

EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 31 March 2012
&
Review Report

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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 31 March 2012 and the related consolidated statements of income, changes in equity and cash flows for the three 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 31 March 2012, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

The company's General Ordinary Assembly meeting has not been held yet to approve the financial statements for the year ended 31 December, 2011.

Cairo, 29 May, 2012


Hassan Bas
KPMG Hazem Hassan


KPMG Hazem Hassan
Public Accountants and Consultants
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EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of financial position
as at 31 March 2012

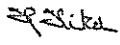
	Note no.	31/3/2012 LE	31/12/2011 LE
Assets			
Cash and due from banks	(4)	12 401 837 392	12 287 220 080
Investments at fair value through profit and loss	(5)	941 410 243	817 449 045
Accounts receivables (net)	(6)	567 318 228	382 556 027
Loans and advances	(7)	12 474 831 591	12 037 028 726
Available -for- sale investments	(8)	1 320 351 666	1 191 479 102
Held-to-maturity investments	(9)	18 808 852 023	18 681 518 778
Investments in associates	(10)	46 408 000	44 844 000
Investment property	(11)	318 839 198	320 045 183
Fixed assets (net)	(12)	1 111 977 436	1 106 098 452
Goodwill and other intangible assets	(13)	4 094 855 882	4 090 993 629
Other assets	(14)	1 466 540 203	1 531 935 847
Total assets		53 553 221 862	52 491 168 869
Liabilities			
Due to banks and financial institutions	(15)	526 028 516	613 772 600
Customers' deposits	(16)	38 929 448 168	38 163 023 300
Accounts payables - customers' credit balances		694 645 736	483 536 711
Bonds	(17)	458 608 000	486 932 000
Creditors and other credit balances	(18)	1 559 099 772	1 667 778 182
Current tax liability		106 276 088	87 810 614
Other provisions	(20)	353 139 829	348 251 688
Total liabilities		42 627 246 109	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		169 651 139	(31 961 357)
Retained earnings		1 588 967 371	1 463 890 665
		8 405 417 358	8 074 255 570
Treasury shares	(21-1)	(6 918 613)	(6 918 613)
Shareholders' equity		8 398 498 745	8 067 336 957
Net profit for the period / year		34 909 878	132 579 926
Shareholders' equity including net profit for the period / year		8 433 408 623	8 199 916 883
Non - controlling interests	(22)	2 492 567 130	2 440 146 891
Total shareholders' equity		10 925 975 753	10 640 063 774
Total shareholders' equity and liabilities		53 553 221 862	52 491 168 869

The accompanying notes from page (5) to page (42) are an integral part of these financial statements and are to be read therewith.


Mona Zulficar
Chairperson


Yasser El Mallawany
Executive Managing Director

~~Review Report "attached"~~


Hassan Heikal
Executive Managing Director

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the period ended 31 March, 2012

	Note no.	For the period ended 31/3/2012 LE	For the period ended 31/3/2011 LE
Fee and commission income	(24)	259 042 795	280 243 896
Fee and commission expense		<u>(90 484 000)</u>	<u>(80 745 830)</u>
Net fee and commission income		168 558 795	199 498 066
Securities gains		22 092 082	7 315 840
Gains from selling of Investment Property		8 886 173	-
Share of profit of associate	(10)	1 560 000	1 643 580
Foreign currencies differences		3 390 587	20 758 290
Other income	(19)	<u>9 343 592</u>	<u>9 132 358</u>
Noninterest revenue		<u>213 831 229</u>	<u>238 348 134</u>
Interest and dividends income		606 388 854	593 870 005
Interest expense		<u>(419 193 284)</u>	<u>(390 404 033)</u>
Net interest income		<u>187 195 570</u>	<u>203 465 972</u>
Total net revenue		<u>401 026 799</u>	<u>441 814 106</u>
General administrative expenses	(27)	299 834 762	293 914 780
Changes in the investments at fair value through profit and loss		<u>(29 752 865)</u>	9 892 538
Net losses on loans and advances	(7)	7 440 000	4 065 280
Other provisions	(20)	6 438 976	7 451 670
Depreciation and amortization	(12),(13)	24 047 112	22 982 512
Total noninterest expenses		<u>308 007 985</u>	<u>338 306 780</u>
Net profit before income tax		93 018 814	103 507 326
Income tax expense	(25)	<u>(16 002 192)</u>	<u>(20 846 252)</u>
Net profit for the period		<u>77 016 622</u>	<u>82 661 074</u>
Equity holders of the parent		34 909 878	37 303 538
Non - controlling interests	(22)	<u>42 106 744</u>	<u>45 357 536</u>
		<u>77 016 622</u>	<u>82 661 074</u>
Earnings per share	(28)	<u>0.07</u>	<u>0.08</u>

The accompanying notes from page (5) to page (42) are an integral part of these financial statements and are to be read therewith.

