EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 June 2011
&
Review Report

Contents

KPMG

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Review Report

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

Introduction

We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company and its subsidiaries as at 30 June 2011 and the related consolidated statements of 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 financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 June 2011, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with Egyptian Accounting Standards.

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KPMG Hazem Hassan

Cairo, August 14, 2011

KPMG Hazem Hassan
Public Accountants and Consultants
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EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of financial position
as at 30 June 2011

	Note no.	30/6/2011 LE	31/12/2010 LE
Assets			
Cash and due from banks	(4)	11 411 789 762	10 119 135 577
Investments at fair value through profit and loss	(5)	1 019 224 287	1 085 289 153
Accounts receivables (net)	(6)	420 884 092	777 248 858
Loans and advances	(7)	11 197 135 971	9 774 474 746
Available -for- sale investments	(8)	1 497 388 525	2 815 356 135
Held-to-maturity investments	(9)	18 108 865 850	17 168 197 800
Investments in associates	(10)	42 351 900	39 175 500
Investment property	(11)	163 524 233	163 125 763
Fixed assets (net)	(12)	1 023 233 339	1 011 791 305
Goodwill and other intangible assets	(13)	2 622 253 113	2 630 015 297
Other assets	(14)	1 116 255 932	1 083 540 667
Total assets		**48 622 907 004**	**46 667 350 801**
Liabilities			
Due to banks and financial institutions	(15)	575 930 522	590 818 300
Customers' deposits	(16)	35 826 754 652	33 189 838 116
Accounts payables - customers' credit balances		560 284 794	630 496 550
Bonds	(17)	465 942 000	444 993 900
Creditors and other credit balances	(18)	875 331 266	1 040 491 727
Other liabilities	(19)	301 680 470	287 378 531
Current tax liability		48 540 667	357 426 274
Other provisions	(21)	279 661 264	271 093 153
Total liabilities		**38 934 125 635**	**36 812 536 551**
Shareholders' equity			
Share capital	(22)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Share premium		3 294 067 512	3 294 067 512
Other reserves		203 701 480	441 749 680
Retained earnings		1 973 006 522	2 180 900 410
		8 341 130 514	8 787 072 602
Treasury shares	(22-1)	(6 918 613)	-
Shareholders' equity		8 334 211 901	8 787 072 602
Net profit for the period / year		114 925 062	700 426 814
Interim dividends		-	(774 517 396)
Shareholders' equity including net profit for the period / year		8 449 136 963	8 712 982 020
Non - controlling interests	(23)	1 239 644 406	1 141 832 230
Total shareholders' equity		**9 688 781 369**	**9 854 814 250**
Total shareholders' equity and liabilities		**48 622 907 004**	**46 667 350 801**

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar
Chairperson

Yasser El Mallawany
Executive Managing Director

Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the period ended 30 June 2011

	Note no.	2011 For the period from 1/4/2011 to 30/6/2011 LE	2011 For the period from 1/1/2011 to 30/6/2011 LE.	2010 For the period from 1/4/2010 to 30/6/2010 LE	2010 For the period from 1/1/2010 to 30/6/2010 LE
Fee and commission income	(25)	272 995 647	553 239 543	204 559 776	450 199 090
Fee and commission expense		(65 318 770)	(146 064 600)	-	-
Net fee and commission income		207 676 877	407 174 943	204 559 776	450 199 090
Securities gains	(10)	16 368 910	23 684 750	30 245 687	782 381 226
Share of profit of associate	(10)	3 599 460	5 243 040	-	-
Foreign currencies differences		(7 831 885)	12 926 405	125 514 309	117 334 550
Other income	(20)	6 692 412	15 824 770	2 919 819	6 147 262
Noninterest revenue		226 505 774	464 853 908	363 239 591	1 356 062 128
Interest and dividends income		617 885 455	1 205 385 195	81 003 938	134 443 939
Interest expense		(394 978 553)	(785 382 586)	(19 355 593)	(30 597 636)
Net interest income		222 906 902	420 002 609	61 648 345	103 846 303
Total net revenue		449 412 676	884 856 517	424 887 936	1 459 908 431
General administrative expenses	(29)	304 888 185	598 802 965	205 526 692	416 094 326
Changes in the fair value of investments at fair value through profit and loss		(16 514 114)	(6 621 576)	71 600 218	32 501 552
Net losses on loans and advances	(7)	(7 102 600)	(3 037 320)	-	-
Other provisions	(21)	6 987 394	14 439 064	(88 733)	16 521 603
Depreciation and amortization	(12),(13)	20 794 387	41 343 387	9 867 349	19 675 557
Changes in the fair value of investment property	(11)	-	-	-	46 104 606
Impairment loss on assets	(26)	243 191	243 191	339 326	47 770 687
Total noninterest expenses		309 296 443	645 169 711	287 244 852	578 668 331
Net profit before income tax		140 116 233	239 686 806	137 643 084	881 240 100
Income tax expense	(27)	(17 601 188)	(37 582 513)	(29 242 511)	(290 800 879)
Net profit for the period		122 515 045	202 104 293	108 400 573	590 439 221
Equity holders of the parent		78 916 105	114 925 062	96 683 257	580 282 469
Non - controlling interests	(23)	43 598 940	87 179 231	11 717 316	10 156 752
		122 515 045	202 104 293	108 400 573	590 439 221
Earnings per share	(30)	0.21	0.30	0.25	1.50

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read therewith.

