EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 30 June 2012
&
Review Report

Contents

	Page
Review report	
Consolidated statement of financial position	1
Consolidated income statement	2
Consolidated statement of changes in equity	3
Consolidated statement of cash flows	4
Significant accounting policies and other notes to the consolidated financial statements	5-43

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Review Report

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

Introduction

We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company and its subsidiaries as at 30 June 2012 and the related consolidated statements of income, changes in equity and cash flows for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

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

Conclusion

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

Hassan Ba
KPMG ~~Hazem Hassan~~

KPMG Hazem Hassan
Public Accountants and Consultants
11

Cairo, August 14, 2012

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of financial position
as at 30 June 2012

	Note no.	30/6/2012 LE	31/12/2011 LE
Assets			
Cash and due from banks	(4)	12 939 052 275	12 287 220 080
Investments at fair value through profit and loss	(5)	942 747 935	817 449 045
Accounts receivables (net)	(6)	449 675 964	382 556 027
Loans and advances	(7)	13 138 270 997	12 037 028 726
Available -for- sale investments	(8)	1 316 397 667	1 191 479 102
Held-to-maturity investments	(9)	18 894 275 184	18 681 518 778
Investments in associates	(10)	45 643 500	44 844 000
Investment property	(11)	318 059 086	320 045 183
Fixed assets (net)	(12)	1 146 351 302	1 106 098 452
Goodwill and other intangible assets	(13)	4 108 189 371	4 090 993 629
Other assets	(14)	1 521 028 908	1 531 935 847
Total assets		**54 819 692 189**	**52 491 168 869**
Liabilities			
Due to banks and financial institutions	(15)	630 443 734	613 772 600
Customers' deposits	(16)	40 053 595 531	38 163 023 300
Accounts payables - customers' credit balances		684 775 026	483 536 711
Bonds	(17)	472 242 150	486 932 000
Creditors and other credit balances	(18)	1 603 826 900	1 667 778 182
Current tax liability		59 483 085	87 810 614
Other provisions	(20)	360 425 376	348 251 688
Total liabilities		**43 864 791 802**	**41 851 105 095**
Shareholders' equity			
Share capital	(21)	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		275 437 544	(31 961 357)
Retained earnings		1 463 942 978	1 463 890 665
		8 386 179 370	8 074 255 570
Treasury shares	(21-1)	(6 918 613)	(6 918 613)
Shareholders' equity		8 379 260 757	8 067 336 957
Net profit for the period / year		61 913 554	132 579 926
Shareholders' equity including net profit for the period / year		8 441 174 311	8 199 916 883
Non - controlling interests	(22)	2 513 726 076	2 440 146 891
Total shareholders' equity		**10 954 900 387**	**10 640 063 774**
Total shareholders' equity and liabilities		**54 819 692 189**	**52 491 168 869**

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 June, 2012

	Note no.	2012 For the period from 1/4/2012 to 30/6/2012 LE	2012 For the period from 1/1/2012 to 30/6/2012 LE	2011 For the period from 1/4/2011 to 30/6/2011 LE	2011 For the period from 1/1/2011 to 30/6/2011 LE
Fee and commission income	(24)	293 883 157	552 925 952	272 995 647	553 239 543
Fee and commission expense		(54 313 016)	(144 797 016)	(65 318 770)	(146 064 600)
Net fee and commission income		239 570 141	408 128 936	207 676 877	407 174 943
Securities gains		16 733 234	38 825 316	16 368 910	23 684 750
Share of profit of associate	(10)	2 676 456	4 236 456	3 599 460	5 243 040
Changes in the investments at fair value through profit and loss		2 509 047	32 261 912	16 514 114	6 621 576
Foreign currencies differences		4 344 531	7 735 118	(7 831 885)	12 926 405
Other income	(19)	8 708 232	26 937 997	6 692 412	15 824 770
Noninterest revenue		274 541 641	518 125 735	243 019 888	471 475 484
Interest and dividends income		620 733 301	1 227 122 155	624 255 720	1 218 125 725
Interest expense		(416 090 554)	(835 283 838)	(394 978 553)	(785 382 586)
Net interest income		204 642 747	391 838 317	229 277 167	432 743 139
Total net revenue		479 184 388	909 964 052	472 297 055	904 218 623
General administrative expenses	(28)	337 964 528	637 799 290	304 888 185	598 802 965
Net losses on loans and advances	(7)	1 353 552	8 793 552	(7 102 600)	(3 037 320)
Other provisions	(20)	11 035 247	17 474 223	6 987 394	14 439 064
Depreciation and amortization	(12),(13)	23 888 899	47 936 011	23 227 899	46 210 411
Impairment loss on assets	(25)	2 175 708	2 175 708	243 191	243 191
Total noninterest expenses		376 417 934	714 178 784	328 244 069	656 658 311
Net profit before income tax		102 766 454	195 785 268	144 052 986	247 560 312
Income tax expense	(26)	(31 522 157)	(47 524 349)	(18 466 115)	(39 312 367)
Net profit for the period		71 244 297	148 260 919	125 586 871	208 247 945
Equity holders of the parent		27 003 676	61 913 554	80 210 686	117 514 224
Non - controlling interests	(22)	44 240 621	86 347 365	45 376 185	90 733 721
		71 244 297	148 260 919	125 586 871	208 247 945
Earnings per share	(29)	0.06	0.13	0.17	0.25

