EFG – Hermes Holding Company
<u>(Egyptian Joint Stock Company)</u>

Consolidated financial statements
for the period ended 30 September 2012
&
<u>Review Report</u>

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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 2012 and the related consolidated statements of income, changes in equity and cash flows for the nine months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 30 September 2012, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Hassan Bas

KPMG Hazem Hassan

Cairo, November 19, 2012

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 September 2012

	Note no.	30/9/2012 LE	31/12/2011 LE
Assets			
Cash and due from banks	(5)	12 044 429 244	12 287 220 080
Investments at fair value through profit and loss	(6)	542 704 747	817 449 045
Accounts receivables (net)	(7)	65 299 808	382 556 027
Assets classified as held for sale	(4-1)	4 197 906 858	-
Loans and advances	(8)	13 585 664 095	12 037 028 726
Available -for- sale investments	(9)	849 258 144	1 191 479 102
Held-to-maturity investments	(10)	19 427 926 942	18 681 518 778
Investments in associates	(11)	46 587 150	44 844 000
Investment property	(12)	132 062 511	320 045 183
Fixed assets (net)	(13)	1 103 437 418	1 105 532 741
Goodwill and other intangible assets	(14)	3 482 706 274	4 091 559 340
Other assets	(15)	873 602 477	1 531 935 847
Total assets		**56 351 585 668**	**52 491 168 869**
Liabilities			
Due to banks and financial institutions	(16)	620 152 200	613 772 600
Customers' deposits	(17)	40 986 609 414	38 163 023 300
Accounts payables - customers' credit balances		2 486 641	483 536 711
Liabilities classified as held for sale	(4-2)	985 908 492	-
Bonds	(18)	480 139 650	486 932 000
Creditors and other credit balances	(19)	1 712 202 562	1 667 778 182
Current tax liability		50 070 244	87 810 614
Other provisions	(21)	311 798 921	348 251 688
Total liabilities		**45 149 368 124**	**41 851 105 095**
Shareholders' equity			
Share capital	(22)	2 391 473 750	2 391 473 750
Legal reserve		961 257 586	956 785 000
Share premium		3 294 067 512	3 294 067 512
Other reserves		434 473 885	(31 961 357)
Retained earnings		1 464 238 152	1 463 890 665
		8 545 510 885	8 074 255 570
Treasury shares	(22-1)	(6 918 613)	(6 918 613)
Shareholders' equity		8 538 592 272	8 067 336 957
Net profit for the period / year		106 437 287	132 579 926
Shareholders' equity including net profit for the period / year		8 645 029 559	8 199 916 883
Non - controlling interests	(23)	2 557 187 985	2 440 146 891
Total shareholders' equity		**11 202 217 544**	**10 640 063 774**
Total shareholders' equity and liabilities		**56 351 585 668**	**52 491 168 869**

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

~~Review Report~~ "attached"

Mona Zulfikar
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, 2012

	Note no.	2012 For the period from 1/7/2012 to 30/9/2012 LE	2012 For the period from 1/1/2012 to 30/9/2012 LE	2011 For the period from 1/7/2011 to 30/9/2011 LE	2011 For the period from 1/1/2011 to 30/9/2011 LE
Continuing operations					
Fee and commission income		123 751 728	417 464 816	129 608 681	423 299 218
Fee and commission expense		(47 917 114)	(192 714 130)	(55 788 480)	(201 853 080)
Net fee and commission income		75 834 614	224 750 686	73 820 201	221 446 138
Securities gains		21 688 910	50 465 198	15 784 829	31 026 099
Share of profit of associate	(11)	947 902	5 184 358	(799 920)	4 443 120
Changes in the investments at fair value through profit and loss		41 292 906	72 989 283	(12 738 199)	(274 529)
Gains on sale of fixed assets		144 862	164 902	681	32 614
Foreign currencies differences		2 363 277	9 699 297	(655 507)	23 622 683
Other income	(20)	19 431 320	39 998 895	6 558 819	17 284 574
Noninterest revenue		161 703 791	403 252 619	81 970 904	297 580 699
Interest and dividends income		628 211 325	1 846 287 932	598 339 279	1 793 749 723
Interest expense		(434 262 197)	(1 258 984 871)	(408 254 910)	(1 187 686 120)
Net interest income		193 949 128	587 303 061	190 084 369	606 063 603
Total net revenue		355 652 919	990 555 680	272 055 273	903 644 302
General administrative expenses	(28)	240 256 231	683 994 356	192 091 042	582 444 442
Net losses on loans and advances	(8)	7 145 634	15 939 186	(15 289 560)	(18 326 880)
Other provisions	(21)	5 770 465	15 193 315	4 580 803	15 868 425
Depreciation and amortization	(13),(14)	18 945 582	54 503 247	17 356 890	49 994 731
Impairment loss on assets	(25)	840	241 320	76 296	76 296
Total noninterest expenses		272 118 752	769 871 424	198 815 471	630 057 014
Net profit before income tax		83 534 167	220 684 256	73 239 802	273 587 288
Income tax expense	(26)	(12 644 490)	(38 177 043)	(12 761 501)	(44 977 369)
Net profit from continuing operations		70 889 677	182 507 213	60 478 301	228 609 919
Discontinued operation					
Profit from discontinued operation (net of tax)	(4-3)	12 939 169	49 582 552	17 288 220	57 404 547
Net profit for the period		83 828 846	232 089 765	77 766 521	286 014 466
Equity holders of the parent		44 523 733	106 437 287	32 816 462	150 330 686
Non - controlling interests	(23)	39 305 113	125 652 478	44 950 059	135 683 780
		83 828 846	232 089 765	77 766 521	286 014 466
Earnings per share	(29)	0.09	0.22	0.07	0.31

