Annual Report 08

BYBLOS BANK

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A Message from the Chairman

DEAR STAKEHOLDERS,

The past year was a mix of challenges and opportunities that allowed the Byblos Bank Group to demonstrate both the strength of its values and the resilience of its strategy. Like the people it serves, Byblos Bank recognizes that while only careful planning can ensure long-term success, the pace of change in the modern world also demands that we be prepared to deal with rapidly shifting circumstances.

As ever, our overriding goal at Byblos is to keep justifying the confidence placed in us by all of our stakeholders. This means living up to a variety of promises about what we do and how we do it, never sacrificing principle for the sake of convenience, and always thinking of new ways to meet or exceed expectations.

Above all else, banking and other financial services are about trust – a fact only reinforced by the crisis that gripped so many economies in late 2008 as the repercussions of lax credit and regulatory standards in some countries began to emerge. We at Byblos Bank are proud to have avoided the direct consequences, thanks in part to a vision of the future that embraces timeless truths from the past. This has enabled us to preserve the interests – and therefore the confidence – of our stakeholders at a time of widespread uncertainty.

Thus it was that in 2008 the Group turned in exceptional performances on a variety of levels. Much emphasis was placed on consolidation after several years of expansion in both our home Lebanese market and in foreign ones. Our medium- and long-term strategies call for precisely such a process in order to ensure that our growth is sustainable, and the exercise only bolstered the parallel work of planning for further expansion in the years ahead. Nor did either task hamper the day-to-day operations of Byblos Bank, which turned in the strongest profit growth among Lebanon's three largest banks.

Going forward, the Group will continue to stand by its clients in Lebanon and abroad. Wherever we operate, our policy is to help foster healthy development of economies, communities and the environment. Business is business, but we also embrace our role as a contributor to society and to preserving the environment for future generations. It is one we have played throughout our existence, not just since it became fashionable to put a human face on corporate activities.

Internally, this emphasis on people manifests itself in the Group's unceasing efforts to provide training and other forms of education for its employees. We also encourage members of our team to adopt a spirit of service in their personal lives as well. All this goes hand in hand with the timeless values that continue to shape everything we do. It also contributes to a collegial style of work, promotes a cooperative relationship between management and staff, and enhances employee loyalty. This harmonious atmosphere is part of a virtuous circle in which the interests of Byblos employees, clients and shareholders are perpetually self-reinforcing. It also drives the very real implementation of our slogan, "Your Bank for Life".

Externally, our environmental and social roles also figure prominently in our corporate decision-making. Our customary concern for the communities we serve, for example, was strengthened in 2008 by careful study of ways and means to support rural development. Byblos Bank also encourages youth to invest in all manner of productive enterprise, from the latest technologies to modernizing traditional businesses like agriculture and artisans' workshops.

On a personal note, this message would not be complete without a salute to Albert Sleiman Nassar, a prolific industrialist and generous philanthropist who has passed away after many years of dedicated service and wise counsel on the Board of Directors of Byblos Bank. Mr. Nassar's contributions to the development of the Byblos Bank Group were too numerous and too extensive to describe or even list here, but suffice it to say that his steady hand – in good times and in bad – was instrumental in making this organization what it is today. His presence will be sorely missed, but his long and productive life left numerous legacies that will continue to be cherished by family and friends alike.

We are in no doubt that just as qualities like imagination, integrity and mettle have allowed the Byblos team to persevere in trying times, so will they enable us, our customers, our shareholders, and the communities we serve to take full advantage of improving conditions in the coming months and years. Our faith in the way we do business is strong because it rests on a foundation of interests shared and commitments honored. As the following pages will make clear, our results speak for themselves.

Sincerely Yours,

François S. Bassil
Chairman and General Manager

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The Economic Environment in 2008

OVERVIEW

Lebanon's economic activity was characterized by three stages in 2008.

The first stage spanned the first four and a half months of the year and reflected the political uncertainties that prevailed in 2007, including the vacuum at the presidential level, a closed Parliament and a caretaker Cabinet, and culminated in threats of destabilization and a severe deterioration in security conditions in early May. As such, consumer confidence and investor sentiment continued to be negatively affected, and the economy could not fully benefit from a favorable regional environment of high oil prices and abundant liquidity.

The second phase covered the four months from the middle of May until the middle of September and started with a reduction in political instability, the reopening of Parliament, the election of a new president, and the formation of a national unity Cabinet. As a result, the overall outlook turned positive and the economy resumed normal function, leading to a record tourism season, an increase in capital inflows, remarkable growth in bank deposits, and a rise in consumer confidence.

The third stage began with the global financial meltdown that started in the middle of September and changed the outlook for the economies of the Middle East and North Africa region, particularly the Gulf countries. Lebanon withstood the early shocks of the crisis due to a strong and well-managed banking sector, tight regulations, high liquidity and a stable exchange rate. But as an open economy with strong links to Gulf Arab markets and a dependence on its Diaspora, the Lebanese economy is insulated from the crisis but not immune to it, and the banking sector is resilient but not isolated from its environment. As such, the year ended with a new set of challenges for the Lebanese economy and its financial sector, with expectations that the global recession and a marked decline in economic activity in the Gulf Cooperation Council countries will reduce Lebanon's earnings from tourism, remittances, exports and foreign direct investment, therefore leading to a slowdown in economic growth.

REAL AND EXTERNAL SECTORS

Economic activity was positive overall in 2008, with real GDP growth for the full year estimated at between 7 percent and 8.5 percent, driven mostly by construction, tourism, and financial services. The Central Bank's Coincident Indicator, a proxy for overall economic activity, averaged 198.4 points in 2008 compared to 180 points in 2007, rising by 10.2 percent year-on-year. Further, the trade deficit reached $12.65 billion in 2008, up 40.6 percent from $9 billion in 2007. Imports rose by 36.5 percent to $16.13 billion, while exports increased by 23.5 percent to $3.48 billion year-on-year. The coverage ratio reached 21.6 percent in 2008, down from 23.8 percent in 2007. Part of the rise in overall imports is attributed to higher commodity prices and a weak U.S. dollar for most of 2008. In parallel, the balance of payments recorded a surplus of $3.46 billion in 2008, compared to a surplus of $2.04 billion in 2007, due to an increase of $7.28 billion in the Central Bank's net foreign assets combined with a decrease of $3.82 billion in the commercial banks' net foreign assets.

FISCAL SITUATION

The fiscal situation deteriorated but remained manageable in 2008, as the deficit reached $2.92 billion, up 14.7 percent from 2007. The deficit was equivalent to 29.3 percent of total budget and Treasury expenditures compared to 30.5 percent in the previous year. Overall, government expenditures reached $9.95 billion in 2008, up 19.2 percent year-on-year, while total revenues increased by 21.2 percent to $7.03 billion. Debt servicing increased by 5.6 percent year-on-year and totaled $3.3 billion, accounting for 45 percent of total expenditures and 33 percent of budgetary spending. This absorbed 50.6 percent of overall revenues and 46.8 percent of budgetary receipts. Excluding debt servicing, the primary surplus reached $2.7 billion, or 36.8 percent of budgetary expenditures, compared to a surplus of $1.97 billion, or 29.4 percent a year earlier. The fiscal deficit was equivalent to 10.1 percent of GDP in 2008, almost unchanged from 10.2 percent of GDP in 2007.

In parallel, Lebanon's gross public debt reached $47 billion at the end of 2008, constituting an increase of 11.9 percent year-on-year. Domestic currency debt increased by 24.3 percent to $25.9 billion, while foreign currency-denominated debt decreased by 0.4 percent annually to $21.1 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, rose by 6.3 percent to $41.5 billion. Local currency debt accounted for 55 percent of gross public debt at end-December 2008, compared to 49.5 percent at end-December 2007, while foreign currency-denominated debt represented 45 percent of the total at end-December 2008, down from 50.5 percent a year earlier. The gross public debt was equivalent to 162 percent of GDP at end-2008, down from 168 percent at end-2007.

MONETARY SITUATION

Lebanon's monetary authorities have proved highly adept at maintaining stability in times of crisis. Indeed, the Lebanese pound's unofficial peg to the U.S. dollar has been sustained and the Central Bank has accumulated adequate resources to keep the currency stable, as gross reserves increased considerably during the year to reach $17.06 billion at end-December 2008, equivalent to about 69 percent of money supply (M2), and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 15 months worth of imports, well above the four-month reference and a high level by emerging market standards.

INFLATION

Inflation has been under control for the past 10 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Inflation averaged 10.4 percent in 2008 and ended the year at 6.4 percent. Inflation reached a peak of 14 percent in July 2008 due to the sharp rise in international commodity prices and a weak U.S. dollar. Lebanon imports most of its oil needs and has an import-based economy, as the value of imports historically has been equivalent to about five times that of exports. However, inflationary pressures receded following the sharp drop in global commodity prices and the relative strengthening of the U.S. currency later in the year.

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BANKING SECTOR

The banking sector remains the backbone of the Lebanese economy, and ended the year profitable, highly liquid and well capitalized, unlike most banking sectors in both advanced and emerging economies. Bank assets were equivalent to 326 percent of GDP and deposits equivalent to 269 percent of GDP at the end of 2008, among the highest such ratios in the world. Banks continued to compete aggressively for corporate and retail clients domestically, while the sector continued its asset diversification strategy by expanding regionally and in emerging markets. The sector remained resistant to global financial shocks and proved it can finance the private sector while supporting the public sector's needs, at a time when governments around the world have been forced to bail out their banking systems.

Bank assets reached $94.25 billion at the end of 2008, up 14.6 percent year-on-year, while bank deposits totaled $77.8 billion, up 15.6 percent from end-2007, reflecting continued confidence in the sector. Deposits in Lebanese pounds rose by 55.2 percent to $23.7 billion, while those in foreign currencies increased by 4 percent year-on-year to $54.1 billion. Non-resident foreign currency deposits reached $10.6 billion at end-2008, increasing by 16.2 percent from end-2007. In parallel, deposits of non-resident banks reached $4.3 billion, up by 6.2 percent from the end of the previous year. The dollarization rate of deposits reached 69.6 percent at end-2008, down from 77.3 percent a year earlier, reflecting the decrease in exchange rate risk following the Doha Accord in May and the resulting massive conversion from foreign currencies into Lebanese pounds.

Broad money supply (M3) grew by 14.7 percent in 2008 compared to 12.4 percent in 2007. Loans to the private sector amounted to $25 billion, up 22.6 percent year-on-year, highlighting the sector's financing of the national economy. The dollarization rate in private sector lending reached 86.6 percent, almost unchanged from a year earlier. The average lending rate in Lebanese pounds was 9.95 percent in December 2008 compared to 10.1 percent a year earlier, while the same average in U.S. dollars stood at 7.47 percent relative to 8.02 percent at the end of 2007. Claims on the public sector stood at $25.4 billion, up 18.2 percent year-on-year, and accounted for 50.4 percent of the banking sector's total loans.

Capital funds reached $7.1 billion, a 13.4 percent annual increase, with core capital rising by 14.5 percent to $6.75 billion. Also, the ratio of loans to deposits in foreign currencies stood at 40.1 percent, well below the Central Bank's limit of 70 percent, and up from 33.9 percent a year earlier. In parallel, the same ratio in Lebanese pounds was 14.2 percent compared to 18.2 percent a year earlier. The ratio of total private sector loans to deposits stood at 32.2 percent, up from 30.4 percent at end-2007.

The net income of the largest 11 banks improved substantially, reaching $1.067 billion in 2008 compared to $800 million in 2007. But the sector's profitability stagnated, as net interest margin was unchanged at 2 percent, its net average return on equity slightly improved to 14 percent in 2008 from 12.1 percent in the previous year, and its net average return on assets rose marginally to 1.1 percent from 1 percent in 2007. But given the financial turmoil that swept across banking sectors in advanced and emerging economies, the profit indicators continue to reflect the resilience of the Lebanese banking sector.

REGIONAL OUTLOOK

The Middle East saw economic growth of 5.9 percent in 2008, driven in the first half by continuing positive sentiment, high levels of liquidity, and capital inflows. However, the global crisis has not spared the region, with both oil exporting and non-oil exporting countries feeling the impact of the downturn in the second half of the year. Indeed, oil prices declined, local property and equity markets came under pressure, domestic liquidity conditions deteriorated, and financial system strains emerged in a number of countries. Further, the substantial decline in external demand is likely to reduce export growth, workers' remittances, and tourism revenues.

Within this context, the Lebanese banking sector's regional expansion in the past six years and the strong linkages of the Lebanese Diaspora to the local economy helped Lebanese banks take advantage of opportunities across the region during most of 2008, but also rendered them susceptible to economic and financial developments in the region. As such, Lebanese banks are bound to adjust to the more subdued economic and financial outlook for the region, with growth estimated at 2.5 percent in 2009 and oil prices not expected to return to their record highs in the foreseeable future.

Structure and Strategy

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Governance: Traditional Values at Work in a Changing World

As a strong proponent and avid practitioner of transparent business practices, responsible lending policies and careful investment strategies, the Byblos Bank Group conducts regular reviews to ensure that its governance model remains appropriate to both regulatory requirements and market developments and is being adhered to. Our systems, codes of conduct and internal controls are designed with an eye toward meeting the requirements of Basel II and other international standards. Since many of these follow definitions of "best practice" as determined by thoroughgoing and carefully studied research, they are also consistent with a determination to develop a Group-wide approach to risk that facilitates accurate assessment and successful management by individual departments.

Founded in 2004, our Group Risk Management (GRM) division uses the guidelines set down by Basel II as a starting point. GRM appraises the Group's position according to several factors, including credit, operational, and market risks, as well as those associated with interest rates, liquidity, and credit concentration risks (measured by country, industry, borrowers and connected groups thereof). GRM has also authored a Risk Management Charter aimed at obtaining organizational structures suitable for the management of the Group's strategic, operational and financial risk, as well as its compliance goals.

In keeping with Basel II's emphasis on accurately managing and quantifying credit, market and operational risks, Byblos Bank relies on departments established within the GRM Division. Portfolio Management and Credit Risk Analytics (PMCRA) keeps track of the commercial portfolio, while Operational Risk Management (ORM) addresses mostly non-credit factors that are also telling on the bottom line.
Market Risk Management undertakes the measurement of market risk for the Group, stress-resting and assessing impact on liquidity and interest rate risk.

PMCRA uses Moody's Risk Analyst (MRA), one of the most respected platforms on the market, to rate the credit risk to which Byblos Bank is exposed by its commercial portfolio. In addition, while the MRA's multidimensional criteria are highly effective in creating clear pictures of both individual and collective credit risk, Byblos Bank has undertaken a detailed customization effort aimed at improving the platform's sensitivity to the particular conditions of the Lebanese marketplace. PMCRA is also in the process of continuously updating the Bank's credit policies and procedures, and expanding its credit-loss database.

Simultaneously, ORM has been implementing its mandate to provide Byblos Bank with a carefully conceived framework to deal with operational risk. This has involved the crafting of an overall strategy to deal with operational risk and ensure its centrality to governance. Within that strategy, policies and procedures have been refined and continue to be refined. In addition, specific responsibilities have been assigned to particular individuals and departments, each of which has been provided with the necessary tools to help provide a fuller picture of the group's risk profile.

At Byblos Bank, the constant evolution of processes relating to assessing, managing and reducing risk are not just a collection of tasks: they are part and parcel of our corporate culture, a way of life, even, for those members of our team responsible for this aspect our business. This attention to detail can only be upheld by individuals committed to our core values, all of which revolve around being there for our customers through thick and thin, and by structures designed to maintain these standards in the face of every conceivable obstacle, from day-to-day challenges to circumstances that can never be predicted, only accounted for. This is why, for instance, Byblos Bank has established a dedicated facility, backed by comprehensive contingency plans, in order to minimize service disruptions and protect our clients' interests in the event of a natural disaster or some other catastrophic event.

It is also why the Group is currently in the process of carrying out at three-year project aimed at reviewing and updating a variety of policies, systems and procedures – from human resources to headquarters' docking mechanisms with our increasingly important foreign subsidiaries – in order to ensure that the current level of growth is sustained in a healthy fashion. As we move into more markets, we need larger numbers of qualified people and a greater capacity to measure and improve the performance of our subsidiaries: neither of these requirements leaves any room for complacency.

All of these examples demonstrate the power and versatility derived from adhering to the values associated with traditional banking – a conservative approach to risk, total commitment to the many overlapping interests of our customers, investors, and employees, attention to detail bordering on obsession, and boundless faith in hard work.

Our adherence to these values reflects a determination to remain concentrated on what we know best: commercial banking, retail banking, and trade financing. It also serves as a prophylactic against the high- (not to say incalculable) risk instruments and strategies that imploded with such devastating consequences around the world in late 2008. Our values encourage us to constantly update our products and services in order to meet the diverse and evolving needs of our clients. They do not, however, permit us to so much as consider irresponsible gambles on unproven practices that might provide higher returns in the short and medium terms but which threaten severe losses over the long haul.

For the Byblos Bank Group, traditional values provide solid footing as we engage in a never-ending process of change in order to increase our competitiveness in an ever-evolving market. By doing so, they are also a primary source of added value for all our stakeholders in all that we do.

Profile of the Group

OUR HISTORY

Established in Byblos, Lebanon, in 1950, the Byblos Bank Group is a leading financial institution focused on domestic and selected overseas markets. After nearly six decades of consistent growth, Byblos Bank now has an extensive branch network spread evenly across Lebanon. The Group also has expanded to several other countries, including Armenia, Belgium, Cyprus, France, Iraq, Nigeria, Sudan, Syria, the United Arab Emirates, and the United Kingdom.

OUR MAJOR LINES OF BUSINESS

--- Consumer Banking
--- Commercial Banking
--- International Banking
--- Financial Markets

OUR VALUES

--- Integrity
--- Mutual Respect
--- Professionalism
--- Accountability
--- Customer Focus
--- Teamwork

OUR STRATEGIC GOALS

The focus of Byblos Bank's strategy is to build on our leading position in the Lebanese market while diversifying into foreign ones. To do this, we strive to be a full-service bank providing comprehensive solutions for our customers in commercial, trade and project financing, retail banking, private banking, asset management, and assorted advisory services.

OUR MISSION

"Byblos Bank Group is a universal institution that is focused on the domestic and regional markets while striving to offer world-class services to its customers, fulfillment to its employees, and economic benefit to the communities it serves."

KEY DATES

Our past gives us vision and strength and shows us the way to better seize all available future opportunities.

1950 Establishment of Société Commerciale et Agricole Byblos Bassil Frères & Co., engaged in natural silk and leather tanning and agricultural credit activities.

1961 Company's name changed to Société Bancaire Agricole Byblos Bassil Frères & Co.

1963 Company's name changed to Byblos Bank S.A.L. and registration with Central Bank of Lebanon.

1976 Establishment of Byblos Bank Europe in Brussels (Branches in Paris and London).

1983 Establishment of Adonis Insurance and Reinsurance Company S.A.L. (ADIR).

1997 Acquisition of Banque Beyrouth pour le Commerce (BBC)
Listing of 30% of its shares on the Beirut Stock Exchange.

1998 Full integration of the subsidiary in Europe as Byblos Bank Europe S.A.

1999 Acquisition of Bank of Nova Scotia's Lebanon branch.

ADONIS INSURANCE AND REINSURANCE PARTNERSHIP WITH NATIXIS ASSURANCES   FRANCE

ADIR is a subsidiary of Byblos Bank established in 1983. The company combines financial stability with an ongoing quest for product innovation and an uncompromising commitment to its customers in terms of service, coverage, and proper handling of claims. ADIR provides a comprehensive range of standard and tailored insurance products to both individual and institutional clients, including life, fire, general accident and medical coverage, among others. In 2001, Natixis Assurances, the fifth largest bancassurance group in France and an affiliate of Natixis Banque Populaire, acquired a 34 percent stake in ADIR, with Byblos Bank retaining a controlling interest of 64 percent. The Group believes that the association with the French banking giant will continue to facilitate the offering of bancassurance services to Byblos Bank customers in Lebanon and other selected markets where ADIR seeks to forge local partnerships.

BYBLOS BANK EUROPE S.A.

Byblos Bank Europe was officially founded in 1976. Legally known as Byblos Bank Belgium S.A., Byblos Bank Europe is headquartered in Brussels and has branches in London and Paris. Byblos Bank S.A.L. holds more than 99 percent of the shares in Byblos Bank Europe, which specializes in short-term trade finance for selected exporting companies in Europe and offers correspondent banking services in the Middle East and North Africa. In addition, the Paris branch provides banking services to customers in French-speaking African countries, while the London branch serves clients in English-speaking countries on the same continent.

BYBLOS BANK AFRICA Ltd.

After three decades of prosperous business in Sudan via local banks and a selected customer base, the Group established Byblos Bank Africa Ltd. in 2003. Operating under Sudanese law and the Sudanese Central Bank, Byblos Bank Africa's main lines of business are consumer banking, commercial banking, private banking, and correspondent banking. Following an injection of new capital in 2008, Byblos Bank S.A.L. remains the largest shareholder in Byblos Bank Africa (56.9 percent), followed by the OPEC Fund for International Development (20 percent), the Islamic Corporation for the Development of the Private Sector (10 percent), and Sudanese investors (5 percent).

2000 — Acquisition of Wedge Bank Middle East's Lebanon branch. Acquisition of assets of ING Barings' Lebanon branch.

2002 — Acquisition of assets and liabilities of ABN AMRO Bank N.V.'s Lebanon branch.

2003 — Opening of Byblos Bank Africa Ltd. in Khartoum, Sudan.

2004 — The Islamic Corporation for the Development of the Private Sector takes a 10 percent stake in Byblos Bank Africa, joining the OPEC Fund for International Development (20 percent) as a minority shareholder.

2005 — Opening of Representative Office in Abu Dhabi, UAE. Opening of Byblos Bank Syria S.A. with Byblos Bank S.A.L. holding 41.5 percent of shares, the OPEC Fund 7.5 percent and Syrian investors 51 percent.

2006 — Commencement of Byblos Bank S.A.L. operations in Erbil, Iraq.

2007 — Acquisition of 100 percent stake in Armenia's International Trade Bank, renamed Byblos Bank Armenia in 2008.

2008 — Opening of 75th branch of Byblos Bank S.A.L. in Lebanon. Issuance of USD200 million in Series 2008 Preferred Shares. Acquisition of Unicredit Banca Di Roma's Lebanon branch.

Profile of the Group

BYBLOS INVEST BANK S.A.L.

Byblos Invest Bank was established in 2003 as a means of increasing medium- and long-term investment options for the Group's customers. Under Lebanese law and the regulations of the Central Bank and the Banking Control Commission, Byblos Invest Bank is a specialized institution: its main objectives are to allow customers to benefit from attractive interest rates on term deposits for periods longer than six months, and to provide medium- and long-term loans to new and expanding companies.

BYBLOS BANK SYRIA S.A.

Founded in 2004, Byblos Bank Syria is owned (41.5 percent) and managed by Byblos Bank S.A.L., with other shareholders including the OPEC Fund (7.5 percent) and Syrian investors (51 percent). Byblos Bank Syria has developed a wide range of corporate, commercial and retail banking services to meet the needs of clients in the Syrian market.

BYBLOS BANK ARMENIA C.J.S.C.

Following the 2007 acquisition of a 100 percent stake in Armenia's International Trade Bank, the institution was renamed Byblos Bank Armenia and commenced operations in 2008 as the Group's ninth overseas subsidiary. Byblos Bank Armenia is currently expanding its lines of business to bring them into line with those of the Byblos Bank Group.

Boards of Directors

Boards of Directors

BYBLOS BANK S.A.L.

Dr. François S. Bassil	Chairman and General Manager
Mr. Semaan F. Bassil	Vice-Chairman and General Manager
H.E. Dr. Samir K. Makdessi	Director
H.E. Dr. Nasser H. Saidi	Director
H.E. Mr. Arthur G. Nazarian	Director
H.E. Sami F. Haddad	Director
Dr. Hassan N. Al-Mounla	Director
Mr. Bassam A. Nassar	Director
Mr. Faisal M. Ali Tabsh	Director
Mr. Ahmad T. Tabbara	Director
Mr. Moussa A. Maksoud	Director
Mr. Abdulhadi A. Shayif	Director

BYBLOS BANK SYRIA S.A.

Mr. Semaan F. Bassil	Chairman
Mr. Alain Tohmé	Vice-Chairman
Dr. François S. Bassil	Director
OPEC Fund for International Development	Director
Mr. Moutazz Al Sawwaf	Director
Mr. Samir Hasan	Director
Mr. Andre Abou Hamad	Director
Mr. Mohammad Al Dandashi	Director
Mr. Nader Kalai	Director

BYBLOS BANK EUROPE S.A.

Mr. Bassam A. Nassar	Chairman
Mr. Faisal M. Ali Tabsh	Vice-Chairman
Mr. Najah L. Salem	Managing Director and CEO
Dr. François S. Bassil	Director
Mr. Semaan F. Bassil	Director
Mr. Elie A. Bassil	Director
Mr. Fouad N. Trad	Director
Mr. Daniel L. Ribant	Director
Mr. Alain Vander Stichelen	Director
Mr. Jacques De Raeymaeker	Director
Ludo Swolfs Bvba represented by Mr. Ludo Swolfs	Director

BYBLOS BANK ARMENIA C.J.S.C.

Dr. François S. Bassil	Chairman
H.E. Mr. Arthur Nazarian	Director
Mr. Alain Tohmé	Director
Mr. Alain Wanna	Director
Ms. Sabina Dziurman	Director

BYBLOS INVEST BANK S.A.L.

H.E. Mr. Sami F. Haddad	Chairman and General Manager
Dr. François S. Bassil	Director
Mr. Semaan F. Bassil	Director
Byblos Bank S.A.L.	Director
Mr. Moussa Maksoud	Director
Mr. Alain Tohmé	Director
Mr. Alain Wanna	Director

ADONIS INSURANCE AND REINSURANCE (ADIR) S.A.L.

H.E. Mr. Sami F. Haddad	Chairman and General Manager
Mr. René Klat	Managing Director and C.E.O
Mr. Jean Hleiss	Director and Assistant General Manager
Natixis Assurances – France	Director
Mrs. Nathalie Broutele	Director
Mrs. Pascale Asmar	Director
Mr. Bernard Colin	Director
Mr. Youssef Tohmé	Director
Mr. Alain Tohmé	Director
Mr. Mohammad Zaatari	Director
Mr. Hicham Itani	Director

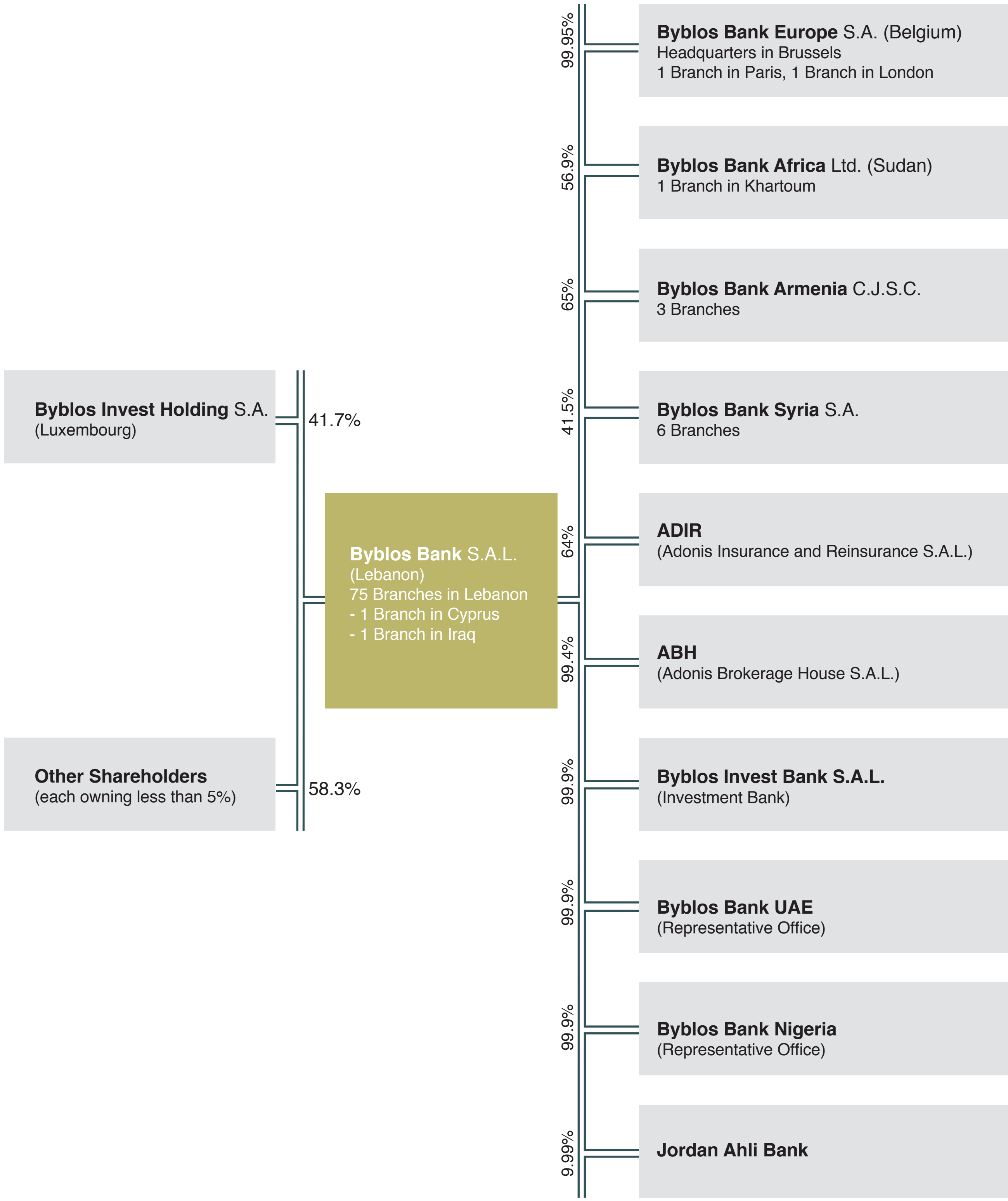
BYBLOS BANK AFRICA Ltd.

Dr. François S. Bassil	Chairman
Mr. Semaan F. Bassil	Vice-Chairman
OPEC Fund for International Development	Director
Islamic Corp. for Development of the Private Sector	Director
Mr. Mahmoud Saleh Osman Saleh	Director
Mr. Alain Wanna	Director

ADONIS BROKERAGE HOUSE S.A.L.

Mr. Moussa A. Maksoud	Chairman
Byblos Bank S.A.L.	Director
Mr. Elie Geara	Director

Group Chart



Byblos Bank Europe S.A. (Belgium)
Headquarters in Brussels
1 Branch in Paris, 1 Branch in London
99.95%
Byblos Bank Africa Ltd. (Sudan)
1 Branch in Khartoum
56.9%
Byblos Bank Armenia C.J.S.C.
3 Branches
65%
Byblos Bank Syria S.A.
6 Branches
41.5%
Byblos Invest Holding S.A.
(Luxembourg)
41.7%
Byblos Bank S.A.L.
(Lebanon)
75 Branches in Lebanon
- 1 Branch in Cyprus
- 1 Branch in Iraq
ADIR
(Adonis Insurance and Reinsurance S.A.L.)
64%
ABH
(Adonis Brokerage House S.A.L.)
99.4%
Other Shareholders
(each owning less than 5%)
58.3%
Byblos Invest Bank S.A.L.
(Investment Bank)
99.9%
Byblos Bank UAE
(Representative Office)
99.9%
Byblos Bank Nigeria
(Representative Office)
99.9%
Jordan Ahli Bank
9.99%

Organizational Chart

Audit Committee

Internal Audit

Chairman and General Manager

Economic Research and Analysis

Vice Chairman and General Manager

COMMUNICATION

- Marketing Communication
- Corporate Communication
- Media and Research
- Creative and Production

COMMERCIAL BANKING

- Corporate Banking
- International Corporate
- Middle Market

FINANCIAL MARKETS

- Treasury
- Capital Markets
- Private Banking

CONSUMER BANKING

- Regional and Branch Distribution Channel Development
- International Consumer Banking
- Retail Product Development
- Customer Segmentation
- Retail Approval

INTERNATIONAL BANKING

- Financial Institutions
- Foreign Subsidiaries

Advisor to the Chairman and Secretary of the Board

Legal Support

Group Risk Management

FINANCIAL CONTROL AND ADMINISTRATION

- Administration
- Finance and Planning
- Accounting
- Fiduciary
- Middle Office
- Reconciliation
- Financial Control

CREDIT RISK MANAGEMENT

- Corporate Credit Risk
- Middle Market Credit Risk
- International Credit Risk
- Retail Credit Risk
- Credit Administration
- Financial Institution and Country Risk Management
- Credit Information
- Loan Recovery

ORGANIZATION, STRATEGY AND OPERATIONAL SUPPORT SERVICES

- Organization, Strategy and Planning
- Banking Technology
- Operations
- Quality Assurance
- International Coordination
- Management Information Systems
- E-Channels Development

HUMAN RESOURCES

- Workforce Administration
- HR Organization Development

Committees

BYBLOS BANK S.A.L.