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 June, 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
Foreign currencies translation differences	-	-	-	-	-	(32 194 351)	-	-	-	-	-	-	-	-	-	(32 194 351)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	(326 525 590)	-	-	-	-	-	-	-	-	(326 525 590)
Other reserves	-	-	-	-	-	-	-	-	-	122 418 245	-	-	-	-	-	122 418 245
Cumulative adjustments	-	-	-	-	-	-	-	-	(1 746 504)	-	-	-	-	-	-	(1 746 504)
Purchasing of treasury shares	-	-	-	-	-	-	-	-	-	-	-	(6 918 613)	-	-	-	(6 918 613)
2010 dividends payout	-	-	-	-	-	-	-	-	-	-	(207 893 888)	-	(700 426 814)	774 517 396	-	(133 803 306)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 632 945	10 632 945
Net profit for the period ended 30 June, 2011	-	-	-	-	-	-	-	-	-	-	-	-	117 514 224	-	90 733 721	208 247 945
Balance as at 30 June, 2011	1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	48 640 363	21 548 513	(26 442 387)	(20 852 681)	138 834 526	1 973 006 522	(6 918 613)	117 514 224	-	1 243 198 896	9 694 925 021
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	-	-	-	-	-	30 307 854	-	-	-	-	-	-	-	-	-	30 307 854
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	184 394 349	-	-	-	-	-	-	-	-	184 394 349
Other reserves	-	-	-	-	-	-	-	-	-	79 414 498	-	-	-	-	-	79 414 498
Cumulative adjustments	-	-	-	-	-	-	-	-	13 282 200	-	-	-	-	-	-	13 282 200
2011 dividends payout	-	4 472 586	-	-	-	-	-	-	-	-	52 313	-	(132 579 926)	-	-	(128 055 027)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12 768 180)	(12 768 180)
Net profit for the period ended 30 June, 2012	-	-	-	-	-	-	-	-	-	-	-	-	61 913 554	-	86 347 365	148 260 919
Balance as at 30 June, 2012	2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	215 576 578	(161 321 045)	(26 442 387)	(9 597 486)	215 248 738	1 463 942 978	(6 918 613)	61 913 554	-	2 513 726 076	10 954 900 387

