EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 September 2010
&
Review Report

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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 September 2010 and the related consolidated statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2010, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Hazem Hassan

KPMG Hazem Hassan

KPMG Hazem Hassan
Public Accountants and Consultants

Cairo, November 28, 2010

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated Statement of financial position
as at 30 September 2010

	Note no.	30/9/2010 LE	31/12/2009 LE
Assets			
Cash and due from banks	(4)	11 884 237 835	1 611 733 824
Investments at fair value through profit and loss	(5)	1 344 591 378	975 145 174
Accounts receivables (net)	(6)	1 004 699 831	631 695 315
Loans and advances	(7)	9 119 551 771	38 959 565
Available -for- sale investments	(8)	2 605 947 269	778 037 826
Financial assets classified as loans and receivables	(9)	4 883 668 800	-
Held-to-maturity investments	(10)	11 286 623 200	-
Investments in associates	(11)	38 429 400	4 729 242 354
Investment property	(12)	132 062 511	178 167 117
Fixed assets (net)	(13)	1 004 209 684	491 898 795
Goodwill and other intangible assets	(14)	2 509 344 488	701 037 040
Other assets	(15)	1 285 224 378	804 772 990
Total assets		**47 098 590 545**	**10 940 690 000**
Liabilities			
Due to banks and financial institutions	(16)	555 697 800	91 334 000
Customers' deposits	(17)	31 137 648 902	-
Accounts payables - customers' credit balances		896 789 593	779 945 169
Creditors and other credit balances	(18)	4 229 962 711	278 144 782
Current tax liability		37 949 316	54 076 283
Other provisions	(20)	256 345 651	190 851 153
Long term liabilities	(21)	939 734 474	604 250 968
Total liabilities		**38 054 128 447**	**1 998 602 355**
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		213 436 851	577 373 286
Other equity	(21)	(607 200 000)	(607 200 000)
Retained earnings		2 226 012 209	2 049 605 610
Shareholders' equity		7 996 671 572	8 184 201 408
Net profit for the period / year		668 388 453	551 810 628
Interim dividends	(22)	(774 517 396)	-
Shareholders' equity including net profit for the period / year		7 890 542 629	8 736 012 036
Non - controlling interests		1 153 919 469	206 075 609
Total shareholders' equity		**9 044 462 098**	**8 942 087 645**
Total shareholders' equity and liabilities		**47 098 590 545**	**10 940 690 000**

The accompanying notes from page (5) to page (40) are an integral part of these financial statements and are to be read therewith.

Review report "attached"

Hazem Hassan

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 September, 2010

	Note no.	2010 For the period from 1/7/2010 to 30/9/2010 LE	2010 For the period from 1/1/2010 to 30/9/2010 LE	2009 For the period from 1/7/2009 to 30/9/2009 LE	2009 For the period from 1/1/2009 to 30/9/2009 LE
Fee and commission income	(24)	288 031 676	738 230 766	178 657 394	548 756 683
Fee and commission expense		(55 958 800)	(55 958 800)	-	-
Net fee and commission income		232 072 876	682 271 966	178 657 394	548 756 683
Securities gains	(11)	12 554 747	794 935 973	59 775 813	97 984 194
Share of profit of associate	(11)	1 383 200	1 383 200	113 786 188	307 609 707
Foreign currencies differences		7 354 892	124 689 442	(17 445 229)	1 559 810
Other income	(19)	12 283 283	18 430 545	3 810 077	11 943 124
Noninterest revenue		265 648 998	1 621 711 126	338 584 243	967 853 518
Interest and dividends income		599 506 570	733 950 509	29 084 137	112 867 410
Interest expense		(375 783 029)	(406 380 665)	(10 427 824)	(26 027 804)
Net interest income		223 723 541	327 569 844	18 656 313	86 839 606
Total net revenue		489 372 539	1 949 280 970	357 240 556	1 054 693 124
General administrative expenses		322 714 336	738 808 662	152 490 981	453 970 774
Changes in the investments at fair value through profit and loss		(23 795 684)	8 705 868	21 680 930	10 334 544
Net losses on loans and advances	(7)	3 765 800	3 765 800	-	-
Other provisions	(20)	3 258 623	19 780 226	2 911 229	16 859 000
Depreciation and amortization	(13),(14)	18 318 312	37 993 869	8 615 090	24 928 260
Changes in the fair value of investment property	(12)	-	46 104 606	-	-
Impairment loss on assets	(25)	-	47 770 687	718 373	4 330 810
Total noninterest expenses		324 261 387	902 929 718	186 416 603	510 423 388
Net profit before income tax		165 111 152	1 046 351 252	170 823 953	544 269 736
Income tax expense	(26)	(17 265 580)	(308 066 459)	(13 408 032)	(48 333 030)
Net profit for the period		147 845 572	738 284 793	157 415 921	495 936 706
Equity holders of the parent		88 105 984	668 388 453	150 662 047	467 164 265
Non - controlling interests		59 739 588	69 896 340	6 753 874	28 772 441
		147 845 572	738 284 793	157 415 921	495 936 706
Earnings per share	(28)	0.23	1.72	0.40	1.22