Consolidated statement of changes in equity
for the period ended 31 March 2012

	Other reserves												Total			
	Share capital	Legal reserve	Share premium	General reserve	Special reserve	Transition reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Other reserves	Retained earnings	Treasury shares		Net profit for the year / period	Interim dividends	Non - controlling interests
	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	9 854 814 230
Foreign currencies translation differences	-	-	-	-	-	22 333 170	-	-	-	-	-	-	-	-	-	22 333 170
Net changes in the fair value of available - for-sale investments	-	-	-	-	-	-	(334 987 864)	-	-	(4 281 593)	-	-	-	-	-	(334 987 864)
Other reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(4 281 593)
Cumulative adjustments	-	-	-	-	-	-	-	(4 446 337)	-	-	-	-	-	-	-	(4 446 337)
2010 dividends payout	-	-	-	-	-	-	-	-	-	-	700 071 208	-	(700 426 814)	-	-	(355 606)
Changes in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35 901 226	35 901 226
Net profit for the period ended 31 March, 2011	-	-	-	-	-	-	-	-	-	-	-	-	37 303 538	-	45 357 536	82 661 074
Balance as at 31 March, 2011	1 913 570 000	956 785 000	3 294 067 512	373 146	41 600 000	103 167 884	13 086 239	(26 442 387)	(23 552 514)	12 134 688	2 880 971 618	-	37 303 538	(774 517 396)	1 223 090 992	9 651 638 320
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)	155 834 240	1 463 890 665	(6 918 613)	132 579 926	-	2 440 146 891	10 610 063 774
Foreign currencies translation differences	-	-	-	-	-	(39 960)	-	-	-	-	-	-	-	-	-	(39 960)
Net changes in the fair value of available - for-sale investments	-	-	-	-	-	-	204 778 580	-	-	-	-	-	-	-	-	204 778 580
Other reserves	-	-	-	-	-	-	-	-	-	(1 473 616)	-	-	-	-	-	(1 473 616)
Cumulative adjustments	-	-	-	-	-	-	-	-	(1 652 508)	-	-	-	-	-	-	(1 652 508)
2011 dividends payout	-	4 472 586	-	-	-	-	-	-	-	-	125 076 706	-	(132 579 926)	-	-	(3 030 634)
Changes in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10 313 495	10 313 495
Net profit for the year ended 31 March 2012	-	-	-	-	-	-	-	-	-	-	-	-	34 909 878	-	42 106 744	77 016 622
Balance as at 31 March, 2012	2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	185 228 764	(140 936 814)	(26 442 387)	(24 532 194)	134 360 624	1 588 567 371	(6 918 613)	34 909 878	-	2 492 567 130	10 925 975 753

The accompanying notes from page (5) to page (12) 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 31 March, 2012

