EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 31 March 2011
&
Review Report

Contents | **Page**

KPMG

Hazem Hassan
Public Accountants & Consultants

Pyramids Heights Office Park
Km 22 Cairo/Alex Road
P.O. Box 48 Al Ahram
Giza - Cairo - Egypt

Telephone : (202) 35 36 22 00 - 35 36 22 11
Telefax : (202) 35 36 23 01 - 35 36 23 05
E-mail : egypt@kpmg.com.eg
Postal Code : 12556 Al Ahram

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 2011 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 2011, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

Hassan Ba

KPMG Hazem Hassan

Cairo, June 13 , 2011

KPMG Hazem Hassan
Public Accountants and Consultants
11

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of financial position

as at 31 March, 2011

	Note no.	31/3/2011 LE	31/12/2010 LE
Assets			
Cash and due from banks	(4)	11 625 817 731	10 119 135 577
Investments at fair value through profit and loss	(5)	876 518 562	1 085 289 153
Accounts receivables (net)	(6)	850 806 613	777 248 858
Loans and advances	(7)	10 598 209 628	9 774 474 746
Available -for- sale investments	(8)	1 568 376 805	2 815 356 135
Held-to-maturity investments	(9)	18 480 876 000	17 168 197 800
Investments in associates	(10)	41 344 000	39 175 500
Investment property	(11)	164 008 697	163 125 763
Fixed assets (net)	(12)	1 022 145 347	1 011 791 305
Goodwill and other intangible assets	(13)	2 633 127 457	2 630 015 297
Other assets	(14)	1 189 236 573	1 083 586 793
Total assets		**49 050 467 413**	**46 667 396 927**
Liabilities			
Due to banks and financial institutions	(15)	791 227 936	590 818 300
Customers' deposits	(16)	35 355 891 541	33 189 838 116
Accounts payables - customers' credit balances		818 923 302	630 496 550
Bonds	(17)	464 036 000	444 993 900
Creditors and other credit balances	(18)	1 027 200 233	1 040 537 853
Other liabilities	(19)	302 480 634	287 378 531
Current tax liability		362 771 789	357 426 274
Other provisions	(21)	279 369 484	271 093 153
Total liabilities		**39 401 900 919**	**36 812 582 677**
Shareholders' equity			
Share capital	(22)	1 913 570 000	1 913 570 000
Legal reserve		956 785 000	956 785 000
Share premium		3 294 067 512	3 294 067 512
Other reserves		120 367 056	441 749 680
Retained earnings		2 880 971 618	2 180 900 410
Shareholders' equity		9 165 761 186	8 787 072 602
Net profit for the period / year		36 008 957	700 426 814
Interim dividends		(774 517 396)	(774 517 396)
Shareholders' equity including net profit for the period / year		8 427 252 747	8 712 982 020
Non - controlling interests	(23)	1 221 313 747	1 141 832 230
Total shareholders' equity		**9 648 566 494**	**9 854 814 250**
Total shareholders' equity and liabilities		**49 050 467 413**	**46 667 396 927**

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read therewith.

~~Review~~ Report "attached"

Mona Zulficar	Yasser El Mallawany	Hassan Heikal
Chairperson	Executive Managing Director	Executive Managing Director

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated income statement
for the period ended 31 March, 2011

	Note no.	For the period ended 31/3/2011 LE	For the period ended 31/3/2010 LE
Fee and commission income	(25)	280 243 896	245 639 314
Fee and commission expense		(80 745 830)	-
Net fee and commission income		199 498 066	245 639 314
Securities gains	(10)	7 315 840	752 135 539
Share of profit of associate	(10)	1 643 580	-
Foreign currencies differences		20 758 290	(8 179 759)
Other income	(20)	9 132 358	3 227 443
Noninterest revenue		238 348 134	992 822 537
Interest and dividends income		587 499 740	53 440 001
Interest expense		(390 404 033)	(11 242 043)
Net interest income		197 095 707	42 197 958
Total net revenue		435 443 841	1 035 020 495
General administrative expenses		293 914 780	210 567 634
Changes in the investments at fair value through profit and loss		9 892 538	(39 098 666)
Net losses on loans and advances	(7)	4 065 280	-
Other provisions	(21)	7 451 670	16 610 336
Depreciation and amortization	(12),(13)	20 549 000	9 808 208
Changes in the fair value of investment property	(11)	-	46 104 606
Impairment loss on assets	(26)	-	47 431 361
Total noninterest expenses		335 873 268	291 423 479
Net profit before income tax		99 570 573	743 597 016
Income tax expense	(27)	(19 981 325)	(261 558 368)
Net profit for the period		79 589 248	482 038 648
Equity holders of the parent		36 008 957	483 599 212
Non - controlling interests	(23)	43 580 291	(1 560 564)
		79 589 248	482 038 648
Earnings per share	(29)	0.09	1.24

The accompanying notes from page (5) to page (41) are an integral part of these financial statements and are to be read

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the period ended 31 March, 2011