The accompanying notes from page (5) to page (40) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of changes in equity
for the period ended September 30, 2010

	Note no.	Share capital	Legal reserve	Share premium	Other reserves							Other equity	Retained earnings	Treasury shares	Net profit for the year / period	Interim dividends	Non - controlling interests	Total
					General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Company's share of items recognized in associate equity							
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December,2008		1 939 320 000	969 660 000	3 345 518 887	158 271	-	5 081 503	(784 971)	5 669 734	(51 314 320)	151 002 944	(607 200 000)	1 520 753 047	(239 381 358)	933 497 922	-	213 767 624	8 185 749 283
Foreign currencies translation differences		-	-	-	-	-	(4 163 407)	-	-	-	-	-	-	-	-	-	-	(4 163 407)
Effective portion of changes in fair value of cash flow hedges (net of tax)		-	-	-	-	-	-	-	(9 216 001)	-	-	-	-	-	-	-	-	(9 216 001)
Company's share of items recognized in associate equity		-	-	-	-	-	-	-	-	-	54 529 997	-	-	-	-	-	-	54 529 997
Net changes in the fair value of available -for-sale investments		-	-	-	-	-	-	183 759 376	-	-	-	-	-	-	-	-	-	183 759 376
Cumulative adjustments		-	-	-	-	-	-	-	-	19 665 250	-	-	-	-	-	-	-	19 665 250
Purchasing of treasury shares		-	-	-	-	-	-	-	-	-	-	-	-	(30 528 161)	-	-	-	(30 528 161)
Selling of treasury shares		-	-	4 768 788	-	-	-	-	-	-	-	-	-	175 064 356	-	-	-	179 833 144
Cancelling of treasury shares		(25 750 000)	(12 875 000)	(56 220 163)	-	-	-	-	-	-	-	-	-	94 845 163	-	-	-	-
2008 dividend payout		-	12 759 740	-	214 875	74 100 000	-	-	-	-	-	-	710 274 812	-	(933 497 922)	-	-	(136 148 495)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(49 126 155)	(49 126 155)
Net profit for the period ended September 30, 2009		-	-	-	-	-	-	-	-	-	-	-	-	-	467 164 265	-	28 772 441	495 936 706
Balance as at September 30, 2009		1 913 570 000	969 544 740	3 294 067 512	373 146	74 100 000	918 096	182 974 405	(3 546 267)	(31 649 070)	205 532 941	(607 200 000)	2 231 027 859	-	467 164 265	-	193 413 910	8 890 291 537
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 retaind earnings		-	-	-	-	(32 500 000)	-	-	-	-	-	-	32 500 000	-	-	-	-	-
Foreign currencies translation differences		-	-	-	-	-	(14 771 127)	-	-	-	-	-	-	-	-	-	-	(14 771 127)
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		-	-	-	-	-	-	81 166 402	-	-	-	-	-	-	-	-	-	81 166 402
Other equity		-	-	-	-	3 583 632	-	-	-	-	-	-	-	-	-	-	-	3 583 632
Cumulative adjustments		-	-	-	-	-	-	-	-	27 552 958	-	-	-	-	-	-	-	27 552 958
2009 dividends payout		-	-	-	-	-	-	-	-	-	-	-	143 906 599	-	(551 810 628)	-	-	(407 904 029)
Change in non - controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	877 947 520	877 947 520
Net profit for the period ended September 30, 2010		-	-	-	-	-	-	-	-	-	-	-	-	-	668 388 453	-	69 896 340	738 284 793
Interim dividends *	(22)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(774 517 396)	-	(774 517 396)
Balance as at September 30 , 2010		1 913 570 000	956 785 000	3 294 067 512	373 146	45 183 632	(11 664 899)	232 079 591	(26 442 387)	(26 092 232)	-	(607 200 000)	2 226 012 209	-	668 388 453	(774 517 396)	1 153 919 469	9 044 462 098

* Accordance to the general ordinary assembly meeting of the holding company held on 14 June, 2010.