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 June, 2012

	For the period ended 30/6/2012 LE	For the period ended 30/6/2011 LE
Cash flows from operating activities		
Net profit before income tax	195 785 268	247 560 312
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	47 932 003	33 947 068
Povisions formed	26 267 775	4 710 424
Provisions used	(5 385 265)	(8 111 793)
Provisions reversed	(12 972 897)	(444 180)
Losses (gains) on sale of fixed assets	2 997 870	(33 078)
Losses (gains) on sale of available -for- sale investments	391 962	(2 836 570)
Gains on sale of unquoted assets ready for sale	(2 795 095)	-
Gains on selling Investment Real Property	(8 898 882)	-
Changes in the fair value of investments at fair value through profit and loss	(32 088 707)	(6 621 576)
Share of profit of equity - accounted invesetees	(4 003 992)	-
Impairment loss on assets	2 001 024	174 106
Bad debts expense	-	69 586
Foreign currency translation differences	72 036 642	60 225 016
Interest expense	(20 561 040)	-
Currency differences gains	(2 487 172)	-
Operating profit before changes in working capital	258 219 494	328 639 315
Decrease in other assets	39 931 212	20 517 287
Decrease in creditors and other credit balances	(122 714 346)	(132 036 874)
Change in loans and advances	(933 111 900)	(1 281 162 750)
Change in customers' deposits	1 445 473 201	2 183 791 402
(Increase) decrease in accounts receivables	(76 672 283)	297 915 153
Increase (decrease) in accounts payables	209 475 891	(9 749 023)
Increase in investments at fair value through profit and loss	(159 161 264)	(3 207 066)
Change in financial assets (over 3 months)	(1 022 025 600)	(89 661 050)
Income tax paid	(59 854 365)	(311 475 564)
Net cash (used in) provided from operating activities	(420 439 960)	1 003 570 830
Cash flows from investing activities		
Payments to purchase fixed assets	(90 907 255)	(23 063 128)
Proceeds from sale of fixed assets	8 838 427	6 736 387
Proceeds from projects under construction	546 858	154 576
Proceeds from sale of available -for- sale investments	87 596 851	288 044 066
Payments to purchase available -for- sale investments	(24 738 960)	(175 929 391)
Payments to purchase investments in subsidiaries and associates	(366 140)	(3 326 022)
Payments to purchase held to maturity investments	(18 500 400)	-
Proceeds from sale of held to maturity investments	-	175 913 250
Increase in long term lending	(20 610 573)	(7 145 825)
Proceeds from (payments to) companies' share in Settlement Guarantee Fund	714 549	(8 550 715)
Proceeds from sale of non -current assets held for sale	85 075 507	1 102 050
Net cash provided from investing activities	27 648 864	253 935 248
Cash flows from financing activities		
Purchasing of treasury shares	-	(6 918 613)
Increase in bank overdraft	-	19 802 572
Paid dividends	(37 444 288)	(66 674 753)
Payments to long term loans	(35 580 989)	-
Change in non-controlling interests	(4 873 368)	(4 115 900)
Net cash used in financing activities	(77 898 645)	(57 906 694)
Net change in cash and cash equivalents during the period	(470 689 741)	1 199 599 384
Cash and cash equivalents at the beginning of the period (note no. 27)	7 082 645 232	8 391 675 153
Cash and cash equivalents at the end of the period (note no. 27)	6 611 955 491	9 591 274 537

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 June 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 June 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 (20) – other provisions.
- Note (23) – contingent liabilities, valuation of financial instruments.
- Note (18-1) – 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 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 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

3-7-3 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 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.

3-9-3 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 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.

3-12 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 balance sheet.

3-28 Reserves for general banking risks

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

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

3-29 Allowances for credit losses

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

3-30 Segment reporting

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

4- Cash and due from banks

	30/6/2012	31/12/2011
	LE	LE
Cash on hand	168 717 329	179 141 029
Central Bank of Lebanon *		
- Demand deposits	917 778 600	645 616 000
- Time deposits	5 701 423 950	4 852 380 000
Other Central Banks		
- Demand deposits	178 005 600	179 252 000
Cheques under collection	1 363 967	8 364 805
Banks - current accounts (net)	1 007 225 929	811 733 349
Banks - demand deposits	711 251 694	552 293 748
Banks - time deposits	4 190 060 656	5 014 083 149
Accrued interest	63 224 550	44 356 000
Balance	12 939 052 275	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.

5- Investments at fair value through profit and loss

Trading investment

	30/6/2012	31/12/2011
	LE	LE
Mutual Fund certificates	685 866 881	507 242 358
Equity securities	19 749 415	122 901 007
Debt securities	140 745 689	89 945 680
Lebanese treasury bills	96 385 950	97 360 000
Balance	942 747 935	817 449 045

6- Accounts receivables

	30/6/2012 LE	31/12/2011 LE
Accounts receivables (net)	477 067 879	400 841 981
Other brokerage companies (net)	(27 391 915)	(18 285 954)
Balance	449 675 964	382 556 027

7- Loans and advances

		30/6/2012 LE	31/12/2011 LE
Loans and advances to customers	(7-1)	12 890 541 268	11 827 850 000
Loans and advances to related parties	(7-2)	161 505 900	143 316 000
Other loans		86 223 829	65 862 726
Balance		13 138 270 997	12 037 028 726

