis.
- An administrative commission of 8% of the loan granted to customers is collected on contracting in exchange for the issuance of the loan service and administrative commission revenue are proven in the income statement upon the issuance of the loan to the client.
- A commission delay in payments of premiums is collected at rates agreed upon within the contracts and are recognized as soon as customers delayed payment on the basis of the extended delay.

### **38-7 Income tax**

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

#### **38-7-1 Current tax**

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

### **38-7-2 Deferred tax**

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future
- Taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

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### **38-8 Property, plant and equipment**

#### **38-8-1 Recognition and measurement**

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of certain items of property, plant and equipment . If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

#### **38-8-2 Subsequent expenditure**

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

#### **38-8-3 Depreciation**

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

	<b>Estimated useful life</b>
- Buildings	33.3 - 50 years
- Office furniture, equipment & electrical appliances	2-16.67 years
- Computer equipment	3.33 - 5 years
- Transportation means	3.33 - 8 years

Leased assets are recorded at their historical cost after deducting the accumulated depreciation and any impairment in its value and are depreciated using the straight line method over the estimated productive life for each type of assets as follows:

	<b>Estimated useful life</b>
- Buildings and premises	20 years
- Equipment	5 -7 years
- Computer equipment	3 years
- Vehicles & transportation means	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.



**38-8-4 Reclassification to investment property**

When the use of a property changes from owner-occupied to investment property.

**38-9 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 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.

**38-10 Intangible assets and goodwill**

**- Goodwill**

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

**- Research and development**

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

**- Other intangible assets**

Other intangible assets, are measured at cost less accumulated amortisation and any accumulated impairment losses.

**38-11 Investment property**

Investment property is measured at cost on initial recognition.

Subsequent to initial recognition investment property is measured at cost less accumulated depreciation and impairment loss, if any. Investment property is depreciated on a straight line basis over its useful life. The estimated useful life of investment property is 33 years.

### **38-12 Assets held for sale**

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

### **38-13 Financial instruments**

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit or loss and other financial liabilities category.

#### **38-13-1 Non-derivative financial assets and financial liabilities – Recognition and Derecognition**

The Group initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date when the entity becomes a party to the contractual provisions of the instrument.

The Group derecognises 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 in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all

of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

### **38-13-2 Non-derivative financial assets – Measurement**

#### **Financial assets at fair value through profit or loss**

A financial asset is classified as at fair value through profit or loss if it is classified as held for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, including any interest or dividend income, are recognised in profit or loss.

#### **Held-to-maturity financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### **Loans and receivables**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### **Available-for-sale financial assets**

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on debt instruments are recognised in OCI and accumulated in the fair value reserve. When these assets are derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

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**38-13-3 Non-derivative financial liabilities – Measurement**

A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at fair value through profit or loss are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

**38-13-4 Derivative financial instruments and hedge accounting**

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognized in profit or loss.

**38-13-4-1 Cash flow hedges**

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognized in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss.

The amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss or the hedged item affects profit or loss.

If the forecast transaction is no longer expected to occur, the hedge no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

### **38-14 Share capital**

#### **38-14-1 Ordinary shares**

Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction are accounted for in accordance with EAS 24.

#### **38-14-2 Repurchase and reissue of ordinary shares (treasury shares)**

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

### **38-15 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

### **38-16 Impairment**

#### **38-16-1 Non-derivative financial assets**

Financial assets not classified as at fair value through profit or loss, including an interest in an equity accounted investee, are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- Default or delinquency by a debtor;
- Restructuring of an amount due to the Group on terms that the Group would not consider otherwise;
- Indications that a debtor or issuer will enter bankruptcy;
- Adverse changes in the payment status of borrowers or issuers;
- The disappearance of an active market for a security because of financial difficulties.
- Observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Group considers a decline of 20% to be significant and a period of nine months to be prolonged.

**Financial assets measured at amortized cost**

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

**Available-for-sale financial assets**

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

### **Equity-accounted investees**

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss, and is reversed if there has been an estimates used to determine the recoverable amount.

### **38-16-2 Non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than investment property and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

### **38-17 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 financial position date and amended (when necessary) to represent the best current estimate.

