EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 September 2011
&
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 2011 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 2011, and of its consolidated financial performance and its consolidated cash flows for the nine months then ended in accordance with Egyptian Accounting Standards.

Hassan Bes

KPMG Hazem Hassan

Cairo, November 14 , 2011

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EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of financial position
as at 30 September 2011

	Note no.	30/9/2011 LE	31/12/2010 LE
Assets			
Cash and due from banks	(4)	11 782 186 371	10 119 135 577
Investments at fair value through profit and loss	(5)	1 122 024 734	1 085 289 153
Accounts receivables (net)	(6)	521 585 046	777 248 858
Loans and advances	(7)	11 552 490 728	9 774 474 746
Available -for- sale investments	(8)	1 272 410 244	2 815 356 135
Held-to-maturity investments	(9)	18 028 858 600	17 168 197 800
Investments in associates	(10)	43 817 350	39 175 500
Investment property	(11)	228 006 973	163 125 763
Fixed assets (net)	(12)	980 978 260	1 011 791 305
Goodwill and other intangible assets	(13)	2 623 071 187	2 630 015 297
Other assets	(14)	1 170 840 595	1 083 540 667
Total assets		49 326 270 088	46 667 350 801
Liabilities			
Due to banks and financial institutions	(15)	562 875 900	590 818 300
Customers' deposits	(16)	36 947 162 579	33 189 838 116
Accounts payables - customers' credit balances		574 319 618	630 496 550
Bonds	(17)	473 644 500	444 993 900
Creditors and other credit balances	(18)	946 259 099	1 040 491 727
Other liabilities	(19)	979 649	287 378 531
Current tax liability		47 665 734	357 426 274
Other provisions	(21)	284 922 327	271 093 153
Total liabilities		39 837 829 406	36 812 536 551
Shareholders' equity			
Share capital	(22)	2 391 473 750	1 913 570 000
Legal reserve		956 785 000	956 785 000
Share premium		3 294 067 512	3 294 067 512
Other reserves		(63 870 406)	441 749 680
Retained earnings		1 495 146 247	2 180 900 410
		8 073 602 103	8 787 072 602
Treasury shares	(22-1)	(6 918 613)	-
Shareholders' equity		8 066 683 490	8 787 072 602
Net profit for the period / year		146 446 942	700 426 814
Interim dividends		-	(774 517 396)
Shareholders' equity including net profit for the period / year		8 213 130 432	8 712 982 020
Non - controlling interests	(23)	1 275 310 250	1 141 832 230
Total shareholders' equity		9 488 440 682	9 854 814 250
Total shareholders' equity and liabilities		49 326 270 088	46 667 350 801

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar
Chairperson

Yasser El Mallawany
Executive Managing Director

Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated income statement

for the period ended 30 September 2011

	Note no.	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	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
Fee and commission income	(25)	236 632 790	789 872 333	288 031 676	738 230 766
Fee and commission expense		(55 788 480)	(201 853 080)	(55 958 800)	(55 958 800)
Net fee and commission income		180 844 310	588 019 253	232 072 876	682 271 966
Securities gains	(10)	21 411 200	45 095 950	12 554 747	794 935 973
Share of profit of associate	(10)	(799 920)	4 443 120	1 383 200	1 383 200
Foreign currencies differences		(2 927 473)	9 998 932	7 354 892	124 689 442
Other income	(20)	10 038 436	25 863 206	12 283 283	18 430 545
Noninterest revenue		208 566 553	673 420 461	265 648 998	1 621 711 126
Interest and dividends income		600 831 922	1 806 217 117	599 506 570	733 950 509
Interest expense		(409 261 846)	(1 194 644 432)	(375 783 029)	(406 380 665)
Net interest income		191 570 076	611 572 685	223 723 541	327 569 844
Total net revenue		400 136 629	1 284 993 146	489 372 539	1 949 280 970
General administrative expenses	(29)	277 635 461	876 438 426	322 714 336	738 808 662
Changes in the fair value of investments at fair value through profit and loss		14 450 406	7 828 830	(23 795 684)	8 705 868
Net losses on loans and advances	(7)	(15 289 560)	(18 326 880)	3 765 800	3 765 800
Other provisions	(21)	5 968 236	20 407 300	3 258 623	19 780 226
Depreciation and amortization	(12),(13)	22 139 809	63 483 196	18 318 312	37 993 869
Changes in the fair value of investment property	(11)	-	-	-	46 104 606
Impairment loss on assets	(26)	120 002	363 193	-	47 770 687
Total noninterest expenses		305 024 354	950 194 065	324 261 387	902 929 718
Net profit before income tax		95 112 275	334 799 081	165 111 152	1 046 351 252
Income tax expense	(27)	(20 417 580)	(58 000 093)	(17 265 580)	(308 066 459)
Net profit for the period		74 694 695	276 798 988	147 845 572	738 284 793
Equity holders of the parent		31 521 880	146 446 942	88 105 984	668 388 453
Non - controlling interests	(23)	43 172 815	130 352 046	59 739 588	69 896 340
		74 694 695	276 798 988	147 845 572	738 284 793
Earnings per share	(30)	0.07	0.30	0.18	1.38