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the period ended 30 June 2011

				Other reserves														
	Share capital	Legal reserve	Share premium	General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Company's share of items recognized in associate equity	Other reserve	Other equity	Retained earnings	Treasury shares	Net profit for the year / period	Interim dividends	Non - controlling interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December,2009	1 913 570 000	956 785 000	3 294 067 512	373 146	74 100 000	3 106 228	150 913 189	(3 546 267)	(53 645 190)	406 072 180	-	(607 200 000)	2 049 605 610	-	551 810 628	-	206 075 609	8 942 087 645
Transfer a part of the special reserve to retained earnings	-	-	-	-	(32 500 000)	-	-	-	-	-	-	-	32 500 000	-	-	-	-	-
Foreign currencies translation differences	-	-	-	-	-	(16 308 833)	-	-	-	-	-	-	-	-	-	-	-	(16 308 833)
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	-	-	-	-	-	(22 896 120)	-	-	-	-	-	-	-	-	-	(22 896 120)
Company's share of items recognized in associate equity	-	-	-	-	-	-	-	-	-	(406 072 180)	-	-	-	-	-	-	-	(406 072 180)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	15 283 850	-	-	-	-	-	-	-	-	-	-	15 283 850
Cumulative adjustments	-	-	-	-	-	-	-	-	17 962 372	-	-	-	-	-	-	-	-	17 962 372
2009 dividends payout	-	-	-	-	-	-	-	-	-	-	-	-	143 340 626	-	(551 810 628)	-	-	(408 470 002)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(31 892 058)	(31 892 058)
Net profit for the period ended 30 June 2010	-	-	-	-	-	-	-	-	-	-	-	-	-	-	580 282 469	-	10 156 752	590 439 221
Interim dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(774 517 396)	-	(774 517 396)
Balance as at 30 June 2010	1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	(13 202 605)	166 197 039	(26 442 387)	(35 682 818)	-	-	(607 200 000)	2 225 446 236	-	580 282 469	(774 517 396)	184 340 303	7 905 616 499
Balance as at 31 December,2010	1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	80 834 714	348 074 103	(26 442 387)	(19 106 177)	-	16 416 281	-	2 180 900 410	-	700 426 814	(774 517 396)	1 141 832 230	9 854 814 250
Foreign currencies translation differences	-	-	-	-	-	(32 194 351)	-	-	-	-	-	-	-	-	-	-	-	(32 194 351)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	(326 525 590)	-	-	-	-	-	-	-	-	-	-	(326 525 590)
Other reserve	-	-	-	-	-	-	-	-	-	-	122 418 245	-	-	-	-	-	-	122 418 245
Cumulative adjustments	-	-	-	-	-	-	-	-	(1 746 504)	-	-	-	-	-	-	-	-	(1 746 504)
Purchasing of treasury shares	-	-	-	-	-	-	-	-	-	-	-	-	-	(6 918 613)	-	-	-	(6 918 613)
2010 dividends payout	-	-	-	-	-	-	-	-	-	-	-	-	(207 893 888)	-	(700 426 814)	774 517 396	-	(133 803 306)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 632 945	10 632 945
Net profit for the period ended 30 June 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	-	114 925 062	-	87 179 231	202 104 293
Balance as at 30 June 2011	1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	48 640 363	21 548 513	(26 442 387)	(20 852 681)	-	138 834 526	-	1 973 006 522	(6 918 613)	114 925 062	-	1 239 644 406	9 688 781 369

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of cash flows
for the period ended 30 June 2011

	For the period ended 30/6/2011 LE	For the period ended 30/6/2010 LE
Cash flows from operating activities		
Net profit before income tax	239 686 806	881 240 100
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	41 820 574	19 675 557
Provisions formed	4 710 424	16 521 603
Provisions used	(8 111 793)	(22 518 213)
Provisions no longer needed	(444 180)	(860 175)
Gains on sale of fixed assets	(33 078)	(196 800)
Gains on sale of available -for- sale investments	(2 836 570)	(1 918 698)
Gains on sale of investments in associates	-	(739 403 104)
Changes in the fair value of investments at fair value through profit and loss	(6 621 576)	32 501 552
Changes in the fair value of investment property	-	46 104 606
Impairment loss on assets	174 106	47 770 687
Bad debts expense	69 586	-
Interest expense	-	7 810 703
Foreign currency translation differences	60 225 016	35 476 318
Operating profit before changes in working capital	328 639 315	322 204 136
Decrease (increase) in other assets	20 517 287	(499 938 122)
(Decrease) increase in creditors and other credit balances	(132 036 874)	327 225 783
Change in loans and advances	(1 281 162 750)	-
Change in customers' deposits	2 183 791 402	-
Decrease (increase) in accounts receivables	297 915 153	(271 412 213)
(Decrease) increase in accounts payables	(9 749 023)	109 458 796
(Increase) decrease in investments at fair value through profit and loss	(3 207 066)	195 670 490
Change in financial assets (over 3 months)	(89 661 050)	-
Income tax paid	(311 475 564)	(32 476 064)
Net cash provided from operating activities	1 003 570 830	150 732 806
Cash flows from investing activities		
Payments to purchase fixed assets	(23 063 128)	(8 918 667)
Proceeds from sale of fixed assets	6 736 387	299 208
Proceeds from (payments to) projects under construction	154 576	(64 001 749)
Payments to purchase treasury bills	-	(1 496 192 310)
Proceeds from sale of available -for- sale investments	288 044 066	1 294 433
Payments to purchase available -for- sale investments	(175 929 391)	(241 702 124)
Proceeds from sale of investments in subsidiaries and associates	-	5 042 203 927
Payments to purchase investments in subsidiaries and associates	(3 326 022)	-
Proceeds from sale of held - to - maturity investments	175 913 250	-
Payments to long term lending	(7 145 825)	-
Payments to companies' share in Settlement Guarantee Fund	(8 550 715)	(5 130 725)
Proceeds from sale of non -current assets held for sale	1 102 050	-
Net cash provided from investing activities	253 935 248	3 227 851 993
Cash flows from financing activities		
Purchasing of treasury shares	(6 918 613)	-
Changes in retained earnings	-	23 905 338
Increase in banks overdraft	19 802 572	-
Paid dividends	(66 674 753)	(434 338 248)
Change in non-controlling interests	(4 115 900)	-
Net cash used in financing activities	(57 906 694)	(410 432 910)
Net change in cash and cash equivalents during the period	1 199 599 384	2 968 151 889
Cash and cash equivalents at the beginning of the period	8 391 675 153	1 573 975 824
Cash and cash equivalents at the end of the period (note no. 28)	9 591 274 537	4 542 127 713

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read therewith.