	Share capital	Legal reserve	Share premium	Other reserves: General reserve	Other reserves: Special reserve	Other reserves: Translation reserve	Other reserves: Fair value reserve	Other reserves: Hedging reserve	Other reserves: Cumulative adjustments	Other reserves: Company's share of items recognized in associate equity	Other reserves: Other reserve	Other equity	Retained earnings	Net profit for the year / period	Interim dividends	Non - controlling interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December,2009	1 913 570 000	969 544 740	3 294 067 512	373 146	74 100 000	3 106 228	150 913 189	(3 546 267)	(53 645 190)	406 072 180	-	(607 200 000)	2 036 845 870	551 810 628	-	206 075 609	8 942 087 645
Transfer a part of the special reserve to retained earnings	-	-	-	-	(32 500 000)	-	-	-	-	-	-	-	32 500 000	-	-	-	-
Foreign currencies translation differences	-	-	-	-	-	(23 228 305)	-	-	-	-	-	-	-	-	-	-	(23 228 305)
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	-	-	-	-	-	-	(22 896 120)	-	-	-	-	-	-	-	-	(22 896 120)
Selling of an associate - Audi Bank	-	-	-	-	-	-	-	-	-	(406 072 180)	-	-	-	-	-	-	(406 072 180)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	107 564 621	-	-	-	-	-	-	-	-	-	107 564 621
Cumulative adjustments	-	-	-	-	-	-	-	-	12 508 810	-	-	-	-	-	-	-	12 508 810
Carrying 2009 profit forward	-	1 246 520	-	-	-	-	-	-	-	-	-	-	550 762 127	(551 810 628)	-	-	198 019
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(21 047 575)	(21 047 575)
Net profit for the period ended 31 March, 2010	-	-	-	-	-	-	-	-	-	-	-	-	-	483 599 212	-	(1 560 564)	482 038 648
Balance as at 31 March, 2010	1 913 570 000	970 791 260	3 294 067 512	373 146	41 600 000	(20 122 077)	258 477 810	(26 442 387)	(41 136 380)	-	-	(607 200 000)	2 620 107 997	483 599 212	-	183 467 470	9 071 153 563
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	-	-	-	-	-	22 333 170	-	-	-	-	-	-	-	-	-	-	22 333 170
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	(334 987 864)	-	-	-	-	-	-	-	-	-	(334 987 864)
Other reserve	-	-	-	-	-	-	-	-	-	-	(4 281 593)	-	-	-	-	-	(4 281 593)
Cumulative adjustments	-	-	-	-	-	-	-	-	(4 446 337)	-	-	-	-	-	-	-	(4 446 337)
2010 dividends payout	-	-	-	-	-	-	-	-	-	-	-	-	700 071 208	(700 426 814)	-	-	(355 606)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	35 901 226	35 901 226
Net profit for the period ended 31 March, 2011	-	-	-	-	-	-	-	-	-	-	-	-	-	36 008 957	-	43 580 291	79 589 248
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	36 008 957	(774 517 396)	1 221 313 747	9 648 566 494

The accompanying notes from page (5) to page (41) 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, 2011

	For the period ended 31/3/2011 LE	For the period ended 31/3/2010 LE
Cash flows from operating activities		
Net profit before income tax	99 570 573	743 597 016
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	20 549 000	9 808 208
Povisions formed	9 015 850	16 610 336
Provisions used	(2 220 054)	(22 421 502)
Provisions no longer needed	-	(237 886)
Losses on sale of fixed assets	46 381	-
Gains on sale of available -for- sale investments	-	(963 755)
Gains on sale of investments in associates	-	(739 403 104)
Changes in the fair value of investments at fair value through profit and loss	9 892 538	(39 098 666)
Changes in the fair value of investment property	-	46 104 606
Impairment loss on assets	-	47 431 361
Bad debts expense	69 586	-
Interest expense	7 632 000	3 520 185
Foreign currency translation differences	205 576 005	2 236 778
Operating profit before changes in working capital	350 131 879	67 183 577
Increase in other assets	(43 695 905)	(1 497 765 808)
Increase in creditors and other credit balances	1 478 947	1 410 738 630
Change in loans and advances	(571 868 000)	-
Change in customers' deposits	1 308 015 541	- -
Increase in accounts receivables	(69 925 470)	(212 853 583)
Increase in accounts payables	168 854 868	205 873 348
Decrease (increase) in investments at fair value through profit and loss	123 808 152	(63 160 849)
Change in financial assets (over 3 months)	(973 552 000)	-
Income tax paid	(15 816 000)	-
Net cash provided from (used in) operating activities	277 432 012	(89 984 685)
Cash flows from investing activities		
Payments to purchase fixed assets	(21 571 687)	(3 566 985)
Proceeds from sale of fixed assets	1 287	97 830
Proceeds from (payments to) projects under construction	480 501	(38 496 988)
Payments to purchase treasury bills	-	(1 905 250 105)
Proceeds from sale of available -for- sale investments	205 956 000	7 551 436
Payments to purchase available -for- sale investments	(175 758 523)	(84 838 732)
Proceeds from sale of investments in subsidiaries and associates	-	5 013 509 579
Payments to purchase investments in subsidiaries and associates	(2 112 892)	-
Proceeds from sale of held - to - maturity investments	35 356 000	-
Payments to long term lending	(4 060 182)	(2 711 403)
Proceeds from sale of non -current assets held for sale	1 356 000	-
Net cash provided from investing activities	39 646 504	2 986 294 632
Cash flows from financing activities		
Changes in retained earnings	-	37 050 000
Increase in banks overdraft	149 041 136	-
Paid dividends	(17 598 516)	(14 012 996)
Payments to long term loans	-	(2 037 372)
Change in non-controlling interests	(324 000)	-
Net cash provided from financing activities	131 118 620	20 999 632
Net change in cash and cash equivalents during the period	448 197 136	2 917 309 579
Cash and cash equivalents at the beginning of the period	8 391 675 153	1 573 975 824
Cash and cash equivalents at the end of the period (note no. 28)	8 839 872 289	4 491 285 403