The accompanying notes from page (5) to page (43) 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 2011

	Note no.	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: Company's share of items recognized in associate equity	Other reserves: Other reserves	Other equity	Retained earnings	Treasury shares	Net profit for the year / period	Interim dividends	Non - controlling interests	Total
		LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December,2009		1 913 570 000	956 785 000	3 294 067 512	373 146	74 100 000	3 106 228	150 913 189	(3 546 267)	(53 645 190)	406 072 180	-	(607 200 000)	2 049 605 610	-	551 810 628	-	206 075 609	8 942 087 645
Transfer a part of the special reserve to retained earnings		-	-	-	-	(32 500 000)	-	-	-	-	-	-	-	32 500 000	-	-	-	-	-
Foreign currencies translation differences		-	-	-	-	-	(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)
Selling of company's share 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 30 September 2010		-	-	-	-	-	-	-	-	-	-	-	-	-	-	668 388 453	-	69 896 340	738 284 793
Interim dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(774 517 396)	-	(774 517 396)
Balance as at 30 September 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
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	(22)	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		-	-	-	-	-	-	-	-	-	-	-	-	-	-	146 446 942	-	130 352 046	276 798 988
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)	146 446 942	-	1 275 310 250	9 488 440 682

The accompanying notes from page (5) to page (43) 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 2011

	For the period ended 30/9/2011 LE	For the period ended 30/9/2010 LE
Cash flows from operating activities		
Net profit before income tax	334 799 081	1 046 351 252
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	63 483 196	37 993 869
Provisions formed	21 516 052	15 558 027
Provisions used	(8 743 106)	(28 138 537)
Provisions no longer needed	(598 204)	(2 479 462)
(Gains) losses on sale of fixed assets	(74 860)	58 246
Gains on sale of available -for- sale investments	(2 837 416)	(1 671 698)
Gains on sale of investments in associates	-	(739 403 104)
Gain on sale of unquoted assets ready for sale	(6 435 000)	(9 332 800)
Changes in the fair value of investments at fair value through profit and loss	5 363 185	8 705 868
Changes in the fair value of investment property	-	46 104 606
Impairment loss on assets	294 108	47 770 687
Foreign currency translation differences	135 265 655	38 145 275
Operating profit before changes in working capital	542 032 691	459 662 229
(Increase) decrease in other assets	(25 737 643)	41 814 733
(Decrease) increase in creditors and other credit balances	(70 065 393)	3 075 116 776
Change in loans and advances	(1 643 428 900)	(699 988 606)
Change in customers' deposits	3 304 199 329	2 257 979 502
Decrease (increase) in accounts receivables	258 732 239	(359 944 766)
(Decrease) increase in accounts payables	(74 537 929)	82 958 105
(Increase) decrease in investments at fair value through profit and loss	(132 725 163)	621 128 895
Change in financial assets (over 3 months)	(113 846 900)	507 991 600
Income tax paid	(326 892 684)	(32 476 064)
Net cash provided from operating activities	1 717 729 647	5 954 242 404
Cash flows from investing activities		
Payments to purchase fixed assets	(101 198 029)	(86 383 677)
Proceeds from sale of fixed assets	12 467 297	366 939
Proceeds from projects under construction	392 532	-
Payments to purchase treasury bills	-	(1 055 969 499)
Proceeds from sale of available -for- sale investments	259 017 783	1 294 433
Payments to purchase available -for- sale investments	(181 996 999)	(547 036 583)
Proceeds from sale of investments in subsidiaries and associates	-	5 002 369 426
Payments to purchase investments in subsidiaries and associates	(5 088 424)	(3 064 022 580)
Purchase of financial instrument held to maturity	-	(696 764 200)
Purchase of financial instrument classified as loans and receivables	-	(245 700 400)
Proceeds from sale of held - to - maturity investments	255 920 500	-
Payments to long term lending	(9 994 682)	-
Payments to companies' share in Settlement Guarantee Fund	(5 198 346)	-
Proceeds from sale of non -current assets held for sale	7 540 550	16 051 200
Net cash provided from (used in) investing activities	231 862 182	(675 794 941)
Cash flows from financing activities		
Purchasing of treasury shares	(6 918 613)	-
Changes in retained earnings	(4 303 624)	37 050 000
Increase in banks overdraft	-	25 193 760
Paid dividends	(95 323 272)	(1 270 076 881)
Payments to long term loans	-	(93 378 641)
Change in non-controlling interests	(4 980 950)	896 800
Payments to preferred shares	(300 700 000)	-
Changes in reserves	-	(28 620 150)
Net cash used in financing activities	(412 226 459)	(1 328 935 112)
Net change in cash and cash equivalents during the period	1 537 365 370	3 949 512 351
Cash from acquisition of subsidiaries	-	4 537 383 060
Cash and cash equivalents at the beginning of the period	8 391 675 153	1 611 733 824
Cash and cash equivalents at the end of the period (note no. 28)	9 929 040 523	10 098 629 235