MANAGEMENT COMMITTEE

President	Semaan Bassil	Vice-Chairman, General Manager
Vice President	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Members	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Chadi Hanna	AGM, Head of Group Financial Markets Division
	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
	Alain Wanna	AGM, Head of Group Finance and Administration Division
	Raffoul Raffoul*	AGM, Head of Group Organization, Strategy and Operational Support Services
	Philippe Saleh*	AGM, Head of Group Risk Management Division
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary	Zeina Khaled	Head of Credit Administration Department

CENTRAL AND INTERNATIONAL CREDIT COMMITTEE

President	Semaan Bassil	Vice-Chairman, General Manager
Vice President	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
Members	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Fadi Nassar	AGM, Head of Corporate Banking Department
Secretary	Zeina Khaled	Head of Credit Administration Department

INTERNAL AUDIT MANAGEMENT COMMITTEE

President/Secretary	Walid Kazan	Head of Group Internal Audit Division
Vice President	Philippe Saleh	AGM, Head of Group Risk Management Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Alain Wanna	AGM, Head of Group Finance and Administration Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division

ASSETS AND LIABILITIES COMMITTEE

President	Alain Wanna	AGM, Head of Group Finance and Administration Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Chadi Hanna	AGM, Head of Group Financial Markets Division
	Felix Tohmé	Head of Financial Institutions Department
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Sami Haddad	Chairman,General Manager, Byblos Invest Bank
Secretary	Sharif Hachem	Head of Group Middle Office

BANKING TECHNOLOGY COMMITTEE

President	Raffoul Raffoul	AGM, Head of Group Organization, Strategy and Operational Support Services
Vice President	Elie Bassil	Head of Group Banking Technology, MIS and QA
Members	Semaan Bassil	Vice-Chairman, General Manager
	Alain Wanna	AGM, Head of Group Finance and Administration Division
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary	Elie Bassil	Head of Group Banking Technology, MIS and QA

HUMAN RESOURCES COMMITTEE

President	Semaan Bassil	Vice-Chairman, General Manager
Vice President	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Members	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
	Renalda Hayek	AGM, Head of Group Human Resources Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Raffoul Raffoul	AGM, Head of Group Organization, Strategy and Operational Support Services
Secretary/Member	Dr. Elie Abi Chahine	Head of Group Human Resources Workforce Administration Department

* *As of August 2008*

RISK COMMITTEE

President/Secretary	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Alain Wanna	AGM, Head of Group Finance and Administration Division
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Attendee	Walid Kazan	Head of Group Internal Audit Division

INFORMATION SECURITY COMMITTEE

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Elie Bassil	Head of Group Banking Technology, MIS and QA
Members	Semaan Bassil	Vice-Chairman, General Manager
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary	Jean-Michel Kawkabani	Head of Information Security Unit

INTERNATIONAL COMMITTEE

President	Raffoul Raffoul	AGM, Head of Group Organization, Strategy and Operational Support Services
Vice President	Alain Wanna	AGM, Head of Group Finance and Administration Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Elie Bassil	Head of Group Banking Technology, MIS and QA
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary	Layla Tohmé	Head of International Coordination Unit

ANTI-MONEY LAUNDERING — COMPLIANCE COMMITTEE

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Joumana Chelala	AGM, Head of Group Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Paul Chammas	Head of Group Operations Division
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary/Member	Antoine Dagher	Head of Group Compliance Unit

LOAN RECOVERY COMMITTEE

President	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
Vice President	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman, General Manager
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
Secretary/Member	Samir Helou	Head of Loan Recovery Department

OPERATIONAL RISK COMMITTEE

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Raffoul Raffoul	AGM, Head of Group Organization, Strategy and Operational Support Services
Members	Semaan Bassil	Vice-Chairman, General Manager
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Nicolas Saliby	AGM, Head of Group Credit Risk Management Division
	Alain Wanna	AGM, Head of Finance and Administration Division
Attendee	Walid Kazan	Head of Group Internal Audit Division
Secretary	Nada Yamout	Head of Group Operational Risk Unit

Committees

ADONIS INSURANCE AND REINSURANCE (ADIR) S.A.L.

MANAGEMENT COMMITTEE

President	Semaan Bassil	Chairman and General Manager
Vice-President	René Klat	Managing Director and CEO
Members	Joumana Chelala	Deputy Head of Consumer Banking Division
	Bernard Colin	Responsable des Affaires Internationales
	Pascale Asmar	Responsable des Affaires Internationales
	Jean Hleiss	Director and Assistant General Manager
	Alain Tohmé	DGM, Head of Commercial Banking Division
General Secretary	Roger Noujaim	Finance and Administration Manager

MANAGEMENT

	Semaan Bassil	Chairman and General Manager
	René Klat	Managing Director and CEO
	Jean Hleiss	Director and Assistant General Manager
	Roger Noujaim	Finance and Administration Manager

REINSURERS

Munich Re
Hannover Re
Gen Re
Caisse Centrale de Réassurance (CCR)
Mapfre
Arab Re
Scor re
Allianz SE

BYBLOS BANK EUROPE S.A.

MANAGEMENT COMMITTEE

President	Najah L. Salem	CEO, Managing Director
Members	Fouad N. Trad	Deputy CEO
	Daniel L. Ribant	AGM
	Alain Vander Stichelen	Manager — Operations, Head of International Department, MLRO

MANAGEMENT

Brussels Head Office	Najah L. Salem	CEO, Managing Director
	Fouad N. Trad	Deputy CEO
	Daniel L. Ribant	AGM
	Selim C. Haddad	Manager — Head of Commercial Department
	Alain Vander Stichelen	Manager — Operations, Head of International Department, MLRO
	Dirk Vermeiren	Internal Auditor
	Luc Van Den Broeck	Financial Manager
	France Thiry	HR and Administration Manager
London Branch	Gaby G. Fadel	Branch Manager
	Wissam Ghoussainy	Assistant Branch Manager
Paris Branch	Claude Jeanbart	Branch Manager
	Georges Helou	Assistant Branch Manager

BYBLOS BANK AFRICA Ltd.

MANAGEMENT COMMITTEE		
	Fouad Negga	Deputy General Manager
	Labib Sammour	AGM, Head of Support Functions
	Ghassan Cortas	Head of Corporate Banking

BYBLOS BANK SYRIA S.A.

MANAGEMENT COMMITTEE		
	Walid Abdel Nour	General Manager
	Jean Bassil	AGM — Head of Commercial Banking and Business Development
	Hanadi Naccache	AGM — Head of Support Functions

BYBLOS BANK ARMENIA C.J.S.C.

MANAGEMENT COMMITTEE		
President	Georges Sfeir	Chief Executive Officer
Members	Aram Artinian	Head of Commercial Banking Department
	Haroutioun Bouldoukian	Head of Consumer Banking Department
	Karapet Melkonyan	Chief Financial Officer

BYBLOS BANK IRAQ S.A.L.

MANAGEMENT COMMITTEE		
Members	Atira Abdlekader	Branch Manager
	Joseph Wehbe	Head of Finance and Administration
	Alexis Azoury	Assistant Branch Manager

ADONIS INSURANCE AND REINSURANCE SYRIA (ADIR SYRIA) S.A.

MANAGEMENT COMMITTEE		
Chairman	René Klat	
Vice-Chairman	Abdel Aziz Al-Soukhni	
Members	Ahmad Hadaya	
	Wahib Merhee	
	Pascale Asmar	
	Semaan Bassil	
	André Abou Hamad	

Board Committee Members

BYBLOS BANK S.A.L.

Audit Committee

Chairman	Mr. Moussa Makssoud
Member	Dr. Samir Makdessi
Member	Mr. Abdelhadi Shayef
Member	Mr. Bassam Nassar

Risk, Compliance, Anti-Money Laundering and Combating the Financing of Terrorism

Chairman	Dr. Naser Saidi
Member	Mr. Sami Haddad
Member	Mr. Bassam Nassar

BYBLOS BANK AFRICA Ltd.

Audit Committee

Chairman	Mr. Wassim Abou Naja
Member	Mr. Alain Wanna
Member	Mr. Mahmoud Saleh Osman Saleh

Risk Committee

Chairman	Mr. Semaan Bassil
Member	Mr. Philippe Saleh
Member	Mr. Marwan Moharram

BYBLOS BANK ARMENIA C.J.S.C.

Audit Committee

Chairman	Mr. Alain Tohmé
Member	Mr. Alain Wanna
Member	Mrs. Sabina Dziurman

BYBLOS BANK EUROPE S.A.

Audit Committee	
Chairman	Dr. François Bassil
Member/Secretary	Mr. Ludos Swolfs Bvba represented by Mr. Ludo Swolfs
Member	Mr. Jacques De Raeymaeker

BYBLOS BANK SYRIA S.A.

Audit Committee	
Chairman	Mr. Semaan Bassil
Member	Mr. Samir Hasan
Member	Mr. Nader Kalai

Risk Committee	
Chairman	Mr. Alain Tohmé
Member	Mr. Moutazz Al Sawwaf
Member	Mr. Andre Abou Hamad

Nomination and Compensation Committee	
Chairman	Dr. François Bassil
Member	Mr. Samir Hasan
Member	Mr. Nader Kalai

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Activities

Why Our People Set Byblos Bank Apart

The Byblos Bank Group is many things, but all of its qualities are due to its people and their dedication. The financial-services industry can be intimidating for those from other walks of life, so we strive every day to help both current and future customers feel more at home. To do this, we need the best people; to recruit and retain them, we endeavor to ensure that they lack for nothing in terms of training and motivation.

Whatever their levels of responsibility or seniority, then, our people are essential for the creation of the value we seek to provide at Byblos Bank, so investing in them amounts to creating more value for the consumer. Employees with high degrees of personal motivation and job satisfaction tend to deliver better service in any setting, but in financial services, the nature of the work entails an added degree of difficulty. We handle our customers' money, their hopes and their dreams for themselves and their children, so it is not enough to be merely pleasant: the client also expects – and is entitled to expect – a universal air of competence. At Byblos Bank, we aim to provide just that. And smiles too.

This is why Byblos Bank puts so much time and energy into identifying candidates with the right mix of ambition, aptitude, education and intelligence. It is also why we never stop providing these people with the training they need to take fuller advantage of their experience – and therefore to provide more value to the client.

In 2008, the Human Resources Division came under the aegis of a new Assistant General Manager, Dr. Renalda Hayek. Under the stewardship of Dr. Hayek, an experienced HR practitioner renowned in both business and academic circles, the Division continued to play an important role in supporting all aspects of the Group's activities. Among its central priorities was a concerted effort to increase awareness among all employees of our collective goals, of their individual objectives, and of how striving to attain each of these also helps to achieve the other. Considerable effort was therefore devoted to matters of spreading a culture of service to the customer and attention to the sorts of details that differentiate Byblos Bank from its competitors.

The Division embarked on a major reorganization in 2008, reexamining a host of structures and processes in order to ensure that its function is carried out with maximum efficiency. On the strategic level, this included a comprehensive effort to sharpen HR's mission by defining clearer objectives, backed by a comprehensive three-year plan to develop its capacity to meet those objectives. Several projects were designed and launched in order to ensure successful navigation of this "roadmap" without disrupting current activities or otherwise compromising the Division's function.

This effort will require significant amounts of coordination, so one of the projects is creating new structures and molding existing ones designed specifically to support the strategy. This involves four central elements: planning and manpower; training and career development; pay and benefits; and organizational development. A parallel project was implemented on the operational level, whereby the Division's mission and processes were revisited to increase compatibility. In addition, projects and procedures were upgraded with an eye toward improving their return on investments of time and other resources, enhancing their viability as contributors of both tangible and intangible benefits to both HR and other divisions and departments.

Thus equipped with a clear vision, a clear map, and clear steps, the Division is better-placed than ever to serve as a proactive partner to the rest of the Group.

THE BYBLOS WAY

Training was another area in which the Division accomplished major advances in 2008. Of particular importance was development of “The Byblos Way”, an ambitious concept for providing Byblos Bank employees with all the skills they need to serve our customers and build their own careers. The program has designed and produced its own calendar of courses, each with appropriate syllabi, manuals and tests. The effort is most advanced for retail banking, for which specialized studies are available for several positions, including tellers, personal bankers, branch managers, and assistant branch managers.

Progress was also achieved in terms of facilities for this in-house academy, with the final touches being put on a model branch, branded and complete with all the implements of an actual branch. The retail school is expected to become fully operational in 2009 – and to host about 500 students (some recurrent) from among approximately 850 branch employees. The management school will follow suit in 2010, with the commercial one to follow in 2011.

In addition to specialized training courses, Byblos Bank employees also benefit from constant monitoring to help them improve their abilities, provide superior advice and service to clients, increase their contributions to the company, and broaden their career prospects. In 2008, for instance, the Human Resources Division entered the final stages of a project to define and list some 1,700 Key Performance Indicators (KPIs) that will help employees in dozens of positions and their supervisors to track, improve and multiply the ways in which they add to the Group’s bottom line. In addition, a special program has been instituted by which high-potential individuals are identified and provided with regularly updated Personal Development Plans that serve to groom them for more senior positions.

Investing in our employees has a long tradition at Byblos Bank, and the practice has paid off in many ways – both for the Group and for the communities in which it operates. The approach stems from several of the Group’s core values, including a commitment to sustainable economic development in the countries we serve, especially through partnerships with small- and medium-sized enterprises (SMEs). Apart from assisting in the professional development of our personnel, therefore, the Division also seeks to inculcate these values in them. They are encouraged, for example, to think “greener and cleaner” at work, rest and play – and provided with information on how to do so. These and other activities make it more likely that they will contribute not just to the Group as model employees but also to society as conscientious citizens.

Advancement of these and other human-resources issues was made more efficient by careful planning for the implementation of industry-standard software, the effective use of which opens up myriad avenues for better management of employees. Technology enables the Division to more efficiently monitor factors like aptitude, performance, and training and development, thereby enabling it to help employees enhance their career prospects. Among other benefits, this helps limit turnover, reducing costs and enhancing the Group’s supply of experienced, knowledgeable and motivated people. The planning and preparation for the full introduction of new software has been carried out with all due care, it being essential to build awareness and acceptance of the advantages to be gained by embracing new technologies.

In many respects, the Human Resources Division served in 2008 as a prime example of how modern business theory’s approach to human resources has been coming full-circle in recent years. By combining traditional concern for an employee’s development and welfare with advanced management techniques and powerful technological tools, more value is imparted to all stakeholders by recruiting and retaining the high-quality personnel required to drive growth. For far too long, many organizations viewed their HR entities as afterthoughts at best and as deadweights at worst. Now more and more of them are absorbing a fact made clear by years of practical experience and scientific study: effective handling of employees and their development adds immense capacity to any organization, making state-of-the-art human-resources management a strategic asset that pays for itself many times over.

This approach fits squarely with the Byblos Bank Group’s way of doing business, one based on principles that include care and respect for the people who make this organization what it is. For all the complex requirements of modern HR management, doing it well boils down to a formula of startling simplicity: if you put more into your employees, you get more out of them. Putting this notion into practice is yet another way in which Byblos Bank’s values create value for customers and shareholders alike.

Retail Banking for Every Stage of Life

For Byblos Bank, "Your Bank for Life" is more than just a catch-phrase; it's a philosophy that informs everything we do. This means careful attention to the various ways in which we interact with our clients, the goal being to ensure that our products and services meet the changing needs of the market.

It is with such goals in mind that Byblos Bank has developed its networks of branches and Automated Teller Machines (ATMs), its trend-setting call center, and its telephone- and e-banking services. By extending reliable service into the home – all while maintaining the highest standards of privacy and security – we honor the confidence and trust placed in us by our clients.

With ATMs so important to the daily requirements of so many customers, Byblos Bank has spared no effort in offering easier access, broader functionality and enhanced security. In addition, the Bank has acquired ultra-modern software that improves internal controls, lowers operating costs, and makes customer operations more secure. This provides both peace of mind and seamless transactions, even as it enables Byblos Bank to provide superior service at lower cost. The next step has been a project to move from third-party management to full in-house control, which is expected to be finalized in the second half of 2009.

In order to increase the valued-added component of its products and services, the entire Byblos Bank Group works hard to help its customers derive maximum benefit from the shared and individual capabilities at our disposal. The process starts with training that emphasizes solution-oriented thinking and a comprehensive vision of financial services, and it does not end: across regional and departmental boundaries, Group employees are encouraged to think outside their respective boxes to find new ways in which our customers' interests can be better served. This means taking the time necessary to get to know our clients and their needs, from regularly scheduled cash transfers to complicated commercial transactions.

Part of becoming and remaining "Your Bank for Life" means understanding that life takes place in stages. The products and services required by a young student will only partially overlap with those sought by an established professional, and the day-to-day priorities of a large company are bound to differ from those of a small neighborhood shop. At Byblos Bank we cater to such differences. We do this by studying our customers' needs and preferences for a clearer picture of how our own products can be of assistance in particular circumstances. And it works: getting to know our customers – and other stakeholders – helps them get to know us, resulting in strong, lasting relationships.

One result of this approach is a steady stream of innovations aimed at giving clients and partners what they really need by designing the right products and/or providing the right incentives. The 2008 lineup included both changes to existing offerings and exciting new ones, all designed to provide the added value to which Byblos Bank stakeholders have become accustomed:

THE KEY TO OWNING YOUR OWN HOME

Nowhere does Byblos Bank make clearer its sensitivity to customers' individual needs than in the area of Housing Loans. The Bank offers no fewer than five separate plans tailored to specific market segments, and all products are continually reviewed and updated. Byblos Bank personnel wield detailed knowledge of the real estate market, and our combination of expertise and flexibility helps customers select a Housing Loan that fits their circumstances. We even offer an Expatriate Housing Loan for those who live and work in other countries but want to build or acquire a residence back home in Lebanon. Perhaps even more importantly, our long experience and highly trained personnel mean that customers also have access to a valuable consultancy service.

LOANS TO FIT YOUR PERSONAL NEEDS

Byblos Bank's Personal Loans are a market leader, and for several reasons. Our Personal Loans offer competitive interest rates without collateral for qualified customers with excellent credit histories. In addition, the product features a fixed payment schedule, a welcome note of predictability during periods of market fluctuation. In 2008, the principal change consisted of a new option allowing clients to borrow in Lebanese pounds as well as in dollars, yet another example of the flexibility Byblos Bank seeks to offer its customers.

STANDING UP FOR SMALL BUSINESS

In May 2008 Byblos Bank reiterated its continuing emphasis on working with small- and medium-sized enterprises (SMEs) with a campaign to publicize its Kafalat program, which provides interest-free loans to qualified entrepreneurs. Available to both existing SMEs and innovative start-ups, Kafalat has become a favorite tool of businesspeople involved .in agriculture, industry, traditional crafts and technology

A VISA WITH ENDLESS BENEFITS

June 2008 saw Byblos Bank roll out its new Visa Infinite card, the ultimate status symbol – and practical spending tool – for high-end customers. The card is backed by 24-hour service and other benefits that are superior in utility and comprehensive in scope, including travel and medical insurance, high ceilings for both purchases and cash advances, and access to VIP lounges at more than 500 airports around the world. Designed to appeal to our most demanding and discerning clients, Visa Infinite also pampers cardholders with an exclusive concierge service, a variety of luxurious privileges, generous savings and special offers.

DOUBLE UP FOR CHRISTMAS

During the festive end-of-year season, Byblos Bank partnered with TSC, one of Lebanon's leading retailers, to double the loyalty points awarded on purchases made with the Bank's cards. The promotion, which applied at both TSC's Plus and Mega stores, ran throughout the month of December and was a big hit in terms of educating Byblos Bank customers about the convenience of card shopping, raising awareness of the Loyalty Program – and, of course, all those doubled point totals! The program was also a reminder of the benefits and synergies available when two big names team up to serve their common customers.

MATCHING PRODUCTS TO LOCAL REALITIES

All of the products and services extended by Byblos Bank subsidiaries abroad are first thoroughly studied and tested at Group headquarters. This prevents miscues – cultural, technical, regulatory, etc. – before they happen. It also lives up to our reputation as a specialized provider of financial services that can withstand the rigors of markets in which conditions are often less than ideal.

SPECIAL CARE FOR LEBANESE EXPATRIATES

Another natural market for Byblos Bank is to be found among Lebanese expatriates, hundreds of thousands of whom work abroad, often in places where banking services may be markedly different than those available at home. Accordingly, the Bank reached out to these communities, starting with those in the United Arab Emirates, Qatar and Nigeria, and offering tailor-made products to meet their specific needs and expectations with enough flexibility to overcome borders.

YOUTH-FOCUSED

Young people are a key part of the Byblos Bank Group's strategy for the future. One result of this approach has been "Cool", a line of credit and prepaid cards carrying preferential interest rates and/or special discounts at particular points of sale, as well as other benefits. Another has been a concerted effort by the Bank to both broaden its business profile and provide a genuine public service by giving hundreds of seminars at schools and universities, providing thousands of young people with an introduction to the often intimidating world of banking.

DESIGNING WHAT OUR CUSTMERS WANT

Product design remained a top priority in 2008. This involved systematic research of market segments in order to refine our understanding of what the customer wants, develop our ability to fill these needs, and identify areas where we can strengthen relationships by adding value. With so many new products having been introduced of late, the central focus of the past year has been to improve existing ones. This included universal considerations like offering more competitive rates on loans and deposits, as well as highly particular goals like ensuring that our products and services are amenable to tailoring.

DELIVERING WHAT OUR CUSTOMERS NEED

Product delivery is another avenue that received vigorous attention in 2008, particularly in terms of refocusing on our network of branches in order to identify the general and specific strengths and weaknesses of each one. This will enable the formulation of improvement plans designed to address each branch's situation rather than a "one-size-fits-all" version that would waste or misdirect effort and resources. One aspect of this approach is to ensure that branch managers and employees alike have a clear understanding of their goals and the reasons therefore. In this way, we foster a unity of vision and a shared sense of purpose that are the surest routes to lasting relationships with our customers.

TOP PERFORMERS BEHIND THE WHEEL

In February 2008 the Bank once again hosted its Volant d'Or (Golden Steering Wheel) dinner reception to reward partnered car dealers and agents for their efforts in securing Byblos Bank Auto Loans for their customers over the previous year. Held at the Beirut International Exhibition and Leisure Center's Royal Pavilion, the event recognized hard work by distributing valuable prizes to the top-performing salespeople and teams thereof.

All of this attention to smoother relationships adds value in several ways. When designing a product, for instance, our employees take a holistic approach that aims to accomplish a lot more than simply adding another name to our range. Instead, they seek to produce a full package that is attractive to our customers, helps them to meet their goals, and allows them to recognize the benefits of the relationship, making it more likely that they will want to maintain it. A similar approach governs the sale or delivery of a given product. When considering a loan application, for example, our staff do not focus solely on adding to our portfolio. Instead, they concentrate on making sure that the product is the right one for a particular customer, that its terms match his or her circumstances, and that the payments will not cause undue stresses on his or her cash-flow.

The constant presence of considerations like these helps the Byblos Bank Group to earn and retain the trust of its clients. In tandem with the contributions of subsidiaries like Byblos Invest Bank and Adonis Insurance and Reinsurance toward our ongoing effort to provide a genuine "one-stop-shop", it also bolsters our standing in the market, furthering the interests of other stakeholders like investors.

A Trusted Partner for Commercial Customers

As an innovative organization that crosses both conceptual and physical borders to pursue new opportunities, the Byblos Bank Group derives much of its strength and vitality from relationships with active enterprises engaged in trade and other international activities. Not surprisingly, this makes Byblos Bank particularly well-equipped to help secure the necessary capital and other tools for likeminded individuals and corporations, wherever they are based.

The Group's commitment to companies specializing in imports and/or exports stems from a realization that these actors are among the primary drivers of economic growth, making them essential partners in the development of the countries and communities we serve. This commitment manifests itself in several ways, all built around our capacity to support the endeavors of our clients.

Since the Group operates in a variety of markets with very different conditions, our services are designed to fill gaps by meeting the needs of our customers wherever they are. Our long experience has provided us with significant expertise in various industries, allowing us to develop a wide range of products and services tailored to individual segments of the business market.

When it comes to trade and manufacturing finance, Byblos Bank's vast experience can be invaluable in designing custom-made solutions for corporations in virtually any sector. Products and services range from conventional and tailored credit facilities to some of the specialized programs sponsored by government entities and international institutions. In all cases, Byblos Bank professionals can help guide the customer through some very complicated application, qualification and negotiating procedures. It is no surprise, then, that Byblos Bank is the acknowledged Lebanese champion in this regard, holding approximately one-fifth of the market for trade finance.

Attracting and retaining these and other clients, and the capital they require to expand their activities and/or enter new markets, does not happen by accident. On the contrary, the Byblos Bank Group has invested significant resources in developing its ability to win new corporate clients at an early stage of their growth and then building relationships as they mature into their most productive years. The Group also has a proven track record of effectively and responsibly handling new capital, and 2008 was no exception: once again, Byblos Bank was Lebanon's largest user of foreign funds provided by development banks for lending to industry.

Relationships became even more crucial in the third and fourth quarters of 2008 as the global economic crisis made itself felt around the world, including some markets where the Group operates in one capacity or another. Although Byblos Bank was not directly affected by what many described as the "contagion" of "toxic debt", we moved quickly and rigorously to determine the impact on our customers and business partners.

One aspect of our response to the crisis has been an expansion of our monitoring processes. This includes an intensification of internal studies and consultations among different divisions and departments in order to uncover and quantify any possible indirect exposure. It also involves constant revisiting of the issue for each entity across the Group. In addition, even as the crisis bore out the virtue of Byblos Bank's risk-averse, high-liquidity approach, we opted for more of the same, finishing the year in a very strong position on both scores.

Another response has been a ramping-up of our usual policy of staying in touch with our customers. Despite a long tradition of conservative lending policies and knowing our clients, the Bank had concerns about the financial stability of its customers and has made every effort to obtain an even clearer picture of their status. This has entailed visits to individual customers, a survey of business owners, and close monitoring of their performance. Rather than waiting for the release of annual financial statements, we went straight to our clients to determine what their circumstances were and how, if necessary, we might be of assistance. We also acted as advisors, offering professional guidance on how to cope with challenging conditions.

The result? Byblos Bank corporate customers are in surprisingly good shape. Some of them were forecast to experience operating losses for 2008, but only a small number of late payments is expected. In fact, the Group has not had to reclassify a single major loan in its commercial portfolio.

The global economic downturn also highlighted the effectiveness of another key plank in Group strategy: expansion abroad. Doing business in more countries has allowed Byblos Bank to reduce its exposure to a single home market, but the endeavor has become much more than a defensive one: in 2008, overseas operations accounted for approximately one quarter of Group income.

One highlight has been the entry into the Armenian market following the late 2007 acquisition of International Trade Bank and its renaming as Byblos Bank Armenia – the first Lebanese bank to start operating in that country. Apart from tapping exciting opportunities in Armenia itself, this venture has become instrumental in better serving the needs of the Armenian Diaspora around the world, especially Europe, the United States, Lebanon and Syria. A new General Manager took over in 2008, which also saw the launch of retail products. The Group's growing international reputation enabled it to line up two separate injections of capital in Byblos Bank Armenia – one from the European Bank for Reconstruction and Development and another from the OPEC Fund for International Development.

Significant progress was also achieved at Byblos Bank Syria, which experienced a breakthrough year in many respects. An intensive training program was rolled out for employees of all branches in Syria, as was a campaign to raise awareness of Byblos Bank's growing presence in the relatively new and rapidly developing Syrian market. Both endeavors were supported by several departments at Head Office in Beirut, as was the design of retail products suited to local conditions and preferences.

The Paris Office of Byblos Bank Europe won kudos in June for its sponsorship and participation in a major event organized by the Union of Arab Banks. The Summit of International Arab Banks was aimed at improving dialogue among European and Arab banks in hopes of developing common solutions for shared challenges. Among the topics discussed were the expected effects of the new Union for the Mediterranean on financial stability, opportunities in the Arab world, and the expanding role of Islamic financing.

Business in Iraq also made major headway: the branch in the northern city of Erbil moved into its new permanent facilities, and approval was obtained from the Banque du Liban to open another branch in Baghdad.

The Representative Office in Nigeria performs similar functions, focusing on serving the local and international needs of Lebanese and other Arab expatriates, primarily with commercial and correspondent banking. In addition, the office made headway in 2008 toward adding to its consumer banking activities.

Byblos Bank also reinforced its role as a prime incubator of Lebanon's future in 2008, teaming up with Germany's Deutsche Bank and another domestic bank, BLOM Bank, to help the Lebanese Government obtain new financing. The August 2008 Eurobond issue, which raised some $500 million, was twice-oversubscribed.

The Group was also proud of its latest major step in support of Lebanon's ambitious education sector, singlehandedly taking the full subscription in a $75 million bond issued by the Lebanese American University (LAU). The issue was initiated in the United States in 2007 and reached the Lebanese market at the beginning of 2008, and Byblos Bank finalized its subscription in early March.

The LAU bond was a pioneering move for several reasons. For one thing, it was the first instance of a world-class institution of higher learning operating in the Middle East issuing American bonds – and this despite the extreme volatility of the US financial markets. For another, the transaction was carried out at a time of considerable political instability in Lebanon, demonstrating the continuing confidence of international ratings agencies in the country, in LAU, and in Byblos Bank. The Bank stressed that its decision to subscribe in full stemmed from a key plank of its banking mission: encouraging the private sector to further its own interests by tapping the financial markets with innovative issuances.

In addition, Byblos Bank expanded its presence in the Lebanese market in several ways. These included the opening of the Bank's 75th branch in Lebanon and the renovation of several others. In addition, 2008 saw the completion of a carefully planned project to move significant amounts of back-office administration out of the branches so that their employees can concentrate more on customers and less on paperwork. The move was made possible by the opening of a cutting-edge administrative center at Voie 13 in Jbeil. This continuing emphasis on the domestic branch network demonstrated the Group's commitment to the Lebanese market even as it grows its activities and revenues abroad.

Probably the biggest move of 2008 involved the issuance of $200 million in preferred shares, increasing the Bank's capital base and contributing to a solid position that is expected to be sufficient to fund expansion plans for the next three years. The largest transaction of its kind for Lebanon's banking sector in 2008, this issuance was also widely viewed as a vote of confidence. Proceeds are to be used for general funding purposes, including strengthening the Bank's capital structure, external growth, and development of investment banking activities.

In November, months of planning and preparation paid off when the Bank successfully hosted the third annual Trade Finance and International Banking Conference. As Lebanon's leading bank in these fields, Byblos Bank brought together senior managers from its main correspondent banks to share its know-how and experience.

December saw the Bank finalize its acquisition of the Lebanese branch of Unicredit Banco Di Roma. By acquiring an operation with total assets of $80 million, deposits of $66 million, and loans of $25.5 million as of end-2007, the Bank took yet another step in the domestic aspect of its expansion strategy. In recent years, this has also included acquisitions of the Lebanese assets of several other foreign institutions, including Wedge Bank Middle East, Bank of Nova Scotia-Lebanon, ING Barings-Lebanon, and ABN Amro Bank NV-Lebanon Branch.

Overall, the Byblos Bank Group's consolidated financial returns for 2008 are a ringing endorsement of the business values that inform its various activities and create monetary value for our customers and shareholders. We maintain comfortable levels of liquidity, especially in foreign currencies, and we tend diligently to our capital base. We originate all of our own loans, so we know our customers – and they know us.

By contrast, Byblos Bank provided an example of how prudent and professional management can overcome challenging international conditions. Net profits were up 23 percent, while assets rose by 18.5 percent, the best figures recorded by any of Lebanon's three leading banks. In addition, our capital adequacy ratio stood at 14.84 percent at year-end, almost twice the minimum standard recommended by Basel II and established by the Banque du Liban.

Committed to Communities

The Byblos Bank Group has a long and proud tradition of corporate social responsibility (CSR), taking very seriously the many roles it plays in the many communities it serves. To be sure, this practice builds goodwill and therefore contributes to both generating new business and retaining the loyalty of our existing customers. Just as importantly, it is consistent with the values that we espouse. For this reason, CSR is not just something we do – in many ways, it's what we are.

The Byblos Bank approach to CSR manifests itself in numerous ways, ranging from generous support for underprivileged children and environmental organizations to sponsorship of social, cultural and sporting events, assistance for young entrepreneurs, and participation in educational initiatives. Some of our activities are high-profile, complete with publicity campaigns, while others are conducted on a less public basis. Some of our donations are financial, while others see our employees lending their financial acumen and/or organizational skills on a volunteer basis. What all of them have in common is their provenance: they flow from a basic and earnest desire to be a good neighbor by making contributions that are different from – but no less important than – our core business activities.

In 2008, these good works took place on a variety of levels and in all of the countries where the Byblos Bank Group operates, making them too numerous to permit a comprehensive listing here. Each demonstrated the commitment that the Group and its employees feel toward the communities in which they live and work.

FIGHTING FIRE WITH REFORESTATION

After wildfires scorched broad swathes of rural areas in Lebanon during the summer of 2007, Byblos Bank resolved to do something about the damage. Accordingly, a project was launched in collaboration with the Association for Forests Development and Conservation (AFDC), a prominent non-governmental organization. The campaign provided the Bank's clients with a chance to participate in the endeavor by exchanging the loyalty points paid on their debit or credit cards for trees to be planted in affected areas. Since a point is awarded with every dollar spent on a card, it did not take long for customers to accumulate the 350 points required to have a tree planted in their name. In return, each participant was presented with a certificate of appreciation. The project caught on so quickly that in March 2008, the Bank was able to announce that some 750 trees had already been planted on 1.5. hectares of land in the village of Rechmaya, one of those affected by the previous year's fires.

This particular reforestation campaign, which continued throughout the year, was the latest instance of the Group's ongoing commitment to the environment. It also follows the example established in 2004 under which a cedar tree, Lebanon's national symbol, is planted in the name of every Lebanese expatriate who opens an account at Byblos Bank.

DEVELOPING YOUNG MINDS

In June, Byblos Bank served as official sponsor for Child's Week, including a special closing ceremony designed to encourage children to show off their artistic, cultural and educational abilities. The ceremony was held at the Lebanese American University (LAU) campus in Jbeil – modern site of the ancient city of Byblos for which the Bank is named – and featured scholarships awarded to the most promising participants.