The accompanying notes from page (5) to page (41) 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, 2011

1- Description of business

1-1 Legal status

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

1-2 Purpose of the company

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

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

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

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

- Credit Libanais SAL (the Bank) has subsidiaries, so the consolidated financial statements of the company for the period ended March 31, 2011 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

Company	% of control
Credit Libanais Investment Bank SAL	99.84
Lebanese Islamic Bank SAL	99.82
Credit International SA	87.48
Cedar's Real Estate SAL	99.92
Soft Management SAL	46.99
Hermes Tourism & Travel SAL	99.99
Liberty Restaurant SARL (under liquidation)	99.20
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.60
Capital Real Estate SAL	98
Liberty Tower SAL	98.89
Credilease SAL	99.24
Collect SAL	44.93

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

2- Basis of preparation

2-1 Statement of compliance

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

2-2 Basis of measurement

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

2-3 Functional and presentation currency

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

2-4 Use of estimates and judgments

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

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

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

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

2-5 Financial assets and liabilities

Recognition and derecognition:

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

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

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

Offsetting

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

3- Significant accounting policies applied

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

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

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

3-1-2 Associates

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

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

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

3-2 Translation of the foreign currencies transactions

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

3-3 Translation of the foreign subsidiaries' financials

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

3-4 Derivative financial instruments

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

Cash flow hedges

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

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

Fair value hedges

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

3-5 Fixed assets depreciation

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

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

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

3-6 Projects under construction

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

3-7 Intangible assets

3-7-1 Goodwill

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

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

3-7-2 Other intangible assets

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

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

3-7-3 Subsequent expenditure

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

3-8 Treasury bills

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

3-9 Investments

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

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

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

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

3-9-3 Held-to-maturity investments

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

3-9-4 Investment property

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

3-10 Impairment

3-10-1 Financial assets

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

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

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

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

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

3-10-2 Non-financial assets

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

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

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

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

3-11 Cash and cash equivalents

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

3-12 Interest-bearing borrowings

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

3-13 Other assets

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

3-14 Provisions

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

3-15 Legal reserve

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

3-16 Share capital

3-16-1 Repurchase of share capital

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

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

3-16-2 Dividends

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

3-17 Revenue recognition

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

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

3-17-2 Dividend income

Dividend income is recognized when declared.

3-17-3 Custody fee

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

3-17-4 Interest income and expenses

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

3-17-5 Fee and commission income

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

3-17-6 Brokerage commission

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

3-17-7 Management fee

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

3-17-8 Incentive fee

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

3-18 Long term lending

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

3-19 Expenses

3-19-1 Employees' pension

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

3-19-2 Taxation

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

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

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

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

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

3-20 Earnings per share

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

3-21 Profit sharing to employees

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

3-22 Loans and advances to customers and related provision

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

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

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

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

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

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

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

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

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

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

3-25 Due from banks and other financial institutions

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

3-26 Customers' deposits

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

3-27 Fiduciary assets

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

3-28 Reserves for general banking risks

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

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

3-29 Allowances for credit losses

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

3-30 Segment reporting

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

4- Cash and due from banks

	31/3/2011 LE	31/12/2010 LE
Cash on hand	188 945 838	168 591 103
Central Bank of Lebanon *		
- Demand deposits	523 140 000	739 354 200
- Time deposits	3 742 288 000	2 990 430 300
Other Central Banks		
- Demand deposits	117 184 000	47 486 400
Cheques under collection	550 429	825 391
Banks - current accounts (net)	1 296 768 151	869 429 911
Banks - demand deposits	585 899 152	520 570 845
Banks - time deposits	5 167 158 161	4 777 490 527
Accrued interest	3 884 000	4 956 900
Balance	11 625 817 731	10 119 135 577

* Current accounts with Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pounds computed on the basis of 25% and 15% of the

average weekly sight and term customers' deposits in Lebanese Pounds in accordance with Lebanon banking regulations.