The accompanying notes from page (5) to page (45) 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 30 September, 2012

	Share capital	Legal reserve	Share premium	Other reserves: General reserve	Other reserves: Special reserve	Other reserves: Translation reserve	Other reserves: Fair value reserve	Other reserves: Hedging reserve	Other reserves: Cumulative adjustments	Other reserves: Other reserves	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
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
Share capital increase	477 903 750	-	-	-	-	-	-	-	-	-	(477 903 750)	-	-	-	-	-
Foreign currencies translation differences	-	-	-	-	-	(32 011 567)	-	-	-	-	-	-	-	-	-	(32 011 567)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	(586 830 882)	-	-	-	-	-	-	-	-	(586 830 882)
Other reserves	-	-	-	-	-	-	-	-	-	115 524 812	-	-	-	-	-	115 524 812
Cumulative adjustments	-	-	-	-	-	-	-	-	(2 302 449)	-	-	-	-	-	-	(2 302 449)
Purchasing of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(6 918 613)	-	-	-	(6 918 613)
2010 dividends payout	-	-	-	-	-	-	-	-	-	-	(207 850 413)	-	(700 426 814)	774 517 396	-	(133 759 831)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3 125 974	3 125 974
Net profit for the period ended 30 September, 2011	-	-	-	-	-	-	-	-	-	-	-	-	150 330 686	-	135 683 780	286 014 466
Balance as at 30 September, 2011	2 391 473 750	956 785 000	3 294 067 512	373 146	41 600 000	48 823 147	(238 756 779)	(26 442 387)	(21 408 626)	131 941 093	1 495 146 247	(6 918 613)	150 330 686	-	1 280 641 984	9 497 656 160
Balance as at 31 December, 2011	2 391 473 750	956 785 000	3 294 067 512	373 146	41 600 000	185 268 724	(345 715 394)	(26 442 387)	(22 879 686)	135 834 240	1 463 890 665	(6 918 613)	132 579 926	-	2 440 146 891	10 640 063 774
Foreign currencies translation differences	-	-	-	-	-	43 209 158	-	-	-	-	-	-	-	-	-	43 209 158
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	329 124 632	-	-	-	-	-	-	-	-	329 124 632
Other reserves	-	-	-	-	-	-	-	-	-	80 297 347	-	-	-	-	-	80 297 347
Cumulative adjustments	-	-	-	-	-	-	-	-	13 804 105	-	-	-	-	-	-	13 804 105
2011 dividends payout	-	4 472 586	-	-	-	-	-	-	-	-	347 487	-	(132 579 926)	-	-	(127 759 853)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8 611 384)	(8 611 384)
Net profit for the period ended 30 September, 2012	-	-	-	-	-	-	-	-	-	-	-	-	106 437 287	-	125 652 478	232 089 765
Balance as at 30 September, 2012	2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	228 477 882	(16 590 762)	(26 442 387)	(9 075 581)	216 131 587	1 464 238 152	(6 918 613)	106 437 287	-	2 557 187 985	11 202 217 544

The accompanying notes from page (5) to page (45) 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 September, 2012

	For the period ended 30/9/2012 LE	For the period ended 30/9/2011 LE
Cash flows from operating activities		
Net profit before income tax	220 684 256	273 587 288
Adjustments to reconcile net profit to net cash provided by operating activities		
Profit from discontinued operation	76 705 293	73 022 052
Depreciation and amortization	72 527 398	70 783 733
Povisions formed	42 301 698	21 516 052
Provisions used	(10 595 766)	(8 743 106)
Provisions reversed	(19 839 138)	(598 204)
Losses (gains) on sale of fixed assets	2 851 941	(74 860)
Gains on sale of available -for- sale investments	(1 308 037)	(2 837 416)
Gains on sale of unquoted assets ready for sale	(3 592 319)	(6 435 000)
Gains on selling Investment Real Property	(8 922 089)	-
Changes in the fair value of investments at fair value through profit and loss	(73 322 988)	5 363 185
Share of profit of equity - accounted invesetees	(4 045 950)	-
Impairment loss on assets	2 007 281	294 108
Foreign currency translation differences	74 256 823	135 265 655
Interest expense	(12 789 960)	-
Currency differences gains	(5 868 860)	-
Operating profit before changes in working capital	351 049 583	561 143 487
Decrease (increase) in other assets	29 229 080	(25 737 643)
Increase (decrease) in creditors and other credit balances	106 794 220	(70 065 393)
Change in loans and advances	(1 384 460 100)	(1 662 539 696)
Change in customers' deposits	2 400 806 686	3 304 199 329
(Increase) decrease in accounts receivables	(215 546 769)	258 732 239
Increase (decrease) in accounts payables	270 907 172	(74 537 929)
Increase in investments at fair value through profit and loss	(178 872 678)	(132 725 163)
Change in financial assets (over 3 months)	(528 221 250)	(113 846 900)
Income tax paid	(74 015 803)	(326 892 684)
Net cash provided from operating activities	777 670 141	1 717 729 647
Cash flows from investing activities		
Payments to purchase fixed assets	(139 617 839)	(101 198 029)
Proceeds from sale of fixed assets	3 650 220	12 467 297
Proceeds from projects under construction	549 926	392 532
Proceeds from sale of available -for- sale investments	92 852 858	259 017 783
Payments to purchase available -for- sale investments	(29 581 760)	(181 996 999)
Payments to purchase investments in subsidiaries and associates	(1 182 600)	(5 088 424)
Payments to purchase held to maturity investments	(573 727 050)	-
Proceeds from sale of held to maturity investments	-	255 920 500
Increase in long term lending	(21 279 049)	(9 994 682)
Payments to companies' share in Settlement Guarantee Fund	(1 533 233)	(5 198 346)
Proceeds from sale of non -current assets held for sale	88 384 524	7 540 550
Net cash (used in) provided from investing activities	(581 484 003)	231 862 182
Cash flows from financing activities		
Purchasing of treasury shares	-	(6 918 613)
Changes in retained earnings	29 584 790	(4 303 624)
Paid dividends	(42 363 802)	(95 323 272)
Payments to long term loans	(15 575 405)	-
Payments to preferred shares	-	(300 700 000)
Change in non-controlling interests	(4 977 560)	(4 980 950)
Net cash used in financing activities	(33 331 977)	(412 226 459)
Net change in cash and cash equivalents during the period	162 854 161	1 537 365 370
Cash and cash equivalents at the beginning of the period (note no. 27)	7 086 573 121	8 391 675 153
Cash and cash equivalents at the end of the period (note no. 27)	7 249 427 282	9 929 040 523