### **38-18 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 financial position net of the unearned income.

### **38-19 Trade, and notes receivables, debtors and other debit balances**

- Trade, notes receivables, debtors and other debit balances are stated at nominal value less impairment losses.
- The Company's lessees and the leased assets are regularly classified & evaluated and their obligations are reduced by the rent value paid in each financial period, and with the assurance of the availability of adequate guarantee to collect the client's rent values.
- The provision for doubtful debts is calculated on the investment cost of the leased assets (cost of leased assets in addition to its return at the date of calculating the provision) which are uncertainly collected i.e. (doubtful rent value) after deducting the credit deposits held by the Company. The Company's provisions committee specifies the provision percentage for each credit class which is calculated according to the risk rates of the doubtful rent values or according to the negative changes of the credit indicators, this provision is reviewed regularly or whenever there is a need to do so.

### **38-20 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.

### **38-21 Earnings per share**

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



### **38-22 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.

### **38-23 Loans and advances to customers and related provision**

Loans and advances to customers are stated at principal together with interest earned at the financial position date, and after deduction of unrealized interest and provisions on sub-standard, doubtful and bad debts. These provisions are reviewed periodically by the management of the Bank, using criteria that are consistent with those of the preceding year. Specific provision for credit losses is determined by assessing each case individually. Provisions for doubtful and bad debts are set up to cover any possible losses in principal and interest in the existing portfolio of loans and advances to customers and contingent accounts.

The level of provision to be constituted is based on the difference between the book value and the present value of the expected future cash flows after taking into consideration the realizable value of the guarantees provided. This provision charge is accounted in the income statement. 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 income statement.

Doubtful and bad loans and advances are written-off from the financial position 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.

### **38-24 Unrealized interest on sub-standard, doubtful and bad debts**

Interest on non performing loans and advances are only recognized in the income statement 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 No. 58.

### **38-25 Assets acquired in satisfaction of loans**

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 two 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.

### **38-26 Due from banks and other financial institutions**

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

### **38-27 Customers’ deposits**

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

### **38-28 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 financial position.

### **38-29 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 financial position 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 financial position items.

### **38-30 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.

### **38-31 Impairment losses of micro financed loans**

The Group at the date of the financial statements estimates the impairment losses of micro financed loans, in the light of the basis and rules of granting credit and forming the provisions according to the Board of Directors decision of the Financial Supervisory Authority No. (173) issued on December 21, 2014 to meet the impairment losses.

### **38-32 Operating segment**

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.

### **38-33 Initial application of new Egyptian Accounting Standards "EAS"**

New versions and amendments on the Egyptian Accounting Standards has been activated as at 1/1/2016:

During 2015, A modified version of the Egyptian Accounting Standards "EAS" was issued, these standards involves some of the new accounting standards and adjustments to be applied for the financial periods that starts after the first of January, 2016 knowing that the early application of these standards is not allowed

The most important amendments on the Egyptian Accounting Standards that may have a significant on the financial statements of the company as at 30/6/2016:

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>New or amended standards</b>	<b>Summary of the most significant amendments</b>	<b>Impact on the financial statements</b>
<u>EAS (1)</u> Presentation of Financial Statements	<p data-bbox="603 421 1050 465"><u>Statement Of Financial Position</u></p> <ul data-bbox="603 474 1050 1272" style="list-style-type: none"> <li data-bbox="603 474 1050 846">• The standard does not require to present the working capital presentation. The reference financial statements that was included in 2006 standards was excluded; which presented the working capital presentation.</li> <li data-bbox="603 855 1050 1272">• A column shall be added to the statement of financial position including balances of the beginning of the first presented comparative period in case of retrospective implementation or change in an accounting policy or reclassification carried out by the entity.</li> </ul>	<ul data-bbox="1082 421 1481 801" style="list-style-type: none"> <li data-bbox="1082 421 1481 801">• Re-presenting all the presented financial statements, disclosures and their accompanying notes including the comparative figures to be in conformity with the required amendments to the standard.</li> </ul>
	<p data-bbox="603 1339 1050 1429"><u>Income Statement / Statement of Comprehensive Income</u></p> <p data-bbox="603 1438 1050 1939">The entity shall disclose all recognized income and expense captions during the financial period in two separate statements; one of them presents the profit or loss components (<i>Income Statement</i>) and the other one starts with the profit or loss and presents the other comprehensive income items (<i>Statement of Comprehensive Income</i>).</p>	<ul data-bbox="1082 1339 1481 1518" style="list-style-type: none"> <li data-bbox="1082 1339 1481 1518">• Adding a new statement, ‘<i>Statement of Comprehensive Income</i>’, for the current and comparative period.</li> </ul>