SPREADING THE HOLIDAY SPIRIT

In several countries, the Group and its subsidiaries marked the Islamic holy month of Ramadan by carrying out a variety of ventures intended to bring out the best of the holiday season, particularly by putting smiles on the faces of less fortunate children. In Lebanon, orphans from several organizations were treated to Iftar, the traditional meal with which the daily fast is ended at sundown throughout Ramadan, in Bint Jbeil, Nabatieh, and Saida. Multiple Iftars were also hosted by Byblos Bank Syria for guests in the cities of Aleppo, Damascus, Hama, Homs, Lattakia, and Tartous. Byblos Bank Africa also invited employees and clients to a pair of Iftars in Sudan.

BEING A GOOD NEIGHBOR

Some of the countries where the Byblos Bank Group operates are beset by socioeconomic and other developmental problems, and while our support for small business contributes to the creation of badly needed jobs, we also try to help in other ways. Our Representative Office in Nigeria, for instance, lent various forms of support to several organizations and events last year, including the International Women's Organization for Charity, a program offering assistance for the elderly called "Restaurant of Heart", and a fundraiser for Our Lady of the Rosary Maronite Church in Lagos, which concerns itself with numerous good causes.

ENCOURAGING ENTREPRENEURSHIP

The Bank also took part in a special course developed for the Faculty of Engineering at the University of Saint Joseph (USJ) under which students received specialized instruction in how to take a business idea from concept to implementation. The course, "From the idea to the start-up", was designed by experts from Berytech, a business incubator in which Byblos Bank is a shareholder, to impart the necessary entrepreneurial, business, marketing and finance skills. Byblos Bank representatives conducted a session on financing start-ups and the delivery of business plans. Students were given the tools they needed to create their own business plans, which were then judged by a multidisciplinary jury that awarded gifts to top performers. The winning project was recognized with an interest-free loan under the Kafalat program to turn the concept into an actual business with the help of Berytech.

A TASTE OF HOME

In keeping with the close relationships it maintains with Lebanese expatriates living and working abroad, Byblos Bank sponsored numerous events in the United Arab Emirates in 2008, including annual balls in Abu Dhabi and Dubai held by the local campuses of LAU, USJ and the American University of Beirut (AUB). And in December, Byblos Bank hosted members of the Lebanese community for a special luncheon to mark the Muslim feast of Adha.

SOMETHING TO SING ABOUT

The Bank also extended its support for the eighth consecutive year to the Byblos International Festival, an annual musical extravaganza that fosters appreciation of several genres. The 2008 version was opened with a performance by American rock legend Patti Smith, who not only expressed her love and respect for the Lebanese on stage but also at a pre-show press conference. On the latter occasion the Bank presented her with a special gift, a book about the ancient city of Byblos. The festival also included shows by Chucho Valdés and Michel Legrand, Lumi, Mouse on Mars, and Sébastien Tellier.

PUTTING VALUES INTO ACTION

In addition to the foregoing, the Group was active in myriad other ways as well, providing different forms of assistance for events and organizations engaged in a variety of activities that contribute to society. These included support for spreading awareness about Alzheimer's Disease, encouraging employees to help raise money to fight cancer by participating in the Beirut Marathon, backing an archeology symposium about Lebanon in the Bronze and Iron Ages, supporting a program of class reunions for AUB alumni, and sponsoring Lebanese Independence Day festivities in Sudan, where Byblos Bank Africa is based.

By engaging in these and other kinds of good works, Byblos Bank puts its values into action in ways that foment better community growth, development and overall wellbeing. Considerations of the public interest are an integral part of the Group's decision-making process, a tradition that has followed each step of our domestic and international expansions.

Byblos Invest Bank: Long-Term Vision

Byblos Invest Bank continued to press forward in 2008 with both the traditional and the innovative activities from which it derives its tremendous potential. As a wholly owned subsidiary of Byblos Bank established in 2003, Byblos Invest Bank is officially registered under Lebanese law as a “medium- and long-term bank”, consistent with its founding purpose of providing customers with the benefits of attractive interest rates on term deposits held for periods of six months or longer. It is now adding private equity to its offerings, thereby providing a gateway by which innovative companies and forward-thinking investors can find one another, in addition to traditional investment banking services such as the mobilization of equity, quasi-equity and loan funding, and the provision of advisory services.

The emphasis on SMEs is part of the Byblos tradition of backing those endeavors most capable of producing both stable employment and strong returns. On the other hand, companies in which Byblos Invest Bank takes a stake will benefit in several ways: the equity provided will strengthen their capital, and reduce their debt service burden and their own expertise will be complemented by our team’s knowledge of restructuring, corporate finance, audit, credit assessment, asset management and business valuation.

These resources are available to bolster the expansion of established companies, as well as to help innovative start-ups get off on surer ground. The companies in which Byblos Invest Bank invests thereby receive assistance that goes far beyond a simple cash injection, including: a proactive contribution based on the synthesis of skills and visions from several disciplines; close involvement with strategic planning; advice and support on new business development; and strengthening of corporate profiles.

These and other goals received a major boost in September 2008 with the installation of a new chairman and general manager for Byblos Invest Bank: Sami Haddad, a highly experienced and dynamic business leader, returned to the private sector after a 24-year career at the International Finance Corporation, followed by a stint in public life as Minister of Economy and Trade, during which time he helped successfully steer Lebanon’s economy through a variety of internal and external challenges. Mr. Haddad is keen to pursue his passion – the creation of jobs through viable investments.

ADIR Insurance: Standing Guard Against The Unexpected

ADONIS INSURANCE AND REINSURANCE (ADIR) S.A.L.

ADIR Insurance witnessed two key milestones in 2008 – its 25th anniversary and the commencement of operations for Adonis Insurance Company - Syria (ADIR) – that marked both a continuation and an expansion of its role in providing a wide range of insurance products to meet the ever-changing needs of its current and future customers.

On the individual level, these include several types of life and personal coverage designed to build savings for retirement and education, as well as to preserve family interests in the event of difficulties. ADIR Insurance can provide effective solutions to protect property and other assets against unforeseen circumstances.

For business and professional clients, ADIR Insurance offers both standardized and tailor-made products and services, including group life insurance, retirement plans, and medical coverage. Protection can also be provided for property, liability, business interruption and other forms of specialized risks. In addition, the development of an online information system has significantly enhanced the ease with which customers can keep track of their holdings and coverages by visiting any branch of Byblos Bank in Lebanon.

The 25th anniversary featured a gala dinner in July at Le Royal Hotel that attracted around 500 guests, including major clients and representatives of Natixis Assurances France, one of ADIR's Insurance principal shareholders. Mr. René Klat, CEO and Managing Director, used the opportunity to express his appreciation for all the stakeholders responsible for the success of the company in its first quarter-century, with special mention of its 60,000 customers.

In November, it was the turn of Adonis Insurance Company - Syria (ADIR) to celebrate its own birth with a high-profile event in Damascus. Once again, approximately 500 VIPs took part, with speakers stressing the many opportunities available in the Syrian market – and ADIR's unique placement to make the most of them. The company's shareholders reflect both continuity and diversity: Byblos Bank and ADIR Insurance Lebanon, along with Byblos Bank Syria, hold a majority stake, and more than 20 prominent Syrian businessmen hold the rest. Starting with initial capital of $25 million, the company's founding goal is to reach $7 million in annual premiums in the second year of operations.

ADIR Insurance is a key component of Byblos Bank's determination to be a "one-stop shop" proving a comprehensive selection of financial services to its customers. Having launched the Bancassurance operations in 2002, the company has helped to strengthen the Group's relationships with its clients by enabling them to access a broader range of products to meet their protection and investment requirements, all competitively priced and fitted with convenient payment facilities. Natixis has been instrumental in this process, sharing its experience and knowhow of the Bancassurance industry in general and of how to design specific products with the right elements to be competitive.

Apart from enjoying the financial stability necessary for reliable long-term protection, ADIR has also developed a reputation for excellence in product innovation and customer satisfaction. A dedicated Customer Service and Call Center have been developed with highly trained personnel and a complete suite of technological tools, enabling better speed and accuracy in processing claims and payments. These high standards are also reflected in the company's ISO 9001/2000 certification, dated April 2006 and illustrating ADIR Insurance's ability to meet or exceed its clients' highest expectations.

2008 Performance Review

Financial Highlights

YEAR ENDED DECEMBER 31 (in US$ million, except for per share data)

	2001	2002	2003	2004	2005	2006	2007	2008
Total Assets	4,651	5,288	6,021	6,968	7,526	8,190	9,486	11,230
Customer Deposits	3,628	4,300	4,922	5,476	5,646	6,276	7,262	8,363
Net Advances to Customers	1,009	1,195	1,181	1,341	1,488	1,750	2,233	2,790
Cash & Due From Banks	1,430	1,648	3,146	3,452	3,194	3,234	3,884	4,708
Total Equity	316	429	549	582	794	752	984	1,270
Net Book Value (1)	309	323	444	479	690	718	762	1,071
Net Income	44	44	46.4	53.7	69.4	78.7	99.2	122.0
Number of domestic branches	63	69	70	72	73	73	73	76
Number of foreign branches and subsidiary (2)	4	4	5	5	6	9	16	17
Number of ATMs	54	62	62	79	84	85	95	100
Number of employees	1,231	1,456	1,399	1,397	1,520	1,766	2,101	2,362
MARKET SHARES								
Market share in Assets	9.76%	10.08%	10.05%	10.28%	10.70%	11.03%	11.53%	11.91%
Market share in Customer Loans	6.63%	7.66%	7.60%	8.02%	8.56%	10.28%	10.93%	11.14%
Market share in Customer Deposits	9.04%	10.09%	10.15%	9.98%	9.91%	10.34%	10.79%	10.75%
SHARE DATA								
Book Value Per Share (3)	1.51	1.58	1.68	1.85	1.44	1.50	1.61	1.82
Earnings Per Common Share in US$ (3)	0.22	0.21	0.17	0.20	0.25	0.14	0.18	0.21
Earnings Per Priority Share in US$ (3)					0.29	0.17	0.22	0.24
Net Dividend Per Common Share in US$ (4)	0.16	0.15	0.10	0.10	0.10	0.10	0.10	0.10
Net Dividend Per Priority Share in US$ (4) (5)					0.01	0.13	0.13	0.13
Dividend Payout Ratio	76.71%	73.12%	72.31%	62.47%	50.63%	78.32%	62.16%	57.10%
PROFITABILITY								
Return On Average Assets	1.02%	0.89%	0.82%	0.83%	0.96%	1.00%	1.12%	1.18%
Return On Average Equity	14.58%	13.94%	12.08%	11.62%	13.49%	11.18%	13.41%	13.31%
Leverage Multiplier	15.05	16.36	13.56	14.53	10.91	11.41	12.45	10.48
Interest on Earning Assets	9.26%	7.92%	7.65%	6.26%	6.32%	7.16%	7.40%	6.97%
Funding Cost	7.23%	5.99%	5.79%	5.00%	5.02%	5.66%	5.66%	4.99%
Spread	2.03%	1.93%	1.86%	1.25%	1.30%	1.49%	1.73%	1.98%
Net Interest Margin	2.51%	2.27%	2.22%	1.60%	1.70%	2.00%	2.19%	2.39%
Cost-to-income	56.26%	56.63%	53.18%	56.49%	49.56%	53.41%	51.81%	47.38%
CAPITAL ADEQUACY								
Capital to Assets	6.80%	8.11%	9.11%	8.36%	10.55%	9.18%	10.37%	11.31%
Tier 1 / Risk Weighted Assets	14.84%	13.48%	21.03%	15.93%	21.53%	19.41%	14.85%	20.79%
Tier 2 / Risk Weighted Assets	0.43%	5.47%	6.01%	4.27%	3.52%	0.76%	5.70%	3.30%
Capital Adequacy	15.27%	18.95%	26.83%	19.86%	25.04%	20.17%	20.54%	24.09%
LIQUIDITY								
Net Advances/ Assets	21.69%	22.59%	19.62%	19.24%	19.77%	21.36%	23.54%	24.85%
Net Advances/Customer Deposits	27.80%	27.78%	24.00%	24.48%	26.36%	27.88%	30.75%	33.37%
Customer Deposits/Total Resources	78.02%	81.32%	81.75%	78.58%	75.02%	76.63%	76.56%	74.47%
Liquid Assets	74.35%	73.30%	76.77%	76.16%	76.20%	74.00%	71.63%	70.69%
ASSETS QUALITY								
Loan loss provisions (6) / Customer Loans	12.13%	12.59%	13.25%	11.86%	10.24%	8.73%	5.41%	4.19%
Non-performing loans / Customer Loans	13.22%	12.63%	13.29%	12.19%	10.47%	8.14%	4.67%	3.36%
Loan loss provision (6) / Non-performing Loans	72.70%	78.46%	84.96%	82.83%	83.61%	91.11%	95.23%	101.32%
1 US$ =	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**	**LBP 1,507.5**

(1) Excludes subordinated loans.
(2) Includes 3 branches in Europe (Paris, Brussels, London), 1 branch in Africa, 6 branches in Syria, 3 branches in Armenia, 1 branch in Erbil and 1 branch in Cyprus
(3) Based on the number of shares outstanding at the end of the period.
(4) Net of income tax (5%).
(5) Representing annual distribution for priority shares calculated at 4% of the nominal value in addition to the dividend declared for common shares.
(6) Includes specific and general provisions, as well as reserved interest.

Group Results at a Glance

Group Results at a Glance

OVERVIEW OF THE BANK

Byblos Bank is one of the leading banks in Lebanon, providing a full range of banking services through the country's third largest branch network. Through its overseas subsidiaries, the Bank also conducts a wide range of commercial banking and other financial activities in Europe and the MENA region. As at 31 December 2008, the Bank had 2,362 employees, 404,000 active accounts, 76 branches in Lebanon, one branch in Cyprus and one in Erbil, Iraq. As at the same date, Byblos Bank Europe S.A., the Bank's 99.95 percent owned subsidiary, had its main branch in Brussels, one branch in London and one branch in Paris; Byblos Bank Africa Ltd., the Bank's 56.9 percent owned subsidiary, had one branch in Khartoum, Sudan, and in April 2009 it opened a new branch in Bahri; Byblos Bank Syria S.A., the Bank's 41.5 percent owned subsidiary, had six branches in Abu Remaneh, El Mazzeh, Homs, Aleppo, Lattakia and Tartous and in February 2009, it opened a new branch in Hama. In 2007, the Bank acquired a 100 percent stake in International Trade Bank C.J.S.C. (ITB), a bank incorporated in Armenia with its main branch in Yerevan and two other branches in Malatia and Vanadzor. ITB has been renamed Byblos Bank Armenia C.J.S.C. In June 2008, the European Bank for Reconstruction and Development (EBRD) and the OPEC Fund for International Development (OFID) also acquired interests in the capital of Byblos Bank Armenia of 25 percent and 10 percent, respectively. Since 2005, the Bank had a representative office in Abu Dhabi, United Arab Emirates, and the Bank opened a new representative office in Lagos, Nigeria, aiming at better servicing of the Labanese diaspora abroad.

The Bank has developed a reputation as a pioneer in the development and marketing of new products designed principally to serve the rapidly growing consumer market in Lebanon. In recent years, the Bank has undertaken a number of steps to expand its business and improve its market share and profile by setting up subsidiaries in selected MENA countries, by striving to provide tailor-made banking services to its customers in terms of retail and commercial banking, and by launching new financial products.

According to Bankdata, as at and for the year ended 31 December 2008, the Bank ranked third among all banks operating in Lebanon in terms of net profit of LBP 183.9 billion (USD 122.0 million), in terms of total assets of LBP 16,929 billion (USD 11,230 million), in terms of total equity of LBP 1,915 billion (USD 1,270 million) and in terms of customer deposits of LBP 12,607 billion (USD 8,363 million).

The Bank has a high level of nominal liquidity, with cash, placements with central banks, interbank deposits and investments in Lebanese Treasury bills and other marketable securities representing 70.4 percent of total assets as at 31 December 2008. As at, and for the year ended, 31 December 2008, the Bank's capital adequacy ratio was 24.09 percent (excluding net income for 2008), its return on average assets was 1.2 percent, and its return on average equity was 13.3 percent.

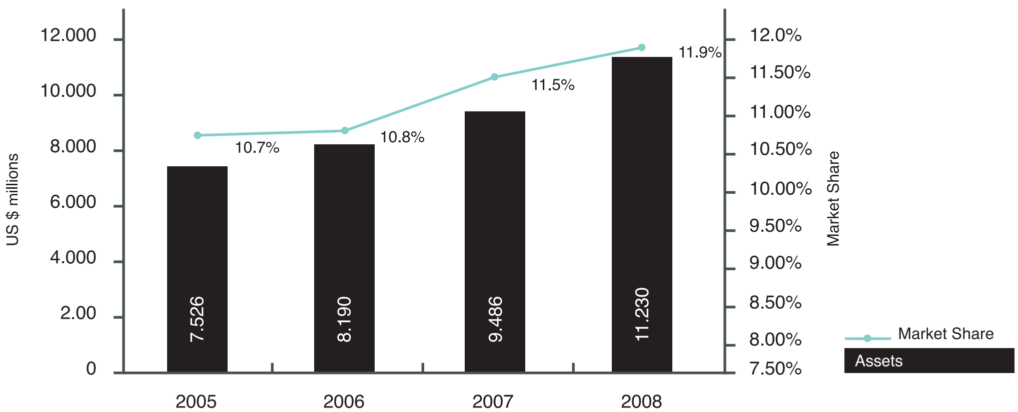
Growth

TOTAL ASSETS

Total assets of the Bank recorded an increase of 18.4 percent during the year 2008 to reach LBP 16,929 billion (USD 11,230 million) at the end of December 2008 compared to an increase of 15.8 percent during the year 2007, and compared to an increase of 14.6 percent in the Lebanese banking sector. Consequently, the Bank's market share of total assets stood at 11.9 percent at the end of 31 December, 2008 compared to 11.5 percent at the end of 31 December, 2007.
During the period between 31 December 2005 and 31 December 2008, total assets of the Bank grew at an average annual compounded rate of 14.3 percent compared to a growth of 11.2 percent in the Lebanese banking sector, and which was reflected in the Bank's market share of total assets, which grew from 10.7 percent at the end of 31 December 2005 to reach 11.9 percent at the end of 31 December 2008.

The following graph shows the evolution of total assets and market share during the last four years:

Evolution of Total Assets During Last Four Years



ASSET SPLIT WITHIN THE GROUP

The following graphs show the breakdown of assets in Byblos Bank Group as at 31 December 2007 and 31 December 2008.

Asset Split within the Group 2007

Lebanon	80.7%
Cyprus	1.7%
Erbil	0.2%
Europe	7.9%
Africa	2.4%
Invest	2.4%
ADIR & ABH & ADIR Syria	0.8%
Syria	3.7%
Armenia	0.2%

Asset Split within the Group 2008

Lebanon	77.1%
Cyprus	1.2%
Erbil	0.3%
Europe	7.2%
Africa	2.7%
Invest	5.2%
ADIR & ABH & ADIR Syria	0.9%
Syria	5.0%
Armenia	0.4%

As shown above, the Bank is expanding internationally, where total assets of international subsidiary banks and branches represented 16.8 percent of total assets at the end of 31 December 2008 compared to 16.2 percent at the end of 31 December 2007.

Group Results at a Glance

GEOGRAPHICAL DISTRIBUTION OF BRANCHES

Byblos Bank's branch network reached 76 branches inside Lebanon at the end of 2008, representing 8.8 percent of total branches in the Lebanese banking sector. Byblos Bank's branch presence is more concentrated in rural areas as compared to the distribution in the Lebanese banking sector. The 19 branches located in Mount Lebanon represented 25.0 percent of total Byblos branches at the end of December 2008 compared to just 17.9 percent in the Lebanese banking sector, and represented 12.3 percent of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, the 38 branches located in Beirut and its suburbs represented 50.0 percent of total Byblos branches at the end of December 2008 compared to 54.4 percent for the Lebanese banking sector, and it represented 8.1 percent of total branches operating in Beirut and its suburbs.
The nine branches located in North Lebanon represented 11.8 percent of total Byblos branches compared to 10.0 percent for the Lebanese banking sector, and represented 10.5 percent of total branches of the sector operating in that region.
In South Lebanon (seven branches) and the Bekaa (three branches) Byblos Bank's presence was less concentrated than the Lebanese banking sector, where Byblos branches located in the South and the Bekaa represented 9.3, percent and 3.9 percent of total Byblos branches respectively compared to 10.6 percent and 7.1 percent respectively for the entire sector.
At the end of 2008, Byblos Bank Group's presence abroad covers Cyprus, Erbil (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum and Bahri through our subsidiary Byblos Bank Africa Ltd.; Abu Remaneh, Aleppo, Homs, Lattakia, Mazzeh and Tartous through our subsidiary Byblos Bank Syria S.A.; and Vanadzor, Malatia, and Yerevan through our subsidiary Byblos Bank Armenia C.J.S.C..

The graphs to the left shows the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2008.

Byblos December 2008

Beirut & Suburbs	50.0%
Mount Lebanon	25.0%
North Lebanon	11.8%
South Lebanon	9.3%
Bekaa	3.9%

Sector December 2008

Beirut & Suburbs	54.4%
Mount Lebanon	17.9%
North Lebanon	10.0%
South Lebanon	10.6%
Bekaa	7.1%

GEOGRAPHICAL DISTRIBUTION OF AUTOMATED TELLER MACHINES (ATM)

Geographical Distribtution of ATMs
(Byblos Dec - 2008)

Beirut & Suburbs	46.0%
Mount Lebanon	30.0%
North Lebanon	11.0%
South Lebanon	8.0%
Bekaa	5.0%

Geographical Distribtution of ATMs
(Sector Dec - 2008)

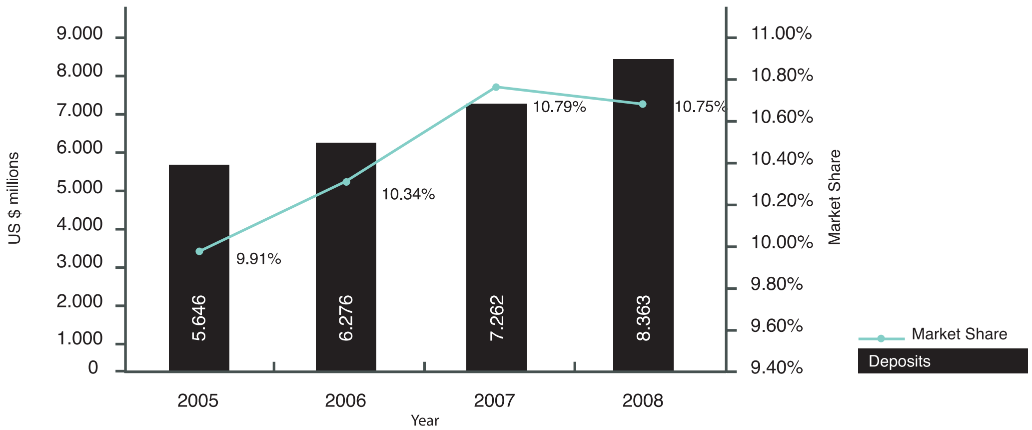
Beirut & Suburbs	49.7%
Mount Lebanon	21.7%
North Lebanon	10.9%
South Lebanon	10.2%
Bekaa	7.5%

CUSTOMER DEPOSITS

Customer deposits recorded an increase of 15.2 percent during 2008 to reach LBP 12,607 billion (USD 8,363 million) at the end of 31 December 2008 compared to an increase of 15.7 percent during 2007, and compared to an increase of 15.6 percent in the Lebanese banking sector. Consequently, the Bank's market share of total customer deposits in the Lebanese banking sector stood at 10.75 percent at the end of 31 December 2008 compared to 10.79 percent at the end of 31 December 2007.
During the period between 31 December 2005 and 31 December 2008, the Bank's customer deposits grew at an annual average compounded growth rate of 14 percent compared to growth of 10.93 percent in the Lebanese banking sector. Consequently, the Bank's market share stood at 10.75 percent at the end of 31 December 2008, up from 9.91 percent at the end of 31 December 2005.

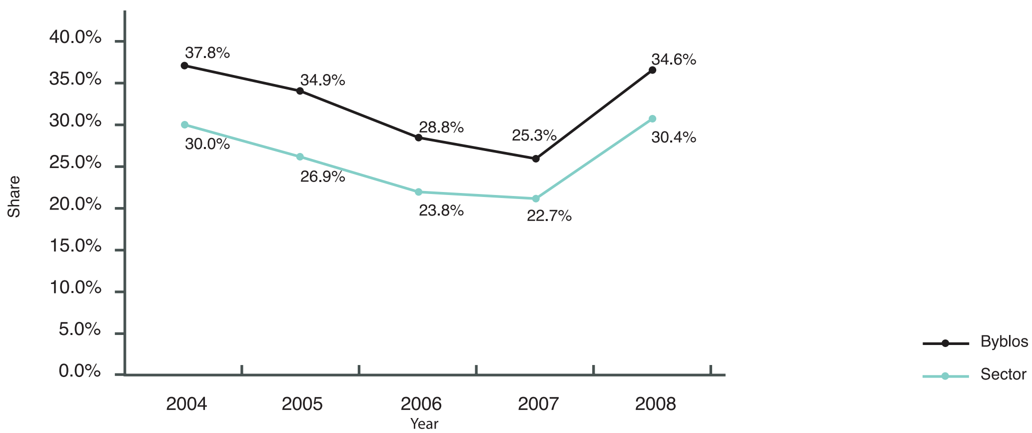
The below graph shows the evolution of customer deposits over the last four years:

Evolution of Customers' Deposits During Last Four Years



Affected by the sound financial strength of the Lebanese banking sector as well as the solid Lebanese economy, which was not affected by the worldwide financial crisis that started in 2008, customers regained their confidence in the stability of the Lebanese Lira, bearing in mind the high differential between Lebanese Lira and foreign currency (mainly US Dollar) interest rates. Accordingly, customers' deposits denominated in LBP increased to 34.6 percent of total customers' deposits at the end of 2008 after it had reached a five-year low of 25.3 percent at the end of 2007. The decreasing trend in LBP customers' deposits between 2004 and 2007 was largely the result of economic and political tension between different parties in Lebanon during the period, as well as the assassination of ex-prime minister Rafic Hariri. Compared to the Lebanese banking sector, Byblos has a higher deposit base denominated in LBP as compared to 30.4% in the sesectr.

LBP Customers' Deposits (Byblos vs. Sector)



CUSTOMER DEPOSITS BY TYPE OF ACCOUNT

The following table shows the distribution of the Bank's customer deposits by type of account as at 31 December 2006, 31 December 2007, and 31 December 2008:

As at 31 December	LBP millions 2006	% of total 2006	LBP millions 2007	% of total 2007	LBP millions 2008	% of total 2008
Sight deposits	1,099,296	11.6	1,309,826	12.0	1,528,408	12.1
Time deposits	2,340,435	24.8	2,708,376	24.8	3,317,235	26.3
Saving deposits	5,926,882	62.6	6,747,587	61.6	7,597,825	60.3
Related parties accounts	40,773	0.4	122,906	1.1	106,472	0.8
Accrued interest	54,103	0.6	59,413	0.5	56,940	0.5
Total	**9,461,489**	**100**	**10,948,108**	**100**	**12,606,880**	**100**

The composition of customer deposits has remained quite stable throughout the last three years, where time and savings deposits consisted of 86.6 percent of total customer deposits at the end of December 2008, as compared to 86.4 percent as at 31 December 2007, and to 87.4 percent as at 31 December 2006.

MATURITY PROFILE OF CUSTOMER DEPOSITS

The following table shows the distribution of the Bank's customer deposits by maturity profile as at 31 December 2006, 31 December 2007, and 31 December 2008:

As at 31 December	LBP millions 2006	% of total 2006	LBP millions 2007	% of total 2007	LBP millions 2008	% of total 2008
Less than 3 months	8,031,067	84.8	9,361,386	85.4	10,429,354	82.7
3 months to 1 year	1,038,175	11.0	1,242,934	11.4	1,762,893	14.0
1 year to 5 years	387,489	4.1	269,571	2.5	343,257	2.7
Over 5 years	4,758	0.1	74,217	0.7	71,376	0.6
Total	**9,461,489**	**100**	**10,948,108**	**100**	**12,606,880**	**100**

Almost all of the Bank's customer deposits are short-term, with deposits having a remaining maturity of less than one year representing 96.7 percent and 96.8 percent of total customer deposits as at 31 December 2008 and 31 December 2007, respectively.

CUSTOMER DEPOSIT SPLIT WITHIN BYBLOS BANK GROUP

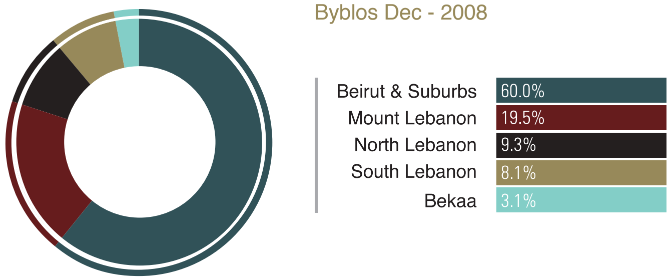
The below pie charts show the split of customers' deposits within Byblos Bank Group:

Deposits split within the Group 2007

Deposits split within the Group 2008

GEOGRAPHICAL DISTRIBUTION OF CUSTOMER DEPOSITS

Byblos Dec - 2008



Sector Dec - 2008

Geographical distribution of the Bank's customer deposits is in line with the geographical distribution of its branches, where customer deposits in branches located in Beirut and its suburbs (50.0 percent of total branches) represented 60.0 percent of total customer deposits in the Bank compared to 67.6 percent in the Lebanese banking sector. On the other hand, customer deposits in branches located in Mount Lebanon (25.0 percent of total branches) represented 19.5 percent of the Bank's customer deposits compared to 12.8 percent in the Lebanese banking sector; customer deposits in branches located in North Lebanon (11.8 percent of total branches) represented 9.3 percent of the Bank's customer deposits compared to 6.5 percent in the Lebanese banking sector. In the South (9.2 percent of total branches), the concentration of Byblos customer deposits was 8.1 percent, compared to 7.7 percent in the Lebanese banking sector. In the Bekaa (3.9 percent of total branches), the Bank's customer deposits are less concentrated than in the Lebanese banking sector, where 3.1 percent of the Bank's total customer deposits are located in the Bekaa compared to 5.4 percent in the Lebanese banking sector.

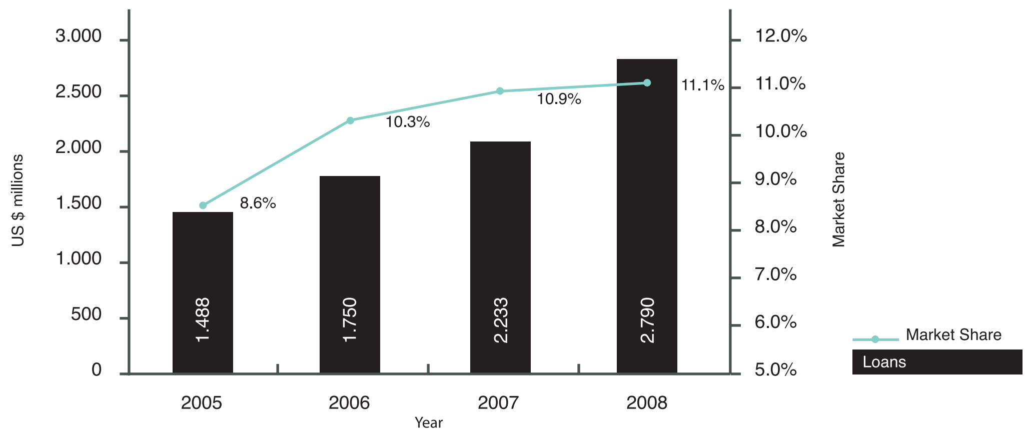
Group Results at a Glance

CUSTOMER LOANS

Customer loans net of provisions (specific and general) on doubtful loans and reserved interest on substandard and doubtful loans grew by 25.0 percent during the year 2008 to reach LBP 4,207 billion (USD 2,790 million) at the end of 31 December 2008 compared to a growth of 27.6 percent in 2007, and compared to a growth of 22.6 percent in the Lebanese banking sector. The high growth in the Bank's net customers' Loans in comparison with the Lebanese banking sector led to an increase in the Bank's market share of net customer loans to 11.1 percent at the end of 31 December 2008, up from 10.9 percent at the end of 31 December 2007.
During the period between 31 December 2005 and 31 December 2008, net customer loans increased at an average annual compounded rate of 23.3 percent compared to growth of just 17.3 percent in the Lebanese banking sector. Consequently, the Bank's market share of net customer advances rose from 8.6 percent at the end of 31 December 2005 to reach 11.1 percent at the end of 31 December 2008.