	For the period ended 31/3/2012 LE	For the period ended 31/3/2011 LE
Cash flows from operating activities		
Net profit before income tax	93 018 814	103 507 326
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	24 047 112	22 982 512
Provisions formed	14 131 253	9 015 850
Provisions used	(1 871 732)	(2 220 054)
Provisions reversed	(4 704 000)	-
Losses on sale of fixed assets	158 301	46 381
Gains on sale of available -for- sale investments	(2 486 578)	-
Gains on sale of unquoted assets ready for sale	(1 391 482)	-
Gains on selling Investment Real Property	(8 886 173)	-
Changes in the fair value of investments at fair value through profit and loss	(29 752 865)	9 892 538
Bad debts expense	-	69 586
Foreign currency translation differences	783 966	203 142 493
Interest expense	-	7 632 000
Currency differences gains	(2 710 587)	(20 758 290)
Operating profit before changes in working capital	<u>80 336 029</u>	<u>333 310 342</u>
Purchasing of treasury bills	(48 131 785)	-
Decrease (increase) in other assets	137 702 004	(43 695 905)
(Decrease) increase in creditors and other credit balances	(87 287 405)	1 478 947
Change in loans and advances	(442 736 000)	(575 804 753)
Change in customers' deposits	783 378 456	1 308 015 541
Increase in accounts receivables	(212 438 865)	(69 925 470)
Increase in accounts payables	211 897 315	168 854 868
(Increase) decrease in investments at fair value through profit and loss	(116 040 710)	123 808 152
Change in financial assets (over 3 months)	(417 364 000)	(973 552 000)
Income tax paid	(12 572 000)	(15 816 000)
Net cash (used in) provided from operating activities	<u>(123 256 961)</u>	<u>256 673 722</u>
Cash flows from investing activities		
Payments to purchase fixed assets	(31 064 811)	(21 571 687)
Proceeds from sale of fixed assets	2 978 098	1 287
Proceeds from projects under construction	65 332	480 501
Proceeds from sale of available -for- sale investments	81 044 321	205 956 000
Payments to purchase available -for- sale investments	(468 311)	(175 758 523)
Payments to purchase investments in subsidiaries and associates	(1 730 222)	(2 112 892)
Proceeds from sale Real Property	81 242 638	-
Payments to purchase held to maturity investments	(147 536 000)	-
Proceeds from sale of held to maturity investments	-	35 356 000
Increase in long term lending	(141 505)	(4 060 182)
Payments to companies' share in Settlement Guarantee Fund	(2 264 649)	-
Proceeds from sale of non -current assets held for sale	-	1 356 000
Net cash (used in) provided from investing activities	<u>(17 875 109)</u>	<u>39 646 504</u>
Cash flows from financing activities		
Increase in bank overdraft	25 153 700	149 041 136
Paid dividends	-	(17 598 516)
Payments to long term loans	(49 998 686)	-
Change in non-controlling interests	212 000	(324 000)
Net cash (used in) provided from financing activities	<u>(24 632 986)</u>	<u>131 118 620</u>
Net change in cash and cash equivalents during the period	(165 765 056)	427 438 846
Cash and cash equivalents at the beginning of the period	7 065 599 860	8 412 433 443
Cash and cash equivalents at the end of the period (note no. 26)	<u>6 899 834 804</u>	<u>8 839 872 289</u>

The accompanying notes from page (5) to page (42) 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 31 March 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	<u>(30 550 046 293)</u>
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	<u>287 117 311</u>
Fair value of identifiable assets acquired and liabilities assumed	<u>5 663 380 683</u>

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 March 31, 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 fair 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, whereas 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 fair 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 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 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

	31/3/2012	31/12/2011
	LE	LE
Cash on hand	198 014 818	179 141 029
Central Bank of Lebanon *		*
- Demand deposits	758 796 000	645 616 000
- Time deposits	5 275 096 000	4 852 380 000
Other Central Banks		
- Demand deposits	190 044 000	179 252 000
Cheques under collection	2 418 736	8 364 805
Banks - current accounts (net)	831 879 215	811 733 349
Banks - demand deposits	596 296 233	552 293 748
Banks - time deposits	4 527 464 390	5 014 083 149
Accrued interest	21 828 000	44 356 000
Balance	<u>12 401 837 392</u>	<u>12 287 220 080</u>

* 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

	31/3/2012	31/12/2011
	LE	LE
Mutual Fund certificates	553 234 781	507 242 358
Equity securities	21 031 779	122 901 007
Debt securities	226 831 898	89 945 680
Lebanese treasury bills	92 180 000	97 360 000
Egyptian treasury bills	48 131 785	--
Balance	<u>941 410 243</u>	<u>817 449 045</u>

6- Accounts receivables

	31/3/2012	31/12/2011
	LE	LE
Accounts receivables (net)	616 711 427	400 841 981
Other brokerage companies (net)	(49 393 199)	(18 285 954)
	<hr/>	<hr/>
Balance	567 318 228	382 556 027
	<hr/> <hr/>	<hr/> <hr/>

7- Loans and advances

		31/3/2012	31/12/2011
		LE	LE
Loans and advances to customers	(7-1)	12 268 883 360	11 827 850 000
Loans and advances to related parties	(7-2)	139 944 000	143 316 000
Other loans		66 004 231	65 862 726
		<hr/>	<hr/>
Balance		12 474 831 591	12 037 028 726
		<hr/> <hr/>	<hr/> <hr/>