EFG- Hermes Holding Company
(Egyptian Joint Stock Company)
Notes to the consolidated financial statements
for the period ended 30 June, 2011

1- Description of business

1-1 Legal status

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.
- EFG – Hermes is the leading investment bank in the Arab world and market leader in securities brokerage, investment banking, asset management, private equity and research.

1-2 Purpose of the company

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14, 2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.
- EFG-Hermes Group has been converted from an investment bank to an universal bank through the acquisition of Credit Libanais SAL (the Bank) group.

1-3 Acquisition of the Credit Libanais SAL (the Bank)

- On August 17, 2010 EFG-Hermes Holding Company agreed with the major shareholder of Credit Libanais SAL (the Bank) to purchase 14 228 000 shares a controlling stack in Credit Libanais SAL (the Bank) through its fully owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 542 million and a Call Option for an additional 25 % of the Bank's shares. The call option will be exercisable over the next two years, at the terms including pricing same as those applicable to the initial acquisition. The company obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title had been completed on November 8, 2010.
- On December 30, 2010 the company obtained the approval of the Central Bank of Lebanon on the purchase of another 686 918 of Credit Libanais S.A.L

(the Bank) Shares through its fully owned subsidiary EFG – Hermes CL Holding SAL.

- Credit Libanais SAL (the Bank) has subsidiaries, so the consolidated financial statements of the company for the period ended June 30, 2011 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

Company	% of control
Credit Libanais Investment Bank SAL	99.84
Lebanese Islamic Bank SAL	99.82
Credit International SA	87.48
Cedar's Real Estate SAL	99.92
Soft Management SAL	46.99
Hermes Tourism & Travel SAL	99.99
Liberty Restaurant SARL (under liquidation)	99.20
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.60
Capital Real Estate SAL	98
Liberty Tower SAL	98.89
Credilease SAL	99.24
Collect SAL	44.93

- All subsidiaries were incorporated in Lebanon except for Credit International SA, which was incorporated in Senegal.

2- Basis of preparation

2-1 Statement of compliance

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

2-2 Basis of measurement

- The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value:
  - Derivative financial instruments.
  - Financial instruments at fair value through profit and loss.
  - Available-for-sale financial assets.
- The determination of fair values of financial instruments traded in active markets is based on quoted market prices. For financial instruments where there is no quoted price, fair value is determined by using valuation techniques. Valuation techniques include net present value technique, the discounted cash flow method and comparison to similar instruments for which market observable prices exist.

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

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

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

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

- Note (21) – other provisions.
- Note (24) – contingent liabilities, valuation of financial instruments.
- Note (14-3) – recognition of deferred tax assets and liabilities.

2-5 Financial assets and liabilities

Recognition and derecognition:

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

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

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

Offsetting

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

3- Significant accounting policies applied

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

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

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

3-1-2 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

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

Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3-2 Translation of the foreign currencies transactions

The holding company and some of its subsidiaries maintain their books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

3-3 Translation of the foreign subsidiaries' financials

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the year end, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

3-4 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

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

3-5 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-10). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

	Estimated useful life	
- Buildings	33.3 - 40	years
- Office furniture, equipment & electrical appliances	2-16.67	years
- Computer equipment	3.33 - 5	years
- Transportation means	3.33 - 8	years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3-6 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3-7 Intangible assets

3-7-1 Goodwill

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

- Positive goodwill is stated at cost less impairment losses (note 3-10).
- While negative goodwill arose from business combinations after applying International Financial Reporting Standards (IFRS3) will be recognized directly in the income statement.
- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

3-7-2 Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (note 3-10). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets.

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

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

3-7-3 Subsequent expenditure

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

3-8 Treasury bills

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

3-9 Investments

3-9-1 Investments at fair value through profit and loss

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

3-9-2 Available-for-sale financial investments

Available-for-sale financial investments are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably, are stated at cost less impairment loss.

3-9-3 Held-to-maturity investments

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

3-9-4 Investment property

Investment property is recorded at fair value, any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

3-10 Impairment

3-10-1 Financial assets

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

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

3-10-2 Non-financial assets

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

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

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

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

3-11 Cash and cash equivalents

For the purpose of preparing the cash flow statement, cash and cash equivalent includes the balances, which maturity not exceeding three months from the date of acquisition and the balances included cash on hand, cheques under collection and due from banks and financial institutions.

3-12 Interest-bearing borrowings

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

3-13 Other assets

Other assets are recognized at cost less impairment losses (note 3-10).

3-14 Provisions

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

3-15 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 the deduction.

3-16 Share capital

3-16-1 Repurchase of share capital

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

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

3-16-2 Dividends

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

3-17 Revenue recognition

3-17-1 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 associate, 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 profit or loss.

3-17-2 Dividend income

Dividend income is recognized when declared.

3-17-3 Custody fee

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

3-17-4 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 of all instruments bearing interest other than those classified held for trading or which have been classified when at inception fair value through profits and losses.