The accompanying notes from page (5) to page (43) 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, 2011

1- Description of business

1-1 Legal status

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

1-2 Purpose of the company

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

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

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

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

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

Company	% of control
Credit Libanais Investment Bank SAL	99.86
Lebanese Islamic Bank SAL	99.84
Credit International SA	91.15
Cedar's Real Estate SAL	99.92
Soft Management SAL	47
Hermes Tourism & Travel SAL	99.99
Liberty Restaurant SARL (under liquidation)	99.20
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.61
Capital Real Estate SAL	98
Credilease SAL	99.26
Collect SAL	44.93

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

2- Basis of preparation

2-1 Statement of compliance

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

2-2 Basis of measurement

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

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

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

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

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

2-5 Financial assets and liabilities

Recognition and derecognition:

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

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

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

Offsetting

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

3- Significant accounting policies applied

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

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

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

3-1-2 Associates

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

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

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

3-2 Translation of the foreign currencies transactions

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

3-3 Translation of the foreign subsidiaries' financials

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

3-4 Derivative financial instruments

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

Cash flow hedges

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

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

Fair value hedges

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

3-5 Fixed assets depreciation

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

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

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

3-6 Projects under construction

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

3-7 Intangible assets

3-7-1 Goodwill

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

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

3-7-2 Other intangible assets

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

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

3-7-3 Subsequent expenditure

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

3-8 Treasury bills

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

3-9 Investments

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

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

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

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

3-9-3 Held-to-maturity investments

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

3-9-4 Investment property

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

3-10 Impairment

3-10-1 Financial assets

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

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

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

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

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

3-10-2 Non-financial assets

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

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

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

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

3-11 Cash and cash equivalents

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

3-12 Interest-bearing borrowings

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

3-13 Other assets

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

3-14 Provisions

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

3-15 Legal reserve

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

3-16 Share capital

3-16-1 Repurchase of share capital

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

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

3-16-2 Dividends

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

3-17 Revenue recognition

3-17-1 Gain (loss) on sale of investments

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

3-17-2 Dividend income

Dividend income is recognized when declared.

3-17-3 Custody fee

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

3-17-4 Interest income and expenses

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

3-17-5 Fee and commission income

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

3-17-6 Brokerage commission

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

3-17-7 Management fee

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

3-17-8 Incentive fee

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

3-18 Long term lending

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

3-19 Expenses

3-19-1 Employees' pension

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

3-19-2 Taxation

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

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

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

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

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

3-20 Earnings per share

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

3-21 Profit sharing to employees

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

3-22 Loans and advances to customers and related provision

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

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

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

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

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

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

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

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

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

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

3-25 Due from banks and other financial institutions

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

3-26 Customers' deposits

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

3-27 Fiduciary assets

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

3-28 Reserves for general banking risks

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

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

3-29 Allowances for credit losses

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

3-30 Segment reporting

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

4- Cash and due from banks

	30/9/2011	31/12/2010
	LE	LE
Cash on hand	201 748 900	168 591 103
Central Bank of Lebanon *		
- Demand deposits	603 382 250	739 354 200
- Time deposits	4 628 068 850	2 990 430 300
Other Central Banks		
- Demand deposits	182 655 900	47 486 400
Cheques under collection	724 556	825 391
Banks - current accounts (net)	935 971 475	869 429 911
Banks - demand deposits	585 647 875	520 570 845
Banks - time deposits	4 628 605 265	4 777 490 527
Accrued interest	15 381 300	4 956 900
Balance	11 782 186 371	10 119 135 577

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

5- Investments at fair value through profit and loss

Trading investment

	30/9/2011	31/12/2010
	LE	LE
Mutual Fund certificates	427 062 805	910 004 395
Equity securities	144 666 168	63 252 281
Debt securities	389 455 711	112 032 477
Lebanese treasury bills	160 840 050	--
Balance	1 122 024 734	1 085 289 153

6- Accounts receivables

	30/9/2011	31/12/2010
	LE	LE
Accounts receivables (net)	522 514 924	776 868 466
Other brokerage companies (net)	(929 878)	380 392
Balance	521 585 046	777 248 858