7-1 Loans and advances to customers

	31/3/2012				31/12/2011
	Gross amount	Unrealized Interest	Impairment Allowance	Carrying Amount	Carrying amount
	LE	LE	LE	LE	LE
Regular retail customers					
Cash collateral	360 600 000	--	--	360 600 000	367 392 000
Mortgage loans	4 926 662 984	--	--	4 926 662 984	4 850 657 189
Personal loans	1 410 332 000	--	--	1 410 332 000	1 387 236 000
Credit cards	161 760 000	--	--	161 760 000	162 504 000
Other	73 908 000	--	--	73 908 000	66 504 000
Regular corporate customers					
Corporate	4 967 744 243	--	--	4 967 744 243	4 677 934 300

	31/3/2012				31/12/2011
	Gross	Unrealized	Impairment	Carrying	Carrying
	amount	Interest	Allowance	Amount	amount
	LE	LE	LE	LE	LE
Classified retail customers					
Watch	48 486 278	--	--	48 486 278	51 352 946
Substandard	91 492 000	(29 112 000)	--	62 380 000	53 692 000
Doubtful	171 820 000	(87 032 000)	(69 436 000)	15 352 000	19 676 000
Bad	39 284 000	(23 476 000)	(15 808 000)	--	--
Classified corporate customers					
Watch	179 453 855	--	--	179 453 855	165 225 565
Substandard	41 828 000	(3 028 000)	--	38 800 000	8 068 000
Doubtful	233 920 000	(76 640 000)	(94 696 000)	62 584 000	62 632 000
Bad	41 660 000	(27 756 000)	(13 904 000)	--	--
Collective provision for retail loans					
	--	--	(22 984 000)	(22 984 000)	(22 984 000)
Collective provision for corporate loans					
	--	--	(42 172 000)	(42 172 000)	(42 172 000)
Accrued interest receivable	25 976 000	--	--	25 976 000	20 132 000
Balance	12 774 927 360	(247 044 000)	(259 000 000)	12 268 883 360	11 827 850 000

7-2 Loans and advances to related parties

	31/3/2012	31/12/2011
	LE	LE
Regular Retail loans	1 012 000	1 068 000
Regular Corporate loans	138 920 000	142 248 000
Accrued interest receivable	12 000	--
Balance	139 944 000	143 316 000

8- Available - for- sale investments

	31/3/2012	31/12/2011
	LE	LE
Preferred shares	98 480 000	98 096 000
Equity securities	1 214 403 666	1 087 519 102
Accrued interest receivable	7 468 000	5 864 000
Balance	<u>1 320 351 666</u>	<u>1 191 479 102</u>

9- Held-to-maturity investments

	31/3/2012	31/12/2011
	LE	LE
Lebanese government treasury bills and Eurobonds	12 659 287 674	12 651 797 718
Other sovereign bonds	47 292 000	33 748 000
Certificates of deposit issued by banks	5 404 828 890	5 362 460 111
Other debt instruments	347 255 459	341 720 949
Accrued interest receivable	350 188 000	291 792 000
Balance	<u>18 808 852 023</u>	<u>18 681 518 778</u>

10- Investments in associates

	2012	2011	31/3/2012	31/12/2011
	Ownership	Ownership	LE	LE
	%	%		
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	28 824 000	28 152 000
Credit Card Management SAL	28.96	28.96	10 072 000	9 448 000
International Payment Network SAL	19.88	18.68	6 436 000	6 180 000
Net Commerce SAL	19.10	19.10	1 028 000	1 016 000
Liberty Executive Center SAL	6.27	6.27	48 000	48 000
Balance			<u>46 408 000</u>	<u>44 844 000</u>

11- Investment property

Investment property amounted LE 318 839 198 as at 31 March, 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 186 776 687 represents the fair value of the area owned by EFG – Hermes UAE Limited in the Index Tower.