7-1 Loans and advances to customers

	30/6/2012				31/12/2011
	Gross amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	367 638 750	--	--	367 638 750	367 392 000
Mortgage loans	5 058 144 695	--	--	5 058 144 695	4 850 657 189
Personal loans	1 438 722 000	--	--	1 438 722 000	1 387 236 000
Credit cards	165 025 350	--	--	165 025 350	162 504 000
Other	104 874 750	--	--	104 874 750	66 504 000
Regular corporate customers					
Corporate	5 109 099 738	--	--	5 109 099 738	4 677 934 300

	30/6/2012				31/12/2011
	Gross amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Classified retail customers					
Watch	90 806 062	--	--	90 806 062	51 352 946
Substandard	89 334 900	(30 520 800)	--	58 814 100	53 692 000
Doubtful	193 164 750	(91 906 650)	(74 321 550)	26 936 550	19 676 000
Bad	42 626 250	(25 255 800)	(17 370 450)	--	--
Classified corporate customers					
Watch	414 832 273	--	--	414 832 273	165 225 565
Substandard	28 414 800	(4 317 300)	--	24 097 500	8 068 000
Doubtful	229 428 450	(75 358 350)	(84 203 550)	69 866 550	62 632 000
Bad	41 897 250	(28 844 100)	(13 053 150)	--	--
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	27 653 400	--	--	27 653 400	20 132 000
Balance	13 401 663 418	(256 203 000)	(254 919 150)	12 890 541 268	11 827 850 000

7-2 Loans and advances to related parties

	30/6/2012 LE	31/12/2011 LE
Regular Retail loans	3 321 000	1 068 000
Regular Corporate loans	158 184 900	142 248 000
Balance	161 505 900	143 316 000

8- Available - for- sale investments

	30/6/2012 LE	31/12/2011 LE
Preferred shares	99 289 800	98 096 000
Equity securities	1 212 774 367	1 087 519 102
Accrued interest receivable	4 333 500	5 864 000
Balance	1 316 397 667	1 191 479 102

9- Held-to-maturity investments

	30/6/2012 LE	31/12/2011 LE
Lebanese government treasury bills and Eurobonds	12 792 134 120	12 651 797 718
Other sovereign bonds	39 199 950	33 748 000
Certificates of deposit issued by banks	5 541 053 685	5 362 460 111
Other debt instruments	213 309 829	341 720 949
Accrued interest receivable	308 577 600	291 792 000
Balance	18 894 275 184	18 681 518 778

10- Investments in associates

	2012 Ownership %	2011 Ownership %	30/6/2012 LE	31/12/2011 LE
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	28 491 750	28 152 000
Credit Card Management SAL	28.96	28.96	9 768 600	9 448 000
International Payment Network SAL	19.88	18.68	6 257 250	6 180 000
Net Commerce SAL	19.10	19.10	1 077 300	1 016 000
Liberty Executive Center SAL	6.27	6.27	48 600	48 000
Balance			45 643 500	44 844 000

11- Investment property

Investment property amounted LE 318 059 086 as at 30 June, 2012, 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 185 996 575 represents the fair value of the area owned by EFG – Hermes UAE Limited in the Index Tower.

12- Fixed assets

Particular	Land & Buildings LE	Leasehold Improvements LE	Office furniture, equipment & electrical Appliances LE	Computer Equipment LE	Vehicles LE	* Projects Under Construction LE	Total LE
Balance as at 1/1/2012	910 419 265	194 005 632	313 424 908	81 188 847	19 766 282	85 082 246	1 603 887 180
Additions	1 398 370	4 167 246	18 113 601	920 158	328 000	63 571 050	88 498 425
Disposals	--	(2 056 789)	(18 596 364)	(63 851)	(24 000)	(6 381 097)	(27 122 101)
Reclassification of assets	--	5 649 750	1 798 200	--	--	(7 447 950)	--
Foreign currency translation differences	3 731 844	2 050 522	2 493 523	121 347	(182 061)	1 124 900	9 340 075
Total cost as at 30/6/2012	915 549 479	203 816 361	317 233 868	82 166 501	19 888 221	135 949 149	1 674 603 579
Accumulated depreciation as at 1/1/2012	93 699 055	136 800 743	194 145 947	59 488 877	13 654 106	--	497 788 728
Depreciation	11 588 620	7 951 431	17 106 502	3 938 630	862 747	--	41 447 930
Disposals' accumulated depreciation	--	(893 475)	(13 776 066)	(27 053)	(24 000)	--	(14 720 594)
Foreign currency translation differences	702 396	1 511 041	1 562 467	114 317	(154 008)	--	3 736 213
Accumulated depreciation as at 30/6/2012	105 990 071	145 369 740	199 038 850	63 514 771	14 338 845	--	528 252 277
Carrying amount as at 30/6/2012	809 559 408	58 446 621	118 195 018	18 651 730	5 549 376	135 949 149	1 146 351 302
Carrying amount as at 31/12/2011	816 720 210	57 204 889	119 278 961	21 699 970	6 112 176	85 082 246	1 106 098 452