7- Loans and advances

		30/9/2011	31/12/2010
		LE	LE
Loans and advances to customers	(7-1)	11 372 097 400	9 618 043 500
Loans and advances to related parties	(7-2)	119 353 200	105 385 800
Other loans		61 040 128	51 045 446
Balance		11 552 490 728	9 774 474 746

7-1 Loans and advances to customers

	30/9/2011				31/12/2010
	Gross amount LE	Unrealized Interest LE	Impairment allowance LE	Carrying amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	254 873 750	--	--	254 873 750	406 699 800
Mortgage loans	4 650 753 700	--	--	4 650 753 700	3 999 017 100
Personal loans	1 488 004 500	--	--	1 488 004 500	1 792 763 700
Credit cards	153 102 000	--	--	153 102 000	211 894 800
Other	37 536 850	--	--	37 536 850	56 803 500
Regular corporate customers					
Corporate	4 446 898 150	--	--	4 446 898 150	2 853 899 100
Classified retail customers					
Watch	49 540 900	--	--	49 540 900	57 996 900
Substandard	82 961 850	(28 242 500)	--	54 719 350	52 677 300
Doubtful	169 826 300	(81 413 450)	(79 861 100)	8 551 750	9 582 300
Bad	27 788 250	(19 477 450)	(8 310 800)	--	--
Classified corporate customers					
Watch	178 401 750	--	--	178 401 750	138 734 700
Substandard	18 576 850	(3 452 300)	--	15 124 550	27 498 900
Doubtful	241 329 200	(80 694 550)	(86 074 450)	74 560 200	16 161 600
Bad	39 334 100	(25 781 650)	(13 552 450)	--	--
Collective provision for retail loans	--	--	(21 436 650)	(21 436 650)	(21 169 200)
Collective provision for corporate loans	--	--	(41 644 850)	(41 644 850)	--
Accrued interest receivable	23 111 450	--	--	23 111 450	15 483 000
Balance	11 862 039 600	(239 061 900)	(250 880 300)	11 372 097 400	9 618 043 500

7-2 Loans and advances to related parties

	30/9/2011	31/12/2010
	LE	LE
Regular Retail loans	679 400	5 226 000
Regular Corporate loans	118 673 800	100 159 800
Balance	119 353 200	105 385 800

8- Available - for- sale investments

	30/9/2011	31/12/2010
	LE	LE
Lebanese Treasury bills	--	885 128 400
Corporate debt securities	--	18 298 800
Preferred shares	96 850 050	171 795 000
Equity securities	1 171 491 694	1 717 389 135
Accrued interest received	4 068 500	22 744 800
Balance	1 272 410 244	2 815 356 135

9- Held-to-maturity investments

	30/9/2011	31/12/2010
	LE	LE
Lebanese government treasury bills and Eurobonds	12 234 003 200	11 782 145 700
Other sovereign bonds	36 213 600	--
Certificates of deposit issued by banks	5 127 206 650	4 988 946 300
Other debt instruments	283 380 900	87 445 800
Accrued interest receivable	348 054 250	309 660 000
Balance	18 028 858 600	17 168 197 800

10- Investments in associates

	Ownership %	30/9/2011 LE	31/12/2010 LE
Agence Générale de Courtage d'Assurance SAL	25.86	26 852 100	23 782 200
Credit Card Management SAL	28.96	9 606 400	8 357 700
International Payment Network SAL	18.68	5 960 550	5 643 300
Net Commerce SAL	19.10	1 019 100	916 500
Hermes Rent a Car SAL	27.31	327 850	425 100
Liberty Executive Center SAL	6.27	51 350	50 700
Balance		43 817 350	39 175 500

- On January 21,2010 the holding company and its subsidiaries sold the entire investment in Audi Bank – Lebanon (an associate – 29.16%) which was represented in 10 037 182 shares with share price of US $ 91 each, the consolidated selling gain amounted to LE 739 403 104 after eliminating the effects of the equity method applied in the accounting for the investment and recorded on the income statement for the comparable period ended 30 September 2010 .

11- Investment property

Investment property amounted LE 228 006 973 as at 30 September, 2011 , represents the following:

- LE 132 062 511 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building
- LE 31 196 014 represents the fair value of the area owned by EFG – Hermes UAE Limited in the Index Tower.
- LE 64 748 448 represents the value of the area owned by EFG- Hermes KSA in the former headqurater.