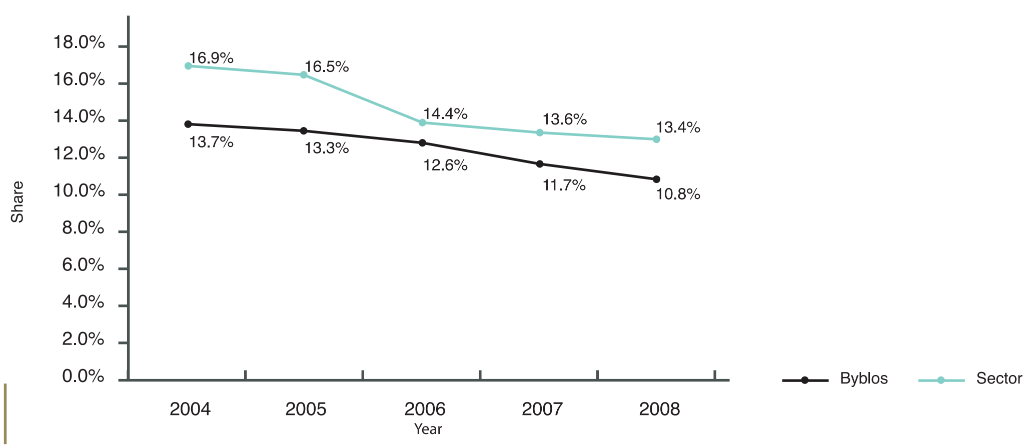
The chart below shows the evolution of net customer loans and their market shares over the last four years:

Evolution of Customers' Loans During Last Four Years



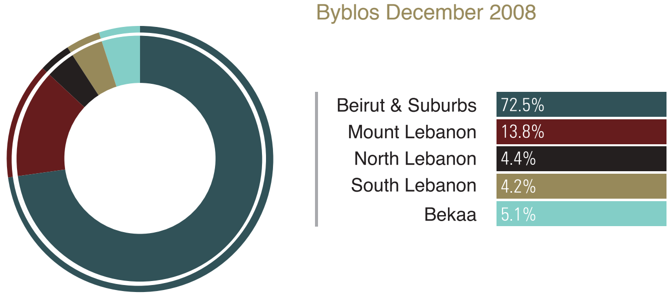
CURRENCY STRUCTURE OF CUSTOMER LOANS

LBP Customers' Loans (Byblos vs. Sector)



CUSTOMER LOANS GEOGRAPHICAL DISTRIBUTION

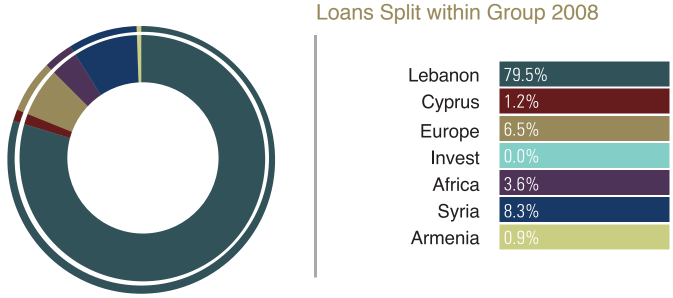
Byblos December 2008



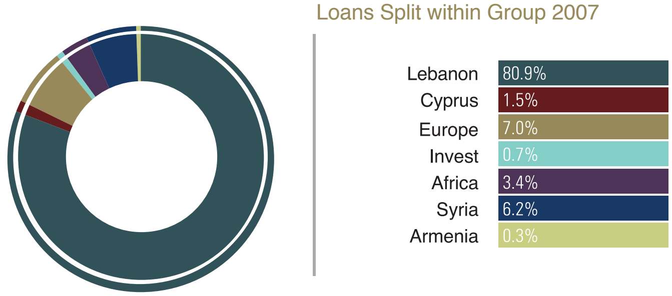
Sector December 2008

CUSTOMER LOANS SPLIT WITHIN GROUP

Loans Split within Group 2008



Loans Split within Group 2007



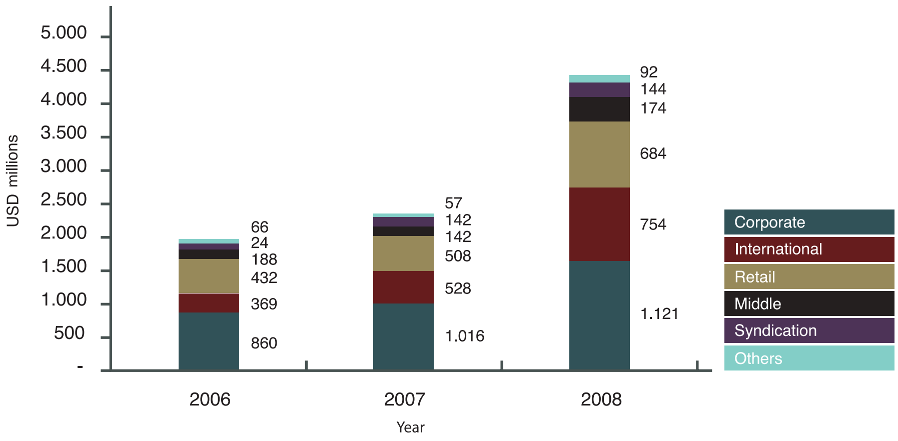
LOAN BREAKDOWN BY NATURE OF BORROWER

Loan Portfolio by Nature of Borrower	Dec/06 LBP Million	Dec/06 US$ 000's	Dec/06 % of total	Dec/07 LBP Million	Dec/07 US$ 000's	Dec/07 % of total	Dec/08 LBP Million	Dec/08 US$ 000's	Dec/08 % of total
Corporate	1,296,452	860,001	44.4%	1,531,994	1,016,248	42.5%	1,689,895	1,120,992	37.8%
International	555,637	368,582	19.0%	795,266	527,539	22.0%	1,136,445	753,861	25.4%
Retail	651,903	432,440	22.3%	765,175	507,579	21.2%	1,031,607	684,316	23.0%
Middle Market	282,868	187,640	9.7%	214,755	142,457	6.0%	262,246	173,961	5.9%
Syndication	36,501	24,213	1.2%	214,496	142,286	5.9%	217,457	144,250	4.8%
Others	99,709	66,142	3.4%	85,883	56,971	2.4%	138,811	92,080	3.1%
Total	**2,923,070**	**1,939,018**	**100.0%**	**3,607,568**	**2,393,080**	**100.0%**	**4,476,461**	**2,969,460**	**100.0%**

During 2008, the gross loan portfolio increased by 24.1 percent (+LBP 869 billion) to reach LBP 4,476 billion (USD 2,969 million) at the end of 31 December 2008 compared to an increase of 23.4 percent in 2007.

Group Results at a Glance

Breakdown of Loan Portfolio by Type of Borrower



COMMERCIAL LOAN PORTFOLIO

--- The corporate loan portfolio increased by 10.3 percent (+LBP 158 billion or USD 105 million) during the year 2008 to reach LBP 1,690 billion (USD 1,121 million) at the end of 31 December 2008 compared to an increase of 18.2 percent (+LBP 236 billion or USD 156 million) in 2007. Corporate loans represented 37.8 percent of the gross loan portfolio at the end of December 2008 compared to 42.5 percent at the end of 31 December 2007.

--- The international loan portfolio increased by 42.9 percent (LBP 341 billion or USD 226 million) during the year 2008 to reach LBP 1,136 billion (USD 754 million) at the end of 31 December 2008 compared to an increase of 43.1 percent (LBP 240 billion or USD 159 million) in 2007. International loans represented 25.4 percent of the gross loans portfolio compared to 22.0 percent at the end of December 2007.

--- The Bank participated in syndicated loans for the first time in 2006, where total exposure amounted to LBP 37 billion (USD 24 million) and increased sharply its exposure to reach LBP 215 billion (USD 142 million) at the end of December 2007 and LBP 217 billion (USD 144 million) at the end of December 2008, representing 4.8 percent of the gross loans portfolio compared to 5.9 percent at the end of Dec-2007.

--- The middle-market loan portfolio increased by 22.1 percent during the year 2008 to reach LBP 262 billion (USD 174 million) at the end of 31 December 2008, representing 5.9 percent of the gross loan portfolio compared to 6.0 percent at the end of 31 December 2007.

The chart below shows the breakdown of the total loans portfolio by type of borrower between the years 2006, 2007 and 2008:

RETAIL LOAN PORTFOLIO

	Dec/06			Dec/07			Dec/08		
	LBP Million	US$ 000's	% of total	LBP Million	US$ 000's	% of total	LBP Million	US$ 000's	% of total
Personal Loans	92,758	61,531	14.2%	121,693	80,725	15.9%	178,453	118,377	17.3%
Byblos - Housing Loans	143,880	95,443	22.1%	138,428	91,826	18.1%	171,956	114,063	16.7%
PHC Housing Loans	134,633	89,309	20.7%	155,449	103,117	20.3%	176,472	117,063	17.1%
Army Housing Loans	35,701	23,683	5.5%	37,297	24,741	4.8%	40,612	26,940	3.9%
Auto Loans	142,686	94,651	21.8%	183,385	121,648	24.0%	294,333	195,246	28.5%
Plastic Cards	18,321	12,153	2.8%	27,929	18,527	3.7%	39,571	26,249	3.8%
Kafalat	76,776	50,929	11.8%	93,107	61,763	12.2%	112,082	74,349	10.9%
Others	7,147	4,741	1.1%	7,887	5,232	1.0%	18,128	12,026	1.8%
Total Retail	**651,903**	**432,440**	**100.0%**	**765,175**	**507,579**	**100.0%**	**1,031,607**	**684,316**	**100.0%**

In line with the Group's strategy to be one of the leading retail banks, the Bank focused on increasing the Group's retail portfolio. The retail loan portfolio increased by 34.8 percent (+LBP 266 billion or USD 177 million) during the year 2008 to reach LBP 1,032 billion (USD 684 million) at the end of 31 December 2008 compared to an increase of 17.4 percent (LBP 113 billion or USD 75 million) in 2007. The retail loan portfolio represented 23.0 percent of the gross loan portfolio at the end of 31 December 2008 compared to 21.2 percent at the end of 31 December 2007.

As for its international presence, in 2008 the Bank expanded its retail portfolio in Syria through Byblos Bank Syria by enhancing the Auto Loan product and marketing it through several strategic dealers, continued its offering of Personal and Housing loans, and promoted the cards business. In addition, in 2008 the Bank launched retail banking in Armenia through Byblos Bank Armenia; all the retail products were reviewed and adapted to meet Group policies and procedures and re-launched in the market.

In 2008, the Bank continued its policy of retail expansion; it launched two Personal Loan campaigns in addition to a Housing Loan campaign, which increased the loan portfolio of these two products. Personal loans increased by 46.6 percent (LBP 56.8 billion or USD 37.7 million) during the year 2008 to reach LBP 178.5 billion (USD 118.4 million) at the end of 31 December 2008 comparedto an increase of 31.2 percent (+LBP 28.9 billion or USD 19.2 million) in 2007.

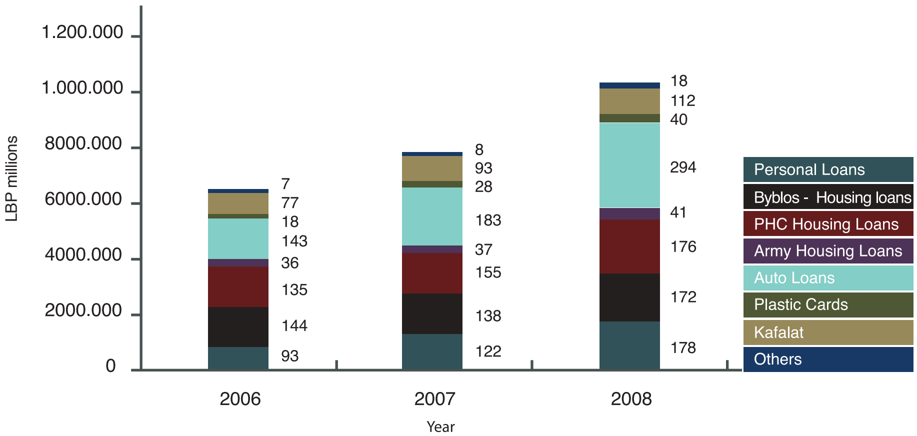
Consequently, the share of personal loans out of the total retail portfolio increased from 15.9 percent at the end of 31 December 2007 to reach 17.3 percent at the end of 31 December 2008.
Housing loans increased by 17.5 percent (LBP 57.9 billion or USD 38.4 million) during the year 2008 to reach LBP 389.1 billion (USD 258.1 million), representing 37.7 percent of the total retail loans portfolio at the end of 31 December 2008 compared to 43.3 percent at the end of 31 December 2007.

Moreover, the Bank enhanced its relationships with car dealers in addition to introducing new dealers, thus increasing its loan portfolio by an impressive 60.5 percent (LBP 110.9 billion or USD 73.6 million) during the year 2008 to reach LBP 294.3 billion (USD 195.2 million) at the end of 31 December 2008. Auto loans represented 28.5 percent of total retail loans at the end of 2008 compared to 24.0 percent at the end of 2007.

The loyalty program launched in August 2007 was expanded to include new outlets, and several promotions were done through the cards, which increased not only the outstanding balance of revolving cards by 41.7 percent (+LBP 11.6 billion), but also the number of cards outstanding as well as the credit and charge card usage. Outstanding balances of revolving credit cards reached LBP 39.6 billion (USD 26.2 million) as at December 2008, as compared to LBP 27.9 billion (USD 18.5 million) at the end of 31 December 2007.

The chart below shows the evolution of retail loans throughout the last three years:

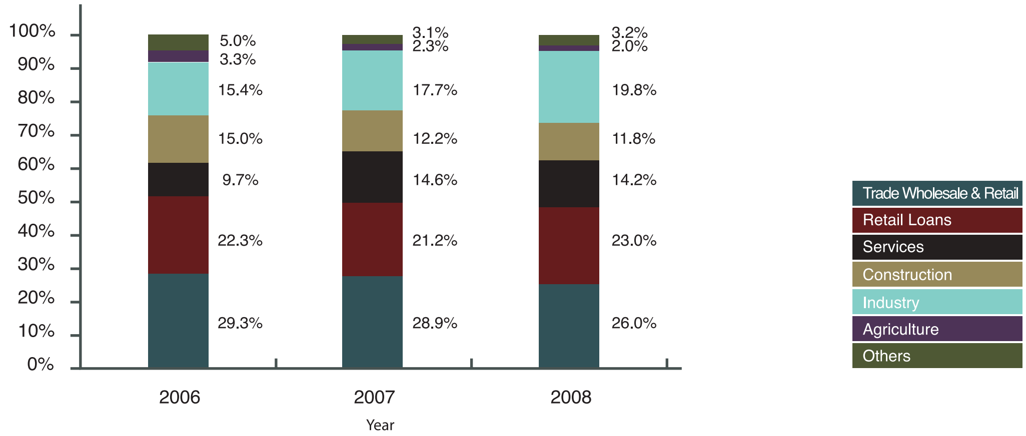
Retail Loan Portfolio Breakdown



LOAN PORTFOLIO BY ECONOMIC SECTOR

In recent years, the Bank has focused its lending activities, to the extent possible, on sectors considered by management to be least affected by economic slowdowns. Loans to the trade sector (both wholesale and retail) continued to represent the major part of outstanding loans, constituting 26.1 percent of outstanding loans as at 31 December 2008, as compared to 29.0 percent as at 31 December 2007 and 29.3 percent as at 31 December 2006. Loans to the manufacturing sector increased to 19.6 percent as at 31 December 2008, as compared to 17.5 percent as at 31 December 2007 and 15.4 percent as at 31 December 2006. Loans to the construction sector decreased to 11.8 percent as at 31 December 2008, as compared to 12.3 percent as at 31 December 2007 and 15.0 percent as at 31 December 2006. Retail loans stood at 23.1 percent., 21.2 percent, and 22.3 percent as at 31 December 2008, 2007 and 2006, respectively.

Group Results at a Glance



The pie charts below show the breakdown of the loan portfolio by economic sector as at 31 December 2008 in comparison with the Lebanese banking sector.

Byblos December 2008

Trade (Wholesale & Retail)	26.0%
Retail Loans	23.0%
Sevices	14.2%
Construction	11.8%
Industry	19.8%
Agriculture	2.0%
Others	3.2%

Sector December 2008

Trade (Wholesale & Retail)	23.7%
Retail Loans	18.3%
Sevices	17.3%
Construction	15.4%
Industry	12.9%
Agriculture	1.0%
Others	11.4%

LONG-TERM SOURCES OF FUNDS

As a part of the Bank's strategy to match its longer-term loan portfolio with longer-term funding sources, the Bank has entered into several types of long-term funding resources. The following tables show the breakdown of the Bank's long-term sources of funding as at 31 December 2006, 2007 and 2008, respectively:

In US$ 000's	**Dec/06**	**Dec/07**	**Dec/08**
Central Bank of Lebanon	26,537	26,537	26,534
International Finance Corporation (IFC)	8,156	4,895	1,634
Arab Trade Finance Program	2,096	1,986	22,313
Certificates of Deposits	77,954	77,921	77,920
Proparco	17,478	15,196	12,530
GSM Program	1,926	642	
OPEC Fund for International Development	2,273	1,364	455
European Investment Bank	73,550	73,865	191,844
FMO Loan	7,500	5,357	3,214
Govco Incorporated NY		45,000	43,393
Agence Francaise pour le Developpement		4,894	12,792
Citibank		5,000	4,583
Index Linked Notes	49,780	49,441	49,430
Equity Linked Notes	49,690	49,410	49,414
Commodity Linked Notes	6,363	6,367	6,370
9% Subordinated Participating Notes	31,169	31,169	31,169
Convertible subordinated loans		200,000	173,000
Total Long Term Sources of Funds	**354,472**	**599,044**	**706,595**

PROFITABILITY

In LBP million	2006	2007	2008	Growth (Vol.)	Growth (%)
Net interest income	226,923	278,007	355,842	77,835	28.0%
Net allocation to provisions	(10,282)	(4,761)	(5,434)	(673)	14.1%
Net commission income	79,393	81,847	106,923	25,076	30.6%
Net profits on financial operations	25,848	29,380	23,854	(5,526)	-18.8%
Impairment losses on financial investments			(37,700)	(37,700)	
Other operating income	4,047	4,755	17,519	12,764	268.4%
Total operating income (before provisions and impairment)	**336,211**	**393,989**	**504,138**	**110,149**	**28.0%**
Total operating income (after provisions and impairment)	**325,929**	**389,228**	**461,004**	**71,776**	**18.4%**
Operating expenses	(161,607)	(185,600)	(221,351)	(35,751)	19.3%
Depreciation and amortization	(17,963)	(18,536)	(17,530)	1,006	-5.4%
Taxes	(27,672)	(35,574)	(38,208)	(2,634)	7.4%
Net Income	**118,687**	**149,518**	**183,915**	**34,397**	**23.0%**

In LBP million	2006	2007	2008
Bank's share	115,389	142,550	172,285
Dividend on preferred shares (series 2003)	(18,168)	(18,168)	(18,168)
Dividend on preferred shares (series 2008)			(10,144)
Priority distribution of 4 per cent. on priority shares	(9,887)	(9,880)	(9,882)
Net income related to common and priority shares	87,334	114,502	134,091
Weighted average number of common shares during the period	204,969,556	204,955,557	216,862,160
Weighted average number of priority shares during the period	205,987,585	205,838,523	205,875,672
Earnings per common share	212.51	278.73	317.19
Earnings per priority share	260.51	326.73	365.19

Key profitability ratios	Dec-06	Dec-07	Dec-08
Return on average assets	1.00%	1.12%	1.18%
Return on average equity	11.18%	13.41%	13.31%
Net interest margin	2.00%	2.19%	1.90%
Cost-to-income	53.41%	51.81%	47.38%

Group Results at a Glance

Net income for the year 2008 amounted to LBP 183,915 million (USD 122 million), recording an increase of 23 percent (+LBP 34,397 million or USD 22.8 million) compared to LBP 149,518 million (USD 99 million) in 2007. The increase in net income is explained by the fact that the increase of 28.0 percent (+LBP 110,149 million or USD 73.1 million) in operating income was much higher than the increase of 19.3 percent (LBP 35,751 million or USD 23.7 million) in operating expenses.

Return on average assets (ROA) increased to 1.18 percent at the end of December 2008 compared to 1.12 percent at the end of December 2007. However, return on average equity (ROE) decreased to 13.31 percent compared to 13.41 percent at the end of December 2007.

Earnings per common and priority shares based on the weighted average number of shares stood at LBP 317.19 (USD 0.210) and 365.19 (USD 0.242) respectively in 2008 compared to LBP 278.73 (USD 0.185) and 326.73 (USD 0.217) in 2007.

The contribution of the Bank's subsidiaries to consolidated net income is presented below:

--- Byblos Bank Africa's net income for the year 2008 amounted to LBP 14,381 million (USD 9.5 million) compared to LBP 14,526 million (USD 9.6 million) for the year 2007.

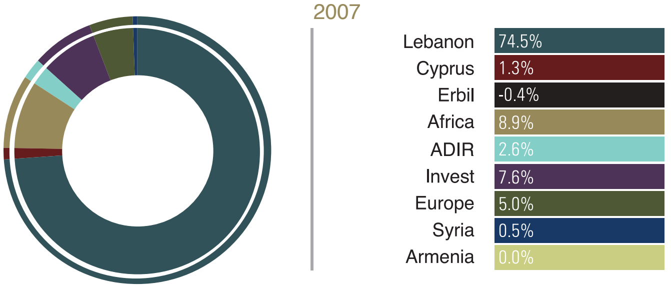
--- Byblos Bank Europe's net income for the year 2008 amounted to LBP 12,445 million (USD 8.3 million) compared to LBP 8,371 million (USD 5.6 million) for the year 2007.

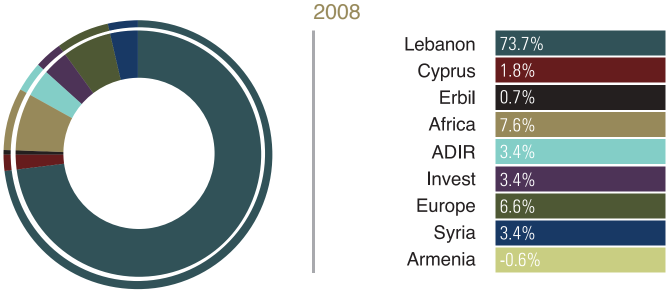
--- Byblos Bank Syria's net income stood at LBP 6,386 million (USD 4.2 million) at the end of 2008 compared to LBP 800 million (USD 0.53 million) for the year 2007.

--- Byblos Invest Bank's net income stood at LBP 6,529 million (USD 4.3 million) at the end of 2008 compared to LBP 12,424 million (USD 8.2 million) for the year 2007.

--- Net income of the insurance companies – Adonis Insurance and Reinsurance S.A.L. (ADIR), Adonis Insurance and Reinsurance Syria, as well as Adonis Brokerage House – for the year 2008 amounted to LBP 6,392 million (USD 4.2 million) compared to LBP 4,192 million (USD 2.8 million) for the year 2007.

The pie chart below shows the contributions of the Bank's subsidiaries to consolidated income for the years 2007 and 2008:





NET INTEREST INCOME

Net interest income before provisions for the year 2008 amounted to LBP 355,842 million (USD 236 million), recording an increase of 28 percent (+ LBP 77,835 million or USD 51.6 million) compared to LBP 278,007 million (USD 184 million) for the year 2007. The increase of 28 percent in net interest income was much higher than the increase of 17 percent in average interest-earning assets, leading to an increase of 20 basis points in net interest margin to reach 2.39% in 2008 compared to 2.19% in 2007.

	2007			2008		
	Average balance LBP Millions	Interest earned	Average rate %	Average balance LBP millions	Interest earned	Average rate %
ASSETS						
Interest-bearing deposits in other banks	5,365,570	309,254	5.76%	6,476,275	315,502	4.87%
Securities	104,350	10,032	9.61%	253,821	24,159	9.52%
Loans	3,001,868	258,811	8.62%	3,786,339	314,976	8.32%
Treasury Bills	4,219,922	360,924	8.55%	4,374,894	383,158	8.76%
Total interest-earning assets	**12,691,709**	**939,021**	**7.40%**	**14,891,328**	**1,037,795**	**6.97%**
Investments in affiliates						
Total earning assets	12,691,709	939,021	7.40%	14,891,328	1,037,795	6.97%
Premises and equipment	216,568	0	0.00%	266,584	0	0.00%
Other non-interest bearing assets	415,018	0	0.00%	456,575	0	0.00%
Total average assets	**13,323,294**	**939,021**	**7.05%**	**15,614,486**	**1,037,795**	**6.65%**
LIABILITIES						
Customer deposits	10,196,269	581,685	5.70%	11,768,964	577,206	4.90%
Subordinate loans	189,490	8,669	4.57%	313,674	27,655	8.82%
Certificates of deposit	121,047	7,784	6.43%	121,170	7,784	6.42%
Index-and equity-linked instruments	150,649	9,195	6.10%	147,544	9,367	6.35%
Interest bearing deposits due to banks	1,011,536	53,681	5.31%	1,307,515	59,941	4.58%
Total interest-bearing liabilities	**11,668,990**	**661,014**	**5.66%**	**13,658,866**	**681,953**	**4.99%**
Other liabilities	533,320	0	0.00%	554,039	0	0.00%
Shareholders' equity	1,119,021	0	0.00%	1,385,184	0	0.00%
Total average liabilities and equity	**13,321,330**	**661,014**	**4.96%**	**15,598,089**	**681,953**	**4.37%**
Spread (a)			1.73%			1.98%
Spread (b)			2.09%			2.27%
Interest-earning assets/interest-bearing liabilities			**1.09**			**1.09**

(a) Average return on interest-earning assets – average cost of interest bearing liabilities
(b) Average return on assets – average cost of liabilities and equity

PROVISIONS ALLOCATED

Net provisions allocated for doubtful loans increased by 14.1 percent to LBP 5,434 million (USD 3.6 million) for the year 2008, as compared to LBP 4,761 million (USD 3.2 million) for the year 2007. This increase was mainly due to the decline in provisions recoveries by LBP 2.57 billion (USD 1.7 million) in 2008. Coverage of non-performing loans by specific and general provisions and reserved interest increased to 115.64 percent as at 31 December 2008, as compared to 107.51 percent as at 31 December 2007. Additional details on coverage of non-performing loans will be discussed in the asset quality section.

Group Results at a Glance

In LBP millions	2006	2007	2008
Provisions set up during the year			
- Doubtful debts	18,062	13,602	11,682
- Doubtful banks and financial institutions accounts			
- Miscellaneous debtor accounts	253	50	
- Writeoffs	570	156	230
Total provisions allocated	**18,885**	**13,808**	**11,912**
Provision written back during the year:			
- Loans recovered or upgraded	(8,568)	(8,044)	(6,478)
- Excess general provisions brought forward from prior year	0		
- Doubtful banks and financial institutions accounts	(35)		
- Provision for country risk			
- Miscellaneous debtor recovered	0	(1,003)	
Total provisions recoveries	**(8,603)**	**(9,047)**	**(6,478)**
Net provisions allocated	**10,282**	**4,761**	**5,434**

NON-INTEREST INCOME

In LBP millions	2006	2007	2008	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	25,946	35,782	46,016	10,234	28.6%
out of which in Lebanon	14,058	18,187	21,951	3,764	20.7%
out of which in Byblos Europe	8,654	11,184	17,977	6,793	60.7%
out of which in Byblos Africa	3,060	5,250	4,514	(736)	-14.0%
out of which in Byblos Syria	174	1,161	1,574	413	35.6%
Commissions on letters of guarantees	7,002	8,366	12,261	3,895	46.6%
out of which in Lebanon	5,167	6,395	9,406	3,011	47.1%
out of which in Byblos Europe	523	624	790	166	26.6%
out of which in Byblos Africa	1,020	588	448	(140)	-23.8%
out of which in Byblos Syria	292	759	1,574	815	107.4%
out of which in Byblos Armenia			43	43	
Securities income	17,039	17,151	5,667	(11,484)	-67.0%
Foreign exchange income	8,809	12,229	18,187	5,958	48.7%
Other commissions on banking Operations (Net)	46,445	37,699	58,442	20,743	55.0%
Total non-interest income (Net) *	**105,241**	**111,227**	**130,777**	**19,550**	**17.6%**

* Net commissions, plus net trading income, plus net gain or loss on financial assets.

Non-interest income for the year 2008 amounted to LBP 130,777 million (USD 86.8 million), recording an increase of 17.6 percent (+LBP 19,550 million) as compared to LBP 111,227 million (USD 73.8 million) in the same period of last year.

--- Commissions on documentary credits and acceptances for the year 2008 amounted to LBP 46,016 million (USD 30.5 million), recording an increase of 28.6 percent as compared to LBP 35,782 million (USD 23.7 million) in 2007. Trade finance activities in 2008 represented 35.2 percent of total non-interest income in 2008, up from 32.2 percent in 2007.

--- Commissions on letters of guarantee for the year 2008 amounted to LBP 12,261 (USD 8.1 million), recording an increase of 46.6 percent as compared to LBP 8,366 (USD 5.5 million) in 2007.

--- Realized and unrealized gains on the securities portfolio for the year 2008 as well as dividends received amounted to LBP 5,667 million (USD 3.8 million), recording a decrease of 67 percent as compared to a gain of LBP 17,151 million (USD 11.4 million) in 2007.

--- Gains on foreign exchange trading for the year 2008 amounted to LBP 18,187 million (USD 12.1 million), recording an increase of 48.7 percent as compared to LBP 12,229 million (USD 8.1 million) in 2007.

OPERATING EXPENSES

In LBP millions	2007	2008	Growth (Vol.)	Growth (%)
Staff expenses	98,366	123,143	24,777	25.2%
General expenses	87,234	98,208	10,974	12.6%
Depreciation and amortization	18,536	17,530	(1,006)	-5.4%
Total operating expenses	**204,136**	**238,881**	**34,745**	**17.0%**

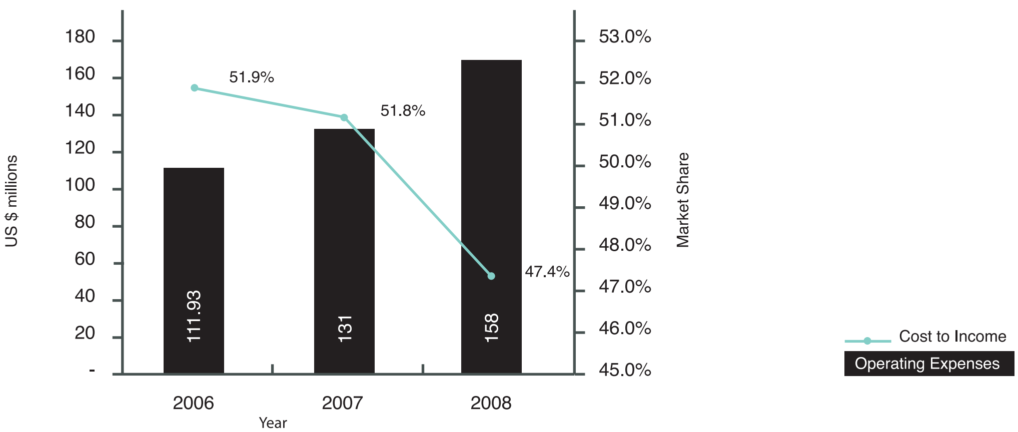
Operating expenses for the year 2008 amounted to LBP 238,881 million (USD 158.5 million), recording an increase of 17 percent (+LBP 34,745 million) as compared to LBP 204,136 million (USD 135.4 million) in 2007. Despite the increase in operating expenses, the Bank succeeded in decreasing its cost-to-income ratio to reach 47.4 percent in 2008 compared to 51.8 percent in 2007.

The graphs below show the breakdown of operating expensesin the last two years.

Breakdown of operating expenses 2007

Breakdown of operating expenses 2008

The graph below shows the evolution of operating expenses and cost-to-income over the last four years:



Group Results at a Glance

Loan portfolio

Under Decision No. 7159 issued by the Central Bank of Lebanon, all banks and financial institutions operating in Lebanon are required to classify loans according to five categories of risk: (i) ordinary/regular accounts (sub-divided into (a) unconditional and (b) incomplete documentation); (ii) accounts to be followed up and regularized; (iii) less than ordinary/sub-standard accounts; (iv) doubtful accounts; and (v) bad or ailing accounts. The Bank's internal classification system, which has been followed since 1992, generally incorporates and refines the requirements set out in Central Bank Decision No. 7159. Because the Bank's internal classification criteria are more detailed than those of the Central Bank, no material reclassifications were required to reclassify the Bank's loans according to the applicable Central Bank regulations when they came into effect and the Bank believes that, as at 31 December 2008, it was in compliance with all related requirements. The Bank continues to adhere to its own loan classification criteria for internal purposes, although reports to the Central Bank and the Banking Control Commission are made in accordance with the Central Bank classifications.

The frequency of the Bank's reviews of problem loans is dependent upon the applicable classification. Loans that are classified as Classification 1 or Classification 2 are reviewed by the Bank on a monthly basis, whereas loans that are classified as Classification 3 or Classification 4 are reviewed on a quarterly basis.
When a loan is 90 days past due, interest income ceases to be accrued in the statement of income and is allocated as "reserved interest".