The accompanying notes from page (5) to page (40) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated cash flows statement
for the period ended September 30 ,2010

	For the period ended 30/9/2010 LE	For the period ended 30/9/2009 LE
Cash flows from operating activities		
Net profit before income tax	1 046 351 252	544 269 736
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	37 993 869	24 928 260
Povisions formed	15 558 027	16 859 000
Provisions used	(28 138 537)	(26 761 646)
Provisions no longer needed	(2 479 462)	(2 239 545)
Losses (gains) on sale of fixed assets	58 246	(290 445)
Gains on sale of available -for- sale investments	(1 671 698)	(9 864 788)
Gains on sale of investments in associates	(739 403 104)	-
Gain on sale of unquoted assets ready for sale	(9 332 800)	-
Changes in the fair value of investments at fair value through profit and loss	8 705 868	10 334 544
Changes in the fair value of investment property	46 104 606	-
Impairment loss on assets	47 770 687	4 330 810
Foreign currency translation differences	38 145 275	(9 178 969)
Share of profit of associates	-	(307 609 707)
Operating profit before changes in working capital	459 662 229	244 777 250
Decrease in other assets	41 814 733	93 843 812
Increase (decrease) in creditors and other credit balances	3 075 116 776	(214 735 730)
Change in loans and advances	(699 988 606)	354 000
Change in customers' deposits	2 257 979 502	-
Increase in accounts receivables	(359 944 766)	(313 169 080)
Increase in accounts payables	82 958 105	99 908 197
Decrease in investments at fair value through profit and loss	621 128 895	135 402 082
Change in financial assets (over 3 months)	507 991 600	-
Income tax paid	(32 476 064)	(135 686 180)
Net cash provided from (used in) operating activities	5 954 242 404	(89 305 649)
Cash Flows from Investing Activities		
Payments to purchase fixed assets	(86 383 677)	(72 389 132)
Proceeds from sale of fixed assets	366 939	376 639
Payments to purchase treasury bills	(1 055 969 499)	(46 335 762)
Proceeds from sale of available -for- sale investments	1 294 433	81 572 813
Payments to purchase available -for- sale investments	(547 036 583)	(3 666 996)
Proceeds from sale of investments in subsidiaries and associates	5 002 369 426	-
Payments to purchase investments in subsidiaries and associates	(3 064 022 580)	(7 992 559)
Purchase of financial instruments held to maturity	(696 764 200)	-
Purchase of financial instruments classified as loans and receivables	(245 700 400)	-
Proceeds from sale of non -current assets held for sale	16 051 200	-
Net cash used in investing activities	(675 794 941)	(48 434 997)
Cash flows from financing activities		
Purchasing of treasury shares	-	(30 528 161)
Proceeds from sale of treasury shares	-	179 833 144
Changes in retained earnings	37 050 000	115 649 167
Proceeds from bank overdraft	25 193 760	14 324 110
Paid dividends	(1 270 076 881)	(259 541 628)
Payments to long term loans	(93 378 641)	(17 915 997)
Change in non-controlling interests	896 800	-
Changes in reserves	(28 620 150)	(11 520 000)
Net cash used in financing activities	(1 328 935 112)	(9 699 365)
Net change in cash and cash equivalents during the period	3 949 512 351	(147 440 011)
Cash from acquisition of subsidiaries	4 537 383 060	-
Cash and cash equivalents at the beginning of the period`	1 611 733 824	1 891 078 295
Cash and cash equivalents at the end of the period (note no. 27)	10 098 629 235	1 743 638 284

Non cash transactions:

For the purpose of preparing the cash flows statement:

- An amount of LE 6 928 551 has been transferred from other assets balances to payments to purchase fixed assetes, this amount was excluded from both items.

The accompanying notes from page (5) to page (40) 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 September 2010

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 a universal bank as a result of 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) 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 all terms including pricing same as those applicable to the initial acquisition.
- The company has obtained the approval of the Central Bank Of Lebanon for the acquisition transaction and the transfer of title has been completed on November 8, 2010.
- Credit Libanais SAL (the Bank) has the following subsidiaries, so the consolidated financial statements of the company for the period ended September 30, 2010 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates from the acquisition date as detailed below:

Company	% of control
Credit Libanais Investment Bank SAL	99.84
Lebanese Islamic Bank SAL	99.82
Credit International SA	87.47
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
Card Promotion Company SAL (under liquidation)	99.21
Card Promotion sal Offshore (under liquidation)	99.27
Card Promotion Company sal Holding (under liquidation)	99.22
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.6
Capital Real Estate SAL	98.00
Liberty Tower SAL	99.89
Credilease SAL	99.24
Collect SAL	44.93
Hot Spot Properties SAL	48.05

- 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 (20) – other provisions.
- Note (23) – contingent liabilities, valuation of financial instruments.
- Note (15-3) – 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 Financial assets classified as loans and receivables

These are securities which are bought directly from the issuer with the ability and intention to hold for more than one year. They are stated in the statement of financial position at their amortized cost, less provision for impairment value. Differences between amortized cost and redemption price are prorated over the period of the securities.

3-9-5 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 are represented in the cash on hand, cheques under collection and due from banks and financial institutions maturing within one year from the date of the financial statements.