The accompanying notes from page (5) to page (45) 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 2012

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.
- EFG-Hermes Group has been converted from an investment bank to an universal bank through the acquisition of Credit Libanais SAL (the Bank) group.

1-2 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.

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

- During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stack in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million and the purchase agreement includes 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.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	LE
Total assets	32 750 757 718
Total liabilities	(30 550 046 293)
Net carrying value of assets	2 200 711 425
Increase in carrying value - intangible assets	3 175 551 947
Increase in carrying value - other assets	287 117 311
Fair value of identifiable assets acquired and liabilities assumed	5 663 380 683

The non-controlling interest has been accounted at its proportionate interest in the fair value of the identifiable assets and liabilities at the acquisition date.

- Credit Libanais SAL (the Bank) has subsidiaries, so the consolidated financial statements of the company for the period ended 30 September 2012 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

Company	**% of control**
Credit Libanais Investment Bank SAL	99.86
Lebanese Islamic Bank SAL	99.84
Credit International SA	92.82
Cedar's Real Estate SAL	99.92
Soft Management SAL	47
Hermes Tourism & Travel SAL	99.99
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.62
Capital Real Estate SAL	98
Credilease SAL	99.26
Collect SAL	44.94

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 (19-1) – 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 Non-current assets held for sale

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

3-6 Fixed assets depreciation

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

3-7 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.

3-8 Intangible assets

3-8-1 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 3-11).
- 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.

3-8-2 Other intangible assets

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

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

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

3-8-3 Subsequent expenditure

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

3-9 Treasury bills

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

3-10 Investments

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

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

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

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

3-10-3 Held-to-maturity investments

Held-to-maturity investments are bought with the ability and intention to hold until maturity. They are stated in the 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.

3-10-4 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.

3-11 Impairment

3-11-1 Financial assets

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

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

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

All impairment losses are recognized in 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.

3-11-2 Non-financial assets

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

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

3-12 Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents includes the balances, whose 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..

3-13 Interest-bearing borrowings

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

3-14 Other assets

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

3-15 Provisions

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

3-16 Legal reserve

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

3-17 Share capital

3-17-1 Repurchase of share capital

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

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

3-17-2 Dividends

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

3-18 Revenue recognition

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

Gain (loss) resulting from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses. In case of derecognizing of investments in 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.

3-18-2 Dividend income

Dividend income is recognized when declared.

3-18-3 Custody fee

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

3-18-4 Interest income and expenses

Interest income and expenses are recognized in the income statement under "Interest income" item or "Interest expenses" by using the effective interest rate 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.

3-18-5 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.

3-18-6 Brokerage commission

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

3-18-7 Management fee

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

3-18-8 Incentive fee

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

3-19 Long term lending

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

3-20 Expenses

3-20-1 Employees' pension

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

3-20-2 Taxation

Income tax on the 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.

3-21 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.

3-22 Profit sharing to employees

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

3-23 Loans and advances to customers and related provision

Loans and advances to customers are stated at principal together with interest earned at the 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.

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

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

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

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

3-26 Due from banks and other financial institutions

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

3-27 Customers' deposits

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

3-28 Fiduciary assets

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

3-29 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.

3-30 Allowances for credit losses

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

3-31 Segment reporting

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

3-32 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

4- Discontinued operation

- Strategic alliance with QInvest L.L.C.

EFG Hermes Holding Company's Extraordinary General Assembly - the parent company- agreed at the meetings dated June 2, 2012 and September 16,2012 to enter into a strategic alliance with QInvest through its subsidiary EFG Hermes Qatar LLC which will be 60% owned by QInvest and 40% owned by EFG Hermes Holding. The agreement involves the moving of the following business lines, Brokerage, Research, Asset Management, Investment Banking and the Infrastructure Fund businesses to EFG Hermes Qatar LLC. Approvals of relevant regulatory bodies are in process.

4-1 Assets classified as held for sale

	30/9/2012 LE
Cash and due from banks	1 086 802 794
Investments at fair value through profit and loss	459 636 262
Accounts receivables (net)	529 554 029
Available -for- sale investments	610 304 520
Investment property	185 571 304
Fixed assets (net)	74 882 856
Goodwill and other intangible assets	645 336 336
Other assets	605 818 757
Balance	4 197 906 858

4-2 Liabilities classified as held for sale

	30/9/2012 LE
Due to banks and financial institutions	49 701 811
Accounts payables - customers' credit balances	754 276 101
Creditors and other credit balances	127 178 609
Current tax liability	3 813 928
Other provisions	50 938 043
Balance	985 908 492

- Tangible net assets classified as held for sale amounted to approximately LE 1 200 million after deducting the due to holding company and it's subsidiaries which will not be sold. Some major transactions will affect that amount before the selling transaction ,accordingly the net tangible assets held for sale will decrease.