5- Investments at fair value through profit and loss

Trading investment

	31/3/2011 LE	31/12/2010 LE
Mutual Fund certificates	368 945 217	910 004 395
Equity securities	151 100 393	63 252 281
Debt securities	241 464 952	112 032 477
Lebanese treasury bills	115 008 000	--
Balance	876 518 562	1 085 289 153

6- Accounts receivables

	31/3/2011 LE	31/12/2010 LE
Accounts receivables (net)	759 165 466	776 868 466
Other brokerage companies (net)	91 641 147	380 392
Balance	850 806 613	777 248 858

7- Loans and advances

		31/3/2011 LE	31/12/2010 LE
Loans and advances to customers	(7-1)	10 408 300 000	9 618 043 500
Loans and advances to related parties	(7-2)	134 804 000	105 385 800
Other loans		55 105 628	51 045 446
Balance		10 598 209 628	9 774 474 746

7-1 Loans and advances to customers

	31/3/2011				31/12/2010
	Gross amount LE	Unrealized interest LE	Impairment allowance LE	Carrying amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	234 328 000	--	--	234 328 000	406 699 800
Mortgage loans	4 322 652 000	--	--	4 322 652 000	3 999 017 100
Personal loans	1 508 776 000	--	--	1 508 776 000	1 792 763 700
Credit cards	134 760 000	--	--	134 760 000	211 894 800
Other	17 616 000	--	--	17 616 000	56 803 500
Regular corporate customers					
Corporate	3 884 356 000	--	--	3 884 356 000	2 853 899 100
Classified retail customers					
Watch	63 940 000	--	--	63 940 000	57 996 900
Substandard	78 456 000	(28 972 000)	--	49 484 000	52 677 300
Doubtful	155 808 000	(75 444 000)	(77 276 000)	3 088 000	9 582 300
Bad	28 364 000	(19 112 000)	(9 252 000)	--	--
Classified corporate customers					
Watch	156 268 000	--	--	156 268 000	138 734 700
Substandard	29 560 000	(11 576 000)	--	17 984 000	27 498 900
Doubtful	259 752 000	(84 472 000)	(160 440 000)	14 840 000	16 161 600
Bad	38 124 000	(24 452 000)	(13 672 000)	--	--
Collective provision for retail loans	--	--	(21 712 000)	(21 712 000)	(21 169 200)
Accrued interest receivable	21 920 000	--	--	21 920 000	15 483 000
Balance	10 934 680 000	(244 028 000)	(282 352 000)	10 408 300 000	9 618 043 500

7-2 Loans and advances to related parties

	31/3/2011	31/12/2010
	LE	LE
Regular Retail loans	5 360 000	5 226 000
Regular Corporate loans	129 444 000	100 159 800
Balance	134 804 000	105 385 800

8- Available - for- sale investments

	31/3/2011	31/12/2010
	LE	LE
Lebanese Treasury bills	--	885 128 400
Corporate debt securities	--	18 298 800
Preferred shares	--	171 795 000
Equity securities	1 561 436 805	1 717 389 135
Accrued interest receivable	6 940 000	22 744 800
Balance	1 568 376 805	2 815 356 135

9- Held-to-maturity investments

	31/3/2011	31/12/2010
	LE	LE
Lebanese government treasury bills and Eurobonds	12 890 524 000	11 782 145 700
Certificates of deposit issued by banks	5 192 544 000	4 988 946 300
Other debt instruments	24 420 000	87 445 800
Accrued interest receivable	373 388 000	309 660 000
Balance	18 480 876 000	17 168 197 800

10- Investments in associates

	Ownership	31/3/2011	31/12/2010
	%	LE	LE
Agence Générale de Courtage d'Assurance SAL	25.86	24 440 000	23 782 200
Credit Card Management SAL	28.96	9 544 000	8 357 700
International Payment Network SAL	18.68	5 968 000	5 643 300
Net Commerce SAL	19.10	968 000	916 500
Hermes Rent a Car SAL	27.31	372 000	425 100
Liberty Executive Center SAL	6.27	52 000	50 700
Balance		41 344 000	39 175 500

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

11- Investment property

Investment property amounted LE 164 008 697 as at 31 March, 2011 , represents the following:

- LE 132 062 511 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building
- LE 31 946 186 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 1/1/2011	832 024 637	164 972 534	279 164 161	80 373 732	19 217 135	40 710 266	1 416 462 465
Additions	616 000	8 468 694	7 435 814	2 557 121	114 500	240 048	19 432 177
Disposals	--	(117 800)	(905 896)	(5 271 612)	--	(676 856)	(6 972 164)
Foreign currency translation difference	14 116 248	3 841 928	6 382 012	794 345	257 992	391 800	25 784 325
Total cost as at 31/3/2011	846 756 885	177 165 356	292 076 091	78 453 586	19 589 627	40 665 258	1 454 706 803
Accumulated depreciation as at 1/1/2011	63 069 076	118 183 835	161 619 846	49 837 509	11 960 894	--	404 671 160
Depreciation	4 945 567	3 477 726	8 248 905	2 339 143	584 860	--	19 596 201
Disposals' accumulated depreciation	--	(117 800)	(551 768)	--	--	--	(669 568)
Foreign currency translation difference	1 396 163	2 916 131	3 920 593	601 209	129 567	--	8 963 663
Accumulated depreciation as at 31/3/2011	69 410 806	124 459 892	173 237 576	52 777 861	12 675 321	--	432 561 456
Carrying amount as at 31/3/2011	777 346 079	52 705 464	118 838 515	25 675 725	6 914 306	40 665 258	1 022 145 347
Carrying amount as at 31/12/2010	768 955 561	46 788 699	117 544 315	30 536 223	7 256 241	40 710 266	1 011 791 305