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 Fees and commission income

Fees 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 (Note 23) .

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

	30/9/2010 LE	31/12/2009 LE
Cash on hand	172 581 118	1 147 416
Central Bank of Lebanon *		
- Demand deposits	731 724 200	--
- Time deposits	3 637 409 400	--
Other Central Banks		
- Demand deposits	32 786 400	--
Cheques under collection	5 069 887	526 795
Banks - current accounts	857 322 568	956 645 345
Banks - demand deposits	429 911 318	5 608 683
Banks - time deposits	6 014 005 344	647 805 585
Accrued interest	3 427 600	--
Balance	11 884 237 835	1 611 733 824

* 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 :

	30/9/2010 LE	31/12/2009 LE
Mutual Fund certificates	199 711 512	757 112 691
Equity securities	87 271 243	171 715 218
Debt securities	1 639 124	46 317 265
	288 621 879	975 145 174
Treasury bills		
Treasury bills more than 91 days maturity	1 084 300 000	--
Unearned income	(28 330 501)	--
Net	1 055 969 499	--
Balance	1 344 591 378	975 145 174

6- Accounts receivables

	30/9/2010 LE	31/12/2009 LE
Accounts receivables (net)	934 299 466	709 416 855
Other brokerage companies (net)	70 400 365	(77 721 540)
Balance	1 004 699 831	631 695 315

7- Loans and advances

		30/9/2010 LE	31/12/2009 LE
Loans and advances to customers	(7-1)	8 956 793 800	--
Loans and advances to related parties	(7-2)	115 067 800	--
Other loans	(7-3)	47 690 171	38 959 565
Balance		9 119 551 771	38 959 565

7-1 Loans and advances to customers

	30/9/2010			
	Gross amount LE	Unrealized interest LE	Impairment allowance LE	Carrying amount LE
Regular retail customers				
Cash collateral	470 219 600	--	--	470 219 600
Mortgage loans	3 754 362 000	--	--	3 754 362 000
Personal loans	1 578 554 200	--	--	1 578 554 200
Credit cards	200 138 400	--	--	200 138 400
Other	55 157 000	--	--	55 157 000
Regular corporate customers				
Corporate	2 555 351 800	--	--	2 555 351 800
Classified retail customers				
Watch	45 045 200	--	--	45 045 200
Substandard	94 167 800	(36 096 200)	--	58 071 600
Doubtful	172 877 200	(84 082 600)	(88 794 600)	--
Bad	23 119 200	(16 408 400)	(6 710 800)	--
Classified corporate customers				
Watch	154 128 000	--	--	154 128 000
Substandard	60 697 400	(10 465 200)	--	50 232 200
Doubtful	262 051 800	(86 928 800)	(157 099 600)	18 023 400
Bad	36 818 200	(21 880 400)	(14 937 800)	--
Accrued interest receivable	17 510 400	--	--	17 510 400
Balance	9 480 198 200	(255 861 600)	(267 542 800)	8 956 793 800

7-2 Loans and advances to related parties

	30/9/2010	31/12/2009
	LE	LE
Regular Retail loans	6 186 400	--
Regular Corporate loans	108 870 000	--
Accrued interest receivable	11 400	--
Balance	115 067 800	--

7-3 - Other loans

EFG-Hermes Private Equity (BVI), a subsidiary – 65% granted a long term loan of US$ 7 016 750 to Horus Tourism Investment Company Limited with annual interest rate 20% that will be calculated daily and added to the loan principal every three months and the loan is due on December 31, 2011. The interest charged on the loan till September 30, 2010 amounted to US$ 1 352 883 (equivalent to LE 7 708 727) accordingly, the loan balance as of September 30, 2010 amounted to US$ 8 369 633 (equivalent to LE 47 690 171).

8- Available - for- sale investments

	30/9/2010	31/12/2009
	LE	LE
Certificates of deposits issued by the Central Bank of Lebanon	33 029 600	--
Lebanese Treasury bills	1 141 056 400	--
Corporate debt securities	6 289 000	--
Preferred shares	101 642 400	--
Equity securities	1 300 875 269	778 037 826
Accrued interest receivable	23 054 600	--
Balance	2 605 947 269	778 037 826

9- Financial assets classified as loans and receivables

	30/9/2010	31/12/2009
	LE	LE
Certificates of deposit issued by Central Bank of Lebanon	4 771 834 800	--
Accrued interest receivable	111 834 000	--
Balance	4 883 668 800	--

10- Held-to-maturity investments

	30/9/2010 LE	31/12/2009 LE
Lebanese government treasury bills and Eurobonds	10 880 327 200	--
Certificates of deposit issued by local banks	89 345 600	--
Other debt instruments	89 805 400	--
Accrued interest receivable	227 145 000	--
Balance	11 286 623 200	--

11- Investments in associates

	Ownership %	30/9/2010 LE	31/12/2009 LE
Bank Audi Sal – Lebanon *	-	--	4 729 242 354
Agence Générale de Courtage d'Assurance SAL	25.86	22 659 400	--
Credit Card Management SAL	28.96	8 869 200	--
International Payment Network SAL	18.68	5 460 600	--
Net Commerce SAL	19.10	900 600	--
Hermes Rent a Car SAL	27.47	494 000	--
Liberty Executive Center SAL	6.27	45 600	--
Balance		38 429 400	4 729 242 354

* On January 21,2010 the 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.