12- Fixed assets

Particular	Land & Buildings		Leasehold Improvements		Office furniture, equipment & electrical Appliances		Computer Equipment		Vehicles		* Projects Under Construction		Total	
	LE		LE		LE		LE		LE		LE		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	--		2 774 050		4 106 479		76 322		328 000		22 500 000		29 784 851	
Disposals	--		(295 570)		(13 706 608)		--		(24 000)		(62 726)		(14 088 904)	
Reclassification of assets	--		2 332 000		7 600 000		--		--		(9 932 000)		--	
Foreign currency translation differences	28 630		(48 938)		142 027		32 948		(222 083)		--		(67 416)	
Total cost as at 31/3/2012	910 447 895		198 767 174		311 566 806		81 298 117		19 848 199		97 587 520		1 619 515 711	
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	5 763 160		3 956 173		8 552 046		2 007 449		437 664		--		20 716 492	
Disposals' accumulated depreciation	--		(62 817)		(10 801 659)		--		(24 000)		--		(10 888 476)	
Foreign currency translation differences	13 381		(30 547)		100 012		30 766		(192 081)		--		(78 469)	
Accumulated depreciation as at 31/3/2012	99 475 596		140 663 552		191 996 346		61 527 092		13 875 689		--		507 538 275	
Carrying amount as at 31/3/2012	810 972 299		58 103 622		119 570 460		19 771 025		5 972 510		97 587 520		1 111 977 436	
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 :

	31/3/2012	31/12/2011
	LE	LE
Office spaces in Egypt	9 784 500	9 784 500
Preparation of alternate headquarters in emergency - United Arab Emirates	1 899 020	1 961 746
Others	85 904 000	73 336 000
Balance	<u>97 587 520</u>	<u>85 082 246</u>

13- Goodwill and other intangible assets

		31/3/2012	31/12/2011
		LE	LE
Goodwill	(13-1)	707 539 161	707 539 161
Other intangible assets	(13-2)	3 387 316 721	3 383 454 468
Balance		<u>4 094 855 882</u>	<u>4 090 993 629</u>

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

	31/3/2012	31/12/2011
	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
Balance	<u>707 539 161</u>	<u>707 539 161</u>

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

	31/3/2012	31/12/2011
	LE	LE
Branches network - Credit Libanais Bank	3 364 758 666	3 360 300 184
Key Money	1 308 000	1 348 000
Licenses & Franchise	4 981 650	5 229 650
Research & Development	16 140 000	16 432 000
Software	128 405	144 634
Balance	<u>3 387 316 721</u>	<u>3 383 454 468</u>

14- Other assets

		31/3/2012	31/12/2011
		LE	LE
Deposits with others	(14-1)	48 377 859	48 388 384
Downpayments to suppliers		1 000 917	1 870 574
Prepaid expenses		161 322 200	92 111 894
Employees' advances		10 557 892	18 802 301
Accrued revenues		44 914 537	31 940 043
Taxes withheld by others		54 293 139	53 846 601
Payments for investments	(14-2)	23 496 853	22 895 075
Re-insurers' share of technical reserve		214 324 000	214 688 000
Receivables - sale of investments		70 068 771	76 694 259
Infra Egypt fund		3 204 981	3 187 862
Perching Brokerage		1 687 766	1 178 414
Settlement Guarantee Fund		29 465 141	27 173 750
Unquoted assets - Ready for sale acquired in satisfaction of loans		183 388 000	183 704 000
Due from EFG- Hermes Employee Trust		391 516 589	398 946 562
Due from Ara inc. company		5 922 722	3 477 331
Due from related parties		32 212 000	10 468 000
Re-insurance accrued commission		14 360 000	14 360 000
Cards transaction on ATM		4 580 000	536 000
Re-insurance debtors		1 632 000	1 564 000
Non current assets available for sale		384 682	70 936 046
Sundry debtors		169 830 154	255 166 751
Balance		<u>1 466 540 203</u>	<u>1 531 935 847</u>

14-1 Deposits with others include an amount of LE 21 037 750 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 24 060 000 (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:

	31/3/2012	31/12/2011
	LE	LE
EFG- Hermes Mutual Funds Co.	10 000 000	10 000 000
Financial Group for Real Estate Co.	250 000	250 000
EFG-Hermes Securitization Company	5 000 000	5 000 000
Arab Visual Company	3 749 500	3 749 500
Egyptian Company for Funds Investments	--	400 200
IDEAVELOPERS	25 000	25 000
AAW Company for Infrastructure	3 040 000	3 040 000
Sohail Investment Company	432 353	430 375
International Company for Projects Management	1 000 000	--
	<u>23 496 853</u>	<u>22 895 075</u>

15- Due to banks and financial institutions

	31/3/2012	31/12/2011
	LE	LE
Current deposits of banks	141 445 715	198 044 000
Time deposits	47 412 000	76 372 000
Financial institutions	317 420 000	319 256 000
Borrowings (15-1)	16 078 800	15 584 600
Accrued interest payable	3 672 001	4 516 000
Balance	<u>526 028 516</u>	<u>613 772 600</u>

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 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 loan balance as of March 31, 2012 amounted Euro 2 million (the equivalent amount of LE 16 078 800) the amount that will due within one year.