* Projects under construction are represented in the following :

	31/3/2011 LE	31/12/2010 LE
Preparations in the new headquarters of the group in Smart Village - Egypt	1 695 668	1 856 584
Office spaces in Egypt	16 086 147	16 038 147
Preparation of alternate headquarters in emergency - United Arab Emirates	6 948 638	6 756 590
New headquarters – Syrian Arab Republic	262 805	778 745
Others	15 672 000	15 280 200
Balance	40 665 258	40 710 266

13- Goodwill and other intangible assets

		31/3/2011 LE	31/12/2010 LE
Goodwill	(13-1)	2 608 093 326	2 607 144 507
Other intangible assets	(13-2)	25 034 131	22 870 790
Balance		2 633 127 457	2 630 015 297

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

	31/3/2011 LE	31/12/2010 LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
EFG- Hermes Oman LLC	66 039 857	66 039 857
EFG- Hermes IFA Financial Brokerage Company (KSC) - Kuwait	567 776 330	567 776 330
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	8 639 218	8 639 218
Credit Libanais SAL *	1 900 554 165	1 899 605 346
Balance	2 608 093 326	2 607 144 507

* The financial statements of Credit Libanias SAL group have been consolidated based on the book value of the acquired assets and liabilities, and accordance with the Egyptian Accounting Standards, the Company enjoys 12 months (ending August 2011) to determine the fair value of an acquiree's Credit Libanais SAL (the Bank) identifiable assets and liabilities. The Company is in the process of determining this fair value exercise and adjust accordingly.

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

	31/3/2011 LE	31/12/2010 LE
Key Money	188 000	191 100
Licenses & Franchise	4 929 650	4 398 830
Research & Development	19 692 000	18 162 300
Software	224 481	118 560
Balance	25 034 131	22 870 790

14- Other assets

		31/3/2011 LE	31/12/2010 LE
Deposits with others	(14-1)	48 527 716	52 181 539
Downpayments to suppliers		1 317 643	2 320 838
Prepaid expenses		55 016 181	48 955 566
Employees' advances		14 406 732	20 212 443
Accrued revenues		42 834 082	19 798 581
Taxes withheld by others		78 292 277	74 172 009
Unrealized swap losses		767 208	46 126
Payments for investments	(14-2)	22 464 945	22 464 700
Receivables - sale of investments		76 326 249	72 974 948
Infra Egypt fund		3 079 642	2 856 785
Perching Brokerage		5 515 245	2 415 752
Settlement Guarantee Fund		32 547 980	24 377 487
Unquoted assets - Ready for sale acquired in satisfaction of loans		169 416 000	166 502 700
Due from EFG- Hermes Employee Trust		404 473 163	408 962 440
Due from Ara inc. company		7 159 069	6 961 205
Due from related parties		5 504 020	8 899 800
Re-insurance accrued commission		13 580 000	12 944 100
Cards transaction on ATM		4 328 000	--
Re-insurance debtors		18 640 000	--
Deferred tax assets	(14-3)	8 495 770	8 284 836
Non current assets available for sale		5 580 118	--
Sundry debtors		170 964 533	128 254 938
Balance		1 189 236 573	1 083 586 793

14-1 Deposits with others include an amount of LE 20 970 000 in the name of the subsidiaries, Financial Brokerage Group Company and Hermes Securities Brokerage Company which represents the blocked deposits for Same Day Trading

Operations Settlement takes place in the Egyptian Stock Exchange. Both companies are not entitled to use the amounts without prior approval from Misr Clearance Company , in addition to an amount of LE 24 060 000 (equivalent to LBP 6 015 million) represents deposit blocked with the Ministry of Finance of Lebanon.