4-3 Results of discontinued operation

	2012		2011	
	For the period from 1/7/2012 to 30/9/2012 LE	For the period from 1/1/2012 to 30/9/2012 LE	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE
Fees & commission income *	100 196 219	359 409 083	107 024 109	366 573 115
Securities gains	7 576 759	17 625 787	5 626 371	14 069 851
Changes in the investments at fair value through profit and loss	(231 837)	333 698	(1 712 207)	(7 554 301)
(Losses) gains on sale of fixed assets	(3 566 701)	(2 993 886)	41 101	42 246
Foreign currencies differences	1 866 363	2 265 461	(2 271 966)	(13 623 751)
Other income	7 348 810	13 719 232	3 479 617	8 578 632
Interest and dividends income	5 893 615	14 939 163	8 862 909	31 578 190
Interest expense	(1 070 643)	(11 631 807)	(1 006 936)	(6 958 312)
General administrative expenses	(91 365 901)	(286 019 921)	(85 586 201)	(294 068 844)
Other provisions	(2 931 273)	(10 982 646)	(1 387 433)	(4 538 875)
Depreciation and amortization	(5 645 805)	(18 024 151)	(7 216 432)	(20 789 002)
Impairment loss on assets	508	(1 934 720)	(43 706)	(286 897)
Net profit before income tax	18 070 114	76 705 293	25 809 226	73 022 052
Income tax expenses	(5 130 945)	(27 122 741)	(8 521 006)	(15 617 505)
Net profit for the period	12 939 169	49 582 552	17 288 220	57 404 547

- The operating expenses of EFG Hermes Holding and some of the subsidiaries that are not included in the sale, include the costs of some joint departments that are intended for transfer to EFG Hermes Qatar along with the subsidiaries subject to transfer.

* **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 35 827 511 till September 30, 2012 versus an amount of LE 369 864 till September 30, 2011 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 30/9/2012 LE	30/9/2011 LE
Egyptian Portfolio Management Group	15 377 281	38 595
Hermes Fund Management	15 841 509	331 269
EFG- Hermes Financial Management (Egypt) Ltd.	4 608 721	--
Total	35 827 511	369 864

5- Cash and due from banks

	30/9/2012 LE	31/12/2011 LE
Cash on hand	214 702 211	179 141 029
Central Bank of Lebanon *		
- Demand deposits	881 223 300	645 616 000
- Time deposits	5 661 470 700	4 852 380 000
Other Central Banks		
- Demand deposits	265 465 350	179 252 000
Cheques under collection	--	8 364 805
Banks - current accounts (net)	71 901 135	811 733 349
Banks - demand deposits	476 255 700	552 293 748
Banks - time deposits	4 447 928 248	5 014 083 149
Accrued interest	25 482 600	44 356 000
Balance	12 044 429 244	12 287 220 080

* 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.

6- Investments at fair value through profit and loss

Trading investment

	30/9/2012 LE	31/12/2011 LE
Mutual Fund certificates	209 296 290	507 242 358
Equity securities	18 592 985	122 901 007
Debt securities	156 561 722	89 945 680
Lebanese treasury bills	158 253 750	97 360 000
Balance	542 704 747	817 449 045

7- Accounts receivables

	30/9/2012	31/12/2011
	LE	LE
Accounts receivables (net)	65 304 353	400 841 981
Other brokerage companies (net)	(4 545)	(18 285 954)
Balance	65 299 808	382 556 027

8- Loans and advances

		30/9/2012	31/12/2011
		LE	LE
Loans and advances to customers	(8-1)	13 354 646 070	11 827 850 000
Loans and advances to related parties	(8-2)	143 876 250	143 316 000
Other loans		87 141 775	65 862 726
Balance		13 585 664 095	12 037 028 726

8-1 Loans and advances to customers

	30/9/2012				31/12/2011
	Gross amount	Unrealized Interest	Impairment Allowance	Carrying Amount	Carrying amount
	LE	LE	LE	LE	LE
Regular retail customers					
Cash collateral	472 711 950	--	--	472 711 950	367 392 000
Mortgage loans	4 934 868 412	--	--	4 934 868 412	4 850 657 189
Personal loans	1 595 104 650	--	--	1 595 104 650	1 387 236 000
Credit cards	169 893 450	--	--	169 893 450	162 504 000
Other	92 518 200	--	--	92 518 200	66 504 000
Regular corporate customers					
Corporate	5 179 180 281	--	--	5 179 180 281	4 677 934 300

	30/9/2012				31/12/2011
	Gross amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Classified retail customers					
Watch	153 858 463	--	--	153 858 463	51 352 946
Substandard	104 967 900	(31 257 900)	--	73 710 000	53 692 000
Doubtful	189 697 950	(92 931 300)	(68 764 950)	28 001 700	19 676 000
Bad	44 513 550	(25 531 200)	(18 982 350)	--	--
Classified corporate customers					
Watch	569 372 314	--	--	569 372 314	165 225 565
Substandard	30 500 550	(4 288 950)	--	26 211 600	8 068 000
Doubtful	228 918 150	(76 127 850)	(89 367 300)	63 423 000	62 632 000
Bad	43 011 000	(29 111 400)	(13 899 600)	--	--
Collective provision for retail loans	--	--	(23 271 300)	(23 271 300)	(22 984 000)
Collective provision for corporate loans	--	--	(42 699 150)	(42 699 150)	(42 172 000)
Accrued interest receivable	61 762 500	--	--	61 762 500	20 132 000
Balance	13 870 879 320	(259 248 600)	(256 984 650)	13 354 646 070	11 827 850 000