16- Customers' deposits

	31/3/2012	31/12/2011
	LE	LE
Deposits from customers (private sector):		
Saving accounts	23 358 160 168	22 832 211 300
Term deposits	8 830 832 000	9 062 524 000
Current accounts	3 671 116 000	3 474 632 000
	<u>35 860 108 168</u>	<u>35 369 367 300</u>
Deposits from customers (public sector):		
Saving accounts	405 968 000	238 348 000
Term deposits	734 380 000	638 296 000
Current accounts	392 304 000	415 288 000
	<u>1 532 652 000</u>	<u>1 291 932 000</u>
Others	90 356 000	70 592 000
	<u>37 483 116 168</u>	<u>36 731 891 300</u>
Accrued interest payable	189 144 000	201 492 000
	<u>37 672 260 168</u>	<u>36 933 383 300</u>
Deposits from related parties:		
Long term saving accounts	387 588 000	382 336 000
Long term deposits	834 872 000	822 072 000
Short term deposits	28 648 000	21 156 000
Accrued interest payable	6 080 000	4 076 000
	<u>1 257 188 000</u>	<u>1 229 640 000</u>
Balance	<u><u>38 929 448 168</u></u>	<u><u>38 163 023 300</u></u>

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 458 608 000 as at March 31, 2012 versus LE 486 932 000 as at December 31,2011.

18- Creditors and other credit balances

	31/3/2012	31/12/2011
	LE	LE
Margins held against documentary credits	60 428 000	71 352 000
Technical reserve for insurance companies	343 700 000	343 052 000
Interbranch reconciling items	8 212 000	5 984 000
Revaluation of assets acquired in satisfaction of loans	19 888 000	19 888 000
Social Insurance Association	581 632	589 324
Unearned revenues	15 658 686	14 438 691
Accrued interest & commission	250 905	82 256
Suppliers	95 497 799	94 560 762
Accrued expenses	137 978 959	242 258 425
Clients' coupons- Custody Activity	7 916 079	8 267 925
Clients' payments under subscription	87 449	--
Due to Industry Modernization Center	6 367 970	6 748 849
Dividends payable	36 464 941	36 441 011
Cards transaction on ATM	26 604 000	13 592 000
Re-insurance creditors	221 412 000	221 504 000
Deferred tax liabilities	(18-1) 550 932 352	551 606 725
Due to related parties	15 235 000	15 235 000
Sundry creditors	11 884 000	22 177 214
	<hr/>	<hr/>
Balance	1 559 099 772	1 667 778 182
	<hr/> <hr/>	<hr/> <hr/>

18-1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/3/2012		31/12/2011	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	4 969 839	--	5 040 533
Expected claims provision	2 132 865	--	2 132 865	--
Impairment loss on assets	5 656 014	--	5 581 321	--
Prior year losses forward	1 813 502	--	1 602 917	--
Company's share in affiliate's profits	--	7 970 654	--	7 879 242
Total deferred tax assets / liabilities	<u>9 602 381</u>	<u>12 940 493</u>	<u>9 317 103</u>	<u>12 919 775</u>
Net deferred tax liabilities		<u>3 338 112</u>		<u>3 602 672</u>

(B) Deferred tax recognized directly in equity

	31/3/2012	31/12/2011
	LE	LE
Fair value adjustments *	554 206 837	554 616 650
Changes in fair value of cash flow hedges	(6 612 597)	(6 612 597)
	<u>547 594 240</u>	<u>548 004 053</u>

* 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 4 704 000 represents provision no longer needed and LE 1 391 482 represents gains on sale of non current assets held for sale.