* Projects under construction are represented in the following :

	30/6/2012 LE	31/12/2011 LE
Office spaces in Egypt	9 784 500	9 784 500
Preparation of alternate headquarters in emergency - United Arab Emirates	1 424 649	1 961 746
Others	124 740 000	73 336 000
Balance	135 949 149	85 082 246

13- Goodwill and other intangible assets

		30/6/2012 LE	31/12/2011 LE
Goodwill	(13-1)	707 539 161	707 539 161
Other intangible assets	(13-2)	3 400 650 210	3 383 454 468
Balance		4 108 189 371	4 090 993 629

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

	30/6/2012 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	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
Balance	707 539 161	707 539 161

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

	30/6/2012 LE	31/12/2011 LE
Branches network - Credit Libanais Bank	3 377 019 484	3 360 300 184
Key Money	1 287 900	1 348 000
Licenses & Franchise	5 641 350	5 229 650
Research & Development	16 588 800	16 432 000
Software	112 676	144 634
Balance	3 400 650 210	3 383 454 468

14- Other assets

		30/6/2012	31/12/2011
		LE	LE
Deposits with others	(14-1)	48 712 331	48 388 384
Downpayments to suppliers		2 397 594	1 870 574
Prepaid expenses		122 807 389	92 111 894
Employees' advances		12 181 846	18 802 301
Accrued revenues		118 175 347	31 940 043
Taxes withheld by others		53 759 749	53 846 601
Payments for investments	(14-2)	23 564 719	22 895 075
Re-insurers' share of technical reserve		216 557 550	214 688 000
Receivables - sale of investments		69 649 693	76 694 259
Infra Egypt fund		3 215 739	3 187 862
Perching Brokerage		1 739 324	1 178 414
Settlement Guarantee Fund		26 472 663	27 173 750
Unquoted assets - Ready for sale acquired in satisfaction of loans		183 533 850	183 704 000
Due from EFG- Hermes Employee Trust		406 624 575	398 946 562
Due from Ara inc. company		6 148 564	3 477 331
Due from related parties		47 146 050	10 468 000
Re-insurance accrued commission		14 539 500	14 360 000
Cards transaction on ATM		4 523 850	536 000
Re-insurance debtors		1 397 250	1 564 000
Non current assets available for sale		386 068	70 936 046
Sundry debtors		157 495 257	255 166 751
Balance		1 521 028 908	1 531 935 847

14-1 Deposits with others include an amount of LE 21 059 500 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 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.

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

	30/6/2012 LE	31/12/2011 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	500 000	--
International Company for Projects Management	1 000 000	--
Misr Hotels	219	--
Sohail Investment Company	--	430 375
	23 564 719	22 895 075

15- Due to banks and financial institutions

		30/6/2012 LE	31/12/2011 LE
Current deposits of banks		202 265 584	198 044 000
Time deposits		128 664 450	76 372 000
Financial institutions		295 945 650	319 256 000
Borrowings	(15-1)	--	15 584 600
Accrued interest payable		3 568 050	4 516 000
Balance		630 443 734	613 772 600

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 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.