The tables below show the breakdown of the Bank's loan portfolio (gross and net) over the last three years:

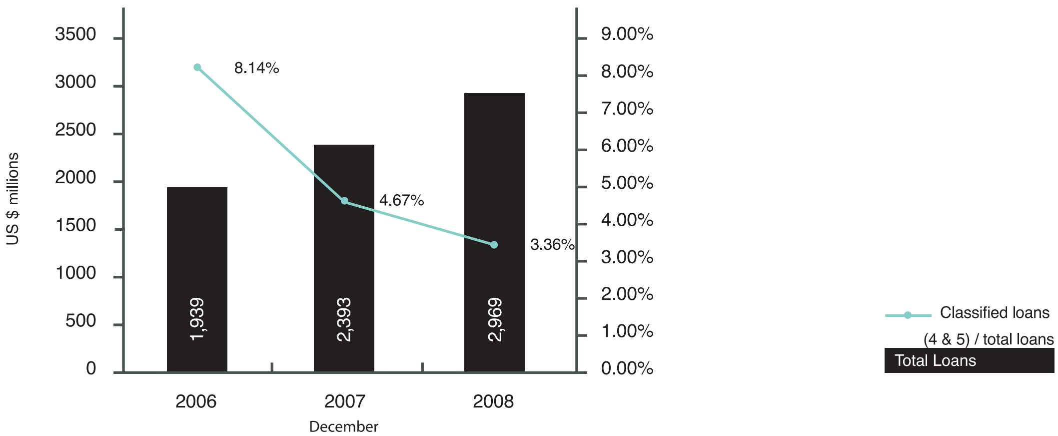
		2006		2007		2008
As at 31 December	**LBP millions**	**% of total**	**LBP millions**	**% of total**	**LBP millions**	**% of total**
Gross balances:						
Good loans	2,387,049	81.7	3,122,415	86.5	4,049,822	90.5
Watch loans	251,075	8.6	281,679	7.8	248,987	5.5
Substandard loans	47,049	1.6	35,495	1.0	27,027	0.6
Doubtful loans	170,048	5.8	113,968	3.2	88,049	2.0
Bad loans	67,849	2.3	54,011	1.5	62,577	1.4
Total	**2,923,070**	**100.0**	**3,607,568**	**100.0**	**4,476,462**	**100.0**

		2006		2007		2008
As at 31 December	**LBP millions**	**% of total**	**LBP millions**	**% of total**	**LBP millions**	**% of total**
Net balances:						
Good loans	2,387,049	88.1	3,122,415	90.4	4,049,822	93.5
Watch loans	251,075	9.3	281,679	8.2	248,987	5.7
Substandard loans	31,931	1.2	21,381	0.6	13,573	0.3
Doubtful loans	37,078	1.4	29,281	0.8	23,607	0.5
Bad loans	0	0.0	0	0.0	0	0.0
Total	**2,707,133**	**100**	**3,454,756**	**100.0**	**4,335,989**	**100.0**

PROVISIONING AND COVERAGE RATIOS

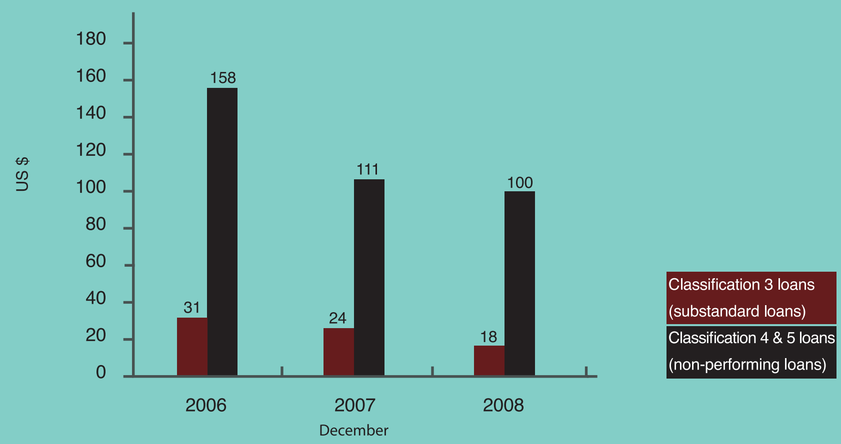
In LBP million	Dec/06	Dec/07	Dec/08
Classification 3 loans (substandard loans)	47,049	35,495	27,027
Classification 4 and 5 loans (non-performing loans)	237,897	167,979	150,626
Total classfied loans	**284,946**	**203,474**	**177,653**
Specific provisions for loan losses	108,552	65,690	59,668
General provisions	39,172	41,901	47,170
out of which general provisions for retail	23,254	20,630	21,574
Reserved interest (sub-standard loans)	15,118	14,114	13,454
Reserved interest (non-performing loans)	92,267	73,008	67,351
Total provisions and cash collateral	**255,109**	**194,713**	**187,643**
Classified loans (3) / total loans	1.61%	0.98%	0.60%
Classified loans (4 and 5) / total loans	8.14%	4.66%	3.36%
Total classified / total loans	9.75%	5.64%	3.97%
Total provisions / total loans	8.73%	5.40%	4.19%
NPL provisions / non-performing loans (*)	100.88%	107.51%	115.64%
NPL provisions / non-performing loans (**)	91.11%	95.23%	101.32%
Total provisions / total classified loans (3,4 and 5) (*)	89.53%	95.69%	105.62%

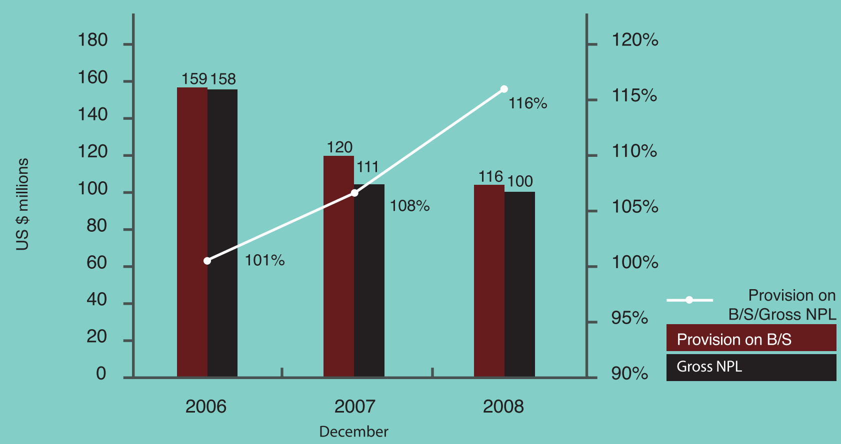
(*) Includes specific and general provisions, reserved interest
(**) Excluding general provisions for retail loans



Group Results at a Glance

Total classified loans (substandard, doubtful, and loss) amounted to LBP 177,653 million (USD 118 million) at the end of 31 December 2008, representing 4.0 percent of the total loan portfolio compared to LBP 203,474 million (USD 135 million) at the end of December 2007, representing 5.6 percent of the total loan portfolio. Total non-performing loans (doubtful and loss) amounted to LBP 150,626 million (USD 100 million) as at 31 December 2008, representing 3.4 percent of the total loan portfolio, down from 4.7 percent at the end of 31 December 2007. Specific and general provisions (excluding general provisions for the retail loan portfolio) as well as reserved interest on non-performing loans amounted to LBP 152,615 million (USD 101.2 million), covering up to 101.3 percent of total non-performing loans as at 31 December 2008 compared to 95.2 percent at the end of 31 December 2007. Substandard loans amounted to LBP 27,027 million (USD 18 million) at the end of 31 December 2008, representing 0.60 percent of the total loan portfolio, compared to LBP 35,495 million (USD 24 million) and 0.98 percent respectively at the end of 31 December 2007. Substandard loans are covered up to 49.8 percent by reserved interest at the end of 31 December 2008, compared to 39.8 percent as at 31 December 2007.





Investment and trading portfolio

The Bank's investment portfolio includes Lebanese Treasury bills and other governmental bills, bonds and financial instruments with fixed incomes and marketable securities and financial instruments with variable incomes.

The following table sets forth the breakdown of the Bank's securities portfolio by type of instrument and currency as at 31 December 2005, 2007 and 2008:

		2006		2007		2008
As at 31 December	**LBP millions**	**%**	**LBP millions**	**%**	**LBP millions**	**%**
Lebanese and other governmental treasury bills and bonds						
Lebanese Treasury bills in LBP(1)	2,225,740	41,2	2,134,306	39.8	2,342,233	32.5
Lebanese governmental bonds in foreign currency	1,949,068	36,1	2,130,730	39.7	2,142,518	29.7
Bonds and financial assets with fixed incomes						
Corporate bonds in foreign currency	86,383	1,6	122,316	2.3	385,326	5.3
Corporate certificates of deposit in foreign currency	47,425	0.9	38,607	0.6	25,491	0.4
Central Bank certificates of deposits in LBP and foreign currency(2)	1,056,224	19,5	824,184	15.4	2,223,764	30.9
Shares, securities and financial assets with variable incomes in LBP and foreign currency	38,648	0.7	117,867	2.2	89,300	1.2
Total	**5,403,488**	**100**	**5,368,010**	**100**	**7,208,632**	**100**

LEBANESE AND OTHER GOVERNMENTAL TREASURY BILLS AND BONDS

Lebanese and other governmental treasury bills and bonds (in both LBP and foreign currencies) decreased, as a percentage of the Bank's total securities portfolio, to 62.2 percent as at 31 December 2008, as compared to 79.5 percent as at 31 December 2007 and 77.3 percent as at 31 December 2006. Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 30.9 percent of the Bank's portfolio as at 31 December 2008, as compared to 15.4 percent as at 31 December 2007 and 19.5 percent as at 31 December 2006.

The Bank's portfolio of securities is classified as follows:

Investments by classification

The Bank's investment securities portfolio is divided between investments held for trading and non-trading investments and financial assets, which are further classified pursuant to IAS 39 as outlined below.

Trading investments

Investments held for trading are initially recognized at cost and subsequently re-measured at fair value. All related realized and unrealized gains or losses are included in gains and losses arising from trading investments. Interest earned or dividends received are included in interest and similar income and dividend income respectively.

Non-trading investments and financial assets

Pursuant to IAS 39, financial assets are classified as follows:
--- **Held-to-maturity investments** – non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Bank has the positive intention and ability to hold these investments to maturity. Investments intended to be held for an undefined period, however, are not included in this classification;
--- **Investments carried at fair value through profit and loss account** – investments are classified as fair value through profit and loss account if the fair value of the investment can be reliably measured and the classification as fair value through profit and loss account is in accordance with the documented strategy of the Bank;
--- **Investments carried at amortized cost (loans and receivables)** – loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; and
--- **Available-for-sale investments** – available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified to any of the three preceding categories.
Financial assets are initially measured at fair value, plus, in the case of investment not carried at fair value through profit or loss, directly attributable transaction costs. The Bank classifies its financial assets at the time of initial recognition and, where allowed and appropriate, re-evaluates its classifications at each financial year-end.

The following tables set forth a breakdown of the Bank's investment securities portfolio, by classification, as at 31 December 2006, 2007 and 2008:

As at 31 December 31, 2006	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				1,020,267	35,957	1,056,224
Lebanese and other governmental treasury bills and bonds	1,097,240	1,799,441	1,171,204		106,923	4,174,808
Bonds and financial assets with fixed incomes	1,477	302	82,747		1,857	86,383
Shares, securities and financial instruments with variable incomes	24,372		14,276			38,648
Corporate certificates of deposit				46,482	943	47,425
Total by category	**1,123,089**	**1,799,743**	**1,268,227**	**1,066,749**	**145,680**	**5,403,488**

As at 31 December 31, 2007	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit			33,164	759,666	31,354	824,184
Lebanese and other governmental treasury bills and bonds	787,967	1,646,219	1,729,875		100,975	4,265,036
Bonds and financial assets with fixed incomes	148	611	118,301		3,256	122,316
Shares, securities and financial instruments with variable incomes	28,547		89,320			117,867
Corporate certificates of deposit			21,625	15,685	1,297	38,607
Total by category	**816,662**	**1,646,830**	**1,992,285**	**775,351**	**136,882**	**5,368,010**

As at 31 December 31, 2008	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				2,157,271	66,493	2,223,764
Lebanese and other governmental treasury bills and bonds	169,115	1,232,442	1,078,948	1,907,264	96,982	4,484,751
Bonds and financial assets with fixed incomes	7,866	71,322	116,782	178,775	10,581	385,326
Shares, securities and financial instruments with variable incomes	29,954		59,346			89,300
Corporate certificates of deposit				24,652	839	25,491
Total by category	**206,935**	**1,303,764**	**1,255,076**	**4,267,962**	**174,895**	**7,208,632**

Liquidity

Liquid assets to total assets	Dec/06	Dec/07	Dec/08
Cash and Central Bank	**20.26%**	**18.27%**	**25.09%**
out of which other certificates of deposit	8.25%	5.76%	13.14%
Lebanese government securities	**33.74%**	**29.83%**	**26.49%**
Bonds and fixed-income securities	0.70%	0.86%	2.28%
Banks and financial institutions	19.15%	22.68%	16.83%
Total liquidity	**73.85%**	**71.63%**	**70.69%**

Liquid assets to customers' deposits	Dec-06	Dec-07	Dec-08
Cash and Central Bank	26.49%	23.90%	33.69%
out of which other certificates of deposits	10.78%	7.54%	17.65%
Lebanese government securities	**44.11%**	**39.02%**	**35.57%**
Bonds and fixed-Income securities	0.91%	1.12%	3.06%
Banks and financial institutions	25.03%	29.66%	22.60%
Total liquidity	**96.54%**	**93.70%**	**94.93%**

As shown above, liquidity increased compared to the previous years, the Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2008, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese government securities, placements with banks, and other fixed-income securities) represented 70.69 percent of total assets and 94.93 percent of customer deposits compared to 71.63 percent and 93.7 percent respectively as at 31 December 2007.

Capital and capital adequacy

As of 31 December 2008 the Bank's share capital is LBP 511,363,536,000, consisting of (i) a single class of 217,112,557 Common Shares, with a par value LBP 1,200 per share, all of which is fully paid up; (ii) 1,000,000 Preferred Shares, with a par value of LBP 1,200 per share, which were issued on 30 May 2003 at a price of, and may, subject to certain conditions, be redeemed by the Bank at, USD 100.00 per share, all of which are fully paid up; and (iii) 206,023,723 Priority Shares, with a par value of LBP 1,200, all of which are fully paid up.

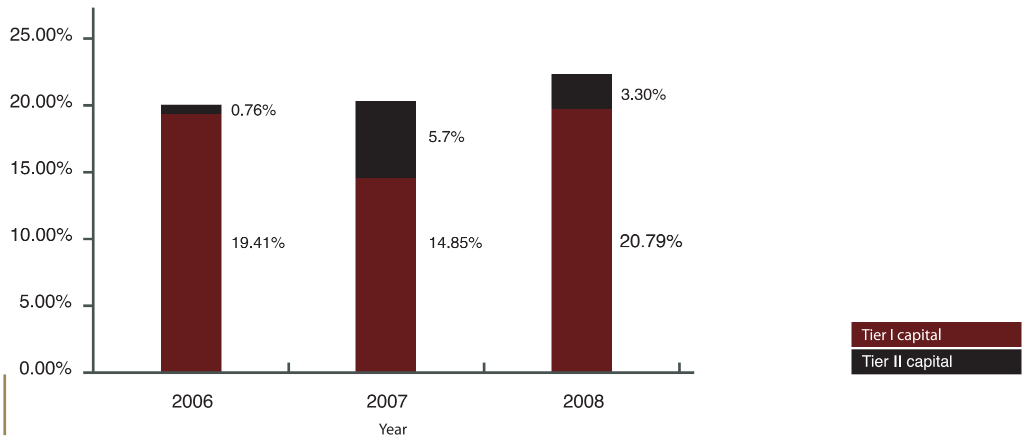
Group Results at a Glance

In LBP millions	2006	2007	2008
Type of capital			
Tier I(1) (2)	902,117	874,317	1,418,202
Tier II(3)	48,965	350,465	241,252
Total capital base	**951,082**	**1,224,782**	**1,659,454**
Risk-weighted assets			
Balance sheet items	3,969,630	5,145,012	6,211,984
Off-balance sheet items	679,046	744,558	611,454
Total risk-weighted assets	**4,648,676**	**5,889,570**	**6,823,438**
Capital adequacy ratios			
Total capital	20.17%	20.54%	24.09%
Tier I capital	19.41%	14.85%	20.79%
Tier II capital	0.76%	5.70%	3.30%

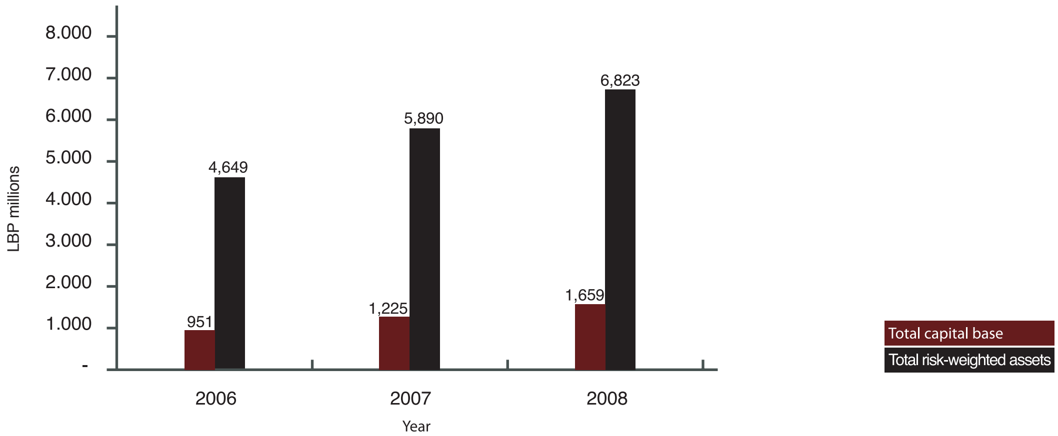
Notes:
(1) Tier I capital comprises mainly paid-up share capital (excluding goodwill and intangible fixed assets), issue premium, shareholders' cash contributions to capital, reserves, retained earnings and reserves for unspecified banking risks.
(2) Tier II capital comprises subordinated loans and revaluation reserves recognized in the complementary shareholders' equity.
(3) Capital adequacy ratio based on total capital is calculated after the deduction of net contributions in non-subsidiary financial institutions from total capital base.

As at 31 December 2008, based on total capital (Tier I capital and Tier II capital) of LBP 1,659 billion (USD 1,101 million), the Bank's capital adequacy ratio was 24.09 percent., as compared to 20.5 percent as at 31 December 2007 and 20.2 percent as at 31 December 2006 (in each case, excluding net income for the relevant year) and the minimum capital adequacy ratio of 12.00 percent required by the Central Bank.

The graph below shows the evolution of capital adequacy ratios throughout the last three years:



The graph below shows the evolution of total capital and risk-weighted assets throughout the last three years:



DIVIDEND DISTRIBUTION

The following table sets forth the high and low sale prices of the common shares, as reported on the Beirut Stock Exchange, and the cash dividends paid by the Bank on the common shares with respect to the periods indicated.

Period	High USD	Low USD	Common share dividend(1) LBP	USD
2000	2.3750	1.6250	250.00	0.1658
2001	1.7500	1.0625	250.00	0.1658
2002	1.7813	1.0625	236.84	0.1571
2003	2.0625	1.2500	157.89	0.1047
2004	1.8100	1.4500	157.89	0.1047
2005	2.7800	1.4500	157.89	0.1047
2006	4.0000	1.4500	157.89	0.1047
2007	2.6000	1.6500	157.89	0.1047
2008	**3.2300**	**1.5800**	**157.89**	**0.1047**

Note:
(1) Before taxes at a rate of 5 percent

Period	High USD	Low USD	Common share dividend(1) LBP	USD
2005	2.5100	2.1600	11.84	0.0079
2006	4.0000	1.6000	205.89	0.1366
2007	2.5900	1.6900	205.89	0.1366
2008	**3.1000**	**1.5400**	**205.89**	**0.1366**

Note:
(1) Before taxes at a rate of 5 percent
(2) Dividends include distribution of 4 percent on nominal value of priority shares

In addition, at its Annual General Meeting held on May 22, 2009, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended December 31 2007 (before taxes of 5 percent) of LBP 157.9 (USD 0.1) per Common Share, LBP 205.9 (USD 0.137) per Priority Share (comprised of the regular dividend of LBP 157.9 [USD 0.1] plus the priority dividend equivalent to 4 percent of the nominal value of the Priority Share as provided in the terms of the Priority Shares) and USD 12 per Series 2003 Preferred Share and USD 3.35 per Series 2008 Preferred Share. Total dividends paid in respect of 2008 represented 57.1 percent of net income for that year.

Byblos Bank S.A.L.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BYBLOS BANK SAL

We have audited the accompanying consolidated financial statements of Byblos Bank SAL (the Bank) and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Semaan, Gholam & Co.

23 April 2009
Beirut, Lebanon

YEAR ENDED
31 DECEMBER 2008

Consolidated Income Statement

LL million

	Notes	2008	2007
Interest and similar income	5	1,037,795	939,021
Interest and similar expense	6	(681,953)	(661,014)
NET INTEREST INCOME		**355,842**	**278,007**
Fee and commission income	7	116,719	90,655
Fee and commission expense	7	(9,796)	(8,808)
NET FEE AND COMMISSION INCOME		**106,923**	**81,847**
Net trading income	8	9,383	17,207
Net gain or loss on financial assets	9	14,471	12,173
Other operating income	10	17,519	3,885
TOTAL OPERATING INCOME		**504,138**	**393,119**
Credit loss expense	11	(5,434)	(4,761)
Impairment losses on financial investments	12	(37,700)	-
NET OPERATING INCOME		**461,004**	**388,358**
Personnel expenses	13	(123,143)	(98,366)
Depreciation of property and equipment	27	(16,997)	(13,660)
Amortization of intangibles assets	28	(125)	(125)
Other operating expenses	14	(98,208)	(87,234)
TOTAL OPERATING EXPENSES		**(238,473)**	**(199,385)**
OPERATING PROFIT		**222,531**	**188,973**
Excess of Group's interest in the fair value of net assets of acquired subsidiary over cost	4	-	870
Impairment loss on assets held for sale	29	(408)	(4,751)
PROFIT BEFORE TAX		**222,123**	**185,092**
Income tax expense	15	(38,208)	(35,574)
PROFIT FOR THE YEAR		**183,915**	**149,518**
Attributable to:			
Equity holders of the parent		172,285	142,550
Minority interests		11,630	6,968
		183,915	149,518
Earnings per share			
Basic, for profit for the year attributable to ordinary equity holders of the parent – common shares	16	LBP 317.19	LBP 278.73
Basic, for profit for the year attributable to ordinary equity holders of the parent – priority shares	16	LBP 365.19	LBP 326.73

The attached notes 1 to 64 form part of these consolidated financial statements.

LL million

ASSETS	Notes	2008	2007
Cash and balances with central banks	17	2,023,979	1,788,544
Due from banks and financial institutions	18	2,525,830	2,778,817
Financial assets given as collateral and reverse repurchase agreements	19	96,847	90,929
Derivative financial instruments	20	30,117	19,146
Financial assets held for trading	21	210,825	836,771
Net loans and advances to customers	22	4,194,647	3,354,275
Net loans and advances to related parties	47	12,017	11,738
Debtors by acceptances	23	284,468	265,415
Available-for-sale financial instruments	24	1,280,283	2,030,428
Financial assets classified as loans and receivables	25	4,619,105	1,182,265
Held-to-maturity financial instruments	26	1,299,646	1,652,876
Property and equipment	27	243,322	192,348
Intangible assets	28	1,074	1,199
Non-current assets held for sale	29	46,108	51,389
Other assets	30	60,874	43,690
TOTAL ASSETS		**16,929,142**	**14,299,830**

LL million

LIABILITIES AND EQUITY			
Due to central banks	31	83,656	60,950
Derivative financial instruments	20	28,866	18,988
Due to banks and financial institutions	32	1,462,261	1,008,162
Customer deposits	33	12,500,408	10,825,202
Deposits from related parties	47	106,472	122,906
Debt issued and other borrowed funds	34	267,555	269,872
Current tax liability	35	29,996	25,400
Engagements by acceptances	23	284,468	265,415
Other liabilities	36	191,059	179,084
Liabilities linked to held-for-sale assets	29	1,720	2,139
Provision for risks and charges	37	30,591	18,033
End-of-service benefits	38	27,478	20,575
Subordinated notes	39	296,203	331,145
TOTAL LIABILITIES		**15,310,733**	**13,147,871**

LL million

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common ordinary shares	40	260,535	246,028
Share capital – common priority shares	40	247,228	247,228
Share capital – preferred shares	40	3,600	1,200
Issue premium – common ordinary shares	40	26,425	-
Issue premium – preferred shares		444,704	149,550
Capital reserves	43	334,348	296,487
Treasury shares	40	(1,554)	(947)
Retained earnings		15,317	11,127
Revaluation reserve of real estate	41	5,689	5,689
Available-for-sale reserve	42	(30,517)	(46,244)
Net results of the financial period – profit		172,285	142,550
Foreign currency translation reserve		18,604	21,669
Other reserve	44	5,538	-
		1,502,202	**1,074,337**
MINORITY INTEREST	**45**	**116,207**	**77,622**
TOTAL EQUITY		**1,618,409**	**1,151,959**
TOTAL LIABILITIES AND EQUITY		**16,929,142**	**14,299,830**

The consolidated financial statements were authorized for issue in accordance with the Board of Directors resolution on 17 April 2009.

Dr. François Bassil
Chairman/General Manager

Mr. Alain Wanna
Financial and Administrative Manager

The attached notes 1 to 64 form part of these consolidated financial statements.

Consolidated Off Balance Sheet

LL million

	Notes	2008	2007
OFF-BALANCE SHEET ITEMS			
Financing commitments			
Financing commitments given to banks and financial institutions	48	**862,122**	819,316
Financing commitments received from banks and financial institutions		**184,563**	65,597
Engagements to customers		**276,964**	326,566
Bank guarantees			
Guarantees given to banks and financial institutions	48	**267,414**	126,738
Guarantees given to customers	48	**793,830**	767,135
Guarantees received from customers		**14,664,214**	8,832,505
Foreign currency contracts			
Foreign currencies to receive		**339,685**	474,402
Foreign currencies to deliver		**338,434**	474,244
Claims from legal cases		**265,458**	255,976
Fiduciary deposits		**174,558**	177,875
Assets under management		**2,604,921**	2,066,134
Bad debts fully provided for	22	**121,244**	113,690

Consolidated Cash Flow Statement

LL million

	Notes	2008	2007
OPERATING ACTIVITIES			
Profit before tax		222,123	185,092
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization		17,122	13,785
Provision for loans and advances, net		5,434	4,761
Gain on disposal of property, plant and equipment		(72)	(399)
Gain on disposal of non-current assets held for sale		(12,505)	(602)
Provisions for risks and charges, net		12,558	14,787
Provision for impairment of financial instruments		37,700	-
Provision for end of services benefits		7,252	4,888
Impairment provision on non-current assets held for sale		408	4,751
Excess of Group's interest in the net fair value of net assets of acquired subsidiary over cost		-	(870)
Excess of fair value of net assets acquired of Unicredit Banca di Roma SpA – Beirut Branch overcost		(1,353)	-
		288,667	**226,193**

The attached notes 1 to 64 form part of these consolidated financial statements.

	Notes	2008	2007
			LL million
Changes in operating assets and liabilities			
Due from central banks		(221,380)	(488,608)
Due from banks and financial institutions		108,814	(266,997)
Financial assets given as collateral		(5,918)	(50,479)
Due to banks and financial institutions		270,760	4,374
Derivative financial instruments		(1,093)	(586)
Financial assets held for trading		521,875	313,435
Net loans and advances		(826,190)	(733,052)
Other assets		(9,072)	1,054
Customers' and related party deposits		1,615,843	1,486,619
Other liabilities		3,550	13,374
Cash from operations		1,745,856	505,327
End of service benefits paid		(349)	(883)
Taxation paid		(25,400)	(30,724)
Net cash from operating activities		**1,720,107**	**473,720**
INVESTING ACTIVITIES			
Available-for-sale financial instruments		(987,470)	(722,195)
Financial assets classified as loans and receivables		(1,616,818)	31,255
Held-to-maturity financial instruments		352,921	160,562
Purchase of property and equipment		(58,757)	(50,246)
Proceeds from sale of property and equipment		317	1,103
Purchase of non-current assets held for sale		(5,179)	(19,089)
Proceeds from sale of non-current assets held for sale		22,557	3,569
Liabilities linked to held-for-sale assets		(419)	314
Acquisition of a subsidiary, net of cash acquired	4	-	(8,530)
Acquisition of net assets of Unicredit Banca Di Roma SpA – Beirut Branch		(12,415)	-
Net cash used in investing activities		**(2,305,263)**	**(603,257)**
FINANCING ACTIVITIES			
Issuance of ordinary common shares		38,479	-
Issuance of preferred shares		297,554	-
Due to central bank		22,706	2,885
Debts issued and other borrowed funds		(2,317)	(3,647)
Subordinated notes		(37,711)	304,119
Treasury shares		(607)	(581)
Dividends paid		(92,961)	(92,962)
Gain on sale of subsidiary shares to minority interest	43	6,028	-
Change in minority interest		26,955	9,980
Net cash from financing activities		**258,126**	**219,794**
Effect of exchange rates:			
Effect of exchange rates on property and equipment		(866)	(1,593)
Foreign currency translation differences		(3,065)	10,031
Effect of exchange rates on reserves and premiums		(2,806)	3,353
Net effect of foreign exchange rates		**(6,737)**	**11,791**
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(333,767)**	**102,048**
Cash and cash equivalents at 1 January		2,984,971	2,882,923
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**46**	**2,651,204**	**2,984,971**

In 2008, operating and investing activities include a non-cash item representing the increase in financial assets classified as loans and receivables in the amount of LBP 1,820,022 against decrease in trading and available-for-sale financial assets in the amount of LBP 104,071 million and LBP 1,715,951 million, respectively.

The attached notes 1 to 64 form part of these consolidated financial statements.

YEAR ENDED 31 DECEMBER 2008

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the parent							
	Share capital							
	Share capital – common shares	Share capital – preferred shares	Share capital – priority shares	Issue premium – common shares	Issue premium – preferred shares	Treasury shares	Legal reserve	Reserves appropriated for capital increase
Balance at January 2007	246,028	1,200	247,228	-	149,550	(366)	77,256	20,010
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	380	-
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	380	-
Net profit for the year	-	-	-	-	-	-	-	-
Total income and expenses for the year	-	-	-	-	-	-	380	-
Transfer to retained earnings	-	-	-	-	-	-	-	-
Transfer to capital reserves	-	-	-	-	-	-	12,488	274
Equity component of convertible subordinated loans (note 39)	-	-	-	-	-	-	-	-
Minority interests in capital increase of subsidiaries	-	-	-	-	-	-	-	-
Minority interests attributable of acquisition of subsidiaries	-	-	-	-	-	-	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-
Equity dividends paid	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	(581)	-	-
Balance at 31 December 2007	**246,028**	**1,200**	**247,228**	**-**	**149,550**	**(947)**	**90,124**	**20,284**
Net movement in cumulative changes in fair values	-	-	-	-	-	-	-	-
Translation difference	-	-	-	-	-	-	(791)	-
Total income and expense for the year recognized directly in equity	-	-	-	-	-	-	(791)	-
Net profit for the year	-	-	-	-	-	-	-	-
Total income and expenses for the year	-	-	-	-	-	-	(791)	-
Transfer to retained earnings	-	-	-	-	-	-	-	-
Transfer to capital reserve and other reserves	-	-	-	-	-	-	15,313	523
Increase in capital (note 40)	14,507	2,400	-	26,425	295,154	-	-	-
Capital increase of subsidiaries (notes 43 and 45)	-	-	-	-	-	-	-	-
Dividends paid – subsidiaries	-	-	-	-	-	-	-	-
Equity dividends paid	-	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	(607)	-	-
Balance at 31 December 2008	**260,535**	**3,600**	**247,228**	**26,425**	**444,704**	**(1,554)**	**104,646**	**20,807**

The attached notes 1 to 64 form part of these consolidated financial statements.

	Capital reserves										Minority interests	Total equity
General reserve	Equity component of convertible subordinated loans	Reserve for general banking risks	Other capital reserves	Other reserves	Retained earnings	Revaluation reserve	Available-for-sale reserve	Net results of the financial period – profit	Foreign currency translation reserve	Total		
96,776	-	48,159	-	-	18,824	5,689	(12,250)	115,389	11,638	1,025,131	60,951	1,086,082
-	-	-	-	-	-	-	(34,132)	-	-	(34,132)	(277)	(34,409)
2,845	-	-	-	-	128	-	138	-	10,031	13,522	2,600	16,122
2,845	-	-	-	-	128	-	(33,994)	-	10,031	(20,610)	2,323	(18,287)
-	-	-	-	-	-	-	-	142,550	-	142,550	6,968	149,518
2,845	-	-	-	-	128	-	(33,994)	142,550	10,031	121,940	9,291	131,231
-	-	-	-	-	115,389	-	-	(115,389)	-	-	-	-
8,733	-	8,757	-	-	(30,252)	-	-	-	-	-	-	-
-	20,809	-	-	-	-	-	-	-	-	20,809	-	20,809
-	-	-	-	-	-	-	-	-	-	-	1	1
-	-	-	-	-	-	-	-	-	-	-	9,411	9,411
-	-	-	-	-	-	-	-	-	-	-	(2,032)	(2,032)
-	-	-	-	-	(92,962)	-	-	-	-	(92,962)	-	(92,962)
-	-	-	-	-	-	-	-	-	-	(581)	-	(581)
108,354	**20,809**	**56,916**	**-**	**-**	**11,127**	**5,689**	**(46,244)**	**142,550**	**21,669**	**1,074,337**	**77,622**	**1,151,959**
-	-	-	-	-	-	-	15,747	-	-	15,747	240	15,987
(1,518)	-	-	-	-	(497)	-	(20)	-	(3,065)	(5,891)	(2,158)	(8,049)
(1,518)	-	-	-	-	(497)	-	15,727	-	(3,065)	9,856	(1,918)	7,938
-	-	-	-	-	-	-	-	172,285	-	172,285	11,630	183,915
(1,518)	-	-	-	-	(497)	-	15,727	172,285	(3,065)	182,141	9,712	191,853
-	-	-	-	-	142,550	-	-	(142,550)	-	-	-	-
13,558	-	9,970		5,538	(44,902)	-	-	-	-	-	-	-
-	(2,769)	-	-	-	-	-	-	-	-	335,717	-	335,717
(2,453)	-	-	6,028	-	-	-	-	-	-	3,575	31,203	34,778
-	-	-	-	-	-	-	-	-	-	-	(2,330)	(2,330)
-	-	-	-	-	(92,961)	-	-	-	-	(92,961)	-	(92,961)
-	-	-	-	-	-	-	-	-	-	(607)	-	(607)
117,941	**18,040**	**66,886**	**6,028**	**5,538**	**15,317**	**5,689**	**(30,517)**	**172,285**	**18,604**	**1,502,202**	**116,207**	**1,618,409**

1 CORPORATE INFORMATION

Byblos Bank S.A.L. (the “Bank”), a Lebanese joint stock company, was incorporated in 1961 and registered under No. 14150 at the commercial registry of Beirut and under No. 39 on the list of banks published by the Bank of Lebanon. The Bank’s head office is located on Elias Sarkis Street in Ashrafieh, Beirut, Lebanon.