3-17-5 Fee and commission income

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

3-17-6 Brokerage commission

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

3-17-7 Management fee

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

3-17-8 Incentive fee

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

3-18 Long term lending

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

3-19 Expenses

3-19-1 Employees' pension

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

3-19-2 Taxation

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

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

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

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

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

3-20 Earnings per share

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

3-21 Profit sharing to employees

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

3-22 Loans and advances to customers and related provision

Loans and advances to customers are stated at principal together with interest earned at the statement of 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 statement of income. No general provisions are requested on the loan portfolio apart from the "Reserve for general banking risks".

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

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

3-23 Unrealized interest on sub-standard, doubtful and bad debts

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

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

3-24 Assets acquired in satisfaction of loans (unquoted assets ready for sale)

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

3-25 Due from banks and other financial institutions

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

3-26 Customers' deposits

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

3-27 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly did not recorded in the statement of financial position.

3-28 Reserves for general banking risks

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

3-29 Allowances for credit losses

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

3-30 Segment reporting

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

4- Cash and due from banks

	30/6/2011 LE	31/12/2010 LE
Cash on hand	182 286 521	168 591 103
Central Bank of Lebanon *		
- Demand deposits	440 492 150	739 354 200
- Time deposits	3 730 585 400	2 990 430 300
Other Central Banks		
- Demand deposits	101 467 600	47 486 400
Cheques under collection	2 208 335	825 391
Banks - current accounts (net)	900 249 063	869 429 911
Banks - demand deposits	556 274 623	520 570 845
Banks - time deposits	5 493 217 470	4 777 490 527
Accrued interest	5 008 600	4 956 900
Balance	11 411 789 762	10 119 135 577

* Current accounts with Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with Lebanon banking regulations.

5- Investments at fair value through profit and loss

Trading investment

	30/6/2011	31/12/2010
	LE	LE
Mutual Fund certificates	526 932 515	910 004 395
Equity securities	128 482 030	63 252 281
Debt securities	323 654 042	112 032 477
Lebanese treasury bills	40 155 700	--
Balance	1 019 224 287	1 085 289 153

6- Accounts receivables

	30/6/2011	31/12/2010
	LE	LE
Accounts receivables (net)	483 278 065	776 868 466
Other brokerage companies (net)	(62 393 973)	380 392
Balance	420 884 092	777 248 858

7- Loans and advances

		30/6/2011	31/12/2010
		LE	LE
Loans and advances to customers	(7-1)	11 006 489 350	9 618 043 500
Loans and advances to related parties	(7-2)	132 455 350	105 385 800
Other loans		58 191 271	51 045 446
Balance		11 197 135 971	9 774 474 746

7-1 Loans and advances to customers

	30/6/2011				31/12/2010
	Gross amount LE	Unrealized Interest LE	Impairment allowance LE	Carrying amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	218 893 200	--	--	218 893 200	406 699 800
Mortgage loans	4 457 057 550	--	--	4 457 057 550	3 999 017 100
Personal loans	1 503 018 450	--	--	1 503 018 450	1 792 763 700
Credit cards	137 606 150	--	--	137 606 150	211 894 800
Other	19 252 300	--	--	19 252 300	56 803 500
Regular corporate customers					
Corporate	4 297 706 650	--	--	4 297 706 650	2 853 899 100
Classified retail customers					
Watch	50 923 400	--	--	50 923 400	57 996 900
Substandard	87 453 000	(28 195 100)	--	59 257 900	52 677 300
Doubtful	162 439 800	(78 450 950)	(78 510 200)	5 478 650	9 582 300
Bad	26 133 200	(18 501 800)	(7 631 400)	--	--
Classified corporate customers					
Watch	210 143 950	--	--	210 143 950	138 734 700
Substandard	25 039 050	(3 167 900)	--	21 871 150	27 498 900
Doubtful	253 084 400	(83 957 250)	(146 047 300)	23 079 850	16 161 600
Bad	39 255 100	(25 248 400)	(14 006 700)	--	--
Collective provision for retail loans	--	--	(21 436 650)	(21 436 650)	(21 169 200)
Accrued interest receivable	23 636 800	--	--	23 636 800	15 483 000
Balance	11 511 643 000	(237 521 400)	(267 632 250)	11 006 489 350	9 618 043 500

7-2 Loans and advances to related parties

	30/6/2011	31/12/2010
	LE	LE
Regular Retail loans	671 500	5 226 000
Regular Corporate loans	131 783 850	100 159 800
Balance	132 455 350	105 385 800

8- Available - for- sale investments

	30/6/2011	31/12/2010
	LE	LE
Lebanese Treasury bills	--	885 128 400
Corporate debt securities	--	18 298 800
Preferred shares	68 331 050	171 795 000
Equity securities	1 425 632 825	1 717 389 135
Accrued interest receivable	3 424 650	22 744 800
Balance	1 497 388 525	2 815 356 135

9- Held-to-maturity investments

	30/6/2011	31/12/2010
	LE	LE
Lebanese government treasury bills and Eurobonds	12 351 053 550	11 782 145 700
Certificates of deposit issued by banks	5 127 423 900	4 988 946 300
Other debt instruments	318 069 800	87 445 800
Accrued interest receivable	312 318 600	309 660 000
Balance	18 108 865 850	17 168 197 800

10- Investments in associates

	Ownership	30/6/2011	31/12/2010
	%	LE	LE
Agence Générale de Courtage d'Assurance SAL	25.86	26 081 850	23 782 200
Credit Card Management SAL	28.96	9 207 450	8 357 700
International Payment Network SAL	18.68	5 695 900	5 643 300
Net Commerce SAL	19.10	991 450	916 500
Hermes Rent a Car SAL	27.31	323 900	425 100
Liberty Executive Center SAL	6.27	51 350	50 700
Balance		42 351 900	39 175 500

- On January 21,2010 the holding company and its subsidiaries sold the entire investment in Audi Bank – Lebanon (an associate – 29.16%) which was represented in 10 037 182 shares with share price of US $ 91 each, the consolidated selling gain amounted to LE 739 403 104 after eliminating the effects of the equity method applied in the accounting for the investment.