16- Customers' deposits

	30/6/2012 LE	31/12/2011 LE
Deposits from customers (private sector):		
Saving accounts	23 862 452 881	22 832 211 300
Term deposits	9 508 217 400	9 062 524 000
Current accounts	3 721 269 600	3 474 632 000
	37 091 939 881	35 369 367 300
Deposits from customers (public sector):		
Saving accounts	239 610 150	238 348 000
Term deposits	795 043 350	638 296 000
Current accounts	391 873 950	415 288 000
	1 426 527 450	1 291 932 000
Others	62 722 350	70 592 000
	38 581 189 681	36 731 891 300
Accrued interest payable	184 003 650	201 492 000
	38 765 193 331	36 933 383 300
Deposits from related parties:		
Long term saving accounts	417 947 850	382 336 000
Long term deposits	791 264 700	822 072 000
Short term deposits	75 512 250	21 156 000
Accrued interest payable	3 677 400	4 076 000
	1 288 402 200	1 229 640 000
Balance	40 053 595 531	38 163 023 300

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 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 472 242 150 as at June 30, 2012 versus LE 486 932 000 as at December 31,2011.

18- Creditors and other credit balances

		30/6/2012	31/12/2011
		LE	LE
Margins held against documentary credits		62 527 950	71 352 000
Technical reserve for insurance companies		350 211 600	343 052 000
Interbranch reconciling items		11 416 950	5 984 000
Revaluation of assets acquired in satisfaction of loans		20 136 600	19 888 000
Social Insurance Association		500 241	589 324
Unearned revenues		5 443 200	14 438 691
Accrued interest & commission		--	82 256
Suppliers		103 163 115	94 560 762
Accrued expenses		132 470 764	242 258 425
Clients' coupons- Custody Activity		6 809 317	8 267 925
Due to Industry Modernization Center		5 455 856	6 748 849
Dividends payable		73 957 668	36 441 011
Cards transaction on ATM		27 114 750	13 592 000
Re-insurance creditors		226 115 550	221 504 000
Deferred tax liabilities	(18-1)	551 547 478	551 606 725
Due to related parties		15 235 000	15 235 000
Sundry creditors		11 720 861	22 177 214
Balance		1 603 826 900	1 667 778 182

18-1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	30/6/2012 Assets LE	30/6/2012 Liabilities LE	31/12/2011 Assets LE	31/12/2011 Liabilities LE
Fixed assets depreciation	--	4 852 774	--	5 040 533
Expected claims provision	2 132 865	--	2 132 865	--
Impairment loss on assets	5 708 294	--	5 581 321	--
Prior year losses forward	1 819 182	--	1 602 917	--
Company's share in affiliate's profits	--	7 899 123	--	7 879 242
Total deferred tax assets / liabilities	9 660 341	12 751 897	9 317 103	12 919 775
Net deferred tax liabilities		3 091 556		3 602 672

(B) Deferred tax recognized directly in equity

	30/6/2012 LE	31/12/2011 LE
Fair value adjustments *	555 068 519	554 616 650
Changes in fair value of cash flow hedges	(6 612 597)	(6 612 597)
	548 455 922	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).

19- Other income

Other income presented in the income statement includes an LE 11 454 864 represents provision reversed and LE 3 796 750 represents gains on sale of non current assets held for sale.

20- Other provisions

		30/6/2012 LE	31/12/2011 LE
Expected claims provision	(20-1)	242 876 053	232 734 753
Servance pay provision	(20-1)	116 650 223	114 636 935
Other provisions		899 100	880 000
Balance		360 425 376	348 251 688

20-1

	Expected claims provision	Severance pay provision	Total
	LE	LE	LE
Balance at the beginning of the period	232 734 753	114 636 935	347 371 688
Formed during the period	11 859 898	8 420 301	20 280 199
Provision reversed	(1 500 000)	(2 626 804)	(4 126 804)
Foreign currency differences	226 957	1 138 661	1 365 618
Amounts used during the period	(445 555)	(4 918 870)	(5 364 425)
Balance at the end of the period	242 876 053	116 650 223	359 526 276

21- 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.

21-1 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.