12- Fixed assets

Particular	Land & Buildings LE	Leasehold Improvements LE	Office furniture, equipment & electrical Appliances LE	Computer Equipment LE	Vehicles LE	Projects Under Construction* LE	Total LE
Balance as at 1/1/2011	832 024 637	164 972 534	279 164 161	80 373 732	19 217 135	40 710 266	1 416 462 465
Additions	17 983 150	14 595 512	18 516 788	4 160 610	1 082 962	49 005 467	105 344 489
Disposals	(61 241 752)	(228 595)	(9 695 436)	(5 271 650)	(648 396)	(17 165 852)	(94 251 681)
Foreign currency translation differences	10 083 820	1 876 510	6 087 879	761 928	137 694	70 900	19 018 731
Total cost as at 30/9/2011	798 849 855	181 215 961	294 073 392	80 024 620	19 789 395	72 620 781	1 446 574 004
Accumulated depreciation as at 1/1/2011	63 069 076	118 183 835	161 619 846	49 837 509	11 960 894	--	404 671 160
Depreciation	15 987 919	11 463 171	23 732 564	6 801 133	1 605 322	--	59 590 109
Disposals' accumulated depreciation	(1 052 600)	(224 495)	(2 380 260)	(6 000)	(441 877)	--	(4 105 232)
Foreign currency translation differences	753 191	1 465 994	2 591 939	577 147	51 436	--	5 439 707
Accumulated depreciation as at 30/9/2011	78 757 586	130 888 505	185 564 089	57 209 789	13 175 775	--	465 595 744
Carrying amount as at 30/9/2011	720 092 269	50 327 456	108 509 303	22 814 831	6 613 620	72 620 781	980 978 260
Carrying amount as at 31/12/2010	768 955 561	46 788 699	117 544 315	30 536 223	7 256 241	40 710 266	1 011 791 305

* Projects under construction are represented in the following :

	30/9/2011	31/12/2010
	LE	LE
Preparations in the new headquarters of the group in Smart Village - Egypt	1 521 124	1 856 584
Office spaces in Egypt	9 784 500	16 038 147
Preparation of alternate headquarters in emergency - United Arab Emirates	7 267 309	6 756 590
New headquarters – Syrian Arab Republic	--	778 745
Others	54 047 848	15 280 200
Balance	72 620 781	40 710 266

13- Goodwill and other intangible assets

		30/9/2011	31/12/2010
		LE	LE
Goodwill	(13-1)	2 600 148 662	2 607 144 507
Other intangible assets	(13-2)	22 922 525	22 870 790
Balance		2 623 071 187	2 630 015 297

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

	30/9/2011	31/12/2010
	LE	LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
EFG- Hermes Oman LLC	66 039 857	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) - Kuwait	567 776 330	567 776 330
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	8 639 218	8 639 218
Credit Libanais SAL *	1 892 609 501	1 899 605 346
Balance	2 600 148 662	2 607 144 507

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

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

	30/9/2011	31/12/2010
	LE	LE
Key Money	1 307 450	191 100
Licenses & Franchise	4 392 650	4 398 830
Research & Development	17 064 000	18 162 300
Software	158 425	118 560
Balance	22 922 525	22 870 790

14- Other assets

		30/9/2011	31/12/2010
		LE	LE
Deposits with others	(14-1)	48 070 987	52 181 539
Downpayments to suppliers		3 007 520	2 320 838
Prepaid expenses		77 566 406	48 955 566
Employees' advances		18 539 644	20 212 443
Accrued revenues		36 093 126	19 798 581
Taxes withheld by others		53 617 233	74 172 009
Payments for investments	(14-2)	22 893 995	22 464 700
Receivables - sale of investments		76 502 665	72 974 948
Infra Egypt fund		3 093 534	2 856 785
Perching Brokerage		1 157 032	2 415 752
Settlement Guarantee Fund		29 951 427	24 377 487
Unquoted assets - Ready for sale acquired in satisfaction of loans		167 515 550	166 502 700
Due from EFG- Hermes Employee Trust		404 068 954	408 962 440
Due from Ara inc. company		3 439 556	6 961 205
Due from related parties		24 809 950	8 899 800
Re-insurance accrued commission		14 180 500	12 944 100
Cards transaction on ATM		6 399 000	--
Re-insurance debtors		2 397 650	--
Deferred tax assets	(14-3)	7 163 023	8 284 836
Non current assets available for sale		5 573 807	--
Sundry debtors		164 799 036	128 254 938
Balance		1 170 840 595	1 083 540 667

14-1 Deposits with others include an amount of LE 20 964 000 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 these amounts without prior approval from Misr Clearance Company , in addition to an amount of LE 23 759 250 (equivalent to LBP 6 015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon.