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

	31/3/2011	31/12/2010
	LE	LE
EFG- Hermes Mutual Funds Co.	10 000 000	10 000 000
Financial Group for Real Estate Co.	250 000	250 000
EFG-Hermes Securitization Company	5 000 000	5 000 000
Arab Visual Company	3 749 500	3 749 500
Egyptian Company for Funds Investments	400 200	400 200
IDEAVELOPERS	25 000	25 000
AAW company for infrastructure	3 040 000	3 040 000
Other	245	--
	22 464 945	22 464 700

14-3 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	31/3/2011		31/12/2010	
	Assets	Liabilities	Assets	Liabilities
	LE	LE	LE	LE
Fixed assets depreciation	--	3 730 992	--	3 836 086
Expected claims provision	3 114 649	--	3 114 649	--
Impairment loss on assets	4 009 852	--	4 009 430	--
Previous years losses forward	946 826	--	882 479	--
Company's share in affiliate's profits	--	2 457 162	--	2 498 233
Total deferred tax assets / liabilities	8 071 327	6 188 154	8 006 558	6 334 319
Net deferred tax assets	1 883 173		1 672 239	

(B) Deferred tax recognized directly in equity

	31/3/2011	31/12/2010
	LE	LE
Changes in fair value of cash flow hedges	6 612 597	6 612 597

15- Due to banks and financial institutions

		31/3/2011	31/12/2010
		LE	LE
Current deposits of banks		176 784 000	127 038 600
Banks overdraft		149 041 136	--
Time deposits		70 532 000	74 685 000
Financial institutions		333 176 000	332 658 300
Long term borrowing	(15-1)	57 682 800	53 956 000
Accrued interest payable		4 012 000	2 480 400
Balance		791 227 936	590 818 300

15-1 Long term borrowings

A- On December 28, 2005, a loan agreement has been signed with International Finance Corporation "IFC" whereby the company is entitled to obtain long term loan with an amount of US$ 20 million with an applied annual floating interest rate in order to finance regional expansion of the company. The loan will be repaid on 10 equal semi-annual installments with an amount of US$ 2 million for each installment and the first installment was due on May 15,2007 and the last installment will due on November 15, 2011 and the interest is due on May 15, and November 15 and the first interest was due on November 15,2006. The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee and the company got the full amount of the loan amounted to US$ 20 million on September 3, 2006. The company paid US$ 16 million which represents 8 installments accordingly, the loan balance amounted to US$ 4 million (equivalent to LE 23 880 000) as at March 31, 2011 (this amount will due within one year)

B- On December 29,2005 a loan agreement has been signed with the Foundation of (DEG)- DEUTSCHE INVESTITIONS- UND ENTWICKLUNGSGESELLSCHAFT MBH whereby the company is entitled to obtain a long term loan with an amount of Euro 10 million with a variable annual interest rate in order to finance the regional expansion of the company. The loan will be repaid on 10 equal semi- annual installments with an amount of one million Euro per installment. The first installment was due on May 15, 2008 and the last installment will due on November 15, 2012 and the interest is due on May 15, November 15 each year. The first interest was due on November 15, 2006.

The loan agreement provides for that some of the company's subsidiaries will guarantee the loan repayment through an irrevocable unconditional guarantee. The company has obtained the full amount of the loan amounted Euro 10 million on

September 17, 2006. The company has paid Euro 6 million accordingly, the loan balance as of March 31, 2011 amounted Euro 4 million (equivalent to LE 33 802 800).

- The current portion (the amount that will due within one year) of the loan amounts to Euro 2 million (equivalent to LE 16 901 400).

16- Customers' deposits

	31/3/2011 LE	31/12/2010 LE
Deposits from customers (private sector):		
- Saving accounts	21 373 160 000	20 179 672 500
- Term deposits	8 112 980 000	7 325 217 900
- Current accounts	3 142 487 541	3 020 807 016
	32 628 627 541	30 525 697 416
Deposits from customers (public sector):		
- Term deposits	949 424 000	948 160 200
- Current accounts	414 252 000	440 505 000
	1 363 676 000	1 388 665 200
Others	65 696 000	39 760 500
	34 057 999 541	31 954 123 116
Accrued interest payable	175 028 000	180 082 500
	34 233 027 541	32 134 205 616
Deposits from related parties:		
Long term saving accounts	302 900 000	308 279 400
Short term saving accounts	--	100 545 900
Long term deposits	702 856 000	639 038 400
Short term deposits	113 700 000	--
Accrued interest payable	3 408 000	7 768 800
	1 122 864 000	1 055 632 500
Balance	35 355 891 541	33 189 838 116

17- Bonds

On November 11, 2010 Credit Libanais SAL has issued US.$ 75 000 000 6.75% Subordinated Bonds due January 15, 2018 at an issue price of 100% of their principal amount. The bonds have been fully underwritten. The net proceeds from the sale of Bonds will be used for general corporate purposes, and the obligation of the issuer in respect of the Bonds constitutes direct, unsecured and general obligation of the issuer. The Arranger of the offering is Credit Libanais Investment Bank SAL (an affiliate) and the Bonds will not be listed on any stock exchange. The bonds balance amounted to LE 464 036 000 as at March 31, 2011 versus LE 444 993 900 as at December 31,2010.