8-2 Loans and advances to related parties

	30/9/2012 LE	31/12/2011 LE
Regular Retail loans	3 580 200	1 068 000
Regular Corporate loans	140 296 050	142 248 000
Balance	143 876 250	143 316 000

9- Available - for- sale investments

	30/9/2012 LE	31/12/2011 LE
Preferred shares	99 366 750	98 096 000
Equity securities	744 889 644	1 087 519 102
Accrued interest receivable	5 001 750	5 864 000
Balance	849 258 144	1 191 479 102

10- Held-to-maturity investments

	30/9/2012 LE	31/12/2011 LE
Lebanese government treasury bills and Eurobonds	13 295 288 867	12 651 797 718
Other sovereign bonds	37 089 900	33 748 000
Certificates of deposit issued by banks	5 524 753 700	5 362 460 111
Other debt instruments	212 831 175	341 720 949
Accrued interest receivable	357 963 300	291 792 000
Balance	19 427 926 942	18 681 518 778

11- Investments in associates

	2012 Ownership %	2011 Ownership %	30/9/2012 LE	31/12/2011 LE
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	29 127 600	28 152 000
Credit Card Management SAL	28.96	28.96	9 873 900	9 448 000
International Payment Network SAL	19.88	18.68	6 488 100	6 180 000
Net Commerce SAL	19.10	19.10	1 048 950	1 016 000
Liberty Executive Center SAL	6.27	6.27	48 600	48 000
Balance			46 587 150	44 844 000

12- Investment property

Investment property amounted LE 132 062 511 as at 30 September, 2012, represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building .

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 1/1/2012	910 419 265	194 005 632	313 424 908	80 246 635	19 766 282	85 082 246	1 602 944 968
Additions	2 983 190	6 981 996	16 730 293	1 059 365	664 150	107 748 344	136 167 338
Disposals	--	(2 380 789)	(20 947 421)	(64 211)	(244 000)	(865 097)	(24 501 518)
Reclassification of assets	--	9 181 350	7 699 050	--	--	(16 880 400)	--
Foreign currency translation differences	3 864 942	2 084 153	2 932 792	251 448	(168 452)	1 193 850	10 158 733
Transferred to assets held for sale	(48 706 045)	(13 525 367)	(94 345 112)	(37 530 320)	(3 973 518)	(11 217 143)	(209 297 505)
Total cost as at 30/9/2012	868 561 352	196 346 975	225 494 510	43 962 917	16 044 462	165 061 800	1 515 472 016
Accumulated depreciation as at 1/1/2012	93 699 055	136 800 743	194 145 947	59 112 376	13 654 106	--	497 412 227
Depreciation – continued operation	16 719 657	10 061 291	16 862 896	4 296 303	924 653	--	48 864 800
Depreciation – discontinued operation	764 669	2 107 595	8 640 191	1 550 833	347 210	--	13 410 498
Disposals' accumulated depreciation	--	(1 217 475)	(16 016 751)	(27 124)	(144 000)	--	(17 405 350)
Foreign currency translation differences	761 525	1 555 980	1 751 919	242 421	(144 773)	--	4 167 072
Transferred to assets held for sale	(16 435 141)	(7 611 859)	(72 361 288)	(34 662 164)	(3 344 197)	--	(134 414 649)
Accumulated depreciation as at 30/9/2012	95 509 765	141 696 275	133 022 914	30 512 645	11 292 999	--	412 034 598
Carrying amount as at 30/9/2012-continued operation	773 051 587	54 650 700	92 471 596	13 450 272	4 751 463	165 061 800	1 103 437 418
Carrying amount as at 30/9/2012-discontinued operation. note no. (4-1)	32 270 904	5 913 508	21 983 824	2 868 156	629 321	11 217 143	74 882 856
Carrying amount as at 31/12/2011	816 720 210	57 204 889	119 278 961	21 134 259	6 112 176	85 082 246	1 105 532 741

* Projects under construction are represented in the following :

	30/9/2012 LE	31/12/2011 LE
Office spaces in Egypt	--	9 784 500
Preparation of alternate headquarters in emergency - United Arab Emirates	--	1 961 746
Preparation of new headquarter – Credit Libanais SAL "the Bank"	165 061 800	73 336 000
Balance	165 061 800	85 082 246

14- Goodwill and other intangible assets

		30/9/2012 LE	31/12/2011 LE
Goodwill	(14-1)	65 083 756	707 539 161
Other intangible assets	(14-2)	3 417 622 518	3 384 020 179
Balance		3 482 706 274	4 091 559 340

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

	30/9/2012 LE	31/12/2011 LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
EFG- Hermes Oman LLC	--	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait	--	567 776 330
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	--	8 639 218
Balance	65 083 756	707 539 161

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

	30/9/2012 LE	31/12/2011 LE
Branches network - Credit Libanais Bank	3 395 968 022	3 360 300 184
Key Money	1 247 400	1 348 000
Licenses & Franchise	3 365 550	5 229 650
Research & Development	17 026 200	16 432 000
Software	15 346	710 345
Balance	3 417 622 518	3 384 020 179