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

	30/9/2011	31/12/2010
	LE	LE
EFG- Hermes Mutual Funds Co.	10 000 000	10 000 000
Financial Group for Real Estate Co.	250 000	250 000
EFG-Hermes Securitization Company	5 000 000	5 000 000
Arab Visual Company	3 749 500	3 749 500
Egyptian Company for Funds Investments	400 200	400 200
IDEAVELOPERS	25 000	25 000
AAW Company for Infrastructure	3 040 000	3 040 000
Sohail Investment Company	429 295	--
	22 893 995	22 464 700

14-3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	30/9/2011		31/12/2010	
(A) Deferred tax	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	4 276 927	--	3 836 086
Expected claims provision	2 514 649	--	3 114 649	--
Impairment loss on assets	3 899 802	--	4 009 430	--
Prior years losses forward	919 429	--	882 479	--
Company's share in affiliate's profits	--	2 506 527	--	2 498 233
Total deferred tax assets / liabilities	7 333 880	6 783 454	8 006 558	6 334 319
Net deferred tax assets	550 426		1 672 239	

(B) Deferred tax recognized directly in equity

	30/9/2011	31/12/2010
	LE	LE
Changes in fair value of cash flow hedges	6 612 597	6 612 597
	========	=======

15- Due to banks and financial institutions

		30/9/2011	31/12/2010
		LE	LE
Current deposits of banks		157 462 800	127 038 600
Time deposits		70 234 950	74 685 000
Financial institutions		294 962 300	332 658 300
Borrowing	(15-1)	36 285 600	53 956 000
Accrued interest payable		3 930 250	2 480 400
Balance		562 875 900	590 818 300
		==========	==========

15-1 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 company paid US$ 18 million which represents 9 installments accordingly, the loan balance amounted to US$ 2 million (equivalent to LE 11 928 000) as at September 30, 2011 (this amount will due within one year)

B- On December 29,2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi- annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006. The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on September 17, 2006. The company has paid Euro 7 million accordingly, the loan balance as of September 30, 2011 amounted Euro 3 million (equivalent to LE 24 357 600).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (equivalent to LE 16 238 400).

16- Customers' deposits

	30/9/2011 LE	31/12/2010 LE
Deposits from customers (private sector):		
Saving accounts	22 311 393 300	20 179 672 500
Term deposits	8 108 315 100	7 325 217 900
Current accounts	3 416 252 479	3 020 807 016
	33 835 960 879	30 525 697 416
Deposits from customers (public sector):		
Term deposits	1 356 414 200	948 160 200
Current accounts	421 109 500	440 505 000
	1 777 523 700	1 388 665 200
Others	30 889 000	39 760 500
	35 644 373 579	31 954 123 116
Accrued interest payable	162 712 350	180 082 500
	35 807 085 929	32 134 205 616
Deposits from related parties:		
Long term saving accounts	334 130 500	308 279 400
Short term saving accounts	--	100 545 900
Long term deposits	711 718 900	639 038 400
Short term deposits	87 089 600	--
Accrued interest payable	7 137 650	7 768 800
	1 140 076 650	1 055 632 500
Balance	36 947 162 579	33 189 838 116

17- Bonds

On November 11, 2010 Credit Libanais SAL has issued US.$ 75 000 000, 6.75% Subordinated Bonds due January 15, 2018 at an issue price of 100% of their principal amount. The bonds have been fully underwritten. The net proceeds from the sale of Bonds will be used for general corporate purposes, and the obligation of the issuer in respect of the Bonds constitutes direct, unsecured and general obligation of the issuer. The Arranger of the offering is Credit Libanais Investment Bank SAL (an affiliate) and the Bonds will not be listed on any stock exchange. The bonds balance amounted to LE 473 644 500 as at September 30, 2011 versus LE 444 993 900 as at December 31,2010.

18- Creditors and other credit balances

	30/9/2011	31/12/2010
	LE	LE
Margins held against documentary credits	69 685 900	67 895 100
Technical reserve for insurance companies	120 119 500	110 514 300
Interbranch reconciling items	49 355 250	7 144 800
Revaluation of assets acquired in satisfaction of loans	19 639 400	19 390 800
Social Insurance Association	580 880	603 651
Unearned revenues	19 978 790	10 802 770
Accrued interest & commission	14 779 957	22 007 637
Suppliers	95 416 200	70 301 359
Accrued expenses	235 187 757	314 666 274
Unrealized swap gains (losses)	1 016 834	(46 126)
Clients' coupons- Custody Activity	8 141 513	8 716 618
Clients' payments under subscription	--	518 765
Due to industry Modernization Center	6 671 373	8 423 928
Dividends payable	6 744 522	22 336 201
Cards transaction on ATM	26 828 400	7 020 000
Re-insurance creditors	205 802 900	181 420 200
Due to related parties	15 235 000	15 235 000
Creditors – purchase of investment	--	142 116 605
Sundry creditors	51 074 923	31 423 845
Balance	946 259 099	1 040 491 727

19- Other liabilities

	30/9/2011	31/12/2010
	LE	LE
Preferred shareholders in subsidiaries *	--	286 425 000
Others	979 649	953 531
Balance	979 649	287 378 531

* In August 2004, Credit Libanais SAL (the Bank) issued 1 600 000 cumulative "Series A" preferred shares for an aggregate amount of USD 50 million with a seven-year term expiried 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. At the date of maturity, Credit Libanais SAL redeemed the preferred shares in whole.