11- Investment property

Investment property amounted LE 163 524 233 as at 30 June, 2011 , represents the following:

- LE 132 062 511 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building
- LE 31 461 722 represents the fair value of the area owned by EFG – Hermes UAE Limited in the Index Tower.

12- Fixed assets

Particular	Land & Buildings LE	Leasehold Improvements LE	Office furniture, equipment & electrical Appliances LE	Computer Equipment LE	Vehicles LE	Projects Under Construction* LE	Total LE
Balance as at 1/1/2011	832 024 637	164 972 534	279 164 161	80 373 732	19 217 135	40 710 266	1 416 462 465
Additions	6 066 000	9 265 301	8 670 711	3 282 493	114 500	564 810	27 963 815
Disposals	--	(133 000)	(1 814 039)	(5 270 618)	(227 200)	(13 385 303)	(20 830 160)
Foreign currency translation difference	10 679 584	5 984 372	8 764 497	788 907	498 528	21 067 600	47 783 488
Total cost as at 30/6/2011	848 770 221	180 089 207	294 785 330	79 174 514	19 602 963	48 957 373	1 471 379 608
Accumulated depreciation as at 1/1/2011	63 069 076	118 183 835	161 619 846	49 837 509	11 960 894	--	404 671 160
Depreciation	9 912 802	7 531 284	16 323 834	4 600 433	1 195 484	--	39 563 837
Disposals' accumulated depreciation	--	(133 000)	(1 463 768)	--	(226 987)	--	(1 823 755)
Foreign currency translation difference	808 629	1 486 019	2 767 898	597 703	74 778	--	5 735 027
Accumulated depreciation as at 30/6/2011	73 790 507	127 068 138	179 247 810	55 035 645	13 004 169	--	448 146 269
Carrying amount as at 30/6/2011	774 979 714	53 021 069	115 537 520	24 138 869	6 598 794	48 957 373	1 023 233 339
Carrying amount as at 31/12/2010	768 955 561	46 788 699	117 544 315	30 536 223	7 256 241	40 710 266	1 011 791 305

* Projects under construction are represented in the following :

	30/6/2011 LE	31/12/2010 LE
Preparations in the new headquarters of the group in Smart Village - Egypt	1 695 668	1 856 584
Office spaces in Egypt	9 784 500	16 038 147
Preparation of alternate headquarters in emergency - United Arab Emirates	7 273 400	6 756 590
New headquarters – Syrian Arab Republic	262 805	778 745
Others	29 941 000	15 280 200
Balance	48 957 373	40 710 266

13- Goodwill and other intangible assets

		30/6/2011 LE	31/12/2010 LE
Goodwill	(13-1)	2 600 148 662	2 607 144 507
Other intangible assets	(13-2)	22 104 451	22 870 790
Balance		2 622 253 113	2 630 015 297

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

	30/6/2011 LE	31/12/2010 LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
EFG- Hermes Oman LLC	66 039 857	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) - Kuwait	567 776 330	567 776 330
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	8 639 218	8 639 218
Credit Libanais SAL *	1 892 609 501	1 899 605 346
Balance	2 600 148 662	2 607 144 507

* The financial statements of Credit Libanias SAL group have been consolidated based on the book value of the acquired assets and liabilities, and accordance with the Egyptian Accounting Standards, the Company enjoys 12 months (ending August 2011) to determine the fair value of an acquiree's Credit Libanais SAL (the Bank) identifiable assets and liabilities. The Company is in the process of determining this fair value exercise and adjust accordingly.

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

	30/6/2011 LE	31/12/2010 LE
Key Money	177 750	191 100
Licenses & Franchise	4 641 500	4 398 830
Research & Development	17 158 800	18 162 300
Software	126 401	118 560
Balance	22 104 451	22 870 790

14- Other assets

		30/6/2011 LE	31/12/2010 LE
Deposits with others	(14-1)	48 076 924	52 181 539
Downpayments to suppliers		2 167 021	2 320 838
Prepaid expenses		53 139 931	48 955 566
Employees' advances		15 412 278	20 212 443
Accrued revenues		27 463 995	19 798 581
Taxes withheld by others		50 646 545	74 172 009
Payments for investments	(14-2)	22 897 003	22 464 700
Receivables - sale of investments		77 037 933	72 974 948
Infra Egypt fund		3 509 923	2 856 785
Perching Brokerage		1 077 317	2 415 752
Settlement Guarantee Fund		33 466 805	24 377 487
Unquoted assets - Ready for sale acquired in satisfaction of loans		167 535 300	166 502 700
Due from EFG- Hermes Employee Trust		406 850 329	408 962 440
Due from Ara inc. company		2 928 929	6 961 205
Due from related parties		17 731 550	8 899 800
Re-insurance accrued commission		13 959 300	12 944 100
Cards transaction on ATM		3 096 800	--
Re-insurance debtors		4 672 850	--
Deferred tax assets	(14-3)	7 535 917	8 284 836
Non current assets available for sale		5 579 066	--
Sundry debtors		151 470 216	128 254 938
Balance		1 116 255 932	1 083 540 667

14-1 Deposits with others include an amount of LE 20 969 000 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents the blocked deposits for Same Day Trading Operations Settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use the amounts without prior approval from Misr Clearance Company , in addition to an amount of LE 23 759 250 (equivalent to LBP 6 015 million) represents deposit blocked with the Ministry of Finance of Lebanon.