12- Investment property

Investment property amounted LE 132 062 511 represents the fair value of the area owned by the Holding Company in Nile City Building and the changes in its fair value of the investments property amounted LE 46 104 606 charged to the income statement during the period.

13- 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 1/1/2010	112 701 228	16 686 347	92 525 365	55 827 576	12 178 091	311 851 122	601 769 729
Additions through acquisition of subsidiaries	405 923 600	123 888 977	153 670 949	525 223	6 093 668	10 298 000	700 400 417
Additions	265 032 267	10 274 408	33 627 691	10 359 740	1 151 073	65 968 286	386 413 465
Disposals	(9 199 800)	(988 059)	(1 518 034)	(155 294)	(1 099 393)	(283 883 971)	(296 844 551)
Foreign currency translation difference	2 908 981	191 344	2 693 669	992 875	72 615	--	6 859 484
Total cost as at 30/9/2010	777 366 276	150 053 017	280 999 640	67 550 120	18 396 054	104 233 437	1 398 598 544
Accumulated depreciation as at 1/1/2010	10 571 456	4 548 728	49 122 831	37 130 532	8 497 387	--	109 870 934
Accumulated depreciation through acquisition of subsidiaries	54 017 000	102 467 704	88 666 885	467 232	3 264 500	--	248 883 321
Depreciation	5 539 754	5 704 247	14 839 156	8 959 987	1 214 125	--	36 257 269
Disposals' accumulated depreciation	(19 000)	(671 360)	(1 404 942)	(56 878)	(966 393)	--	(3 118 573)
Foreign currency translation difference	272 822	46 747	1 493 611	642 306	40 423	--	2 495 909
Accumulated depreciation as at 30/9/2010	70 382 032	112 096 066	152 717 541	47 143 179	12 050 042	--	394 388 860
Carrying amount as at 30/9/2010	706 984 244	37 956 951	128 282 099	20 406 941	6 346 012	104 233 437	1 004 209 684
Carrying amount as at 31/12/2009	102 129 772	12 137 619	43 402 534	18 697 044	3 680 704	311 851 122	491 898 795

* Projects under construction are represented in the following :

	30/9/2010 LE	31/12/2009 LE
Preparation of new headquarters of the group in Smart Village - Egypt *	2 560 422	219 371 737
Preparation of alternate headquarters in emergency - Egypt	7 934 846	7 934 846
Office spaces in Egypt	15 345 291	17 650 000
New headquarters - United Arab Emirates	64 212 134	61 811 787
Preparation of alternate headquarters in emergency - United Arab Emirates	6 632 052	5 082 752
New headquarters – Syrian Arab Republic	169 092	--
Other	7 379 600	--
Balance	104 233 437	311 851 122

* An amount of LE 274 538 771 has been transferred from projects under construction to fixed assets due to relocating the headquarters of the company and its subsidiaries to the new headquarters in Smart Village during May 2010.

14- Goodwill and other intangible assets

		30/9/2010 LE	31/12/2009 LE
Goodwill	(14-1)	2 487 812 541	698 899 943
Other intangible assets	(14-2)	21 531 947	2 137 097
Balance		2 509 344 488	701 037 040

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

	30/9/2010 LE	31/12/2009 LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
Vision Securities Co. (LLC) – Oman	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	--
Credit Libanais SAL *	1 780 273 380	--
Balance	2 487 812 541	698 899 943

* 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.

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

	30/9/2010 LE	31/12/2009 LE
Key Money	190 000	--
Licenses & Franchise	4 653 867	2 101 650
Research & Development	16 560 400	--
Software	127 680	35 447
Balance	21 531 947	2 137 097