20- Other income

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

21- Other provisions

		30/9/2011	31/12/2010
		LE	LE
Expected claims provision	(21-1)	192 422 340	178 448 831
Servance pay provision	(21-1)	91 843 907	91 969 622
Other provisions		656 080	674 700
Balance		284 922 327	271 093 153

21-1	Expected claims provision LE	Severance pay provision LE	Total LE
Balance at the beginning of the period	178 448 831	91 969 622	270 418 453
Formed during the period	16 865 217	4 800 842	21 666 059
Foreign currency differences	218 350	688 571	906 921
Amounts used during the period	(3 110 058)	(5 611 328)	(8 721 386)
Provision no longer needed	--	(3 800)	(3 800)
Balance at the end of the period	192 422 340	91 843 907	284 266 247

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

	30/9/2011 LE	31/12/2010 LE
Share capital	416 903 197	416 906 497
Legal reserve	115 287 877	97 583 865
Other reserves	434 679 920	358 341 841
Retained earnings	126 340 278	100 229 150
Other equity	51 746 932	53 479 800
Net profit for the period / year	130 352 046	115 291 077
Balance	1 275 310 250	1 141 832 230

24- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 203 670 000 (equivalent to LE 330 760 080).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
6/9/2011	Selling Euro	Euro 3 000 000	Buying US.$	5/10/2011

- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-Balance sheet items :

	30/9/2011 LE	31/12/2010 LE
Financing commitments given to financial institutions	731 006 750	29 854 500
Commitments to customers	1 680 148 300	2 541 087 900
Guarantees given to customers	414 595 950	279 879 600
Restricted and non – restricted fiduciary accounts	368 392 800	88 190 700
Commitments of signature received from financial intermediaries	1 761 700	2 176 200
Other commitments received	21 803 368 000	19 659 346 200
Assets under management	27 675 176 500	34 804 434 900

25- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of LE 369 864 till September 30, 2011 versus an amount of LE 21 352 242 till September 30, 2010 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 30/9/2011 LE	30/9/2010 LE
Egyptian Portfolio Management Group Company	38 595	11 818 544
Hermes Fund Management	331 269	1 310 040
EFG – Hermes Financial Management (Egypt) Ltd	--	8 223 658
Total	369 864	21 352 242

26- Impairment loss on assets

	2011		2010	
	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE
Impairment loss on accounts receivables & debit accounts	120 002	363 193	--	398 797
Impairment loss on available –for–sale investments	--	--	--	47 371 890
Total	120 002	363 193	--	47 770 687

27- Income tax expense

	2011		2010	
	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE
Current income tax	20 045 267	56 859 876	16 934 578	307 757 838
Deferred tax	372 313	1 140 217	331 002	308 621
Total	20 417 580	58 000 093	17 265 580	308 066 459

28- Cash and cash equivalents

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

	30/9/2011 LE	30/9/2010 LE
Cash and due from banks	11 782 186 371	11 884 237 835
Due to banks and financial institutions	(562 875 900)	(555 697 800)
Less: Assets / liabilities – maturity more than three months	(1 290 269 948)	(1 229 910 800)
Cash and cash equivalents	9 929 040 523	10 098 629 235

29- General administrative expenses

	For the period from 1/7/2011 to 30/9/2011 LE	For the period from 1/1/2011 to 30/9/2011 LE	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE
Wages , salaries and similar items	195 564 816	575 771 895	209 016 319	484 261 925
Consultancy	4 139 100	20 024 737	11 712 634	44 157 501
Advertising and public relations	6 466 014	23 477 163	7 401 282	23 526 114
Travel , accommodation and transportation	9 137 160	29 752 834	8 882 505	23 563 811
Other expenses	62 328 371	227 411 797	85 701 596	163 299 311
Total	277 635 461	876 438 426	322 714 336	738 808 662

30 - Earnings per share

	2011		2010 (amended)	
	For the period from 1/7/2011 to 30/9/20111 LE	For the period from 1/1/2011 to 30/9/2011 LE	For the period from 1/7/2010 to 30/9/2010 LE	For the period from 1/1/2010 to 30/9/2010 LE
Net profit for the period	31 521 880	146 446 942	88 105 984	668 388 453
Employees' profit share	--	--	--	(9 089 396)
	31 521 880	146 446 942	88 105 984	659 299 057
Weighted average number of shares	477 903 750	478 164 417	478 294 750	478 294 750
Earnings per share	0.07	0.30	0.18	1.38