22- Non - Controlling interests

	30/6/2012 LE	31/12/2011 LE
Share capital	449 146 509	449 146 509
Legal reserve	127 049 351	115 287 877
Other reserves	510 089 361	501 626 252
Retained earnings	135 804 338	67 551 400
Other equity	65 362 950	64 156 000
Increase in fair value of net assets	1 139 926 202	1 067 258 725
Net profit for the period / year	86 347 365	175 120 128
Balance	2 513 726 076	2 440 146 891

23- 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 294 823 367).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-balance sheet items :

	30/6/2012 LE	31/12/2011 LE
Financing commitments given to financial institutions	559 394 100	680 256 000
Commitments to customers	3 793 396 050	1 830 912 000
Guarantees given to customers	572 994 000	526 324 000
Restricted and non – restricted fiduciary accounts	48 620 250	383 156 000
Commitments of signature received from financial intermediaries	86 431 050	84 572 000
Other commitments received	26 272 329 750	23 092 916 000
Assets under management	26 590 878 525	27 453 901 000

24- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of LE 16 052 180 till June 30, 2012 versus an amount of LE 551 501 till June 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 30/6/2012	For the period ended 30/6/2011
	LE	LE
Egyptian Portfolio Management Group	7 243 711	38 595
Hermes Fund Management	8 407 555	331 269
EFG- Hermes Financial Management (Egypt) Ltd.	400 914	181 637
Total	16 052 180	551 501

25- Impairment loss on assets

	2012		2011	
	For the period from 1/4/2012 to 30/6/2012	For the period from 1/1/2012 to 30/6/2012	For the period from 1/4/2011 to 30/6/2011	For the period from 1/1/2011 to 30/6/2011
	LE	LE	LE	LE
Impairment loss on accounts receivables & debit accounts	1 935 228	1 935 228	243 191	243 191
Impairment loss on available –for–sale investments	240 480	240 480	--	--
Total	2 175 708	2 175 708	243 191	243 191

26- Income tax expense

	2012		2011	
	For the period from 1/4/2012 to 30/6/2012	For the period from 1/1/2012 to 30/6/2012	For the period from 1/4/2011 to 30/6/2011	For the period from 1/1/2011 to 30/6/2011
	LE	LE	LE	LE
Current income tax	(32 779 328)	(50 318 345)	(16 684 614)	(36 814 609)
Deferred tax	1 257 171	2 793 996	(1 781 501)	(2 497 758)
Total	(31 522 157)	(47 524 349)	(18 466 115)	(39 312 367)

27- Cash and cash equivalents

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

	30/6/2012 LE	31/12/2011 LE
Cash and due from banks	12 939 052 275	12 287 220 080
Due to banks and financial institutions	(630 443 734)	(613 772 600)
Less: Assets – maturity more than three months	(5 696 653 050)	(4 610 558 207)
Effect of exchange rate	--	19 755 959
Cash and cash equivalents	6 611 955 491	7 082 645 232

28- General administrative expenses

	2012		2011	
	For the period from 1/4/2012 to 30/6/2012 LE	For the period from 1/1/2012 to 30/6/2012 LE	For the period from 1/4/2011 to 30/6/2011 LE	For the period from 1/1/2011 to 30/6/2011 LE
Wages , salaries and similar items	208 740 923	398 326 323	192 369 708	380 207 079
Consultancy	12 306 611	28 128 636	9 222 619	15 885 637
Advertising and public relations	--	--	8 343 915	17 011 149
Travel , accommodation and transportation	10 820 917	19 566 065	11 044 548	20 615 674
Other expenses	106 096 077	191 778 266	83 907 395	165 083 426
Total	337 964 528	637 799 290	304 888 185	598 802 965

29 - Earnings per share

	2012		2011	
	For the period from 1/4/2012 to 30/6/2012 LE	For the period from 1/1/2012 to 30/6/2012 LE	For the period from 1/4/2011 to 30/6/2011 LE	For the period from 1/1/2011 to 30/6/2011 LE
Net profit for the period	27 003 676	61 913 554	80 210 686	117 514 224
Weighted average number of shares	477 903 750	477 903 750	478 294 750	478 294 750
Earnings per share	0.06	0.13	0.17	0.25