15- Other assets

		30/9/2010 LE	31/12/2009 LE
Deposits with others	(15-1)	50 883 285	30 244 626
Downpayments to suppliers		5 815 307	13 363 669
Prepaid expenses		59 946 750	21 987 187
Employees' advances		17 366 938	20 532 306
Accrued revenues		63 256 251	41 058 212
Taxes withheld by others		58 132 729	62 613 068
Unrealized swap losses (gains)		1 666 661	(1 871 508)
Payments for investments	(15-2)	155 975 972	32 518 600
Receivables - sale of investments		70 547 389	68 062 677
Perching Brokerage		14 183 450	5 366 842
Settlement Guarantee Fund		31 472 066	24 109 233
Unquoted assets - Ready for sale acquired in satisfaction of loans		147 326 000	--
Due from EFG- Hermes Employee Trust		403 896 775	412 195 612
Due from Ara inc. company		17 009 709	11 117 294
Due from Horus Tourism Investment Ltd.		14 245 000	13 712 500
Due from related parties		10 925 000	--
Cards transaction on ATM		18 335 000	--
Accounts under settlements		8 094 000	--
Re-insurance accrued commission		11 840 800	--
Deferred tax assets	(15-3)	9 004 123	3 587 988
Sundry debtors		118 648 590	51 188 183
		1 288 571 795	809 786 489
Accumulated impairment		(3 347 417)	(5 013 499)
Net		1 285 224 378	804 772 990

15-1 The balance of deposits with others includes an amount of LE 20 698 000 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 22 857 000 (equivalent to LBP 6 015 million) represents share capital blocked with the Ministry of Finance of Lebanon.

15-2 Payments for investments are represented in the following:

	30/9/2010	**31/12/2009**
	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
EFG – Hermes Investment Funds Co.	10 000 000	--
Egyptian Company for Funds Investments	400 200	--
Orascom Development Holding	652 022	--
Orascom Construction Industry Co - bonds	110 000 050	--
IDEAVELOPERS	25 000	10 479 100
AAW company for infrastructure	3 040 000	3 040 000
Purchase of preferred shares pending the approval of Central Bank of Lebanon	12 859 200	--
	155 975 972	32 518 600

15-3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/9/2010		**31/12/2009**	
(A) Deferred tax	**Assets**	**Liabilities**	**Assets**	**Liabilities**
	LE	**LE**	**LE**	**LE**
Fixed assets depreciation	--	2 267 670	--	1 772 304
Expected claims provision	3 114 649	--	3 033 049	--
Impairment loss on assets	3 861 161	--	3 893 400	--
Previous years losses forward	138 110	--	--	--
Company's share in affiliate's profits	--	2 454 724	--	2 454 724
Total deferred tax assets / liabilities	7 113 920	4 722 394	6 926 449	4 227 028
Net deferred tax assets	2 391 526		2 699 421	

(B) Deferred tax recognized directly in equity

	30/9/2010	**31/12/2009**
	LE	**LE**
Changes in fair value of cash flow hedges	6 612 597	888 567

16- Due to banks and financial institutions

		30/9/2010	31/12/2009
		LE	LE
Current deposits of banks		134 827 800	--
Time deposits		48 263 800	--
Financial institutions		297 749 000	--
Long term borrowing	(16-1)	72 923 000	91 334 000
Accrued interest payable		1 934 200	--
Balance		555 697 800	91 334 000

16-1 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$ 14 million which represents 7 installments accordingly, the loan balance amounted to US$ 6 million (equivalent to LE 34 188 000) as at September 30, 2010.

- The current portion (the amount that will due within one year) of that loan amounts to US$ 4 million (equivalent to LE 22 792 000).

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 5 million accordingly, the loan balance as of September 30, 2010 amounted Euro 5 million (equivalent to LE 38 735 000).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (equivalent to LE 15 494 000).

17- Customers' deposits

	30/9/2010 LE	31/12/2009 LE
Deposits from customers (private sector):		
- Saving accounts	19 402 841 800	--
- Term deposits	6 275 483 400	--
- Current accounts	2 548 326 102	--
Accrued interest payable	133 220 400	--
Deposits from customers (public sector):		
- Term deposits	989 778 400	--
- Current accounts	366 392 200	--
Accrued interest payable	25 201 600	--
Other	53 287 400	--
	29 794 531 302	--
Deposits from related parties:		
Long term saving accounts	302 882 800	--
Long term deposits	425 212 400	--
Short term deposits	607 513 600	--
Accrued interest payable	7 508 800	--
	1 343 117 600	--
Balance	31 137 648 902	--

18- Creditors and other credit balances

	30/9/2010 LE	31/12/2009 LE
Margins held against documentary credits	45 208 600	--
Technical reserve for insurance companies	110 671 200	--
Interbranch reconciling items	46 751 400	--
Revaluation of assets acquired in satisfaction of loans	6 729 800	--
Social Insurance Association	637 221	524 675
Unearned revenues	11 752 420	5 667 833
Accrued interest & commission	16 926 676	418 869
Suppliers	93 948 910	1 656 372
Accrued expenses	502 734 536	167 569 890
Clients' coupons- Custody Activity	7 828 594	18 568 157
Clients' payments under subscription	--	25 038 985
Industry Modernization Center	10 914 593	12 635 893
Dividends payable	51 495 044	19 678 875
Cards transaction on ATM	40 261 000	--
Re-insurance creditors	158 897 000	--
Due to related parties	15 235 000	15 235 000
Creditors – purchase of investment *	3 088 796 911	--
Sundry creditors	21 173 806	11 150 233
Balance	4 229 962 711	278 144 782

* The balance represents US$ 542 084 400 the value of acquisition of a controlling stake in Credit Libanais SAL "the Bank" which has been paid on November 8 , 2010.