18- Creditors and other credit balances

	31/3/2011 LE	31/12/2010 LE
Margins held against documentary credits	77 052 000	67 895 100
Technical reserve for insurance companies	112 200 000	110 514 300
Interbranch reconciling items	74 124 000	7 144 800
Revaluation of assets acquired in satisfaction of loans	19 888 000	19 390 800
Social Insurance Association	586 682	603 651
Unearned revenues	13 452 140	10 802 770
Accrued interest & commission	28 598 001	22 007 637
Suppliers	120 486 718	70 301 359
Accrued expenses	179 687 415	314 666 274
Clients' coupons- Custody Activity	8 363 684	8 716 618
Clients' payments under subscription	--	518 765
Industry Modernization Center	8 672 862	8 423 928
Dividends payable	4 899 321	22 336 201
Cards transaction on ATM	3 148 000	7 020 000
Re-insurance creditors	192 232 000	181 420 200
Due to related parties	15 235 000	15 235 000
Creditors – purchase of investment *	146 156 095	142 116 605
Sundry creditors	22 418 315	31 423 845
Balance	1 027 200 233	1 040 537 853

* The balance is represented in the equivalent of US.$ 24 481 758 the value of acquisition of 2.9358 % of Credit Libanais S.A.L (the Bank) which has not been paid till March 31, 2011.

19- Other liabilities

	31/3/2011 LE	31/12/2010 LE
Preferred shareholders in subsidiaries *	301 500 000	286 425 000
Others	980 634	953 531
Balance	302 480 634	287 378 531

* In August 2004, Credit Libanais SAL (the Bank) issued 1 600 000 cumulative "Series A" preferred shares for an aggregate amount of USD 50 million with a seven-year term expiring on 10 August 2011. The issue was affected at a

nominal value of LBP 10 000 for each preferred share, while the aggregate share premium amounted to of LBP 59.37 billion. Preferred shares earn an annual fixed dividend to be paid to holders out of the distributable consolidated profits of the Group, in an amount equivalent to 7.5 % of the total amount of the preferred shares issued. The Bank has the right, in its sole discretion, to redeem the Series A preferred shares, in whole but not in part, on the fifth anniversary of the issue date, at the issue price plus accrued and unpaid dividends and an early redemption premium equivalent to 50% of the value of the annual fixed dividends that would have been payable until the expiry of the term of the Series A preferred shares. As part of its risk management policy, the Bank has established a special purpose investment account (the "Sinking Fund Account"), which is funded on an annual basis in each of the first seven years following the issue date of the Series A preferred shares (assuming no early redemption) with proceeds generated from the annual consolidated profits in amounts equal to one-seventh or 14.285% of the total amount of the Series A preferred shares.

20- Other income

Other income presented in the income statement includes an equivalent amount of LE 4 208 200 represents gains on sale of non current assets held for sale.

21- Other provisions

		31/3/2011 LE	31/12/2010 LE
Expected claims provision	(21-1)	184 673 781	178 448 831
Servance pay provision	(21-1)	94 007 703	91 969 622
Other provisions		688 000	674 700
Balance		279 369 484	271 093 153

21-1	Expected claims provision LE	Severance pay provision LE	Total LE
Balance at the beginning of the period	178 448 831	91 969 622	270 418 453
Formed during the period	5 781 958	1 669 712	7 451 670
Foreign currency differences	471 580	2 544 715	3 016 295
Amounts used during the period	(28 588)	(2 176 346)	(2 204 934)
Balance at the end of the period	184 673 781	94 007 703	278 681 484

22- Share capital

The company's authorized capital amounts LE 3 200 million and issued and paid in capital amounts LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.

23- Non - Controlling interests

	31/3/2011 LE	31/12/2010 LE
Share capital	416 153 997	416 153 997
Legal reserve	98 204 230	97 583 865
Other reserves	393 510 865	358 341 841
Retained earnings	210 156 364	100 981 650
Other equity	59 708 000	53 479 800
Net profit for the period / year	43 580 291	115 291 077
Balance	1 221 313 747	1 141 832 230

24- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage against the credit facilities granted from banks and EFG-Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 195 000 000 (equivalent to LE 317 031 000).
- The company has executed C-SWAP contracts to cover its needs of foreign currencies with the banks which will be settled according to specific rates for the foreign currencies implied in such contracts. The mentioned contract is as follows:

Transaction date	Transaction	Amount	Currency	Expiry date
10/3/2011	Selling Euro	Euro 4 000 000	Buying US.$	11/4/2011

- Hermes Corporate Finance Company (a subsidiary – 99.37%) issued by a bank letter of guarantee with an amount of LE 292 500 in favor of Egyptian Electricity Authority. The issuer bank has blocked the company's time deposit which amounts LE 326 182 on March 31, 2011 as a margin for this letter of guarantee.
- Credit Libanais SAL (the Bank) (a subsidiary – 63.739%) has the following off-balance sheet assets and liabilities :

  Off-Balance sheet items :

	31/3/2011 LE	31/12/2010 LE
Financing commitments given to financial institutions	599 648 000	29 854 500
Commitments to customers	2 250 820 000	2 541 087 900
Guarantees given to customers	292 716 000	279 879 600
Restricted and non – restricted fiduciary accounts	90 452 000	88 190 700
Commitments of signature received from financial intermediaries	33 952 000	2 176 200
Other commitments received	20 454 660 000	19 659 346 200
Assets under management	31 017 004 000	34 804 434 900

25- Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of Incentive Fee with an amount of LE 331 269 till March 31, 2011 versus an amount of LE 32 436 542 till March 31, 2010 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Egyptian Portfolio Management Group Company	--	12 657 643
Hermes Fund Management	331 269	7 580 299
EFG – Hermes Financial Management (Egypt) Ltd	--	12 198 600
Total	331 269	32 436 542

26- Impairment loss on assets

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Impairment loss on accounts receivables & debit accounts	--	59 471
Impairment loss on available –for– sale investments	--	47 371 890
Total	--	47 431 361

27- Income tax expense

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Current income tax	(20 129 995)	(261 850 452)
Deferred tax	148 670	292 084
Total	(19 981 325)	(261 558 368)

28- Cash and cash equivalents

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

	31/3/2011	31/3/2010
	LE	LE
Cash and due from banks	11 625 817 731	4 528 055 403
Due to banks and financial institutions	(791 227 936)	(88 306 000)
Less: Assets / liabilities – maturity more than three months	(1 994 717 506)	51 536 000
Cash and cash equivalents	8 839 872 289	4 491 285 403

29 - Earnings per share

	For the period ended	
	31/3/2011	31/3/2010
	LE	LE
Net profit for the period	36 008 957	483 599 212
Employees share	--	(9 089 396)
Net	36 008 957	474 509 816
Weighted average number of shares	382 714 000	382 714 000
Earnings per share	0.09	1.24

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 March 31, 2011

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	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	(72 446)	587 499 740
Interest expense	(5 486 452)	(379 603 460)	(5 314 121)	(390 404 033)
Net interest income	11 568 944	190 913 330	(5 386 567)	197 095 707
Total net revenue	189 029 188	251 801 220	(5 386 567)	435 443 841
Total noninterest expenses	(201 857 978)	(134 015 290)	--	(335 873 268)
Net (loss) profit before income tax	(12 828 790)	117 785 930	(5 386 567)	99 570 573
Income tax expense	(4 569 785)	(15 411 540)	--	(19 981 325)
Net (loss) profit	(17 398 575)	102 374 390	(5 386 567)	79 589 248
Total assets	10 266 133 911	40 331 444 000	(1 547 110 498)	49 050 467 413
Total liabilities	1 874 335 008	37 350 564 000	177 001 911	39 401 900 919
Shareholders' equity	8 391 798 903	2 980 880 000	(1 724 112 409)	9 648 566 494
Total equity and liabilities	10 266 133 911	40 331 444 000	(1 547 110 498)	49 050 467 413

31- Tax status

- The competent tax inspectorate examined the parent company's books for the period till year 2004 and disputed points have been agreed upon before the Internal Committee.
- As to years 2005/2008, the competent tax inspectorate inspected parent company's books and the company was notified by form no. (19) , which was objected thereon on the due date and the disputed items have been transferred to the Internal Committee with Large Taxpayers Center and as to year 2009 / 2010, the parent company's books have not been inspected yet and the company has provided its tax returns for these years and paid the due tax according to the Tax Law no. 91/2005.

- As to salaries tax, the parent company's books had been examined till the year 2004 and all the disputed points have been agreed upon before the Internal Committee and the years 2005/2010 have not been inspected yet.
- As to stamp tax, the parent company's books had been examined from year 1998 till 31/7/2006 and the disputed points had been transferred to Appeal Committee, and the period from 1/8/2006 till 31/12/2010 have not been inspected yet.

32- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.76	0.04
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	--	100
EFG- Hermes Fixed Income	99	1
EFG- Hermes Private Equity (Egypt)	96.3	3.7
EFG- Hermes Private Equity (BVI)	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33
Flemming CIIC Securities	--	96
Flemming Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	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

	Direct ownership %	Indirect ownership %
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG – Hermes Orient Advisory Inc.	--	70
EFG – Hermes Syria LLC	--	69.33
Sindyan Syria LLC	--	96.81
Talas & Co. LLP	--	96.81
EFG – Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG – Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.64
Lebanese Islamic Bank SAL	--	63.62
Credit International SA	--	55.76
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.95
Hermes Tourism & Travel SAL	--	63.73
Liberty Restaurant SARL	--	63.23
Crédit Libanais d'Assurances et de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.85
Capital Real Estate SAL	--	62.46
Liberty Tower SAL	--	63.03
Credilease SAL	--	63.25
Collect SAL	--	28.64
EFG – Hermes Investment Funds Co.	99.998	--
Mena FI Cayman Ltd.	--	100
EFG – Hermes Mena FI Management 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.
- As disclosed in note no. (24) the company has executed Currency SWAP agreements and Hedge agreement to cover its needs of foreign currencies and meet the risks of exchange rate and interest rates related thereto.

33-3 Risk management

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

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

33-4 Credit risk

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

33-5 Liquidity risk

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

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

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

33-6 Interest rate risk

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

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

33-7 Equity price risk

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

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

33-8 Operational risk

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

33-9 Fair value of financial instruments

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

33-10 Derivative financial instruments and hedge accounting

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

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

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

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

34- Corresponding figures

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