The Bank, together with its affiliated banks and subsidiaries (the Group), provides a wide range of banking and insurance services, through its headquarters and branches in Lebanon and eight locations abroad (Limassol, Brussels, London, Paris, Damascus, Khartoum, Erbil and Yerevan).

On 23 October 2008, the Group entered into an agreement to acquire the net assets of Unicredit Banca Di Roma SpA – Beirut Branch for a total consideration of LBP 12,415 million. The Bank of Lebanon approved the sale with effect from 18 December 2008 and all the assets and liabilities of the branch as of that date were transferred to Byblos Bank S.A.L.

2 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and circulars issued by the Bank of Lebanon and the Banking Control Commission (BCC).

The consolidated financial statements have been prepared under the historical cost basis except for the measurement at fair value of derivative financial instruments and investment securities other than held-to-maturity investments and for the revaluation of freehold buildings as accepted by the Bank of Lebanon under the provisions of Law No. 282 dated 30 December 1993.

The consolidated financial statements are presented in Lebanese Pounds (LBP or LL), the functional and presentation currency of the Bank.

CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures – Reclassification of Financial Assets

The amendments allow entities to reclassify certain financial assets out of “Held for trading” if they are no longer held for the purpose of being sold or repurchased in the near term. The amendments also allow entities to reclassify, in certain circumstances, financial instruments out of the “Available for sale” category and into the “Loans and receivables” category.

--- Financial assets that would be eligible for classification as loans and receivables (i.e. those asset which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from the "Held for trading" and "Available for sale" categories to "Loans and receivables", if the entity has the intention and the ability to hold them for the foreseeable future.

--- Financial assets that are not eligible for classification as loans and receivables may be transferred from "Held for trading" to "Available for sale" or to "Held to maturity" only in rare circumstances.

The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendments is 1 July 2008 and reclassifications before that date are not permitted.

The Group has reclassified certain securities from "Held for trading" and "Available for sale" categories into the "Loans and receivables" category. A full analysis of the financial impact of the reclassification is provided in note 51.

NEW AND AMENDED STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following represents the International Financial Reporting Standards issued but not yet effective for the year ended 31 December 2008:

IFRS 2	Share-based Payment – Vesting Conditions and Cancellations (Amendments)
IFRS 3	Business Combinations (Revised)
IFRS 8	Operating Segments
IAS 1	Presentation of Financial Statements (Revised)
IAS 23	Borrowing Costs (Revised)
IAS 27	Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
IAS 32	Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
IAS 39	Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
IFRIC 13	Customer Loyalty Programmes
IFRIC 15	Agreements for the Construction of Real Estate
IFRIC 16	Hedges of Net Investment in a Foreign Operation
IFRIC 17	Distribution of Non-cash Assets to Owners

Management does not expect these standards to have a significant impact on the Group's financial statements when implemented in future years.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Byblos Bank S.A.L. and its subsidiaries drawn up to 31 December each year. The financial statements of subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intra-Group balances, transactions, income and expenses, and profits and losses resulting from intra-Group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the consolidated income statement in the year of acquisition.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements comprise the financial statements of Byblos Bank S.A.L. and the following subsidiaries:

Subsidiary	Percentage of ownership 2008 %	2007 %	Principal activity	Country of incorporation
Byblos Bank Europe S.A.	**99.95**	99.95	Banking activities through its head office in Brussels (Belgium) and two branches in London and Paris	Belgium
Adonis Insurance and Reinsurance Co. (ADIR) S.A.L.	**63.95**	63.95	Insurance activities	Lebanon
Adonis Brokerage House S.A.L.	**99.40**	99.40	Insurance brokerage	Lebanon
Byblos Invest Bank S.A.L.	**99.99**	99.99	Investment banking activities	Lebanon
Byblos Bank Africa Ltd. *	**56.86**	65.00	Banking activities	Sudan
Byblos Bank Syria SA	**41.50**	41.50	Banking activities	Syria
Byblos Bank Armenia C.J.S.C. *	**65.00**	100.00	Banking activities	Armenia
Adonis Insurance and Reinsurance (ADIR) Syria	**76.00**	76.00	Insurance activities	Syria
Byblos Management S.A.L. (Holding) **	**99.98**	-	Investment activities	Lebanon

* During 2008, the Group's shares in Byblos Bank Africa and Byblos Bank Armenia C.J.S.C. were reduced as a result of capital increases subscribed to by existing and other shareholders.
** A company established on 12 May 2008.

BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for using the purchase method of accounting. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognized directly in the consolidated income statement in the year of acquisition.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognized in the consolidated income statement.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

TRADE AND SETTLEMENT DATE ACCOUNTING

All “regular way” purchases and sales of financial assets are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations.

INITIAL RECOGNITION OF FINANCIAL INSTRUMENTS

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

HELD-FOR-TRADING FINANCIAL INVESTMENTS

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value and dividend income are recognized in the consolidated income statement in “Net trading income”. Interest income is recorded in “Interest and similar income” according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

NON-TRADING INVESTMENTS AND FINANCIAL ASSISTS

Financial assets within the scope of IAS 39 are classified as follows:

--- Held-to-maturity financial investments
--- Investments carried at fair value through profit and loss
--- Investments carried at amortized cost
--- Available-for-Sale financial assets

Held-to-Maturity Financial Investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in “Interest and similar income” or “interest and similar expense” in the consolidated income statement. The losses arising from impairment of such investments are recognized in the consolidated income statement as “Impairment losses on financial investments”.

Fair Value through Profit or Loss Financial Investments

Financial assets and financial liabilities classified in this category are designated on initial recognition when the following criteria are met:

--- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or

--- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

--- The financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in the consolidated income statement as “Net gain or loss on financial assets and liabilities designated at fair value through profit or loss”. Interest earned and interest incurred are accrued in “Interest income” or “Interest expense”, respectively, according to the terms of the contract.

Investments Carried at Amortized Cost

Due from banks, loans and advances and financial assets classified as loans and receivables are financial assets with fixed or determined payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as “Financial assets held for trading”, designated as “Financial investments – available for sale” or “Financial assets designated at fair value through profit or loss”. After initial measurement, amounts due from banks, loans and advances and financial assets classified as loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the effective interest rate. The amortization is included in “Interest and similar income” in the income statement. The losses arising from impairment of due from banks and loans and advances are recognized in the income statement in “Credit loss expense”, while losses arising from impairment of financial assets classified as loans and receivable are recognized in the income statement in “Impairment losses on financial investments”.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

Available-for-Sale Financial Assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified to any of the three preceding categories. After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in "Available-for-sale reserve". When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in "Net gain or loss on financial assets". Interest earned while holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned while holding available-for-sale financial investments are recognized in the income statement as "Net gain on financial assets" when the right of payment has been established. The losses arising from impairment of such investments are recognized in the income statement in "Impairment losses on financial investments" and removed from the available-for-sale reserve.

RECLASSIFICATION OF FINANCIAL ASSETS

Effective from 1 July 2008, the Group may reclassify, in certain circumstances, non-derivative financial assets out of the "Held for trading" category and into the "Available for sale", "Loans and receivables", or "Held to maturity" categories. From this date it may also reclassify, in certain circumstances, financial instruments out of the "Available for sale" category into the "Loans and receivables" category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

The Group may reclassify a non-derivative trading asset out of the "Held for trading" category and into the "Loans and receivables" category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effects of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

For a financial asset reclassified out of the "Available for sale" category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, the amount recorded in equity is recycled to the income statement.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis. The Group does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial Assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

--- The rights to receive cash flows from the asset have expired; or

--- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and

--- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Continuing involvement in the financial asset that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

Securities sold under agreements to repurchase at a specified future date ("repos") are not derecognized from the consolidated balance sheet. The corresponding cash received, including accrued interest, is recognized in the consolidated balance sheet as an asset with a corresponding obligation to return it, including accrued interest, as a liability within "cash collateral on securities lent and repurchase agreement", reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated in the consolidated income statement as interest expense and is accrued over the life of the agreement using the effective interest rate method.

Conversely, securities purchased under agreements to resell at a specified future date ("reverse repos") are not recognized in the balance sheet. The corresponding cash paid, including accrued interest, is recognized in the balance sheet within "Financial assets given as collateral and reverse purchase agreements", reflecting the transaction's economic substance as a loan by the Group. The difference between the purchase and resale prices is treated in the consolidated income statement as interest income and is accrued over the life of the agreement using the effective interest method.

IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such evidence exists, any impairment loss is recognized in the income statement.

(i) *Due From Banks, Loans and Advances And Financial Assets Classified as Loans and Receivables*

For amounts due from banks, loans and advances and financial assets classified as loans and receivables carried at amortized cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to "Credit loss expense".

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)
IMPAIRMENT OF FINANCIAL ASSETS (continued)

(ii) *Held-to-Maturity Financial Investments*

For held-to-maturity investments, the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to "Impairment losses on financial investments".

(iii) *Available-for-Sale Financial Investments*

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognized directly in equity.

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest and similar income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

(iv) *Renegotiated Loans*

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the arrangements of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment.

DETERMINATION OF FAIR VALUE

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction cost.

For all other financial instruments not listed in an active market, fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models, and other relevant valuation models.

PROPERTY AND EQUIPMENT

Property and equipment are initially recorded at cost less accumulated depreciation and any impairment in value. Depreciation and amortization are provided on a straight-line basis on all property and equipment. The rates of depreciation and amortization are based upon the assets' estimated useful lives as follows:

Buildings	50 years
Office equipment and furniture	6.66 -12.5 years
Computer equipment and software	3.33 -5 years
General installations	5 years
Vehicles	4 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists where the carrying values exceeds the estimated recoverable amount, the assets are written down to their recoverable amount.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalized only when it increases the future economic benefits of the related item of property and equipment. All other expenditure is recognized in the consolidated income statement as the expense is incurred.

INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite lives are amortized over their useful economic lives. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible assets.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives:

Key-money	10-15 years

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired and whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, an estimate of the asset's recoverable amount is made. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)
IMPAIRMENT OF FINANCIAL ASSETS (continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods.

ASSETS HELD FOR SALE

The Group occasionally acquires real estate in settlement of certain loans and advances in accordance with the regulatory authorities' directives. Such assets are stated at the lower of the net realizable value of the related loans and advances and the current fair value of such assets based on the instructions of the Banking Control Commission. Gains or losses on disposal and revaluation losses are recognized in the consolidated income statement for the period.

DEBT ISSUED AND OTHER BORROWED FUNDS

Debt issued and other borrowed funds represent certificates of deposit, index-linked notes, commodity-linked notes, and equity-linked notes which are recorded at nominal value after the deduction of issuance costs and the addition of accrued interest and unamortized premiums up to the balance sheet date. Issuance costs and premiums are amortized on straight-line basis to their maturities in the case of the certificates of deposit and using effective interest rate in the case of the index-linked notes, equity-linked notes, and commodity-linked notes and are taken to the consolidated income statement.

SUBORDINATED LOANS

Subordinated notes issued by the Bank are recorded at the principal amount in foreign currencies after deduction of issuance costs and the addition of accrued interest up to the balance sheet date. Premiums and discounts are amortized on a straight-line basis to their maturities and are taken to interest and similar income or expense in the consolidated income statement.

Convertible subordinated notes are a compound financial instrument that contains both liability and equity elements which are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, subordinated notes are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue that is an integral part of the effective interest rate.

PROVISIONS

Provisions are recognized when the Group has a present obligation (legal or constructive) arising from a past event, and the costs to settle the obligation are both probable and able to be reliably measured.

EMPLOYEES' END-OF-SERVICE BENEFITS

For the Bank and its subsidiaries operating in Lebanon, end-of-service benefit subscriptions paid and due to the National Social Security Fund (NSSF) are calculated on the basis of 8.5% of the staff salaries. The final end-of-service benefits due to employees after completing 20 years of service, at the retirement age, or if the employee permanently leaves employment, are calculated based on the last salary multiplied by the number of years of service. The Bank is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Bank provides for end-of-service benefits on that basis.

End-of-service benefits for employees at foreign branches and subsidiaries are accrued for in accordance with the laws and regulations of the respective countries in which the branches and subsidiaries are located.

TREASURY SHARES

Own equity instruments which are acquired (treasury shares) are deducted from equity and are accounted for at weighted average cost. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

FINANCIAL GUARANTEES

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value in "Other liabilities", being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

REVENUE RECOGNITION

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest and Similar Income and Expense

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts thought the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense. Interest income generated from sub-standard, doubtful and bad debts is recorded as a contra-asset account in the consolidated balance sheet.

Fee and Commission Income

Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit-related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend Income

Revenue is recognized when the Group's right to receive the payment is established.

Net Gain on Financial Assets

Net gain on financial assets includes gains and losses from re-evaluation and sale of financial instruments classified other than fair value through profit or loss, and dividend income on these financial instruments.

Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value and dividends for financial assets held for trading. This includes any ineffectiveness recorded in hedging transactions.

Insurance Revenue

For the insurance subsidiaries, net premiums and accessories (gross premiums) are taken to income over the terms of the policies to which they relate using the prorata temporis method for non-marine business and 25% of gross premiums for marine business. The unearned premiums reserve represents the portion of the gross premiums written relating to the unexpired period of coverage.

If the unearned premiums reserve is not considered adequate to cover future claims arising on these premiums, a premium deficiency reserve is created.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

FIDUCIARY ASSETS

Assets held in a fiduciary capacity are not treated as assets of the Group and accordingly are recorded as off-balance sheet items.

HEDGE ACCOUNTING

For the purposes of hedge accounting, hedges are classified into two categories:

A fair value hedges which hedge the exposure to changes in the fair value of a recognized asset or liability; and

B cash flow hedges which hedge the exposure to variability in cash flows of a recognized asset or liability or a forecasted transaction

In relation to effective fair value hedges, any gain or loss from re-measuring the hedging instrument to fair value, as well as related changes in fair value of the item being hedged, are recognized immediately in the consolidated income statement.

In relation to effective cash flow hedges, the gain or loss on the hedging instrument is recognized initially in equity and is transferred to the consolidated statement of income for the period in which the hedged transaction impacts the statement of income, or included as part of the cost of the related asset or liability.

For hedges which do not qualify for hedge accounting, any gain or loss arising from changes in the fair value of the hedging instrument are taken directly to the consolidated income statement for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. For fair value hedges of financial instruments with fixed maturities, any adjustment arising from hedge accounting is amortized over the remaining term to maturity. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognized in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur the net cumulative gain or loss recognized in equity is transferred to the consolidated statement of income.

OFF-BALANCE-SHEET ITEMS

Off-balance-sheet balances include commitments which may take place in the Group's normal operations such as letters of guarantee and letters of credit, without deducting the margins collected and related to these commitments.

2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in Lebanese Pounds, the Bank's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and Balances

Transactions in foreign currencies are initially recorded at the functional currency rate ruling on the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Lebanese Pounds or other functional currencies at rates of exchange prevailing at the balance sheet date. Any gains or losses are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Group Companies

As at the reporting date, the assets and liabilities of subsidiaries and overseas branches are translated into the Bank's presentation currency (Lebanese Pounds) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the weighted average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity as foreign currency translation differences. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Following are the exchange rates used to translate assets, liabilities and statement of income items of foreign branches and subsidiaries:

		2008		2007	
		Year end rate	*Average rate*	*Year end rate*	*Average rate*
LL million	US Dollar	**1,507.5**	**1,507.5**	1,507.50	1,507.50
	Euro	**2,136.88**	**2,225.69**	2,212.56	2,077.55
	Sudanese Dinar	**690.25**	**721.11**	734.435	746.97
	Syrian Lira	**32.52**	**32.48**	31.37	30.24
	Armenian Dram	**4.91**	**4.94**	4.96	4.85

OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

TAXES

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

(i)

Current Tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

(ii)

Deferred Tax

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

--- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

--- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

--- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

--- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

JUDGMENTS

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect in the amounts recognized in the financial statements:

Classification of Investments

Management decides on acquisition of an investment whether it should be classified as held to maturity, loans and receivables, held for trading, carried at fair value through profit and loss account, or available for sale.

For those deemed to be held to maturity, management ensures that the requirements of IAS 39 (revised) are met and, in particular, that the Group has the intention and ability to hold these to maturity.

The Group classifies investments as trading if they are acquired primarily for the purpose of making a short-term profit by the dealers.

Classification of investments as fair value through profit and loss depends on how management monitors the performance of these investments. When they are not classified as held for trading but have readily available reliable fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through profit and loss.

All other investments are classified as available for sale.

Impairment of Investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

ESTIMATION UNCERTAINTY

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment Losses on Loans and Advances

The Group reviews its problem loans and advances on a regular basis to assess whether a provision for impairment should be recorded in the income statement. In particular, considerable judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgment and uncertainty, and actual results may differ resulting in future changes to such provisions.

Collective Impairment Provisions on Loans and Atdvances

In addition to specific provisions against individually significant loans and advances, the Group also makes a collective impairment provision against loans and advances which, although not specifically identified as requiring a specific provision, have a greater risk of default than when originally granted. This collective provision is based on any deterioration in the internal grade of the loan since it was granted. The amount of the provision is based on the historical loss pattern for loans within each grade and is adjusted to reflect current economic changes.

This internal grading takes into consideration factors such as any deterioration in country risk, industry, and technological obsolescence as well as identified structural weaknesses or deterioration in cash flows.

Impairment of Available-for-Sale Investments

The Group reviews its debt securities classified as available-for-sale investments at each balance sheet date to assess whether they are impaired. This requires similar judgment to the individual assessment of loans and advances.

The Group also records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is “significant” or “prolonged” requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.

Fair Value of Financial Instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer-dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

4 BUSINESS COMBINATION

On 31 August 2007, the Group completed the acquisition of 100% of the share capital of Byblos Bank Armenia C.J.S.C. (formerly International Trade Bank C.J.S.C.), specializing in banking activities, for a total consideration of LBP 15,408 million (USD (000) 10,221).

The fair value of the identifiable assets and liabilities of Byblos Bank Armenia C.J.S.C. as of 31 August 2007 were as follows:

ASSETS (LL million)	*Recognized on acquisition*	*Carrying value*
Cash and balances with central bank	7,407	7,407
Amounts receivable under reverse repurchase agreement	781	781
Bonds and financial instruments with fixed incomes	1,509	1,509
Shares, securities and financial instruments with variable incomes	40	40
Banks and financial institutions	1,068	1,068
Loans and advances to customers	10,034	10,034
Tangible fixed assets	5,297	2,602
Other assets	204	204
TOTAL ASSETS	**26,340**	**23,645**
LIABILITIES (LL million)		
Banks and financial institutions	529	529
Customer deposits	9,279	9,279
Other liabilities	254	254
TOTAL LIABILITIES	**10,062**	**10,062**
Fair value of net assets	16,278	13,583
Group’s interest	16,278	-
Cost of acquisition	(15,408)	-
Excess of Group’s interest in the net fair value of identifiable assets and liabilities over cost	870	-

The excess of the Group’s interest in the fair value of net assets over cost was recognized in the consolidated income statement.

4 - BUSINESS COMBINATION (continued)

Cash outflow on acquisition of the subsidiary is as follows:

LL million		2007
	Net cash acquired with the subsidiary	6,878
	Cash paid	(15,408)
	Net cash outflow	**(8,530)**

From the date of acquisition until 31 December 2007, the above entity incurred losses amounting to LBP 287 million, which were accounted for in the determination of the Group's net profit under "Excess of Group's interest in the fair value of net assets of acquired subsidiary over cost".

The cost of acquisition includes directly attributable costs including legal, audit and other professional fees.

5

INTEREST AND SIMILAR INCOME

LL million		2008	2007
	Cash and balances with central banks	47,987	64,328
	Due from banks and financial institutions	90,864	128,754
	Financial assets given as collateral	3,105	3,098
	Financial assets – held for trading	39,841	74,913
	Financial assets – available for sale	187,858	136,325
	Financial assets – held to maturity	148,527	156,621
	Financial assets – loans and receivables	204,637	116,066
	Loans and advances to customers	314,135	258,246
	Loans and advances to related parties	841	670
		1,037,795	**939,021**

6

INTEREST AND SIMILAR EXPENSE

LL million		2008	2007
	Due to central banks	3,859	3,729
	Due to banks and financial institutions	56,082	49,952
	Customer deposits	571,423	572,612
	Related parties' deposits	5,783	9,466
	Debt issued and other borrowed funds	17,151	16,979
	Subordinated notes	27,655	8,669
		681,953	**661,407**

7
NET FEE AND COMMISSION INCOME

LL million

	2008	2007
Loan and advance commission	12,530	9,755
Letter of guarantee commission	12,261	8,366
Acceptance commission	6,133	6,972
Letter of credit commission	39,883	28,810
Credit card commission	3,509	2,961
Domiciliation commission	1,353	1,358
Check collection commission	2,061	1,769
Maintenance of accounts commission	7,282	5,104
Closing of accounts commission	554	434
Transfer commission	5,246	3,480
Safe rental commission	694	527
Portfolio commission	2,606	2,227
Insurance premium commission	8,889	6,948
Other commissions	5,716	5,949
Refund of banking services	8,002	5,995
TOTAL FEE AND COMMISSION INCOME	**116,719**	**90,655**
Brokerage commission paid	(5,108)	(6,163)
Other commission paid	(4,688)	(2,645)
TOTAL FEE AND COMMISSION EXPENSE	**(9,796)**	**(8,808)**
NET FEE AND COMMISSION INCOME	**106,923**	**81,847**

8
NET TRADING INCOME

LL million

	2008	2007
Gain (loss) on sale of Treasury bills and other governmental bills	11,302	(938)
Loss on sale of bonds and financial assets with fixed incomes	(2,179)	(65)
Gain on sale of shares, securities and financial assets with variable incomes	3,717	5,285
Loss from revaluation of Treasury bills and other governmental bills	(12,843)	(1,123)
(Loss) gain from revaluation of bonds and financial assets with fixed incomes	(701)	55
(Loss) gain from revaluation of shares, securities and financial assets with variable incomes	(10,126)	503
Dividend income	2,016	1,261
Gain on foreign exchange	18,197	12,229
	9,383	**17,207**

9

NET GAIN ON FINANCIAL ASSETS

LL million		2008	2007
	Gain on sale of certificates of deposit classified as loans and receivables	1,331	11,776
	Gain on sale of treasury bills and other governmental bonds classified as available for sale	10,626	77
	Gain on sale of bonds and investments with fixed incomes classified as available for sale	140	-
	Dividend income	2,374	320
		14,471	**12,173**

10

OTHER OPERATING INCOME

LL million		2008	2007
	Net gain on sale of assets acquired in settlement of debt	12,181	304
	Write back of provision for properties in settlement of debt	-	298
	Write back of provision for risk and charges	-	181
	Rental income	842	405
	Net gain on sale or disposal of property and equipment	72	399
	Others	4,424	2,298
		17,519	**3,885**

11

CREDIT LOSS EXPENSE

LL million		2008	2007
	PROVISION CONSTITUTED DURING THE YEAR:		
	- Loans and advances (note 22)	6,135	9,619
	- Other debtors	-	50
	- Country risk (note 22)	696	54
	- General provision (note 22)	4,851	3,929
	Bad debts written off	230	156
		11,912	**13,808**

LL million		2008	2007
	PROVISION RECOVERED DURING THE YEAR AGAINST:		
	- Loans and advances recovered or upgraded (note 22)	(6,478)	(8,044)
	- General provisions recovered during the year (note 22)	-	(849)
	- Other debtor accounts written back	-	(154)
		(6,478)	(9,047)
		5,434	**4,761**

12

IMPAIRMENT LOSSES ON FINANCIAL INVESTMENTS

LL million		2008	2007
	FINANCIAL INVESTMENTS – AVAILABLE FOR SALE:		
	- Bonds and investments with fixed incomes	5,503	-
	- Shares, securities and financial assets with variable incomes	31,888	-
	FINANCIAL INVESTMENTS – HELD TO MATURITY:		
	- Treasury bills and other governmental bills	309	-
		37,700	**-**

13

PERSONNEL EXPENSES

LL million		2008	2007
	Salaries and related charges	101,286	85,141
	Social Security contributions	14,605	8,337
	Provision for end-of-service benefits (Note 38)	7,252	4,888
		123,143	**98,366**

14

OTHER OPERATING EXPENSES

LL million		2008	2007
	Taxes on interest	4,171	3,135
	Taxes and duties	4,792	5,761
	Contribution to deposit guarantee fund	5,422	4,887
	Rent and related charges	6,073	4,765
	Consulting fees	7,440	4,707
	Telecommunications and postage expenses	7,915	7,755
	Board of Directors attendance fees	1,150	599
	Maintenance and repairs	9,697	8,073
	Electricity and fuel	4,955	3,707
	Travel and entertainment	4,766	3,492
	Publicity and advertising	7,458	7,878
	Subscriptions	2,614	2,266
	Bonuses	13,585	11,993
	Legal expenses	2,294	2,262
	Insurance	1,051	167
	Other operating expenses	14,825	15,787
		98,208	**87,234**

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TAXATION

The reconciliation of the Group's income tax for the years ended 31 December 2008 and 31 December 2007 is as follows:

LL million		2008	2007
	Net profit before income tax	222,123	185,092
	Non-deductible expenses	24,261	25,819
	Non-taxable revenue	(24,164)	(20,251)
	Others	(216)	(1,640)
	Taxable income	222,004	189,020
	Effective income tax rate	17%	19%
	Income tax reported in the consolidated income statement	38,208	35,574
	Less: taxes on interest	(16,150)	(13,461)
	Net taxes due	**22,058**	**22,113**
	Current tax liability (note 35)	22,176	18,873

16 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Bank by the weighted average number of common shares (ordinary and priority) outstanding during the year.

Diluted earnings per share is calculated by dividing the net profit attributable to common equity holders of the Bank (after adjusting for interest on the convertible subordinated notes) by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table shows the income and share data used in the basic and diluted earnings per share calculations:

LL million

	2008	2007
Weighted average number of common shares outstanding during the year:		
- Ordinary shares	216,862,160	204,955,557
- Priority shares	205,875,672	205,838,523
Net profit for the year in LL million	172,285	142,550
(Less): Proposed dividends to preferred shares (series 2003)	(18,168)	(18,168)
(Less): Proposed dividends to preferred shares (series 2008)	(10,144)	-
Net profit attributable to common shares in LL million	143,973	124,382
(Less): Distribution of 4% on nominal value of priority shares (LBP 1,200) calculated on the basis of the weighted average number of priority shares outstanding during the year:	(9,882)	(9,880)
Net profits attributable to common shares in LL million	134,091	114,502
Of which:		
Net profits attributable to ordinary shares	68,788	57,128
Net profits attributable to priority shares	65,303	57,374
Earnings per common share in LL:		
- Ordinary shares	317.19	278.73
- Priority shares	365.19	326.73

No figure for diluted earning per share has been presented as the Bank's issued convertible financial instruments would have an anti-dilutive impact on earnings per share when exercised.

There were no transactions involving common shares or potential common shares between the reporting date and the date of the completion of these financial statements.

17
CASH AND BALANCES WITH CENTRAL BANKS

LL million		2008	2007
	Cash on hand	109,623	98,164
	Balances with Central Bank of Lebanon:		
	- Current accounts	440,122	284,270
	- Time deposits	1,228,036	1,250,574
		1,668,158	1,534,844
	Balances with central banks in other countries:		
	- Current accounts	232,320	143,770
	- Time deposits	3,002	434
	- Statutory blocked fund	6,008	5,910
		241,330	150,114
	Accrued interest receivable	4,868	5,422
		2,023,979	**1,788,544**

In accordance with the Bank of Lebanon's rules and regulations, banks operating in Lebanon are required to deposit with the Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds.

In addition to the above, all banks operating in Lebanon are required to deposit with the Bank of Lebanon interest-bearing placements representing 15% of total deposits in foreign currencies regardless of their nature.

Deposits with the Bank of Lebanon in coverage of obligatory reserve are as follows:

LL million		2008			2007
			Foreign currencies C/V	*Total*	*Total*
	Current accounts	384,157	55,965	440,122	268,832
	Time deposits	65,000	1,163,036	1,228,036	1,250,574
		449,157	**1,219,001**	**1,668,158**	**1,519,406**

Foreign subsidiaries are also subject to obligatory reserve requirements with varying percentages, according to the banking rules and regulations of the countries in which they operate.

BALANCES WITH THE CENTRAL BANKS IN OTHER COUNTRIES

In accordance with the requirements of Syrian law, the statutory blocked fund of LBP 6,008 million (2007: LBP 5,910 million) represents a non-interest-bearing legally blocked deposit at the Central Bank of Syria.

18
DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LL million

	2008	2007
COMMERCIAL BANKS:		
- Current accounts	210,212	165,686
- Time deposits	2,304,192	2,589,546
- Interest receivable	5,591	9,119
- Doubtful bank accounts	2,507	10,657
- Provision for doubtful bank accounts	(2,507)	(10,657)
	2,519,995	**2,764,351**
FINANCIAL INSTITUTIONS:		
- Current accounts	237	3,192
- Time deposits	2,200	3,090
- Interest receivable	2	19
	2,439	**6,301**
REGISTERED EXCHANGE COMPANIES:		
- Current accounts	941	6,460
- Doubtful accounts	2,259	2,259
- Provision for doubtful accounts	(2,259)	(2,259)
	941	**6,460**
BROKERAGE COMPANIES:		
- Current accounts	2,455	1,705
	2,525,830	**2,778,817**

DOUBTFUL BANKS AND REGISTERED EXCHANGE COMPANIES

Following is the movement in the balances of doubtful banks and registered exchange companies and related provisions during the year:

LL million

	2008		2007	
	Doubtful balances	***Provision***	***Doubtful balances***	***Provision***
Balance at 1 January	12,916	12,916	12,892	12,892
Exchange difference	(79)	(79)	24	24
Write-off	(8,071)	(8,071)	-	-
Balance at 31 December	**4,766**	**4,766**	**12,916**	**12,916**
OUT OF WHICH				
- banks	2,507	2,507	10,657	10,657
- registered exchange companies	2,259	2,259	2,259	2,259
	4,766	**4,766**	**12,916**	**12,916**

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FINANCIAL ASSETS GIVEN AS COLLATERAL AND REVERSE REPURCHASE AGREEMENTS

LL million		2008	2007
	Pledged time deposits	49,823	50,471
	Treasury bills mortgaged in favor of the Central Bank as a guarantee for loans.	40,474	40,458
	Governmental securities pledged under repurchase agreements	6,550	-
		96,847	**90,929**

20

DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business the Group enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instrument, reference rate or index. Derivative financial instruments include forwards, futures, swaps and options.

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year-end and are neither indicative of the market risk nor the credit risk.

	2008			2007		
LL million	*Assets*	*Liabilities*	*Notional amount*	*Assets*	*Liabilities*	*Notional amount*
DERIVATIVES HELD FOR TRADING:						
Currency swaps	123	152	56,552	900	1,184	116,463
Forward foreign exchange contracts	14,478	13,761	247,781	2,974	2,661	282,029
Spot foreign exchange contracts	634	71	35,352	212	83	75,910
	15,235	**13,984**	**339,685**	**4,086**	**3,928**	**474,402**
FAIR VALUE OF HEDGING INSTRUMENTS RELATED TO:						
Index-linked notes (Note 34)	5,683	5,683	-	4,869	4,869	-
Commodity-linked notes (Note 34)	41	41	-	641	641	-
Equity-linked notes (Note 34)	9,158	9,158	-	9,550	9,550	-
	14,882	**14,882**	**-**	**15,060**	**15,060**	**-**
	30,117	**28,866**	**339,685**	**19,146**	**18,988**	**474,402**

FORWARDS

Forwards are contractual agreements to either buy or sell a specified currency, commodity or financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

SWAPS

Swaps are contractual agreements between two parties to exchange movements in interest or foreign currency rates as well as the contracted upon amounts for currency swaps.

Credit risk in respect of derivative financial instruments arises from the potential for a counterparty to default on its contractual obligations and is limited to the positive market value of instruments that are favorable to the Group.