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

	30/6/2011	31/12/2010
	LE	LE
EFG- Hermes Mutual Funds Co.	10 000 000	10 000 000
Financial Group for Real Estate Co.	250 000	250 000
EFG-Hermes Securitization Company	5 000 000	5 000 000
Arab Visual Company	3 749 500	3 749 500
Egyptian Company for Funds Investments	400 200	400 200
IDEAVELOPERS	25 000	25 000
AAW company for infrastructure	3 040 000	3 040 000
Sohail Investment Company	432 303	--
	22 897 003	22 464 700

14-3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	**30/6/2011**		**31/12/2010**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	LE	**LE**	**LE**	**LE**
Fixed assets depreciation	--	3 944 745	--	3 836 086
Expected claims provision	2 514 649	--	3 114 649	--
Impairment loss on assets	3 937 843	--	4 009 430	--
Previous years losses forward	920 046	--	882 479	--
Company's share in affiliate's profits	--	2 504 473	--	2 498 233
Total deferred tax assets / liabilities	7 372 538	6 449 218	8 006 558	6 334 319
Net deferred tax assets	923 320		1 672 239	

(B) Deferred tax recognized directly in equity

	30/6/2011	**31/12/2010**
	LE	**LE**
Changes in fair value of cash flow hedges	6 612 597	6 612 597

15- Due to banks and financial institutions

		30/6/2011	31/12/2010
		LE	LE
Current deposits of banks		142 042 000	127 038 600
Banks overdraft		19 802 572	--
Time deposits		67 932 100	74 685 000
Financial institutions		304 213 200	332 658 300
Long term borrowing	(15-1)	37 891 900	53 956 000
Accrued interest payable		4 048 750	2 480 400
Balance		575 930 522	590 818 300

15-1 Long term borrowings

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US$ 20 million with an applied annual floating interest rate in order to finance regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US$ 2 million for each installment and the first installment was due on May 15,2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15,2006. The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US$ 20 million on September 3, 2006. The company paid US$ 18 million which represents 9 installments accordingly, the loan balance amounted to US$ 2 million (equivalent to LE 11 938 000) as at June 30, 2011 (this amount will due within one year)

B- On December 29,2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi- annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006.

The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on

September 17, 2006. The company has paid Euro 7 million accordingly, the loan balance as of June 30, 2011 amounted Euro 3 million (equivalent to LE 25 953 900).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (equivalent to LE 17 302 600).

16- Customers' deposits

	30/6/2011 LE	31/12/2010 LE
Deposits from customers (private sector):		
- Saving accounts	21 460 132 750	20 179 672 500
- Term deposits	8 371 898 600	7 325 217 900
- Current accounts	3 250 042 102	3 020 807 016
	33 082 073 452	30 525 697 416
Deposits from customers (public sector):		
- Term deposits	1 077 034 650	948 160 200
- Current accounts	362 136 000	440 505 000
	1 439 170 650	1 388 665 200
Others	34 056 900	39 760 500
	34 555 301 002	31 954 123 116
Accrued interest payable	165 647 200	180 082 500
	34 720 948 202	32 134 205 616
Deposits from related parties:		
Long term saving accounts	308 443 650	308 279 400
Short term saving accounts	--	100 545 900
Long term deposits	687 347 400	639 038 400
Short term deposits	106 262 900	--
Accrued interest payable	3 752 500	7 768 800
	1 105 806 450	1 055 632 500
Balance	35 826 754 652	33 189 838 116

17- Bonds

On November 11, 2010 Credit Libanais SAL has 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 amounted to LE 465 942 000 as at June 30, 2011 versus LE 444 993 900 as at December 31,2010.

18- Creditors and other credit balances

	30/6/2011 LE	31/12/2010 LE
Margins held against documentary credits	85 762 400	67 895 100
Technical reserve for insurance companies	117 686 300	110 514 300
Interbranch reconciling items	35 850 200	7 144 800
Revaluation of assets acquired in satisfaction of loans	19 639 400	19 390 800
Social Insurance Association	643 097	603 651
Unearned revenues	5 078 023	10 802 770
Accrued interest & commission	11 507 680	22 007 637
Suppliers	84 614 290	70 301 359
Accrued expenses	230 442 577	314 666 274
Unrealized swap gains (losses)	226 134	(46 126)
Clients' coupons- Custody Activity	8 356 007	8 716 618
Clients' payments under subscription	--	518 765
Industry Modernization Center	7 451 248	8 423 928
Dividends payable	15 578 303	22 336 201
Cards transaction on ATM	23 261 550	7 020 000
Re-insurance creditors	201 386 800	181 420 200
Due to related parties	15 235 000	15 235 000
Creditors – purchase of investment	--	142 116 605
Sundry creditors	12 612 257	31 423 845
Balance	875 331 266	1 040 491 727

19- Other liabilities

	30/6/2011 LE	31/12/2010 LE
Preferred shareholders in subsidiaries *	300 700 000	286 425 000
Others	980 470	953 531
Balance	301 680 470	287 378 531

* In August 2004, Credit Libanais SAL (the Bank) issued 1 600 000 cumulative "Series A" preferred shares for an aggregate amount of USD 50 million with a seven-year term expiring on 10 August 2011. The issue was affected at a nominal value of LBP 10 000 for each preferred share, while the aggregate

share premium amounted to of LBP 59.37 billion. Preferred shares earn an annual fixed dividend to be paid to holders out of the distributable consolidated profits of the Group, in an amount equivalent to 7.5 % of the total amount of the preferred shares issued. The Bank has the right, in its sole discretion, to redeem the Series A preferred shares, in whole but not in part, on the fifth anniversary of the issue date, at the issue price plus accrued and unpaid dividends and an early redemption premium equivalent to 50% of the value of the annual fixed dividends that would have been payable until the expiry of the term of the Series A preferred shares. As part of its risk management policy, the Bank has established a special purpose investment account (the "Sinking Fund Account"), which is funded on an annual basis in each of the first seven years following the issue date of the Series A preferred shares (assuming no early redemption) with proceeds generated from the annual consolidated profits in amounts equal to one-seventh or 14.285% of the total amount of the Series A preferred shares.