15- Other assets

		30/9/2012	31/12/2011
		LE	LE
Deposits with others	(15-1)	25 584 439	48 388 384
Downpayments to suppliers		89 280	1 870 574
Prepaid expenses		92 871 800	92 111 894
Employees' advances		3 299 300	18 802 301
Accrued revenues		20 546 947	31 940 043
Taxes withheld by others		51 086 753	53 846 601
Payments for investments	(15-2)	24 704 500	22 895 075
Re-insurers' share of technical reserve		215 261 550	214 688 000
Receivables - sale of investments		--	76 694 259
Infra Egypt fund		--	3 187 862
Perching Brokerage		--	1 178 414
Settlement Guarantee Fund		211 287	27 173 750
Unquoted assets - Ready for sale acquired in satisfaction of loans		181 849 050	183 704 000
Due from EFG- Hermes Employee Trust		--	398 946 562
Due from Ara inc. company		--	3 477 331
Due from related parties		54 427 950	10 468 000
Re-insurance accrued commission		14 539 500	14 360 000
Cards transaction on ATM		2 462 400	536 000
Re-insurance debtors		935 550	1 564 000
Non current assets available for sale		--	70 936 046
Sundry debtors		185 732 171	255 166 751
Balance		873 602 477	1 531 935 847

15-1 Deposits with others include an amount of LE 24 360 750 (equivalent to LBP 6 015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon.

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

	30/9/2012	31/12/2011
	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
IDEAVELOPERS	25 000	25 000
AAW Company for Infrastructure	3 040 000	3 040 000
Egyptian Company for Marketing	1 000 000	--
International Company for Projects Management	1 000 000	--
EFG –Hermes Direct Fund Management	640 000	--
Sohail Investment Company	--	430 375
	24 704 500	22 895 075

16- Due to banks and financial institutions

		30/9/2012	31/12/2011
		LE	LE
Current deposits of banks		181 452 150	198 044 000
Time deposits		119 345 400	76 372 000
Financial institutions		315 681 300	319 256 000
Borrowings	(16-1)	--	15 584 600
Accrued interest payable		3 673 350	4 516 000
Balance		620 152 200	613 772 600

16-1 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 loan has been fully paid.

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 comp any'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 loan has been fully paid.

17- Customers' deposits

	30/9/2012 LE	31/12/2011 LE
Deposits from customers (private sector):		
Saving accounts	23 914 911 714	22 832 211 300
Term deposits	10 149 016 500	9 062 524 000
Current accounts	3 805 335 450	3 474 632 000
	37 869 263 664	35 369 367 300
Deposits from customers (public sector):		
Saving accounts	206 132 850	238 348 000
Term deposits	851 755 500	638 296 000
Current accounts	492 484 050	415 288 000
	1 550 372 400	1 291 932 000
Others	73 572 300	70 592 000
	39 493 208 364	36 731 891 300
Accrued interest payable	188 349 300	201 492 000
	39 681 557 664	36 933 383 300
Deposits from related parties:		
Long term saving accounts	438 266 700	382 336 000
Short term saving accounts	275 400	--
Long term deposits	764 429 400	822 072 000
Short term deposits	96 989 400	21 156 000
Accrued interest payable	5 090 850	4 076 000
	1 305 051 750	1 229 640 000
Balance	40 986 609 414	38 163 023 300

18- 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 B5onds 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 480 139 650 as at September 30, 2012 versus LE 486 932 000 as at December 31,2011.

19- Creditors and other credit balances

		30/9/2012	31/12/2011
		LE	LE
Margins held against documentary credits		85 110 750	71 352 000
Technical reserve for insurance companies		347 340 150	343 052 000
Interbranch reconciling items		89 622 450	5 984 000
Revaluation of assets acquired in satisfaction of loans		20 136 600	19 888 000
Social Insurance Association		223 579	589 324
Unearned revenues		11 558 321	14 438 691
Accrued interest & commission		--	82 256
Suppliers		175 608 000	94 560 762
Accrued expenses		126 547 587	242 258 425
Clients' coupons- Custody Activity		7 220 110	8 267 925
Due to Industry Modernization Center		5 489 913	6 748 849
Dividends payable		29 872 958	36 441 011
Cards transaction on ATM		14 871 600	13 592 000
Re-insurance creditors		224 272 800	221 504 000
Deferred tax liabilities	(19-1)	551 860 505	551 606 725
Due to related parties		15 235 000	15 235 000
Sundry creditors		7 232 239	22 177 214
Balance		1 712 202 562	1 667 778 182

19-1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	30/9/2012 Assets LE	30/9/2012 Liabilities LE	31/12/2011 Assets LE	31/12/2011 Liabilities LE
Fixed assets depreciation	--	4 576 877	--	5 040 533
Expected claims provision	90 750	--	2 132 865	--
Impairment loss on assets	2 393 288	--	5 581 321	--
Prior year losses forward	52 323	--	1 602 917	--
Company's share in affiliate's profits	--	--	--	7 879 242
Total deferred tax assets / liabilities	2 536 361	4 576 877	9 317 103	12 919 775
Net deferred tax liabilities		2 040 516		3 602 672

(B) Deferred tax recognized directly in equity

	30/9/2012 LE	31/12/2011 LE
Fair value adjustments *	556 432 586	554 616 650
Changes in fair value of cash flow hedges	(6 612 597)	(6 612 597)
	549 819 989	548 004 053

* Deferred tax liabilities arising from the assets acquired and liabilities assumed as a result of the acquisition of the subsidiary Credit Libanais Bank – (note no. 1-3).

20- Other income

Other income presented in the income statement includes an LE 15 536 986 represents provision reversed and LE 7 183 292 represents gains on sale of non current assets held for sale.