19- Other income

Other income presented in the income statement includes an equivalent amount of LE 9 336 600 represents gains on sale of non current assets held for sale.

20- Other provisions

		30/9/2010	31/12/2009
		LE	LE
Expected claims provision	(20-1)	174 587 852	169 148 844
Servance pay provision	(20-1)	81 126 999	21 702 309
Other provisions		630 800	--
Balance		256 345 651	190 851 153

20-1

	Expected claims provision	Severance pay provision	Total
	LE	LE	LE
Balance at the beginning of the period	169 148 844	21 702 309	190 851 153
Acquisition of subsidiaries	29 146 000	52 481 800	81 627 800
Formed during the period	19 927 550	6 452 876	26 380 426
Foreign currency differences	83 600	971 650	1 055 250
Amounts used during the period	(42 318 142)	(481 636)	(42 799 778)
Provision no longer needed	(1 400 000)	--	(1 400 000)
Balance at the end of the period	174 587 852	81 126 999	255 714 851

21- Long term liabilities

	30/9/2010	31/12/2009
	LE	LE
Excepted consideration to be paid (liability) *	652 373 519	603 350 000
Preferred shareholders in subsidiaries **	286 425 000	--
Other liabilities	935 955	900 968
Balance	939 734 474	604 250 968

* EFG – Hermes Regional Investments Ltd. – a wholly owned subsidiary - entered through the parent company, EFG- Hermes Holding Company into call/ put option agreement with a minority shareholder who holds 35% interest in a subsidiary. As per the agreement, the options are exercisable throughout the period from March 1st, 2010 to February 28th, 2013. The call option's exercise

price is US$ 130 million whereas the put option's exercise price is US$ 110 million, both options carry an annual interest 7%.

In line with EAS 25 requirements the Group has accounted for the present value of the put option as a financial liability with a corresponding debt to equity using the Present Access Method of accounting. Changes in the fair value of the put option are recognized in equity whereas changes in the present value of the financial liability are recognized in the income statement.

** 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.

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, after the reduction approved by the company's extraordinary general assembly in its session held on April 7, 2009 from LE 1 939 320 000 to LE 1 913 570 000 through cancelling 5 150 000 shares of treasury shares.
- The general assembly of the holding company held on 14 June, 2010 declared interim dividends with total amount of LE 774 517 396.

23- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and each of EFG- Hermes Brokerage – UAE for the purpose of issuance of the letters of guarantee amounting to AED 200 million (equivalent to LE 310 200 000) and EFG- Hermes KSA against the credit facilities granted from banks amounting to SAR 50 million (equivalent to LE 76 000 000).

- 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
16/9/2010	Selling Euro	Euro 5 000 000	Buying US.$	18/10/2010

- Hermes Corporate Finance Company (a subsidiary – 99.37%) issued by a bank a letter of guarantee with an amount of LE 292 500 in favor of Egyptian Electricity Authority. The issuer bank has blocked the company's time deposit which amounts LE 622 942 on September 30, 2010 as a margin for this letter of guarantee.

- Credit Libanais SAL (the Bank) (a subsidiary – 60.803%) has the following off-balance sheet assets and liabilities :

Off-Balance sheet items :

	30/9/2010 LE
Financing commitments given to financial institutions	6 646 200
Engagements to customers	3 072 132 800
Guarantees given to customers	206 959 400
Restricted and non – restricted fiduciary accounts	85 929 400
Commitments of signature received from financial intermediaries	2 120 400
Other commitments received	17 610 777 000
Assets under management	1 956 658 000

24- 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 21 352 242 till September 30, 2010 versus an amount of LE 35 711 913 till September 30, 2009 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 30/9/2010 LE	For the period ended 30/9/2009 LE
Egyptian Portfolio Management Group Company	11 818 544	15 132 278
Hermes Fund Management	1 310 040	--
EFG – Hermes Financial Management (Egypt) Ltd	8 223 658	20 579 635
Total	21 352 242	35 711 913

25- Impairment loss on assets

	2010		2009	
	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE	For the period from 1/7/2009 to 30/9/2009 LE	For the period from 1/1/2009 to 30/9/2009 LE
Impairment loss on accounts receivables & debit accounts	--	398 797	718 373	4 330 810
Impairment loss on available –for– sale investments	--	47 371 890	--	--
Total	--	47 770 687	718 373	4 330 810