20- Other income

Other income presented in the income statement includes an equivalent amount of LE 6 435 000 represents gains on sale of non current assets held for sale.

21- Other provisions

		30/6/2011 LE	31/12/2010 LE
Expected claims provision	(21-1)	188 027 745	178 448 831
Servance pay provision	(21-1)	90 954 119	91 969 622
Other provisions		679 400	674 700
Balance		279 661 264	271 093 153

21-1

	Expected claims provision LE	Severance pay provision LE	Total LE
Balance at the beginning of the period	178 448 831	91 969 622	270 418 453
Formed during the period	12 356 822	3 274 202	15 631 024
Foreign currency differences	277 280	1 729 706	2 006 986
Amounts used during the period	(3 055 188)	(6 015 611)	(9 070 799)
Provision no longer needed	--	(3 800)	(3 800)
Balance at the end of the period	188 027 745	90 954 119	278 981 864

22- Share capital

- The company's authorized capital amounts LE 3 200 million and issued and paid in capital amounts LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.
- The company's Extraordinary General Assembly approved in its session held on June 13, 2011 to increase the company's share capital from LE 1 913 570 000 to LE 2 391 473 750 with an increase amount of LE 477 903 750 through distributing of 95 580 750 stock dividend at one share to every outstanding four shares at the declaration date , this increase are financed from retained earnings according to the decision of the company's Ordinary General Assembly in its session held on the same date and the required procedures are in process.

22-1 Treasury shares

The company's board of directors approved in its session held on April 27,2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of LE 6 918 613.

23- Non - Controlling interests

	30/6/2011	31/12/2010
	LE	LE
Share capital	416 906 497	416 906 497
Legal reserve	115 154 890	97 583 865
Other reserves	438 247 948	358 341 841
Retained earnings	127 056 620	100 229 150
Other equity	59 048 550	53 479 800
Net profit for the period / year	87 179 231	115 291 077
Balance	1 239 644 406	1 141 832 230

24- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and EFG-Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 203 670 000 (equivalent to LE 331 045 218).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
6/6/2011	Selling Euro	Euro 3 000 000	Buying US.$	7/6/2011

- Credit Libanais SAL (the Bank) (a subsidiary – 63.739%) has the following off-balance sheet assets and liabilities :

Off-Balance sheet items :

	30/6/2011 LE	31/12/2010 LE
Financing commitments given to financial institutions	433 322 900	29 854 500
Commitments to customers	2 932 511 600	2 541 087 900
Guarantees given to customers	411 621 600	279 879 600
Restricted and non – restricted fiduciary accounts	89 321 350	88 190 700
Commitments of signature received from financial intermediaries	2 563 550	2 176 200
Other commitments received	20 782 206 100	19 659 346 200
Assets under management	30 400 915 450	34 804 434 900

25- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of LE 551 501 till June 30, 2011 versus an amount of LE 662 776 till June 30, 2010 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 30/6/2011 LE	30/6/2010 LE
Egyptian Portfolio Management Group Company	38 595	630 742
Hermes Fund Management	331 269	32 034
EFG – Hermes Financial Management (Egypt) Ltd	181 637	--
Total	551 501	662 776

26- Impairment loss on assets

	2011		2010	
	For the period from 1/4/2011 to 30/6/2011 LE	For the period from 1/1/2011 to 30/6/2011 LE	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE
Impairment loss on accounts receivables & debit accounts	243 191	243 191	339 326	398 797
Impairment loss on available –for–sale investments	--	--	--	47 371 890
Total	243 191	243 191	339 326	47 770 687

27- Income tax expense

	2011		2010	
	For the period from 1/4/2011 to 30/6/2011 LE	For the period from 1/1/2011 to 30/6/2011 LE	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE
Current income tax	16 684 614	36 814 609	28 972 808	290 823 260
Deferred tax	916 574	767 904	269 703	(22 381)
Total	17 601 188	37 582 513	29 242 511	290 800 879

28- Cash and cash equivalents

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

	30/6/2011 LE	30/6/2010 LE
Cash and due from banks	11 411 789 762	4 578 823 713
Due to banks and financial institutions	(575 930 522)	(68 956 000)
Less: Assets / liabilities – maturity more than three months	(1 244 584 703)	32 260 000
Cash and cash equivalents ,	9 591 274 537	4 542 127 713

29- General administrative expenses

	For the period from 1/4/2011 to 30/6/2011 LE	For the period from 1/1/2011 to 30/6/2011 LE	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE
Wages , salaries and similar items	192 369 708	380 207 079	138 338 374	275 245 606
Consultancy	9 222 619	15 885 637	7 089 393	32 444 867
Advertising and public relations	8 343 915	17 011 149	6 513 003	16 124 832
Travel , accommodation and transportation	11 044 548	20 615 674	9 352 093	14 681 306
Other expenses	83 907 395	165 083 426	44 233 829	77 597 715
Total	304 888 185	598 802 965	205 526 692	416 094 326