31- Segment reporting

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

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

For the period ended September 30, 2011

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	454 519 733	335 352 600	--	789 872 333
Fee and commission expense	--	(201 853 080)	--	(201 853 080)
Net fee and commission income	454 519 733	133 499 520	--	588 019 253
Securities gains	35 980 030	9 115 920	--	45 095 950
Share of profit of associate	--	4 443 120	--	4 443 120
Foreign currencies differences	9 998 932	--	--	9 998 932
Other income	14 858 366	11 004 840	--	25 863 206
Noninterest revenue	515 357 061	158 063 400	--	673 420 461
Interest and dividends income	75 214 283	1 731 082 320	(79 486)	1 806 217 117
Interest expense	(10 574 698)	(1 169 894 880)	(14 174 854)	(1 194 644 432)
Net interest income	64 639 585	561 187 440	(14 254 340)	611 572 685
Total net revenue	579 996 646	719 250 840	(14 254 340)	1 284 993 146
Total noninterest expenses	(578 306 505)	(371 887 560)	--	(950 194 065)
Net profit before income tax	1 690 141	347 363 280	(14 254 340)	334 799 081
Income tax expense	(16 071 613)	(41 928 480)	--	(58 000 093)
Net (loss) profit	(14 381 472)	305 434 800	(14 254 340)	276 798 988
Total assets	9 186 364 511	41 543 441 650	(1 403 536 073)	49 326 270 088
Total liabilities	1 107 194 426	38 717 196 900	13 438 080	39 837 829 406
Shareholders' equity	8 079 170 085	2 826 244 750	(1 416 974 153)	9 488 440 682
Total equity and liabilities	9 186 364 511	41 543 441 650	(1 403 536 073)	49 326 270 088

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
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

32- Tax status

- As to Income Tax, the years from the first financial year till 31/12/2004 had been finished and as to years 2005/2008, the competent tax inspectorate inspected the parent company's books and the company was notified by form no. (19) , which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee and as to years 2009 / 2010, the parent company's books have not been inspected yet and the company has provided its tax returns for these years and paid the due tax according to the Tax Law no. 91/2005.
- As to Salaries Tax, the parent company's books had been examined till 2004 and all the disputed points have been agreed upon with the Internal Committee and the due amount has been paid and the years 2005/2008 have been inspected and the company was notified by tax forms which was objected thereon on the due date

and the disputed items have been transferred to the Internal Committee and as to years 2009 / 2010, the company's books have not been inspected yet.

- As to Stamp Tax, the parent company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee, and the period from 1/8/2006 till 31/12/2010 have not been inspected yet.
- The Supreme Council of the Armed Forces issued the Decree Law No. 51 of 2011 amending some provisions of the Income Tax Law promulgated by Law No. 91 of 2005 where the amendment of Article (49 / first paragraph) as follows: The tax base nearest ten pounds less is subject to tax in accordance with the following two tranches:
  - First tranche: up to ten million pounds at 20%.
  - Second tranche: more than ten million pounds at 25%.

  instead of 20% of the entire tax base.

33- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.06
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 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 CIIC Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73.1	26.9

	Direct ownership %	Indirect ownership %
October Property Development Ltd.	94.10	--
EFG- Hermes Lebanon	99	0.96
Mena Opportunities Management Limited	--	66.5
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	66.5
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	100	--
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG – Hermes Orient Advisory Inc.	--	70
EFG – Hermes Syria LLC	--	69.33
Sindyan Syria LLC	--	96.81
Talas & Co. LLP	--	96.81
EFG – Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG – Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.65
Lebanese Islamic Bank SAL	--	63.64
Credit International SA	--	58.10
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.96
Hermes Tourism & Travel SAL	--	63.73
Liberty Restaurant SARL	--	63.23
Crédit Libanais d'Assurances et de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.85
Capital Real Estate SAL	--	62.46
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

34- Financial instruments and management of related risks:

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

34-1 Market risk:

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

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

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

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

34-2 Foreign currencies risk

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

34-3 Risk management

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

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

34-4 Credit risk

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

34-5 Liquidity risk

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

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

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

34-6 Interest rate risk

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

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

34-7 Equity price risk

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

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

34-8 Operational risk

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

34-9 Fair value of financial instruments

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

34-10 Derivative financial instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value, according to the valuation basis applied, in accounting policies to derivative financial instruments, (note no. 3-4).

- In accordance with an arrangement between the subsidiary, EFG Hermes MENA Securities Limited Co. and its customers ("the customers"), the Company from time to time enters into fully paid Shares Swap Transaction Contracts ("the Contracts") with the customers. Under the Contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the Contracts can be terminated at any time by either of the parties, which shall be the affected party.

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

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

35- Corresponding figures

- The consolidated statements of income, changes in equity and cash flows for the comparable period ended September 30, 2010 included the figures of the subsidiary, Credit Libanais SAL, (the Bank) from July 1st, 2010 to September 30, 2010.
- Certain corresponding figures have been reclassified to conform with the current period presentation.