21
FINANCIAL ASSETS HELD FOR TRADING

	2008	2007	
Treasury bills and other governmental bills	169,115	787,967	LL million
Bonds and financial assets with fixed incomes	7,866	148	
Shares, securities and financial assets with variable incomes	29,954	28,547	
Accrued interest receivable on Treasury bills and other governmental bills	3,846	20,104	
Accrued interest receivable on bonds and financial assets with fixed incomes	44	5	
	210,825	**836,771**	

The portfolio of Treasury bills and other governmental bills had the following maturities as of 31 December 2008 and 31 December 2007:

Maturity	**2008** ***Nominal value***	**2007** ***Nominal value***	
Between one and three months	-	287,482	LL million
Between three months and one year	76,716	17,496	
Between one and five years	57,611	410,999	
More than five years	36,016	69,820	
Total	**170,343**	**785,797**	

The portfolio of bonds and financial assets with fixed incomes had the following maturities as of 31 December 2008 and 31 December 2007:

Maturity	**2008** ***Nominal value***	**2007** ***Nominal value***	
Between one and five years	8,442	151	LL million
More than five years	126	-	
	8,568	**151**	

22

NET LOANS AND ADVANCES TO CUSTOMERS

Following is a comparison of loans and advances at 31 December 2008 and 2007:

		2008	2007
LL million	Gross loans and advances	4,464,445	3,595,830
	Accrued interest receivable	7,403	6,518
	Interest received in advance	(89,558)	(53,360)
		4,382,290	3,548,988
	Unrealized interest on substandard loans	(13,454)	(14,114)
	Unrealized interest on doubtful and bad loans	(67,351)	(73,008)
	Specific provision on doubtful and bad loans	(59,668)	(65,690)
	General provisions	(41,964)	(37,203)
	Provision for country risk	(5,206)	(4,698)
		4,194,647	**3,354,275**

		2008	2007
LL million	Commercial loans	3,290,350	2,676,247
	Other loans to customers	1,023,469	751,604
	Bad and doubtful loans (net)	23,607	29,281
	Unrealized interest on substandard loans	(13,454)	(14,114)
	Accrued interest receivable	7,403	6,518
	Less: interest received in advance	(89,558)	(53,360)
		4,241,817	**3,396,176**
	LESS:		
	- General provision for loans and advances	(41,964)	(37,203)
	- Provision for country risk	(5,206)	(4,698)
		4,194,647	**3,354,275**
	BAD LOANS TRANSFERRED TO OFF-BALANCE-SHEET ACCOUNTS:		
	- Gross balance	121,244	113,690

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY ECONOMIC SECTOR

		2008	2007
LL million	Commercial	1,166,082	1,041,522
	Manufacturing	876,259	629,420
	Agriculture	91,242	84,051
	Services	635,772	526,617
	Construction	524,607	440,958
	Retail	1,029,389	762,248
	Other	141,094	111,014
		4,464,445	**3,595,830**

The loans and advances to customers are classified in accordance with Bank of Lebanon Main Circular No. 58 as follows:

2008

LL million	*Gross balance*	*Unrealized interest*	*Specific provision*	*General provision*	*Net balance*
- Good loans	4,037,805	-	-	-	4,037,805
- Watch loans	248,987	-	-	-	248,987
	4,286,792	**-**	**-**	**-**	**4,286,792**
- Substandard loans	27,027	(13,454)	-	-	13,573
- Doubtful loans	88,049	(38,671)	(25,771)	-	23,607
- Bad loans	62,577	(28,680)	(33,897)	-	-
	4,464,445	**(80,805)**	**(59,668)**	**-**	**4,323,972**
LESS:					
- General provision to be allocated	-	-	-	(41,964)	(41,964)
- Provision for country risk	-	-	-	(5,206)	(5,206)
Accrued interest receivable	7,403	-	-	-	7,403
Less: Interest received in advance	(89,558)	-	-	-	(89,558)
	4,382,290	**(80,805)**	**(59,668)**	**(47,170)**	**4,194,647**

2007

LL million	*Gross balance*	*Unrealized interest*	*Specific provision*	*General provision*	*Net balance*
- Good loans	3,110,677	-	-	-	3,110,677
- Watch loans	281,679	-	-	-	281,679
	3,392,356	**-**	**-**	**-**	**3,392,356**
- Substandard loans	35,495	(14,114)	-	-	21,381
- Doubtful loans	113,968	(49,472)	(35,215)	-	29,281
- Bad loans	54,011	(23,536)	(30,475)	-	-
	3,595,830	**(87,122)**	**(65,690)**	**-**	**3,443,018**
LESS:					
- General provision to be allocated	-	-	-	(37,203)	(37,203)
- Provision for country risk	-	-	-	(4,698)	(4,698)
Accrued interest receivable	6,518	-	-	-	6,518
Less: Interest received in advance	(53,360)	-	-	-	(53,360)
	3,548,988	**(87,122)**	**(65,690)**	**(41,901)**	**3,354,275**

In accordance with Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off-balance-sheet accounts. The gross balance of these loans amounted to LBP 121,244 million as of 31 December 2008 (2007: LBP 113,690 million).

BAD AND DOUBTFUL LOANS (NET)

LL million

	2008	2007
BALANCE SHEET ACCOUNTS:		
Gross amount of bad and doubtful loans	150,626	167,979
Unrealized interest	(67,351)	(73,008)
Specific provision	(59,668)	(65,690)
Net amount of bad and doubtful loans	**23,607**	**29,281**

22 - NET LOANS AND ADVANCES TO CUSTOMERS

MOVEMENT OF UNREALIZED INTEREST ON DOUBTFUL AND BAD LOANS DURING THE YEARS ENDED 31 DECEMBER

LL million	2008 Commercial loans	2008 Other customer loans	2008 Total	2007 Commercial loans	2007 Other customer loans	2007 Total
BALANCE AT 1 JANUARY	**70,765**	**2,243**	**73,008**	89,973	2,294	92,267
Add (less):						
- Unrealized interest on doubtful and bad loans	12,253	277	12,530	13,054	160	13,214
- Recovery of unrealized interest	(5,354)	(9)	(5,363)	(3,083)	(20)	(3,103)
- Unrealized interest used to write off doubtful and bad loans	(8,199)	(1,864)	(10,063)	(1,365)	(24)	(1,389)
- Transfer from substandard loans	-	(45)	(45)	1,190	-	1,190
- Transfer upon acquisition of the net assets of Unicredit Banca Di Roma SpA - Beirut Branch	4,895	-	4,895	(9)	(2)	(11)
- Recovery of unrealized interest on bad loans previously transferred off balance sheet	1,918	9	1,927	1,146	17	1,163
- Unrealized interest relating to bad loans transferred to off-balance-sheet accounts	(9,309)	-	(9,309)	(30,747)	(182)	(30,929)
- Difference of exchange	(224)	(5)	(229)	606	-	606
Balance at 31 December	**66,745**	**606**	**67,351**	**70,765**	**2,243**	**73,008**

MOVEMENT OF PROVISION FOR DOUBTFUL AND BAD LOANS DURING THE YEARS ENDED 31 DECEMBER

LL million	2008 Commercial loans	2008 Other customer loans	2008 Total	2007 Commercial loans	2007 Other customer loans	2007 Total
BALANCE AT 1 JANUARY	**60,767**	**4,923**	**65,690**	102,696	5,856	108,552
Add (less):						
- Transfer to general provisions	(914)	-	(914)	474	1,301	1,775
- Provisions recorded during the year (Note 11)	5,427	708	6,135	7,247	2,372	9,619
- Provision transferred upon acquisition of the net assets of Unicredit Banca Di Roma SpA – Beirut Branch	7,439	-	7,439	(38,844)	(3,491)	(42,335)
- Provision relating to bad loans transferred to off balance sheet accounts	(9,821)	-	(9,821)	(6,312)	(455)	(6,767)
- Provisions used to write off doubtful and bad loans	(4,584)	(70)	(4,654)	(7,011)	(1,033)	(8,044)
- Recovery of provisions (Note 11)	(3,238)	(3,240)	(6,478)			
- Recovery of provisions on bad loans previously transferred to off-balance-sheet accounts	-	2,435	2,435	757	373	1,130
- Difference of exchange	(124)	(40)	(164)	1,760	-	1,760
Balance at 31 December	**54,952**	**4,716**	**59,668**	**60,767**	**4,923**	**65,690**

The fair value of the collateral held against individually impaired loans as at 31 December 2008 amounted to LBP 47,932 million (2007: LBP 45,413 million):

GENERAL PROVISION FOR CREDIT LOSSES

LL million		2008	2007
	Provisions accounted for by Byblos Bank S.A.L. on the retail loans portfolio	21,574	20,630
	Provisions constituted by Byblos Bank Africa Ltd.	12,891	9,310
	Provisions constituted by Byblos Bank Europe S.A.	6,937	7,182
	Provisions constituted by Byblos Bank Armenia C.J.S.C.	562	81
		41,964	**37,203**

MOVEMENT OF GENERAL PROVISION DURING THE YEARS ENDED 31 DECEMBER

LL million

	2008	2007
BALANCE AT 1 JANUARY	**37,203**	**35,010**
Add (less):		
- Provisions constituted during the year (Note 11)	4,851	3,929
- General provisions recovered during the year (Note 11)	-	(849)
- General provisions brought forward transferred from specific clients during the year	914	-
- General provisions brought forward allocated to specific clients during the year	-	(1,775)
- Difference of exchange	(1,004)	888
BALANCE AT 31 DECEMBER	**41,964**	**37,203**

PROVISION FOR COUNTRY RISK

LL million

	2008	2007
BALANCE AT 1 JANUARY	**4,698**	4,162
Provision constituted during the year (Note 11)	**696**	54
Difference of exchange	**(188)**	482
BALANCE AT 31 DECEMBER	**5,206**	4,698

BAD LOANS TRANSFERRED TO OFF-BALANCE-SHEET ACCOUNTS IN ACCORDANCE WITH BANKING CONTROL COMMISSION CIRCULAR NO. 240

LL million	*Loan amount*	*Specific provision*	*Unrealized interest*	*Net balance*
BALANCE AT 1 JANUARY 2008	**113,690**	**61,361**	**52,329**	**-**
Loans settled during the year	(4,362)	(2,435)	(1,927)	-
Loans written off during the year	(9,743)	(4,706)	(5,037)	-
Bad loans transferred off balance sheet during the year	19,130	9,821	9,309	-
Bad loans transferred upon acquisition of the net assets Unicredit Banca Di Roma SpA – Beirut Branch	2,947	1,319	1,628	-
Difference of exchange	(418)	(393)	(25)	-
Balance at 31 December 2008	**121,244**	**64,967**	**56,277**	**-**
BALANCE AT 1 JANUARY 2007	**45,423**	**22,201**	**23,222**	**-**
Loans settled during the year	(2,293)	(1,130)	(1,163)	-
Loans written off during the year	(2,814)	(2,100)	(714)	-
Bad loans transferred off balance sheet during the year	73,264	42,335	30,929	-
Difference of exchange	110	55	55	-
Balance at 31 December 2007	**113,690**	**61,361**	**52,329**	**-**

23 BANK ACCEPTANCES

LL million		2008	2007
	LETTERS OF CREDIT PAYABLE BY THE GROUP ON BEHALF OF ITS CUSTOMERS:		
	- Acceptances discounted by the Group without recourse to the beneficiary	13,877	22,278
	- Other acceptances	270,591	243,137
		284,468	**265,415**

Customers' acceptances represent documentary credits, which the Group has committed to settle on behalf of its clients, against commitments by those clients (acceptances). The commitments resulting from these acceptances are stated as a liability in the balance sheet for the same amount.

24 AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

LL million		2008	2007
	Certificates of deposit	-	54,789
	Lebanese Treasury bills and other governmental bills	1,072,398	1,729,875
	Bonds and financial assets with fixed incomes	15,022	13,908
	Shares, securities and financial assets with variable incomes	59,346	89,320
	Other available-for-sale financial assets	101,760	104,393
	Accrued interest receivable	31,757	38,143
		1,280,283	**2,030,428**

The portfolio of Lebanese Treasury bills and other governmental bills had the following maturities as of 31 December 2008 and 2007:

LL million	*Maturity*	**2008** *Nominal value*	**2007** *Nominal value*
	Between one and three months	7,366	63,697
	Between three months and one year	22,225	2,213
	Between one and five years	1,002,123	904,352
	More than five years	44,003	831,763
	Total	**1,075,717**	**1,802,025**

The portfolio of other available-for-sale financial assets had the following maturities as of 31 December 2008 and 2007:

LL million	*Maturity*	**2008** *Nominal value*	**2007** *Nominal value*
	Between three months and one year	31,685	34,659
	Between one and five years	95,940	91,148
	More than five years	6,659	-
	Total	**134,284**	**125,807**

25 FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

	2008	2007	31 December
Certificates of deposits	2,181,923	775,351	LL million
Lebanese Treasury bills and other governmental bills	1,907,264	-	
Bonds and financial assets with fixed incomes	178,775	-	
Loans to banks and financial institutions	222,178	135,099	
Discounted acceptances	26,595	242,201	
Interest received in advance	(1,630)	(3,399)	
Accrued interest receivable	104,000	33,013	
	4,619,105	**1,182,265**	

The portfolio of certificates of deposit had the following maturities as of 31 December 2008 and 2007:

Maturity	**2008** *Nominal value*	**2007** *Nominal value*	
Between one and three months	-	135,827	LL million
Between three months and one year	157,017	15,000	
Between one and five years	1,888,554	505,840	
More than five years	128,526	100,314	
Total	**2,174,097**	**756,981**	

The portfolio of Lebanese Treasury bills and other governmental bills, classified as loans and receivables, had the following maturities as of 31 December 2008 and 31 December 2007:

Maturity	**2008** *Nominal value*	**2007** *Nominal value*	
Between one and three months	25,000	-	LL million
Between three months and one year	476,775	-	
Between one and five years	557,133	-	
More than five years	901,955	-	
Total	**1,960,863**	**-**	

The portfolio of bonds and financial assets with fixed incomes, classified as loans and receivables, had the following maturities as of 31 December 2008 and 2007:

Maturity	**2008** *Nominal value*	**2007** *Nominal value*	
Between one and three months	-	-	LL million
Between three months and one year	-	-	
Between one and five years	5,276	-	
More than five years	179,693	-	
Total	**184,969**	**-**	

26 HELD-TO-MATURITY FINANCIAL INSTRUMENTS

31 December		2008	2007
LL million	Lebanese Treasury bills and other governmental bills	1,191,968	1,605,761
	Bonds and financial assets with fixed incomes	71,322	611
	Accrued interest receivable	36,356	46,504
		1,299,646	**1,652,876**

The portfolio of Lebanese Treasury bills and other governmental bills had the following maturities as of 31 December 2008 and 31 December 2007:

	Maturity	**2008** ***Nominal value***	**2007** ***Nominal value***
LL million	Within one month	71,000	-
	Between one and three months	153,244	-
	Between three months and one year	567,349	593,381
	Between one and five years	287,185	950,993
	More than five years	118,490	111,707
	Total	**1,197,268**	**1,656,081**

The portfolio of bonds and financial assets with fixed incomes had the following maturities as of 31 December 2008 and 31 December 2007:

	Maturity	**2008** ***Nominal value***	**2007** ***Nominal value***
LL million	Between three months and one year	14,216	-
	Between one and five years	28,733	603
	More than five years	31,356	-
	Total	**74,305**	**603**

27 PROPERTY AND EQUIPMENT

LL million	*Buildings*	*Motor vehicles*	*Furniture and equipment*	*Deposits*	*Advance payments*	*Total*
COST AND REVALUATION:						
At 1 January 2008	**172,465**	**3,032**	**96,284**	**422**	**9,841**	**282,044**
Additions during the year	19,209	895	19,491	13	19,149	58,757
Transfers upon acquisition of net assets of Unicredit Banca Di Roma SpA – Beirut Branch	8,151	-	428	14	-	8,593
Transfers	3,850	-	615	912	(5,377)	-
Disposal of fixed assets	-	(236)	(1,204)	(5)	-	(1,445)
Foreign exchange difference	388	(19)	(658)	(8)	230	(67)
At 31 December 2008	**204,063**	**3,672**	**114,956**	**1,348**	**23,843**	**347,882**
Depreciation:						
At 1 January 2008	**23,875**	**1,540**	**64,282**	**-**	**-**	**89,697**
Depreciation during the year	4,172	493	12,332	-	-	16,997
Related to disposals of other fixed assets	-	(150)	(1,051)	-	-	(1,201)
Foreign exchange difference	(75)	(13)	(845)			(933)
At 31 December 2008	**27,972**	**1,870**	**74,718**	**-**	**-**	**104,560**
Net carrying value:						
At 31 December 2008	**176,091**	**1,802**	**40,238**	**1,348**	**23,843**	**243,322**

COST AND REVALUATION:						
At 1 January 2007	**125,257**	**2,392**	**76,013**	**392**	**24,444**	**228,498**
Additions during the year	20,247	675	19,465	18	9,841	50,246
Acquisition of subsidiary	4,692	245	556	-	-	5,493
Transfers	22,153	-	2,444	-	(24,597)	-
Disposal of fixed assets	(1,214)	(326)	(3,003)	-	-	(4,543)
Foreign exchange difference	1,330	46	810	10	153	2,349
At 31 December 2007	**172,465**	**3,032**	**96,285**	**420**	**9,841**	**282,043**
Depreciation:						
At 1 January 2007	**21,533**	**1,397**	**56,188**	**-**	**-**	**79,118**
Depreciation during the year	3,032	357	10,271	-	-	13,660
Related to disposal of fixed assets	(795)	(226)	(2,818)	-	-	(3,839)
Foreign exchange difference	105	11	640	-	-	756
At 31 December 2007	**23,875**	**1,539**	**64,281**	**-**	**-**	**89,695**
Net carrying value:						
At 31 December 2007	**148,590**	**1,493**	**32,004**	**420**	**9,841**	**192,348**

The cost of buildings at 31 December 2008 and 31 December 2007 includes the revaluation differences of properties valued during prior years in accordance with Law 282 dated 30 December 1993, and approved by the Central Committee of the Bank of Lebanon.

Revaluation differences on property and equipment reflected as revaluation reserve of real estate in equity are as follows:

LL million	2008	2007
Revaluation difference recognized in the complementary shareholders' equity (Tier II) (Note 41)	1,978	1,978
Revaluation difference of other fixed assets (Note 41)	3,711	3,711
	5,689	**5,689**

28 INTANGIBLE ASSETS

LL million	*2008*	*2007*
KEY MONEY		
COST:		
At 1 January and 31 December	**1,637**	**1,637**
ACCUMULATED AMORTIZATION:		
At 1 January	**438**	**313**
Amortization expense for the year	125	125
At 31 December	**563**	**438**
NET BOOK VALUE:		
At 31 December	**1,074**	**1,199**

29 OTHER NON-CURRENT ASSETS HELD FOR SALE

Other non-current assets held for sale represent assets acquired in settlement of bad loans and advances to customers. Movement of other non-current assets held for sale and related impairment during the years 2008 and 2007 was as follows:

LL million	2008	2007
COST:		
At 1 January	**56,140**	**40,018**
Additions during the year	5,719	19,089
Disposal	(10,592)	(2,967)
At 31 December	**51,267**	**56,140**
IMPAIRMENT:		
At 1 January	**(4,751)**	**-**
Addition during the year	(408)	(4,751)
At 31 December	**(5,159)**	**(4,751)**
NET CARRYING VALUE:		
At 31 December	**46,108**	**51,389**

Liabilities linked to held-for-sale assets in the amount of LBP 1,720 million represent advance payments received in connection with future sale transactions for the above assets (2007: LBP 2,139 million).

30 OTHER ASSETS

		2008	2007
	Miscellaneous assets	126	483
a	Obligatory financial assets	2,250	2,250
b	Blocked deposit	2,500	-
c	Regularization accounts	55,943	40,935
d	Doubtful debtor accounts	241	8,796
	Provision on doubtful debtor accounts	(186)	(8,774)
		60,874	**43,690**

LL million

a Obligatory financial assets consist of a deposit amounting to 15% of the share capital of a subsidiary bank that was blocked at incorporation as a guarantee with the Lebanese Treasury Department. This deposit shall be returned to the subsidiary bank without any interest upon liquidation of its activities.

b Blocked deposit is maintained with the Bank of Lebanon in favor of the Ministry of Finance and was transferred to the Bank upon the acquisition of the net assets of Unicredit Banca Di Roma SpA – Beirut Branch. This deposit is denominated in Lebanese Pounds and does not earn any interest.

c Regularization accounts as of 31 December comprise of the following:

	2008	2007
Prepaid rent	2,719	1,548
Printing and stationery	3,307	2,564
Cash in automated teller machines (ATMs)	18,318	16,490
Withdrawals due from automated teller machines (ATMs)	6,418	709
Credit card balances due from customers	5,018	3,879
Revaluation variance of structural position	15	15
Deposits for participation in auctions	-	716
Insurance premiums receivable	2,947	2,385
Reinsurers' share of technical reserve of subsidiary insurance company	9,541	6,947
Other debit balances	7,660	5,682
	55,943	**40,935**

LL million

d Movement of doubtful debtor accounts and related provisions during the years ended 31 December was as follows:

	2008		2007	
	Balance	***Provision***	***Balance***	***Provision***
Balance at 1 January	8,796	8,774	8,323	8,188
Doubtful accounts	-	-	750	809
Write-off	(8,555)	(8,588)	(277)	(223)
Balance at 31 December	**241**	**186**	**8,796**	**8,774**

LL million

31

DUE TO CENTRAL BANKS

LL million		2008	2007
	Soft loan from the Bank of Lebanon	40,000	40,000
	Less: difference from valuation at net present value of the soft loan and the Treasury bills financed by the soft loan amortized on a straight-line basis over the loan period (81 months) in monthly installments of LBP 165 million each	(1,485)	(3,465)
		38,515	**36,535**
	Current account due to Central Bank of Syria	30,256	16,364
	Current account due to Central Bank of Sudan	6,700	7,146
	Loan due to the Central Bank of Armenia	8,185	905
		45,141	**24,415**
		83,656	**60,950**

The loan from the Bank of Lebanon is secured by pledged one-year Lebanese Treasury bills with a nominal value of LBP million 43,080 and an amortized cost of LBP 40,474 million (2007: nominal value of LBP million 43,090 and an amortized cost of LBP 40,458 million) (note 19).

LBP 40 BILLION LOAN

This loan represents facilities granted on 15 November 2001 by the Central Committee of the Bank of Lebanon following the Bank's acquisition of Wedge Bank Middle East S.A.L. The eight-year loan matures on 15 November 2009.

This loan was originally secured by the pledge of two-year Lebanese Treasury bills renewed on each maturity with an interest rate equivalent to 60% of the notional interest on one-year Treasury bills acquired in the primary market. Interest is fixed in the first two years after utilization of the loan. Starting from the third year, interest is determined according to the effective yield of one-year Treasury bills traded in the primary market less 6.326%, provided that the interest rate does not fall below 60% of the notional interest on one-year Lebanese Treasury bills traded in the international markets. Interest is capitalized and paid quarterly until maturity.

32 DUE TO BANKS AND FINANCIAL INSTITUTIONS

LL million

	2008	2007
COMMERCIAL BANKS:		
- Current accounts	373,456	194,938
- Time deposits	602,502	535,630
- Medium-term loans	295,924	134,559
- Accrued interest payable	9,886	5,384
	1,281,768	**870,511**
FINANCIAL INSTITUTIONS:		
- Current account	13	1,530
- Term loans	172,485	129,502
- Accrued interest payable	2,937	2,899
- Less: cost to be amortized over the loan period	(1,317)	(1,441)
	174,118	**132,490**
REGISTERED EXCHANGE COMPANIES:		
- Current accounts	2,955	1,574
- Time deposits	3,290	3,579
- Accrued interest payable	23	8
	6,268	**5,161**
BROKERAGE INSTITUTIONS:		
- Current accounts	107	-
	1,462,261	**1,008,162**

33 CUSTOMER DEPOSITS

LL million

	2008	2007
Current accounts	1,528,408	1,309,826
Time deposits	3,317,235	2,708,376
SAVING ACCOUNTS:		
- Sight	387,275	324,582
- Term	7,210,550	6,422,948
Blocked deposits	-	57
Accrued interest payable	56,940	59,413
	12,500,408	**10,825,202**

34 DEBT ISSUED AND OTHER BORROWED FUNDS

LL million	2008	2007
CERTIFICATES OF DEPOSIT ISSUED BY THE BANK		
Nominal value: USD (000) 77,920 (2007: USD (000) 77,921)	117,464	117,466
Accrued interest payable: USD (000) 2,558 (2007: USD (000) 2,553)	3,856	3,849
Issuing cost to be amortized: USD (000) 49 (2007: USD (000) 147)	(74)	(222)
	121,246	**121,093**
INDEX-LINKED NOTES		
Issuance value: USD (000) 49,430 (2007: USD (000) 49,441)	74,516	74,533
Discount to be amortized over the period of the notes: USD (000) 4,338 (2007: USD (000) 4,482)	(6,540)	(6,756)
Accrued interest payable: USD (000) nil (2007: USD (000) 767)	-	1,157
	67,976	**68,934**
EQUITY-LINKED NOTES		
Issuance value: USD (000) 49,414 (2007: USD (000) 49,410)	74,491	74,486
Accrued interest payable: USD (000) 1,676 (2007: USD (000) 1,676)	2,527	2,527
Discount to be amortized over the period of the notes: USD (000) 4,932 (2007: USD (000) 3,893)	(7,435)	(6,005)
	69,583	**71,008**
COMMODITY-LINKED NOTES		
Issuance value: USD (000) 6,371 (2007: USD (000) 6,367)	9,604	9,599
Discount to be amortized over the period of the notes: USD (000) 567 (2007: USD (000) 533)	(854)	(804)
Accrued Interest payable: USD (000) nil (2007: USD (000) 28)	-	42
	8,750	**8,837**
	267,555	**269,872**
INTEREST AND SIMILAR EXPENSE:		
- Certificates of deposit:		
- Interest: USD (000) 5,079 (2007: USD (000) 5,065)	7,656	7,635
- Add: Amortization of issuing cost: USD (000) 90 (2007: USD (000) 98)	136	149
	7,792	**7,784**
INDEX-LINKED NOTES:		
- Interest: USD (000) 2,895 (2007: USD (000) 3,477)	4,364	5,241
- Less: Amortization of Bank's gain resulting from the perfect hedge of the index-linked notes: USD (000) 56 (2007: USD (000) 813)	(84)	(1,226)
	4,280	**4,015**
EQUITY-LINKED NOTES:		
Interest: USD (000) 3,979 (2007: USD (000) 3,983)	5,999	6,005
Less: amortization of the Bank's gain resulting from perfect hedge of the equity-linked notes: USD (000) 949 (2007: USD (000) 888)	(1,430)	(1,339)
	4,569	**4,666**

	2008	2007
		LL million
COMMODITY-LINKED NOTES:		
Interest USD (000) 365 (2007: USD (000) 519)	550	782
Less: amortization of the Bank's gain resulting from perfect hedge of the commodity-linked notes: USD (000) 27 (2007: USD (000) 178)	(40)	(268)
	510	**514**
	17,151	**16,979**

CERTIFICATES OF DEPOSIT ISSUED BY THE BANK

On 1 July 2004, Byblos Bank S.A.L. issued certificates of deposit in the amount of USD (000) 78,054. The certificates of deposit are subject to the following conditions:

Interest: Fixed at an annual rate of 6.5% payable every six months with the first interest due on 1 January 2005, not subject to withholding taxes.

Maturity: 1 July 2009

The cost of issuing the certificates amounted to USD (000) 490, to be amortized until maturity, of which USD (000) 90 was amortized during 2008 (2007: USD (000) 98).

INDEX-LINKED NOTES

The Index-Linked Notes issued on 8 October 2004 amounted to USD 50 million. The Index-Linked Notes are subject to the following conditions:
--- The notes mature on 9 October 2009,
--- The notes benefit during the period of the investment from interest at an annual rate of 7% exempted from taxes and payable every six months during the first four years,
--- 95% of the initial investment is guaranteed at maturity in addition to an unlimited potential return representing 50% of the positive performance of a portfolio of six international market indices.

The Bank perfectly hedged the Index-Linked Notes. The cost of the hedge amounted to USD (000) 1,873 and the cost of issuing the Index-Linked Notes amounted to USD (000) 250. The fair value of the hedging instrument receivable from the issuer and payable to the owners of the Index-Linked Notes amounted to LBP 5,683 million as at 31 December 2008 (2007: LBP 4,869 million) (note 20).

The gain from the perfect hedge transaction amounted to USD (000) 467 to be amortized with the interest over the period of the notes (five years). Accordingly, the effective annual interest rate of the Index-Linked Notes is 5.83%.

EQUITY-LINKED NOTES

The Equity-Linked Notes issued on 1 August 2005 by Byblos Invest Bank S.A.L. amounted to USD 50 million and are subject to the following conditions:
--- The notes mature on 4 August 2010,
--- The notes benefit during the period of the investment from interest at an annual rate of 8% exempted from taxes and payable every six months during the first four years,
--- 95% of the initial investment is guaranteed at maturity in addition to an unlimited potential return representing 50% of the positive performance of a portfolio of stocks.

The Bank perfectly hedged the Equity-Linked Notes. The cost of the hedge amounted to USD (000) 1,764 and the cost of issuing the Equity-Linked Notes amounted to USD (000) 169. The fair value of the hedging instrument receivable from the issuer and payable to the owners of the Equity-Linked Notes amounted to LBP 9,158 million as at 31 December 2008 (2007: LBP 9,550 million) (note 20).

The gain from the perfect hedge transaction amounted to USD (000) 567 to be amortized with the interest over the period of the notes (five years). Accordingly, the effective annual interest rate of the Equity-Linked Notes is 6.67%.

COMMODITY-LINKED NOTES

The Commodity-Linked Notes issued on 12 September 2006 by the Bank amounted to USD (000) 6,563. The Commodity-Linked Notes are subject to the following conditions:
--- The notes mature on 12 September 2009,
--- The notes benefit during the period of the investment from interest at an annual rate of 8% exempted from taxes and payable quarterly during the first two years starting 12 December 2006,
--- 95% of the initial investment is guaranteed at maturity, with an interest rate of 16% for the third year if the performance of the index of five commodities is positive.

The Bank perfectly hedged the Commodity-Linked Notes. The cost of the hedge amounted to USD (000) 299 and the cost of issuing the Commodity-Linked Notes amounted to USD (000) 14. The fair value of the hedging instrument receivable from the issuer and payable to the owners of the Commodity-Linked Notes amounted to LBP 41 million as of 31 December 2008 (2007: LBP 641 million) (note 20).

The gain of the Bank from the perfect hedge transaction amounted to USD (000) 15 to be amortized with the interest over the period of the notes (three years). Accordingly, the effective annual interest rate of the Commodity-Linked Notes is 5.68%.

35 CURRENT TAX LIABILITY

LL million		2008	2007
	TAXES PAYABLE:		
	- Income tax on profit	22,176	18,873
	- Tax on services	385	216
	- Tax on dividends	7	7
	- Tax on salaries and wages	1,382	1,351
	- Tax on Board of Directors attendance fees	58	49
	- Tax on interest	4,126	3,740
	- Value added tax	70	64
	- Other taxes	1,792	1,100
		29,996	**25,400**

36 OTHER LIABILITIES

LL million			2008	2007
		Payables to National Social Security Fund	1,355	944
	a	Other creditors	92,897	75,714
		Due to shareholders	847	516
		Margins against documentary letters of credit and acceptances	95,960	101,910
			191,059	**179,084**

a OTHER CREDITORS

LL million		2008	2007
	Unearned commission and interest	2,386	5,737
	Other accrued charges	25,717	20,863
	Foreign currency regularization accounts (financial instruments)	220	220
	Cash margin related to companies under establishment	3,817	2,638
	Insurance premium received in advance	18,269	9,842
	Pending balances with banks	2,821	2,529
	Partial payments received on due bills	10,561	7,880
	Withdrawals due to automated teller machines (Maestro Cards)	7,194	5,994
	Other credit balances transferred upon the acquisition of Unicredit Banca Di Roma Spa – Beirut Branch	4,762	-
	Other creditors	17,150	20,011
		92,897	**75,714**

37 PROVISIONS FOR RISKS AND CHARGES

	2008	2007	
Provision for foreign currency fluctuation	517	454	LL million
Technical reserves of insurance company	26,953	17,078	
Other provisions	3,121	501	
	30,591	**18,033**	

Provision for foreign currency fluctuation

According to Bank of Lebanon Main Circular No. 32, the net trading foreign exchange position should not exceed 1% of the Bank's Tier I capital. In addition, the Bank should set up a provision to cover the potential loss on the net trading position calculated at 5% of the net trading foreign exchange position. The provision set up in 2008 amounted to LBP 63 million (2007: LBP 14 million).

38 END-OF-SERVICE BENEFITS

	2008	2007	
Balance at 1 January	**20,575**	**16,578**	LL million
Add (less):			
Provision constituted during the year (note 13)	7,252	4,888	
End-of-service benefits paid during the year	(349)	(891)	
Balance at 31 December	**27,478**	**20,575**	

39 SUBORDINATED NOTES

		2008	2007	
a	Convertible subordinated notes	248,061	283,235	LL million
b	Subordinated notes	48,142	47,910	
	Total	**296,203**	**331,145**	

a CONVERTIBLE SUBORDINATED NOTES

On 20 November 2007, the Bank signed a USD 200 million subordinated loan agreement with an international financial institution, whereby the latter acted as an issuer of USD 200 million subordinated notes convertible into Byblos Bank S.A.L. shares or GDRs according to the following terms:

Number of notes:	200
Note's issue price:	USD 1,000,000
Note's nominal value:	USD 1,000,000
Date of issue:	20 November 2007
Maturity:	30 November 2012, subject to the earlier conversion of these notes, in whole or in part, into Byblos Bank S.A.L. shares or GDRs at a price of USD 2.25 per share.
Interest rate:	Contractual interest rate of 6.5% payable semi-annually, but excluding the equity conversion option.
Rights of holders:	The noteholder has the right to convert all or portion of the subordinated notes into Byblos Bank S.A.L. shares or GDRs on any quarterly conversion date falling on 31 March, 30 June, 30 September or 31 December in any year during the term of the subordinated loan or on the loan maturity date at a conversion price of USD 2.25 per share.

39 - SUBORDINATED NOTES

The convertible subordinated notes have been recorded at initial recognition on 20 November 2007 as follows:

	LL million	*USD (000)*
Nominal value of convertible bonds	301,500	200,000
Equity component	(20,809)	(13,804)
Liability component	**280,691**	**186,196**

At 31 December, convertible subordinated notes were recorded as follows:

	2008		2007	
	LL million	*USD (000)*	*LL million*	*USD (000)*
Nominal value of the convertible notes	260,798	173,000	301,500	200,000
Equity component	(18,040)	(11,967)	(20,809)	(13,804)
Liability component	**242,758**	**161,033**	**280,691**	**186,196**
ADD:				
- Accrued interest payable	1,931	1,281	2,242	1,488
- Amortization of discount	3,372	2,237	302	200
Amortized cost at 31 December	**248,061**	**164,551**	**283,235**	**187,884**

The equity component of the convertible subordinated notes is recorded in equity under "capital reserves" (note 43).