20- Other provisions

		31/3/2012	31/12/2011
		LE	LE
Expected claims provision	(20-1)	237 628 375	232 734 753
Servance pay provision	(20-1)	114 631 454	114 636 935
Other provisions		880 000	880 000
Balance		<u>353 139 829</u>	<u>348 251 688</u>

20-1	Expected		
	claims	Severance	Total
	provision	pay provision	
	LE	LE	LE
Balance at the beginning of the period	232 734 753	114 636 935	347 371 688
Formed during the period	4 857 182	1 834 179	6 691 361
Foreign currency differences	36 440	59 530	95 970
Amounts used during the period	--	(1 899 190)	(1 899 190)
Balance at the end of the period	<u>237 628 375</u>	<u>114 631 454</u>	<u>352 259 829</u>

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

	31/3/2012	31/12/2011
	LE	LE
Share capital	449 146 509	449 146 509
Legal reserve	115 339 875	115 287 877
Other reserves	449 969 104	501 626 252
Retained earnings	223 361 005	67 551 400
Other equity	66 068 000	64 156 000
Increase in fair value of net assets	1 146 575 893	1 067 258 725
Net profit for the period / year	42 106 744	175 120 128
Balance	<u>2 492 567 130</u>	<u>2 440 146 891</u>

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 293 733 480).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

Off-balance sheet items :

	31/3/2012	31/12/2011
	LE	LE
Financing commitments given to financial institutions	783 280 000	680 256 000
Commitments to customers	1 921 632 000	1 830 912 000
Guarantees given to customers	576 124 000	526 324 000
Restricted and non – restricted fiduciary accounts	482 464 000	383 156 000
Commitments of signature received from financial intermediaries	84 476 000	84 572 000
Other commitments received	24 336 420 000	23 092 916 000
Assets under management	27 722 770 000	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 15 643 333 till March 31, 2012 versus an amount of LE 331 269 till March 31, 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	
	31/3/2012	31/3/2011
	LE	LE
Egyptian Portfolio Management Group	6 273 381	--
Hermes Fund Management	8 758 658	331 269
EFG- Hermes Financial Management (Egypt) Ltd.	611 294	--
Total	<u>15 643 333</u>	<u>331 269</u>

25- Income tax expense

	For the period ended	
	31/3/2012	31/3/2011
	LE	LE
Current income tax	(17 539 017)	(20 129 995)
Deferred tax	1 536 825	(716 257)
Total	<u>(16 002 192)</u>	<u>(20 846 252)</u>

26- Cash and cash equivalents

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

	31/3/2012	31/12/2011
	LE	LE
Cash and due from banks	12 401 837 392	12 287 220 080
Due to banks and financial institutions	(526 028 516)	(613 772 600)
Less: Assets – maturity more than three months	(4 975 974 072)	(4 610 558 207)
Effect of exchange rate	--	2 710 587
Cash and cash equivalents	<u>6 899 834 804</u>	<u>7 065 599 860</u>

27- General administrative expenses

	For the period ended	
	31/3/2012	31/3/2011
	LE	LE
Wages , salaries and similar items	189 585 400	187 837 371
Consultancy	15 822 025	6 663 018
Travel , accommodation and transportation	8 745 148	9 571 126
Other expenses	85 682 189	89 843 265
Total	<u>299 834 762</u>	<u>293 914 780</u>

28 - Earnings per share

	For the period ended	
	31/3/2012	31/3/2011
	LE	LE
Net profit for the period	34 909 878	37 303 538
Weighted average number of shares	477 903 750	478 294 750
Earnings per share	0.07	0.08

29- Segment reporting

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

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

For the period ended March 31, 2012

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Fee and commission income	120 338 795	138 704 000	--	259 042 795
Fee and commission expense	--	(90 484 000)	--	(90 484 000)
Net fee and commission income	120 338 795	48 220 000	--	168 558 795
Securities gains	11 180 082	10 912 000	--	22 092 082
Share of profit of associate	--	1 560 000	--	1 560 000
Foreign currencies differences	3 390 587	--	--	3 390 587
Gains on selling of investment in real property held for sale	8 886 173	--	--	8 886 173
Other income	(1 216 408)	10 560 000	--	9 343 592
Noninterest revenue	142 579 229	71 252 000	--	213 831 229
Interest and dividends income	7 644 785	604 804 000	(6 059 931)	606 388 854
Interest expense	(8 713 284)	(410 480 000)	--	(419 193 284)
Net interest income	(1 068 499)	194 324 000	(6 059 931)	187 195 570
Total net revenue	141 510 730	265 576 000	(6 059 931)	401 026 799
Total noninterest expenses	(164 203 244)	(141 368 000)	(2 436 741)	(308 007 985)
Net profit before income tax	(22 692 514)	124 208 000	(8 496 672)	93 018 814