21- Other provisions

		30/9/2012 LE	31/12/2011 LE
Expected claims provision	(21-1)	226 975 721	232 734 753
Servance pay provision	(21-1)	83 924 100	114 636 935
Other provisions		899 100	880 000
Balance		311 798 921	348 251 688

21-1

	Expected claims Provision LE	Severance pay provision LE	Total LE
Balance at the beginning of the period	232 734 753	114 636 935	347 371 688
Formed during the period	19 043 006	9 938 953	28 981 959
Provision reversed	(4 284 119)	(2 626 804)	(6 910 923)
Foreign currency differences	261 645	1 278 173	1 539 818
Amounts used during the period	(3 044 030)	(6 100 648)	(9 144 678)
Transferred to liabilities as held for sale. Note no. (4-2)	(17 735 534)	(33 202 509)	(50 938 043)
Balance at the end of the period	226 975 721	83 924 100	310 899 821

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 each four shares outstanding 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 at the same date and the required procedures had been taken and this increase have been registered in the Commercial Register on September 6, 2011.

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

	30/9/2012	31/12/2011
	LE	LE
Share capital	450 747 652	449 146 509
Legal reserve	127 049 351	115 287 877
Other reserves	500 944 194	501 626 252
Retained earnings	131 196 812	67 551 400
Other equity	69 955 650	64 156 000
Increase in fair value of net assets	1 151 641 848	1 067 258 725
Net profit for the period / year	125 652 478	175 120 128
Balance	2 557 187 985	2 440 146 891

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 178 670 000 (equivalent to LE 296 467 131).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-balance sheet items :

	30/9/2012	31/12/2011
	LE	LE
Financing commitments given to financial institutions	715 663 350	680 256 000
Commitments to customers	1 379 045 250	1 830 912 000
Guarantees given to customers	832 275 000	526 324 000
Restricted and non – restricted fiduciary accounts	49 369 500	383 156 000
Commitments of signature received from financial intermediaries	88 958 250	84 572 000
Other commitments received	27 337 657 950	23 092 916 000
Assets under management	26 319 694 350	27 453 901 000

25- Impairment loss on assets

	2012		2011	
	For the period from 1/7/2012 to 30/9/2012 LE	For the period from 1/1/2012 to 30/9/2012 LE	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE
Impairment loss on accounts receivables & debit accounts	--	--	76 296	76 296
Impairment loss on available –for– sale investments	840	241 320	--	--
Total	840	241 320	76 296	76 296

26- Income tax expense

	2012		2011	
	For the period from 1/7/2012 to 30/9/2012 LE	For the period from 1/1/2012 to 30/9/2012 LE	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE
Current income tax	(14 266 148)	(41 933 372)	(11 654 280)	(41 928 480)
Deferred tax	1 621 658	3 756 329	(1 107 221)	(3 048 889)
Total	(12 644 490)	(38 177 043)	(12 761 501)	(44 977 369)

27- Cash and cash equivalents

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

	30/9/2012 LE	31/12/2011 LE
Cash and due from banks	13 131 232 038	12 287 220 080
Due to banks and financial institutions	(669 854 011)	(613 772 600)
Less: Assets – maturity more than three months	(5 202 848 700)	(4 610 558 207)
Effect of exchange rate	(9 102 045)	19 755 959
Cash and cash equivalents	7 249 427 282	7 082 645 232

28- General administrative expenses

	2012		2011	
	For the period from 1/7/2012 to 30/9/2012	For the period from 1/1/2012 to 30/9/2012	For the period from 1/7/2011 to 30/9/2011	For the period from 1/1/2011 to 30/9/2011
	LE	LE	LE	LE
Wages , salaries and similar items	139 921 293	409 496 481	130 000 427	376 705 495
Consultancy	14 060 213	27 440 414	605 516	6 659 149
Advertising and public relations	--	--	18 743 253	18 743 253
Travel , accommodation and transportation	6 957 372	20 803 215	6 650 383	20 343 967
Other expenses	79 317 353	226 254 246	36 091 463	159 992 578
Total	240 256 231	683 994 356	192 091 042	582 444 442

29 - Earnings per share

	2012		2011	
	For the period from 1/7/2012 to 30/9/2012	For the period from 1/1/2012 to 30/9/2012	For the period from 1/7/2011 to 30/9/2011	For the period from 1/1/2011 to 30/9/2011
	LE	LE	LE	LE
Net profit for the period	44 523 733	106 437 287	32 816 462	150 330 686
Weighted average number of shares	477 903 750	477 903 750	477 903 750	478 164 417
Earnings per share	0.09	0.22	0.07	0.31