26- Income tax expense

	2010		2009	
	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE	For the period from 1/7/2009 to 30/9/2009 LE	For the period from 1/1/2009 to 30/9/2009 LE
Current income tax	16 934 578	307 757 838	5 810 523	28 064 175
Deferred tax	331 002	308 621	7 597 509	20 268 855
Total	17 265 580	308 066 459	13 408 032	48 333 030

27- Cash and cash equivalents

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

	30/9/2010 LE	31/12/2009 LE
Cash and due from banks	11 884 237 835	1 611 733 824
Due to banks and financial institutions	(555 697 800)	--
Less: Assets – maturity more than one year	(1 229 910 800)	--
Cash and cash equivalents	10 098 629 235	1 611 733 824

28- Earnings per share

	2010		2009	
	For the period from 1/7/2010 to 30/9/2010	For the period from 1/1/2010 to 30/9/2010	For the period from 1/7/2009 to 30/9/2009	For the period from 1/1/2009 to 30/9/2009
	LE	LE	LE	LE
Net profit for the period	88 105 984	668 388 453	150 662 047	467 164 265
Employees' share	--	(9 089 396)	--	--
	88 105 984	659 299 057	150 662 047	467 164 265
Weighted average number of shares	382 714 000	382 714 000	382 714 000	382 922 309
Earnings per share	0.23	1.72	0.40	1.22

29- Segment reporting

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

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

For the period ended September 30, 2010

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	632 985 966	105 244 800	--	738 230 766
Fee and commission expense	--	(55 958 800)	--	(55 958 800)
Net fee and commission income	632 985 966	49 286 000	--	682 271 966
Securities gains	793 814 973	1 121 000	--	794 935 973
Share of profit of associate	--	1 383 200	--	1 383 200
Foreign currencies differences	118 423 242	6 266 200	--	124 689 442
Other income	7 577 745	10 852 800	--	18 430 545
Noninterest revenue	1 552 801 926	68 909 200	--	1 621 711 126
Interest and dividends income	177 873 709	556 076 800	--	733 950 509

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Interest expense	(39 529 590)	(361 509 200)	(5 341 875)	(406 380 665)
Net interest income	138 344 119	194 567 600	(5 341 875)	327 569 844
Total net revenue	1 691 146 045	263 476 800	(5 341 875)	1 949 280 970
Total noninterest expenses	(773 680 318)	(129 249 400)	--	(902 929 718)
Net profit before income tax	917 465 727	134 227 400	(5 341 875)	1 046 351 252
Income tax expense	(293 896 259)	(14 170 200)	--	(308 066 459)
Net profit	623 569 468	120 057 200	(5 341 875)	738 284 793
Total assets	13 473 443 774	35 503 476 000	(1 878 329 229)	47 098 590 545
Total liabilities	5 451 456 920	32 870 026 600	(267 355 073)	38 054 128 447
Shareholders' equity	8 021 986 854	2 633 449 400	(1 610 974 156)	9 044 462 098
Total equity and liabilities	13 473 443 774	35 503 476 000	(1 878 329 229)	47 098 590 545

30- Tax status

- The competent tax inspectorate examined the parent company's books for the period till year 2004 and disputed points have been agreed upon before the Internal Committee.
- As to years 2005/2009 the parent company has submitted its tax returns and paid the tax due according to the tax law No. 91 for 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 before the Internal Committee and the years 2005/2009 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 31/12/2009 have not been inspected yet.

31- 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

	Direct ownership %	Indirect ownership %
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
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	100	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.10	--
EFG- Hermes Lebanon	99	0.97
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	--
Vision Securities Company 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

	Direct ownership %	Indirect ownership %
Credit Libanais SAL "the Bank"	--	60.803
Credit Libanais Investment Bank SAL	--	60.70
Lebanese Islamic Bank SAL	--	60.69
Credit International SA	--	53.18
Cedar's Real Estate SAL	--	60.75
Soft Management SAL	--	28.57
Hermes Tourism & Travel SAL	--	60.80
Liberty Restaurant SARL	--	60.32
Card Promotion Company SAL	--	60.32
Card Promotion sal Offshore	--	60.36
Card Promotion Company sal Holding	--	60.33
Crédit Libanais d'Assurances et de Réassurances SAL	--	40.72
Business Development Center SARL	--	59.95
Capital Real Estate SAL	--	59.59
Liberty Tower SAL	--	60.74
Credilease SAL	--	60.34
Collect SAL	--	27.32
Hot Spot Properties SAL	--	29.22

32- 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.

32-1 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.

32-2 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. (23) 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.

32-3 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.

32-4 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.

32-5 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.

32-6 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.

32-7 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.

32-8 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.

32-9 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

32-10 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.

33- Subsequent events

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 constitute 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.

34- Corresponding figures

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