30 - Earnings per share

	2011		2010	
	For the period from 1/4/2011 to 30/6/20111 LE	For the period from 1/1/2011 to 30/6/2011 LE	For the period from 1/4/2010 to 30/6/2010 LE	For the period from 1/1/2010 to 30/6/2010 LE
Net profit for the period	78 916 105	114 925 062	96 683 257	580 282 469
Employees' share	--	--	--	(9 089 396)
	78 916 105	114 925 062	96 683 257	571 193 073
Weighted average number of shares	382 714 000	382 714 000	382 714 000	382 714 000
Earnings per share	0.21	0.30	0.25	1.50

31- Segment reporting

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

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

For the period ended June 30, 2011

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	327 780 903	225 458 640	--	553 239 543
Fee and commission expense	--	(146 064 600)	--	(146 064 600)
Net fee and commission income	327 780 903	79 394 040	--	407 174 943
Securities gains	19 704 950	3 979 800	--	23 684 750
Share of profit of associate	--	5 243 040	--	5 243 040
Foreign currencies differences	12 926 405	--	--	12 926 405
Other income	6 427 690	9 397 080	--	15 824 770
Noninterest revenue	366 839 948	98 013 960	--	464 853 908
Interest and dividends income	62 040 851	1 143 422 280	(77 936)	1 205 385 195
Interest expense	(9 494 121)	(765 016 560)	(10 871 905)	(785 382 586)
Net interest income	52 546 730	378 405 720	(10 949 841)	420 002 609
Total net revenue	419 386 678	476 419 680	(10 949 841)	884 856 517
Total noninterest expenses	(401 023 831)	(244 145 880)	--	(645 169 711)
Net profit before income tax	18 362 847	232 273 800	(10 949 841)	239 686 806
Income tax expense	(7 308 313)	(30 274 200)	--	(37 582 513)
Net profit	11 054 534	201 999 600	(10 949 841)	202 104 293
Total assets	9 422 910 155	40 603 531 250	(1 403 534 401)	48 622 907 004
Total liabilities	1 053 899 671	37 569 311 100	310 914 864	38 934 125 635
Shareholders' equity	8 369 010 484	3 034 220 150	(1 714 449 265)	9 688 781 369
Total equity and liabilities	9 422 910 155	40 603 531 250	(1 403 534 401)	48 622 907 004

32- Tax status

- The years from the first financial year till 31/12/2004 have been finished and as to years 2005/2008, the competent tax inspectorate inspected parent company's books and the company was notified by form no. (19) , which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee and as to years 2009 / 2010, the parent company's books have not been inspected yet and the company has provided its tax returns for these years and paid the due tax according to the Tax Law no. 91/2005.
- As to salaries tax, the parent company's books had been examined till the year 2004 and all the disputed points have been agreed upon with the Internal Committee and the due amount has been paid and the years 2005/2008 have been inspected and the company was notified by tax forms which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee and as to years 2009 / 2010, the company's books have not been inspected yet.
- As to stamp tax, the parent company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee, and the period from 1/8/2006 till 31/12/2010 have not been inspected yet.
- The Supreme Council of the Armed Forces issued the Decree Law No. 51 of 2011 amending some provisions of the Income Tax Law promulgated by Law No. 91 of 2005 where the amendment of Article (49 / first paragraph) as follows: The tax base nearest ten pounds less is subject to tax in accordance with the following two tranches:
  - First tranche: up to ten million pounds at 20%.
  - Second tranche: more than ten million pounds at 25%.

  instead of 20% of the entire tax base.

33- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.04
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	--	100
EFG- Hermes Fixed Income	99	1
EFG- Hermes Private Equity (Egypt)	96.3	3.7
EFG- Hermes Private Equity (BVI)	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90

	Direct ownership %	Indirect ownership %
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming 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.	94.10	--
EFG- Hermes Lebanon	99	0.96
Mena Opportunities Management Limited	--	66.5
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	66.5
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	100	--
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG – Hermes Orient Advisory Inc.	--	70
EFG – Hermes Syria LLC	--	69.33
Sindyan Syria LLC	--	96.81
Talas & Co. LLP	--	96.81
EFG – Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG – Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.64
Lebanese Islamic Bank SAL	--	63.62
Credit International SA	--	55.76
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.95
Hermes Tourism & Travel SAL	--	63.73
Liberty Restaurant SARL	--	63.23
Crédit Libanais d'Assurances et de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.85
Capital Real Estate SAL	--	62.46
Liberty Tower SAL	--	63.03
Credilease SAL	--	63.25
Collect SAL	--	28.64
EFG – Hermes Investment Funds Co.	99.998	--
Mena FI Cayman Ltd.	--	100
EFG – Hermes Mena FI Management Limited.	--	100
Fixed Income Investment Limited.	--	100

34- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Note (no. 2) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

34-1 Market risk:

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

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

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

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

34-2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3-2) the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the balance sheet date.
- As disclosed in note no. (24) the company has executed Currency SWAP agreements and Hedge agreement to cover its needs of foreign currencies and meet the risks of exchange rate and interest rates related thereto.

34-3 Risk management

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

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

34-4 Credit risk

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio over all economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted and the creditworthiness of the borrowers. The credit risk of connected accounts is monitored on a united basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Group, adopts as the main criteria the repayment capability and obtaining sufficient collateral. The continuous monitoring of credit accounts and the timely preventive action further minimize, to a large extent, the exposure to credit risk. Note 7 of this report shows the distribution of loan portfolio by nature of facility, by economic sector.

34-5 Liquidity risk

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

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

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

34-6 Interest rate risk

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

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

34-7 Equity price risk

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

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

34-8 Operational risk

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

34-9 Fair value of financial instruments

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

34-10 Derivative financial instruments and hedge accounting

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

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

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

35- Corresponding figures

Certain corresponding figures have been reclassified to conform with the current period presentation.