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>New or amended standards</b>	<b>Summary of the most significant amendments</b>	<b>Impact on the financial statements</b>
<u>EAS (10)</u> Property, Plant and Equipment ( <i>PPE</i> )	<ul style="list-style-type: none"> <li>The financial shall disclose amount movement of the PPE and its depreciations in the notes accompanying the financial statements at the beginning and the end of the current period and the comparable period.</li> </ul>	<p>Re-presenting the comparative figures related to the PPE in the notes accompanying the financial statements to be in conformity with the required amendments on the standard.</p>
<u>EAS (23)</u> Intangible Assets	<ul style="list-style-type: none"> <li>The option of using the revaluation model in the subsequent measurement of PPE has been canceled</li> <li>The option of using the revaluation model in the subsequent measurement of intangible assets has been canceled.</li> </ul>	<p>The amendment on the standard has no impact on the figures presented in the financial statements.</p> <p>The amendment on the standard has no impact on the figures presented in the financial statements.</p>
<u>EAS (34)</u> Investment Property	<ul style="list-style-type: none"> <li>The option of using the fair value model in the measurement after recognition of the Property Investment has been canceled.</li> </ul>	<ul style="list-style-type: none"> <li>The fair value of the investment at the beginning of the implementation of this standard considered as deemed cost of that investment for the purposes of the subsequent accounting treatment according to EAS (10) "PPE".</li> <li>Revaluation surplus of fixed assets transferred to investment property is recognized in retained earning (loss) on the retirement or disposal of the investment property</li> </ul>
<u>EAS (41)</u> Operating Segments	<ul style="list-style-type: none"> <li>EAS 33 "Segment Reports" has been replaced with EAS (41) "Operating Segments". Accordingly, the disclosure and the volume of the required disclosures that the Segment Reports must disclose on; mainly depends on the Segments information presented to Chief Operating Decision Maker (CODM) of the entity to make decisions on the resources that must be allocated to the segment and assess its performance.</li> </ul>	<p>On the date of implementing the standards, the entity re-present the information corresponding to the earlier periods including the interim periods.</p>

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>New or amended standards</b>	<b>Summary of the most significant amendments</b>	<b>Impact on the financial statements</b>
<u>Egyptian Standard No. (29)</u> Business Combination	<p>The purchase method was cancelled and replaced by the acquisition method; as results:</p> <ol style="list-style-type: none"> <li>1- Changing the acquisition cost to become the cash consideration transferred; and to be measured at fair value at the acquisition date.</li> <li>2- Contingent consideration: the fair value of the consideration shall be recognized at the acquisition date as a part of consideration transferred.</li> <li>3- Changing the method of measuring goodwill in case of Step Acquisition is made.</li> </ol> <ul style="list-style-type: none"> <li>• The transaction cost (the cost related to the acquisition): Shall be charged to the Income Statement as an expense in which the costs incurred it and shall not be added to the cash consideration transferred; except for the costs of issuing equity as debt instruments directly related to the acquisition process.</li> </ul>	<p>The management applied the amended new standard starting from the current period; the amendment standard has no impact on the comparative period figures presented in the financial statements.</p>

Notes to the consolidated financial statements for the period ended 30 June, 2016 (Continued)  
(In the notes all amounts are shown in EGP unless otherwise stated)

<b>New or amended standards</b>	<b>Summary of the most significant amendments</b>	<b>Impact on the financial statements</b>
<u>Egyptian Standard No.(42): The Consolidated Financial Statements</u>	<ul style="list-style-type: none"><li>• Accounting for the changes in the equity of the parent company in a subsidiary are accounted for as transactions with equity holders in their capacity as equity holders.</li><li>• Any Investment retained in a former subsidiary re-measured at fair value at the date when control is lost and recognize any resulting difference in the Income Statement.</li><li>• Losses applicable to the Non-Controlling Interest "NCI" in a subsidiary including component of Other Comprehensive Income are allocated to the owners of the holding entity and the NCI even if this causes the NCI to have a deficit balances.</li></ul>	No retroactive amendment on the figures presented in the financial statements