30- 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, 2012

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	67 518 640	349 946 176	--	417 464 816
Fee and commission expense	--	(192 714 130)	--	(192 714 130)
Net fee and commission income	67 518 640	157 232 046	--	224 750 686
Securities gains	10 373 902	40 091 296	--	50 465 198
Share of profit of associate	--	5 184 358	--	5 184 358
Changes in the investments at fair value through profit and loss	44 473 303	28 515 980	--	72 989 283
Gains on sale of fixed assets	--	164 902	--	164 902
Foreign currencies differences	9 699 297	--	--	9 699 297
Other income	13 747 301	26 251 594	--	39 998 895
Noninterest revenue	145 812 443	257 440 176	--	403 252 619
Interest and dividends income	53 772 973	1 852 939 422	(60 424 463)	1 846 287 932
Interest expense	(249 172)	(1 258 837 736)	102 037	(1 258 984 871)
Net interest income	53 523 801	594 101 686	(60 322 426)	587 303 061
Total net revenue	199 336 244	851 541 862	(60 322 426)	990 555 680
Total noninterest expenses	(263 552 230)	(498 941 166)	(7 378 028)	(769 871 424)
Net (loss) profit before income tax	(64 215 986)	352 600 696	(67 700 454)	220 684 256
Income tax expense	(277 979)	(41 933 372)	4 034 308	(38 177 043)
Net (loss) profit from continued operations	(64 493 965)	310 667 324	(63 666 146)	182 507 213
Profit from discontinued operations (net of tax)	49 582 552	--	--	49 582 552
Net (loss) profit	(14 911 413)	310 667 324	(63 666 146)	232 089 765
Total assets	9 406 903 386	46 414 065 150	530 617 132	56 351 585 668
Total liabilities	1 285 275 174	43 191 273 600	672 819 350	45 149 368 124
Shareholders' equity	8 121 628 212	3 222 791 550	(142 202 218)	11 202 217 544
Total equity and liabilities	9 406 903 386	46 414 065 150	530 617 132	56 351 585 668

For the period ended September 30, 2011

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Fee and commission income	87 946 618	335 352 600	--	423 299 218
Fee and commission expense	--	(201 853 080)	--	(201 853 080)
Net fee and commission income	87 946 618	133 499 520	--	221 446 138
Securities gains	21 910 179	9 115 920	--	31 026 099
Share of profit of associate	--	4 443 120	--	4 443 120
Changes in the investments at fair value through profit and loss	(8 879 609)	8 605 080	--	(274 529)
(loss) gains on sale of fixed assets	(10 946)	43 560	--	32 614
Foreign currencies differences	23 622 683	--	--	23 622 683
Other income	6 279 734	11 004 840	--	17 284 574
Noninterest revenue	130 868 659	166 712 040	--	297 580 699
Interest and dividends income	43 636 093	1 731 082 320	19 031 310	1 793 749 723
Interest expense	(3 616 386)	(1 169 894 880)	(14 174 854)	(1 187 686 120)
Net interest income	40 019 707	561 187 440	4 856 456	606 063 603
Total net revenue	170 888 366	727 899 480	4 856 456	903 644 302
Total noninterest expenses	(242 220 277)	(380 536 200)	(7 300 537)	(630 057 014)
Net (loss) profit before income tax	(71 331 911)	347 363 280	(2 444 081)	273 587 288
Income tax expense	(454 108)	(41 928 480)	(2 594 781)	(44 977 369)
Net (loss) profit from continued operations	(71 786 019)	305 434 800	(5 038 862)	228 609 919
Profit from discontinued operations (net of tax)	57 404 547	--	--	57 404 547
Net (loss) profit for the period	(14 381 472)	305 434 800	(5 038 862)	286 014 466
Total assets	9 186 364 511	41 543 441 650	(1 391 725 814)	49 338 080 347
Total liabilities	1 107 194 426	38 717 196 900	16 032 861	39 840 424 187
Shareholders' equity	8 079 170 085	2 826 244 750	(1 407 758 675)	9 497 656 160
Total equity and liabilities	9 186 364 511	41 543 441 650	(1 391 725 814)	49 338 080 347

31- Tax status

- As to Income Tax, the years from the first financial year till 31/12/2008 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2009 / 2010, the competent tax inspectorate inspected the parent company's books and the parent 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 year 2011, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.

- As to Salaries Tax, parent company's books had been examined till the year 2004 and all the disputed points have been settled with the Internal Committee and the due amount has been paid and the years 2005/2008 have been inspected and the parent 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 / 2011, the parent company's books have not been inspected yet.
- As to Stamp Tax, parent company's books had been examined from year 1998 till 31/7/2006 and paid the due tax according to the resolution of Appeal Committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2011 have not been inspected yet.

32- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.06
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	--	100
EFG- Hermes Fixed Income	99	1
EFG- Hermes Management	96.3	3.7
EFG- Hermes Private Equity	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming CIIC Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.14	--
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

	Direct ownership %	Indirect ownership %
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	49	20.37
Sindyan Syria LLC	97	--
Talas & Co. LLP	--	97
EFG – Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG – Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.65
Lebanese Islamic Bank SAL	--	63.64
Credit International SA	--	59.16
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.96
Hermes Tourism & Travel SAL	--	63.73
Crédit Libanais d'Assuranceset de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.86
Capital Real Estate SAL	--	62.46
Credilease SAL	--	63.27
Collect SAL	--	28.64
EFG – Hermes Investment Funds Co.	99.998	--
Mena FI Cayman Ltd.	--	100
EFG – Hermes Mena FI Management Limited.	--	100
Fixed Income Investment Limited.	--	100
Meda Access Cayman Holdings Limited .	--	100

33- 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.

33-1 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.

33-2 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.

33-3 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.

33-4 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.

33-5 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.

33-6 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.

33-7 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.

33-8 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.

33-9 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

33-10 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.

34- Corresponding figures

Certain corresponding figures have been reclassified according to the Purchase Price Allocation study of the acquisition of Credit Libanais Bank as follows:

	For the Period ended 30/9/2011 (as reported)	Adjustments	For the Period ended 30/9/2011 (Restated)
	LE	LE	LE
Interest and dividends income	1 774 638 927	19 110 796	1 793 749 723
Depreciation and amortization	(42 694 194)	(7 300 537)	(49 994 731)
Income tax expense	(42 382 588)	(2 594 781)	(44 977 369)
Non - controlling interests	130 352 046	5 331 734	135 683 780
Earnings per share	0.30	0.01	0.31