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Income tax expense	(3 420 693)	(13 856 000)	1 274 501	(16 002 192)
Net (loss) profit	(26 113 207)	110 352 000	(7 222 171)	77 016 622
Total assets	9 210 665 648	43 742 740 000	599 816 214	53 553 221 862
Total liabilities	1 194 331 102	40 678 284 000	754 631 007	42 627 246 109
Shareholders' equity	8 016 334 546	3 064 456 000	(154 814 793)	10 925 975 753
Total equity and liabilities	9 210 665 648	43 742 740 000	599 816 214	53 553 221 862

For the period ended March 31, 2011

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Fee and commission income	156 888 056	123 355 840	--	280 243 896
Fee and commission expense	--	(80 745 830)	--	(80 745 830)
Net fee and commission income	156 888 056	42 610 010	--	199 498 066
Securities gains	6 458 320	857 520	--	7 315 840
Share of profit of associate	--	1 643 580	--	1 643 580
Foreign currencies differences	11 528 040	9 230 250	--	20 758 290
Other income	2 585 828	6 546 530	--	9 132 358
Noninterest revenue	177 460 244	60 887 890	--	238 348 134
Interest and dividends income	17 055 396	570 516 790	6 297 819	593 870 005
Interest expense	(5 486 452)	(379 603 460)	(5 314 121)	(390 404 033)
Net interest income	11 568 944	190 913 330	983 698	203 465 972
Total net revenue	189 029 188	251 801 220	983 698	441 814 106
Total noninterest expenses	(201 857 978)	(134 015 290)	(2 433 512)	(338 306 780)
Net (loss) profit before income tax	(12 828 790)	117 785 930	(1 449 814)	103 507 326
Income tax expense	(4 569 785)	(15 411 540)	(864 927)	(20 846 252)
Net (loss) profit	(17 398 575)	102 374 390	(2 314 741)	82 661 074
Total assets	10 266 133 911	40 331 444 000	388 203 888	50 985 781 799
Total liabilities	1 874 335 008	37 350 564 000	964 007 220	40 188 906 228
Shareholders' equity	8 391 798 903	2 980 880 000	(575 803 332)	10 796 875 571
Total equity and liabilities	10 266 133 911	40 331 444 000	388 203 888	50 985 781 799

30- 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, the parent company's books have not been inspected yet.
- 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.

31- 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	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

	Direct ownership	Indirect ownership
	%	%
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.10	--
EFG- Hermes Lebanon	99	0.96
Mena Opportunities Management Limited	--	66.5
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	66.5
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	100	--
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG – Hermes Orient Advisory Inc.	--	70
EFG – Hermes Syria LLC	--	69.33
Sindyam 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’Assurances et 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

32- Financial instruments and management of related risks:

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

32-1 Market risk:

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

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

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

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

32-2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.
- As disclosed in note (3-2) the company has used the prevailing exchange rates to revalue monetary assets and liabilities at the balance sheet date.

32-3 Risk management

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

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

32-4 Credit risk

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

32-5 Liquidity risk

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

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

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

32-6 Interest rate risk

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

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

32-7 Equity price risk

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

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

32-8 Operational risk

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

32-9 Fair value of financial instruments

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

32-10 Derivative financial instruments and hedge accounting

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

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

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

33- Subsequent events

EFG Hermes Holding Company's Board Of Directors agreed at the meeting dated May 3, 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. The closure of the transaction is conditional on shareholders approval at the Extraordinary General Assembly of EFG Hermes Holding Company and obtaining the approval of relevant regulatory bodies.

34- Corresponding figures

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

	For the Period ended 31/3/2011 (as reported) LE	Adjustments LE	For the Period ended 31/3/2011 (Restated) LE
Interest and dividends income	587 499 740	6 370 265	593 870 005
Depreciation and amortization	(20 549 000)	(2 433 512)	(22 982 512)
Income tax expense	(19 981 325)	(864 927)	(20 846 252)
Earnings per share	0.09	(0.01)	0.08