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 June 30, 2012

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	304 726 544	248 199 408	--	552 925 952
Fee and commission expense	--	(144 797 016)	--	(144 797 016)
Net fee and commission income	304 726 544	103 402 392	--	408 128 936
Securities gains	13 386 540	25 438 776	--	38 825 316
Share of profit of associate	--	4 236 456	--	4 236 456
Changes in the investments at fair value through profit and loss	20 987 408	11 274 504	--	32 261 912
Foreign currencies differences	7 735 118	--	--	7 735 118
Other income	6 461 125	20 476 872	--	26 937 997
Noninterest revenue	353 296 735	164 829 000	--	518 125 735
Interest and dividends income	59 954 625	1 218 387 912	(51 220 382)	1 227 122 155
Interest expense	(10 810 182)	(824 473 656)	--	(835 283 838)
Net interest income	49 144 443	393 914 256	(51 220 382)	391 838 317
Total net revenue	402 441 178	558 743 256	(51 220 382)	909 964 052
Total noninterest expenses	(393 032 296)	(316 255 248)	(4 891 240)	(714 178 784)
Net profit before income tax	9 408 882	242 488 008	(56 111 622)	195 785 268
Income tax expense	(22 147 558)	(27 667 224)	2 290 433	(47 524 349)
Net (loss) profit	(12 738 676)	214 820 784	(53 821 189)	148 260 919
Total assets	9 194 075 372	45 070 182 000	555 434 817	54 819 692 189
Total liabilities	1 211 942 902	41 947 482 150	705 366 750	43 864 791 802
Shareholders' equity	7 982 132 470	3 122 699 850	(149 931 933)	10 954 900 387
Total equity and liabilities	9 194 075 372	45 070 182 000	555 434 817	54 819 692 189

For the period ended June 30, 2011

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Fee and commission income	327 780 903	225 458 640	--	553 239 543
Fee and commission expense	--	(146 064 600)	--	(146 064 600)
Net fee and commission income	327 780 903	79 394 040	--	407 174 943
Securities gains	19 704 950	3 979 800	--	23 684 750
Share of profit of associate	--	5 243 040	--	5 243 040
Changes in the investments at fair value through profit and loss	(10 687 584)	17 309 160	--	6 621 576
Foreign currencies differences	12 926 405	--	--	12 926 405
Other income	6 427 690	9 397 080	--	15 824 770
Noninterest revenue	356 152 364	115 323 120	--	471 475 484
Interest and dividends income	62 040 851	1 156 162 810	(77 936)	1 218 125 725
Interest expense	(9 494 121)	(765 016 560)	(10 871 905)	(785 382 586)
Net interest income	52 546 730	391 146 250	(10 949 841)	432 743 139
Total net revenue	408 699 094	506 469 370	(10 949 841)	904 218 623
Total noninterest expenses	(390 336 247)	(266 322 064)	--	(656 658 311)
Net profit before income tax	18 362 847	240 147 306	(10 949 841)	247 560 312
Income tax expense	(7 308 313)	(32 004 054)	--	(39 312 367)
Net profit	11 054 534	208 143 252	(10 949 841)	208 247 945
Total assets	9 422 910 155	40 611 404 756	(1 403 534 401)	48 630 780 510
Total liabilities	1 053 899 671	37 571 040 954	310 914 864	38 935 855 489
Shareholders' equity	8 369 010 484	3 040 363 802	(1 714 449 265)	9 694 925 021
Total equity and liabilities	9 422 910 155	40 611 404 756	(1 403 534 401)	48 630 780 510

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.	94.10	--
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

	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	--	69.33
Sindyan Syria LLC	--	96.83
Talas & Co. LLP	--	96.83
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

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- Strategic alliance with QInvest L.L.C.

EFG Hermes Holding Company's Extraordinary General Assembly - the parent company- agreed at the meeting dated June 2, 2012 to enter into a strategic alliance with QInvest L.L.C. to be 60% owned by QInvest and 40% owned by EFG Hermes Holding through its subsidiary EFG Hermes Qatar LLC and the agreement involves the following business lines, EFG Hermes' Brokerage, Research, Asset Management, Investment Banking and Infrastructure Fund businesses. Obtaining approval of relevant regulatory bodies are in process and the company's management also will invite the shareholders to another Extraordinary General Assembly to provide additional disclosures regarding this issue .

35- 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 30/6/2011 (as reported)	Adjustments	For the Period ended 30/6/2011 (Restated)
	LE	LE	LE
Interest and dividends income	1 205 385 195	12 740 530	1 218 125 725
Depreciation and amortization	(41 343 387)	(4 867 024)	(46 210 411)
Income tax expense	(37 582 513)	(1 729 854)	(39 312 367)
Non - controlling interests	87 179 231	3 554 490	90 733 721
Earnings per share	0.24	0.01	0.25