Conversion of subordinated notes into shares

During 2008, convertible notes with a nominal value of USD (000) 27,000 were converted to Byblos Bank S.A.L. ordinary shares at a price of USD 2.25 per share (refer to note 40).

b SUBORDINATED NOTES

On 1 July 2002, the Bank issued 100,000 notes at USD 1,000 each maturing on 30 June 2012 with an annual yield not to exceed 15% of the principal amount, detailed as follows:
--- Annual yield of 9% computed and paid quarterly, starting 1st July 2002
--- 5% of the Bank's net income, after adding the provision constituted to settle this balance and deducting taxes

In accordance with the decision of the ordinary general assembly held on 20 April 2006, the Bank redeemed 68,831 subordinated notes on 7 June 2006 for a consideration of USD 1,060 per note, i.e. with a premium of USD 60 per note constituting 6% of the nominal value.

Accordingly, as of 31 December 2008 and 2007 there was 31,169 notes outstanding totaling to USD (000) 31,169.

LL million		2008	2007
	INTEREST AND SIMILAR EXPENSE:		
	- Interest on subordinated notes	6,686	6,136
	- Interest on convertible subordinated notes and amortization of its related discount	20,969	2,533
		27,655	**8,669**

40 SHARE CAPITAL

	2008		2007	
	No. of shares	***LL million***	***No. of shares***	***LL million***
Issued shares				
COMMON SHARES:				
Ordinary shares	217,112,557	260,535	205,023,723	246,028
Priority shares	206,023,723	247,228	206,023,723	247,228
Preferred shares	3,000,000	3,600	1,000,000	1,200
	426,136,280	**511,363**	**412,047,446**	**494,456**

The capital of the Bank is divided into 426,136,280 shares of LBP 1,200 each fully paid (2007: 412,047,446 shares of LBP 1,200 each).

ORDINARY SHARES

During 2008, a subordinated notes holder exercised his option and converted notes amounting to USD 27 million to 12,088,834 Byblos Bank S.A.L. common shares at a price of USD 2.25 per share (note 39).

Accordingly, an extraordinary general assembly was held on 24 January 2008 and decided to increase the Bank's capital from LBP 494,456 million to LBP 508,963 million or an increase of LBP 14,507 million through the issuance of 12,088,834 common shares with a nominal value of LBP 1,200 per share. The resulting premium on the above conversion of subordinated notes into shares was in the amount of LBP 26,425 million, of which LBP 23,656 was transferred from the subordinated notes balance, while LBP 2,769 million was transferred from the equity component of convertible subordinated notes. On 13 February 2008, the Central Committee of the Bank of Lebanon approved the capital increase.

PRIORITY SHARES

On 10 December 2005, the Bank issued 206,023,723 priority shares which have the same rights and obligations as ordinary shares, and benefit from an additional yearly distribution of 4% of the priority share's nominal value representing non-cumulative distribution of the non-consolidated net profits. Such right is established after dividends distribution to the preferred shares. The right of payment from profits is established over a period of 5 years starting from the year 2005, inclusive of the period from 10 December 2005 until 31 December 2005. At the end of the 5th year, priority shares are converted into ordinary shares without any further resolution by the general assembly.

PREFERRED SHARES

On 15 August 2008, and based on the decision of the extraordinary general assembly held on 18 July 2008, the Bank increased its capital from LBP 508,963 million to LBP 511,363 million, or an increase of LBP 2,400 million, through the issuance of 2,000,000 Series 2008 Preferred Shares, each with a nominal value of LBP 1,200. The preferred shares have been issued at the price of USD 100, thus giving rise to an issue premium in the amount of USD (000) 195,790 (equivalent to LBP 295,154 million). The increase in share capital was validated by the extraordinary general assembly of shareholders in its meeting dated 29 August 2008.

The Bank's issued preferred shares carry the following terms:

Series 2003 Preferred Shares

Number of shares:	1,000,000
Share's issue price:	USD 100
Share's nominal value:	LL 1,200
Issue premium :	USD (000) 99,204 calculated in USD as the difference between USD 100 and the counter value of the par value per share (LL 1,200).
Benefits:	Non-cumulative annual dividends of USD 12.00 per share, subject to the availability of non-consolidated distributable net profits.
Repurchase right:	Redeemable (at a date subsequent to the approval of 2008 accounts by the general assembly) at the Bank's option at the issue price plus any declared but unpaid distributions for all the years preceding the year of the call, with the condition that at least 25% of the original number of the preferred shares are called each time.

40 - SHARE CAPITAL

Series 2008 Preferred Shares

Number of shares:	2,000,000
Share's issue price:	USD 100
Share's nominal value:	LL 1,200
Issue premium :	USD (000) 195,790 calculated in USD as the difference between USD 100 and the counter value of the par value per share (LL 1,200).
Benefits:	Non-cumulative annual dividends of USD 8.00 per share, subject to the availability of non-consolidated distributable net profits.
Repurchase right:	Redeemable (at a date subsequent to the approval of 2013 accounts by the general assembly) at the Bank's option at the issue price plus any declared but unpaid distributions for all the years preceding the year of the call, with the condition that at least 25% of the original number of the preferred shares are called each time.

LISTING OF SHARES

As of 31 December 2007, all of the Bank's common, preferred and priority shares were listed on Beirut Stock Exchange.

On 6 February 2009, the Bank signed an agreement with a foreign bank enabling holders of the Bank's common shares to deposit their common shares for the issuance of Global Depository Shares (GDSs) at a ratio of 50 Common Shares per one GDS. The GDSs were listed on the London Stock Exchange.

TREASURY SHARES

Movement of treasury shares recognized in the balance sheet for the years 2008 and 2007 was as follows:

	Ordinary shares			Priority shares		
	No. of shares	*Average price US$*	*Amount US$ (000)*	*No. of shares*	*Average price US$*	*Amount US$ (000)*
At 1 January 2008	**139,406**	**1.67**	**233**	**276,328**	**1.43**	**395**
Acquisition of treasury shares	1,181,725	2.34	2,760	657,255	2.48	1,628
Sale of treasury shares	(876,383)	2.48	(2,203)	(712,293)	2.50	(1,783)
At 31 December 2008	**444,748**	**1.77**	**790**	**221,290**	**1.08**	**240**
In LBP million			1,192			362
Total treasury shares (ordinary and priority) in LBP million						**1,554**
At 1 January 2007	**85,087**	**2.15**	**183**	**33,937**	**1.77**	**60**
Acquisition of treasury shares	2,274,736	1.85	4,203	2,567,561	1.89	4,846
Sale of treasury shares	(2,220,417)	1.87	(4,153)	(2,325,170)	1.94	(4,511)
At 31 December 2007	**139,406**	**1.67**	**233**	**276,328**	**1.43**	**395**
In LBP million			352			595
Total treasury shares (ordinary and priority) in LBP million						**947**

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REVALUATION RESERVE OF REAL ESTATE

LL million

	2008	2007
Revaluation reserve recognized in complementary equity		
Reserve resulting from the revaluation in 1996 of the Bank's owned real estate according to Law 282 dated 30 December 1993	2,577	2,577
Less: Decrease in the value of the assets revalued in prior years	(599)	(599)
	1,978	**1,978**
Revaluation reserve of other assets	**3,711**	**3,711**
	5,689	**5,689**

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AVAILABLE-FOR-SALE RESERVES

Available-for-sale reserve as at 31 December relates to the following available-for-sale financial instruments:

LL million

	2008	2007
Certificates of deposit held with the Central Bank of Lebanon	1,999	(314)
Certificates of deposit held with commercial banks	-	126
Treasury bills and other governmental bills	815	(48,125)
Bonds and financial assets with fixed incomes	(14,514)	(6,715)
Shares, securities and financial assets with variable incomes	6,159	8,507
Unrealized losses on available-for-sale securities reclassified to the loans and receivables portfolio	(24,736)	-
Less: minority share of cumulative changes in fair values	(240)	277
	(30,517)	**(46,244)**

MOVEMENT OF AVAILABLE-FOR-SALE RESERVE DURING THE YEAR WAS AS FOLLOWS:

Balance at 1 January	**(46,244)**	**(12,250)**
Realized during the year	10,626	77
Net changes in fair values during the year	3,719	(34,209)
Amortization of unrealized losses related to securities transferred to the loans and receivables portfolio	1,402	-
Difference on exchange	(20)	138
Balance at 31 December	**(30,517)**	**(46,244)**

43 CAPITAL RESERVES

Group Share		2008	2007
LL million	Legal reserve	104,646	90,124
	Reserves appropriated for capital increase	20,807	20,284
	General reserve	117,941	108,354
	Equity component of convertible subordinated bonds	18,040	20,809
	Reserve for general banking risks	66,886	56,916
	Other capital reserves	6,028	-
		334,348	**296,487**

Reserves Appropriated for Capital Increase

		2008	2007
LL million	Reserve equivalent to realized profit on sale of assets acquired in settlement of bad debt, in accordance with BCC Circular No. 173	2,947	2,643
	Reserve equivalent to provisions recovered, in accordance with BCC Circular No. 167	8,471	8,252
	Reserve equivalent to profits realized on sale of Solidere Company shares acquired in compensation of leased property in Beirut Central District	220	220
	Reserve equivalent to profits realized on liquidation of structural foreign exchange positions, in accordance with BCC Circular No. 197	8,870	8,870
	Others	299	299
		20,807	**20,284**

General Reserve

During 2008, the Group appropriated LBP 13,558 million from 2007 profits to the general reserve in accordance with the General Assembly of Shareholders' resolutions. In addition, LBP 2,453 million of the Group's shares in the general reserve of Byblos Bank Africa were transferred as part of the Group's share in the capital increase of the above bank.

Reserve for General Banking Risks

According to the Bank of Lebanon regulations, banks are required to appropriate from their annual net profit a minimum of 0.2% and a maximum of 0.3% of total risk-weighted assets and off-balance-sheet items based on rates specified by the Bank of Lebanon to cover general banking risks. The consolidated ratio should not be less than 1.25% of these risks at the end of year 10 (2007) and 2% at the end of year 20 (2017).

The appropriation in 2008 from the profits of the year 2007 amounted to LBP 9,970 million (2007: LBP 8,757 million).

Other Capital Reserve

		2008	2007
a	Premium on capital increase of Byblos Bank Armenia C.J.S.C.	1,263	-
b	Premium on capital increase of Byblos Bank Africa Ltd.	4,765	-
		6,028	**-**

LL million

a During 2008, the capital of Byblos Bank Armenia C.J.S.C., a 100% owned subsidiary as of 31 December 2007, was increased through additional subscription by minority shareholders, who obtained a 35% stake in Byblos Bank Armenia C.J.S.C. Accordingly, Byblos Bank S.A.L.'s share of Byblos Bank Armenia C.J.S.C. decreased from 100% as of 31 December 2007 to 65% as of 31 December 2008. The Group share of the premium paid by the minority shareholders in the amount of LBP 1,263 million was credited to other capital reserve.

b During 2008, the capital of Byblos Bank Africa, a 65% owned subsidiary as of 31 December 207, was increased through additional subscription by minority and existing shareholders, and transfer of LBP 2,453 million from the general reserve. Byblos Bank S.A.L.'s share in the above subsidiary decreased to 56.86% as of 31 December 2008. The Group share of the premium paid by the minority shareholders in the amount of LBP 4,765 million was credited to other capital reserve.

44 OTHER RESERVE

Other reserve represents appropriation against assets acquired in settlement of debt in accordance with the Banking Control Commission's directives. The Group transferred LBP 5,538 million to the other reserve in 2008 from 2007 profits in accordance with the resolution of the General Assembly of Shareholders held on 14 May 2008. Appropriations against assets acquired in settlement of debt shall be transferred to the free reserves upon the liquidation of the related asset.

45 MINORITY INTERESTS

	2008	2007
- Capital of subsidiary banks and companies	81,752	60,064
- Other reserves and premiums	13,374	8,966
- Net results of the financial period – profit	11,630	6,968
- Accumulated losses	(2,882)	(2,375)
- Cumulative changes in fair values	240	(277)
- Sale of subsidiary shares to minority interests	10,949	-
- Foreign currency translation reserve	1,144	4,276
	116,207	**77,622**

LL million

As a result of the capital increases in Byblos Bank Armenia C.J.S.C. and Byblos Bank Africa Ltd. (disclosed in note 43), minority interests' share in Byblos Bank Armenia C.J.S.C. and Byblos Bank Africa Ltd. increased by the amount of LBP 31,023 million. Meanwhile, the Group realized a premium resulting from the above capital increase in the amount of LBP 6,028 million which was credited to the other capital reserves account.

46 CASH AND CASH EQUIVALENTS

LL million		2008	2007
	Cash and balances with central banks	1,176,842	1,181,648
	Deposits from banks and financial institutions	2,423,612	2,569,234
		3,600,454	3,750,882
	Less: due to banks and financial institutions	(949,250)	(765,911)
	Cash and cash equivalents at 31 December	**2,651,204**	**2,984,971**

47 RELATED PARTY TRANSACTIONS

The Group enters into transactions with major shareholders, directors, senior management, and their related concerns, and entities controlled, jointly controlled or significantly influenced by such parties, in the ordinary course of business at commercial interest and commission rates. All the loans and advances to related parties are performing advances and are free of any provision for possible credit losses.

The balances with related parties included in the balance sheet and income statement are as follows:

Major shareholders

LL million		2008	2007
	Net loans and advances to related parties	12,017	11,738
	Deposits from related parties	106,472	122,906
	Shareholders' credit balances	847	516
	Interest received in loans and advances to related parties	841	670
	Interest paid on related party deposits	5,783	9,073

COMPENSATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

LL million	2008			2007		
	Chairman and Board members	*Senior management*	*Total*	*Chairman and Board members*	*Senior management*	*Total*
Salaries and allowances	3,660	6,262	9,922	2,644	5,352	7,996
Bonuses	4,674	2,564	7,238	3,758	1,887	5,645
Attendance fees	592	77	669	375	77	452

48 COMMITMENTS AND CONTINGENT LIABILITIES

CREDIT-RELATED COMMITMENTS

Credit-related commitments include commitments to extend credit, standby letters of credit, guarantees and acceptances that are designed to meet the requirements of the Group's customers.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Letters of credit, guarantees (including standby letters of credit) and acceptances commit the Group to make payments on behalf of customers contingent upon the failure of the customer to perform under the terms of the contract.

The Group has the following credit-related commitments:

	2008	2007	
Financing commitments given to banks and financial institutions	862,122	819,316	LL million
Guarantees given to banks and financial institutions	267,414	126,738	
Guarantees given to customers	793,830	767,135	
Acceptances (reflected on balance sheet)	284,468	265,415	
	2,207,834	**1,978,604**	
Undrawn commitments to lend	941,822	1,219,225	
	3,149,656	**3,197,829**	

OPERATING LEASE COMMITTMENTS

Future minimum lease payments under non-cancellable operating leases as at 31 December are as follows:

	2008	2007	
Within one year	3,219	1,187	LL million
After one year but not more than five years	8,631	4,143	
More than five years	7,007	4,780	
	18,857	**10,110**	

49 SEGMENTAL INFORMATION

The business segments are distinctive components of the Group that have different risks and rates of return and which offer different products and services. The geographical operating segments offer products and services through specific economic environments and are subject to risks and returns that differ from other economic environments and are considered the primary segments.

A PRIMARY SEGMENT INFORMATION – GEOGRAPHICAL SEGMENTS

Geographical segments offer products and services in different economic environments and are thus subject to different risks and returns. The Group divides its operations into two geographic segments based on the markets and customers' places of residence. The domestic segment encompasses the resident individuals and companies practicing economic activities in Lebanon. The international segment encompasses customers operating in foreign countries as well as companies present in foreign countries.

The table below shows the distribution of the Group's gross income, total assets and capital expenditures by geographical segment. Transactions between segments are carried at market prices and within pure trading conditions.

49 - SEGMENTAL INFORMATION (continued)

	Domestic		International		Total	
LL million	*2008*	*2007*	*2008*	*2007*	*2008*	*2007*
Net interest income	247,500	165,321	108,342	112,686	355,842	278,007
Net fee and commission income	52,690	40,460	54,233	41,387	106,923	81,847
Net trading income	4,860	13,503	4,523	3,704	9,383	17,207
Net gain or loss on financial assets	12,419	12,173	2,052	-	14,471	12,173
Other operating income	16,896	1,881	623	2,004	17,519	3,885
Credit loss expense	1,019	323	(6,453)	(5,084)	(5,434)	(4,761)
Impairment losses on financial investments	-	-	(37,700)	-	(37,700)	-
Net operating income	**335,384**	**233,661**	**125,620**	**154,697**	**461,004**	**388,358**
Personnel expenses	(99,255)	(79,556)	(23,888)	(18,810)	(123,143)	(98,366)
Depreciation of property and equipments	(12,393)	(11,829)	(4,604)	(1,831)	(16,997)	(13,660)
Amortization of intangible assets	(125)	(125)	-	-	(125)	(125)
Other operation expenses	(74,756)	(72,423)	(23,452)	(14,811)	(98,208)	(87,234)
Total operating expenses	**(186,529)**	**(163,933)**	**(51,944)**	**(35,452)**	**(238,473)**	**(199,385)**
Operating profit	**148,855**	**69,728**	**73,676**	**119,245**	**222,531**	**188,973**
Excess of Group's interest in fair value of net assets of acquired subsidiary over cost	-	-	-	870	-	870
Impairment loss on assets held for sale	(408)	(4,751)	-	-	(408)	(4,751)
Profit before tax	**148,447**	**64,977**	**73,676**	**120,115**	**222,123**	**185,092**
Total assets	**11,851,557**	**9,684,237**	**5,077,585**	**4,615,593**	**16,929,142**	**14,299,830**
Total liabilities	**11,715,833**	**10,518,104**	**3,594,900**	**2,629,767**	**15,310,733**	**13,147,871**
Capital expenditure	**33,258**	**20,399**	**34,092**	**35,340**	**67,350**	**55,739**

B SECONDARY SEGMENT INFORMATION – BUSINESS SEGMENTS

The Group operates primarily in two business segments: commercial banking, and investment banking and asset management.

The main activity of the commercial business segments is principally to handle individual customer deposits, and provide consumer loans, overdraft, credit card facilities and fund transfer facilities. The investment banking activity principally provides investment banking services including corporate finance and specialized financial advice and trading. As to asset management, the bank provides investment products and services to institutional investors and intermediaries.

LL million		2008	2007
	Net operating revenues		
	Commercial banking	222,602	150,394
	Investment banking and asset management	238,330	237,565
		460,932	**387,959**
	Assets		
	Commercial banking	4,586,325	3,714,214
	Investment banking and asset management	12,342,817	10,585,616
		16,929,142	**14,299,830**

50 CONCENTRATION OF ASSETS, LIABILITIES AND OFF-BALANCE-SHEET ITEMS

Concentrations arise when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The table below indicates the distribution of the Group's total assets, liabilities and credit commitments by geographic region:

LL million	2008			2007		
	Assets	***Liabilities and stockholders' equity***	***Credit commitments***	***Assets***	***Liabilities and stockholders' equity***	***Credit commitments***
GEOGRAPHICAL SEGMENT:						
- Lebanon	11,851,557	13,121,677	949,951	9,684,237	11,486,065	857,156
- Europe	2,414,937	817,066	163,951	2,194,484	447,289	157,963
- Other countries	2,662,648	2,990,399	809,464	2,421,109	2,366,476	698,070
	16,929,142	**16,929,142**	**1,923,366**	**14,299,830**	**14,299,830**	**1,713,189**

51 CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES

LL million	31 December 2008					
	Held for trading	***Held to maturity***	***Loans and receivables***	***Available for Sale***	***Held at amortized cost***	***Total***
FINANCIAL ASSETS						
Cash and balances with central banks	-	-	-	-	2,023,979	2,023,979
Banks and financial institutions	-	-	-	-	2,525,830	2,525,830
Financial assets given as collateral on securities borrowed and reverse repurchase agreements	-	-	-	6,550	90,297	96,847
Derivative financial instruments	30,117	-	-	-	-	30,117
Financial assets held for trading	210,825	-	-	-	-	210,825
Loans and advances to customers	-	-	4,194,647	-	-	4,194,647
Loans and advances to related parties	-	-	12,017	-	-	12,017
Banks acceptances	-	-	284,468	-	-	284,468
Financial assets – available for sale	-	-	-	1,280,283	-	1,280,283
Financial assets classified as loans and receivables	-	-	4,619,105	-	-	4,619,105
Financial assets – held to maturity	-	1,299,646	-	-	-	1,299,646
	240,942	**1,299,646**	**9,110,237**	**1,286,833**	**4,640,106**	**16,577,764**
FINANCIAL LIABILITIES						
Due to central banks	-	-	-	-	83,656	83,656
Due to banks and financial institutions	-	-	-	-	1,462,261	1,462,261
Derivative financial instruments	28,866	-	-	-	-	28,866
Customer deposits	-	-	-	-	12,500,408	12,500,408
Related parties deposits	-	-	-	-	106,472	106,472
Debt issued and other borrowed funds	-	-	-	-	267,555	267,555
Engagements by acceptances	-	-	-	-	284,468	284,468
Liabilities related to non-current assets held for sale	-	-	-	-	1,720	1,720
Subordinated loans	-	-	-	-	296,203	296,203
	28,866	**-**	**-**	**-**	**15,002,743**	**15,031,609**

51 - CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES (continued)

LL million	31 December 2007					
	Held for trading	***Held to maturity***	***Loans and receivables***	***Available for Sale***	***Held at amortized cost***	***Total***
FINANCIAL ASSETS						
Cash and balances with central banks	-	-	-	-	1,788,544	1,788,544
Banks and financial institutions	-	-	-	-	2,778,817	2,778,817
Financial assets given as collateral on securities borrowed and reverse repurchase agreements	-	-	-	-	90,929	90,929
Derivative financial instruments	19,146	-	-	-	-	19,146
Financial assets held for trading	836,771	-	-	-	-	836,771
Loans and advances to customers	-	-	3,354,275	-	-	3,354,275
Loans and advances to related parties	-	-	11,738	-	-	11,738
Banks acceptances	-	-	265,415	-	-	265,415
Financial assets – available for sale	-	-	-	2,030,428	-	2,030,428
Financial assets classified as loans and receivables	-	-	1,182,265	-	-	1,182,265
Financial assets – held to maturity	-	1,652,876	-	-	-	1,652,876
	855,917	**1,652,876**	**4,813,693**	**2,030,428**	**4,658,290**	**14,011,204**
FINANCIAL LIABILITIES						
Due to central banks	-	-	-	-	60,950	60,950
Due to banks and financial institutions	-	-	-	-	1,008,162	1,008,162
Derivative financial instruments	18,988	-	-	-	-	18,988
Customer deposits	-	-	-	-	10,825,202	10,825,202
Related parties deposits	-	-	-	-	106,472	106,472
Debt issued and other borrowed funds	-	-	-	-	269,872	269,872
Engagements by acceptances	-	-	-	-	265,415	265,415
Liabilities related to non-current assets held for sale	-	-	-	-	2,139	2,139
Subordinated loans	-	-	-	-	331,145	331,145
	18,988	**-**	**-**	**-**	**12,869,357**	**12,888,345**

AMENDMENTS TO IAS 39 AND IFRS 7, "RECLASSIFICATION OF FINANCIAL ASSETS"

The Group reclassified certain trading assets and financial assets available for sale to loans and receivables. The Group identified assets, eligible under the amendments, for which it had a clear change of intent to hold for the foreseeable future rather than to exit or trade in the short term. Under IAS 39 as amended, the reclassifications were made at fair value at the date of reclassification. The disclosures below detail the impact of the reclassifications of the Group.

The following table shows carrying values and fair values of the reclassified assets.

LL million			31 December 2008
	Carrying value at reclassification date	***Carrying value***	***Fair value***
Trading assets reclassified to loans and receivables	104,071	104,299	101,249
Financial assets available for sale reclassified to loans and receivables	1,715,951	1,717,353	1,567,107
Total financial assets reclassified to loans and receivables	1,820,022	1,821,652	1,668,356

As of the reclassification date, effective interest rates on reclassified trading assets ranged from 6.79% to 10.29% with expected recoverable cash flows of LBP 134,199 million. Effective interest rates on reclassified financial assets available for sale ranged from 4.90% to 11.44% with expected recoverable cash flows of LBP 2,730,488 million.

If the reclassification had not been made, the Group's income statement for the year 2008 would have included unrealized fair value losses on the reclassified trading assets of LBP 2,759 million, and available-for-sale reserve in shareholders' equity would have included LBP 117,995 million of additional unrealized fair value losses on the reclassified financial assets available for sale.

After reclassification, the reclassified financial assets contributed the following amounts to income before income taxes for the year 2008.

	LL million
Reclassified trading assets	
Net interest income	**1,558**
Reclassified financial assets available for sale	
Net interest income	**27,213**

For the period between 1 January 2008 and reclassification date, LBP 64 million of unrealized fair value gains on the reclassified trading assets were recognized in the consolidated income statement. For the same period, unrealized fair value losses of LBP 24,736 million on reclassified financial assets available-for-sale that were not impaired were recorded directly in shareholders' equity. As of the reclassification date, such unrealized fair value losses recorded directly in shareholders' equity amounted to LBP 31,272 million. This amount will be released from this position in shareholders' equity and added to the carrying value of the reclassified financial assets available for sale on an effective interest rate basis.

52 FAIR VALUE OF FINANCIAL INSTRUMENTS

The table below sets out the estimated carrying values and fair values of the financial instruments at the date of the balance sheet:

LL million	2008			2007		
	Fair value	***Book value***	***Unrealized profits (losses)***	***Fair value***	***Book value***	***Unrealized profits (losses)***
FINANCIAL ASSETS						
Cash and balances with central banks	2,025,817	2,023,979	1,838	1,788,544	1,788,544	-
Due from banks and financial institutions	2,527,730	2,525,830	1,900	2,781,305	2,778,817	2,488
Financial assets given as collateral on securities borrowed and reverse repurchase agreements	96,847	96,847	-	93,384	90,929	2,455
Derivative financial instruments	30,117	30,117	-	19,146	19,146	-
Financial assets held for trading	210,825	210,825	-	836,771	836,771	-
Net loans and advances to customers and related parties	4,219,248	4,206,664	12,584	3,379,227	3,366,013	13,214
Debtors by acceptances	284,468	284,468	-	265,415	265,415	-
Available-for-sale financial instruments	1,280,283	1,280,283	-	2,030,428	2,030,428	-
Financial assets classified as loans and receivables	4,519,426	4,619,105	(99,679)	1,196,630	1,182,265	14,365
Held-to-maturity financial instruments	1,283,737	1,299,646	(15,909)	1,665,028	1,652,876	12,152
FINANCIAL LIABILITIES						
Due to central banks	83,656	83,656	-	61,731	60,950	(781)
Derivative financial instruments	28,866	28,866	-	18,988	18,988	-
Due to banks and financial institutions	1,468,212	1,462,261	(5,951)	1,009,652	1,008,162	(1,490)
Deposits from customers and related parties	12,631,336	12,606,880	(24,456)	10,964,029	10,948,108	(15,921)
Debt issued and other borrowed funds	267,555	267,555	-	265,081	269,872	4,791
Engagements by acceptances	284,468	284,468	-	265,415	265,415	-
Liabilities linked to unquoted available-for-sale assets	1,720	1,720	-	2,139	2,139	-
Subordinated notes	254,521	296,203	41,682	332,474	331,145	(1,329)
			(87,991)			**29,944**

53 RISK MANAGEMENT

Group Risk Management was established as a function handling the measurement and management of risk. Group Risk Management is broadly following the guidelines of the Basel II text to measure and assess the risks identified under pillars 1 and 2, i.e., the credit, operational, and market risks, as well as the interest rate risk in the banking book, the liquidity risk, and credit concentration.

Group Risk Management has established a risk management charter, which sets out the appropriate organizational structure to manage the Group's strategic, operational, financial and compliance risk.

GROUP RISK MANAGEMENT ORGANIZATIONAL CHART

As the Board of Directors is responsible for assessing and managing risks, the head of the Risk Management Department reports to the Group's chairman and his main tasks are the following:

1- Portfolio management and credit risk analytics
2- Treasury mid-office and market risk
3- Operational risk
4- Group risk support
5- Compliance
6- Information security

RISK GOVERNANCE

The Bank currently has five senior management committees dealing with risk-related issues: the Risk Management Committee (RMC), the Assets and Liabilities Management Committee (ALCO), the Operational Risk Management Committee (ORMC), the Anti-Money-Laundering Committee (AML), and the Information Security Committee (ISC). These committees are comprised of the heads of different divisions and one executive member of the Board of Directors.

The RMC is entrusted with the responsibility of managing the credit and reputational risks. It has to frame policies and procedures relating to management of such risks and ensure that these are being complied with. The RMC decisions are all advised to the Management Committee for information and implied endorsement.

The ALCO has the responsibility of managing the balance sheet (assets and liabilities) in terms of liquidity and interest rates, ensuring compliance with regulatory ratios, managing market risk and managing capital efficiently. The ORMC is entrusted with the responsibility of managing the operational risks of the Group. The AML ensures that the Group is in compliance with anti-money-laundering laws, internal and regulatory requirements. The ISC is responsible for alignment of the security program with organizational objectives.

54 CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual borrowers, and groups and for geographical and industry segments. The Group also monitors credit exposures and continually assesses the creditworthiness of counter-parties. In addition, the Group obtains security where appropriate, enters into master netting agreements and collateral arrangements with counter-parties, and limits the duration of exposures. In certain cases the Group may also close out transactions or assign them to counter-parties to mitigate credit risk.

The Group seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains the necessary securities when appropriate.

The Bank uses Moody's Risk Advisor (MRA) to classify its commercial loan portfolio according to credit risks. MRA is used to classify borrowers, whether corporate or small and medium enterprises, in Lebanon and abroad. The corporate portfolio includes companies with a yearly turnover exceeding USD 5 million operating in different industries. Group Risk Management also established a comprehensive database which allows the monitoring of different retail products.

RISK CONCENTRATION OF THE MAXIMUM EXPOSURE TO CREDIT RISK

The following schedule presents the maximum exposure to credit risk before and after taking into account any collateral held or other credit enhancements.

	2008		2007	
	Gross maximum exposure	***Net maximum exposure***	***Gross maximum exposure***	***Net maximum exposure***
Cash and balances with central banks	1,914,356	1,914,356	1,690,380	1,690,380
Due from banks and financial institutions	2,525,830	2,525,830	2,778,817	2,778,817
Financial assets given as collateral and reverse repurchase agreements	96,847	96,847	90,929	90,929
Derivative financial instruments	30,117	30,117	19,146	19,146
Financial assets held for trading	210,825	210,825	836,771	836,771
Net loans and advances to customers and related parties	4,206,664	3,260,993	3,366,013	2,592,070
Debtors by acceptances	284,468	284,468	265,415	265,415
Available-for-sale financial instruments	1,280,283	1,280,283	2,030,428	2,030,428
Financial asset classified as loans and receivables	4,619,105	4,619,105	1,182,265	1,182,265
Held-to-maturity financial instruments	1,299,646	1,299,646	1,652,876	1,652,876
Other assets	37,451	37,451	27,423	27,423
	16,505,592	**15,559,921**	**13,940,463**	**13,166,520**
Commitments and contingencies	1,923,366	1,923,366	1,713,189	1,713,189
Undrawn commitments to lend	941,822	941,822	1,219,225	1,219,225
Total financial commitments	**2,865,188**	**2,865,188**	**2,932,414**	**2,932,414**
Total credit risk exposure	**19,370,780**	**18,425,109**	**16,872,877**	**16,098,934**

CREDIT QUALITY PER CLASS OF FINANCIAL ASSET

The credit quality of financial assets is managed by the Group using internal credit ratings. The table below presents the credit quality by class of asset for loan-related balance sheet lines, based on the credit rating system.

2008

LL million	Neither past due nor impaired				
	High-grade	*Standard grade*	*Past due but not impaired*	*Past due and/or impaired*	*Total*
Cash and balances with central banks	2,023,979	-	-	-	2,023,979
Due from banks and financial institutions	2,379,874	145,956	-	4,766	2,530,596
Financial assets given as collateral and reverse repurchase agreements	96,847	-	-	-	96,847
Derivative financial instruments	30,117	-	-	-	30,117
Financial assets held for trading	210,825	-	-	-	210,825
Loans and advances to customers and related parties					
- Commercial loans	3,034,416	217,646	35,892	169,192	3,457,146
- Other customer loans	828,949	8,257	91,494	8,461	937,161
Debtors by acceptances	284,468	-	-	-	284,468
Available-for-sale financial instruments	1,240,455	-	-	39,828	1,280,283
Held-to-maturity financial instruments	1,299,646	-	-	-	1,299,646
Financial assets classified as loans and receivables	4,594,905	24,200	-	-	4,619,105
	16,024,481	**396,059**	**127,386**	**222,247**	**16,770,173**

2007

LL million	*High-grade*	*Standard grade*	*Past due but not impaired*	*Past due and/or impaired*	*Total*
Cash and balances with central banks	1,788,544	-	-	-	1,788,544
Due from banks and financial institutions	2,301,389	477,428	-	12,916	2,791,733
Derivative financial instruments	19,146	-	-	-	19,146
Financial assets held for trading	836,771	-	-	-	836,771
Financial assets given as collateral and reverse repurchase agreements	90,929	-	-	-	90,929
Loans and advances to customers and related parties					
- Commercial loans	2,362,000	252,140	26,774	195,984	2,836,898
- Other customer loans	630,224	17,242	68,876	7,486	723,828
Debtors by acceptances	265,415	-	-	-	265,415
Available-for-sale financial instruments	2,030,428	-	-	-	2,030,428
Financial assets classified as loans and receivables	1,182,265	-	-	-	1,182,265
Held-to-maturity financial instruments	1,652,876	-	-	-	1,652,876
	13,159,987	**746,810**	**95,650**	**216,386**	**14,218,833**

Standards and Poors agency rated the Lebanese Government risks “B-” as at 31 December 2008 and 2007.

MAXIMUM CREDIT RISK CONCENTRATION EXPOSURE

2008

LL million	*Lebanon*	*Europe*	*Other countries*	*Total*
Cash and balances with central banks	1,667,274	24,023	223,059	1,914,356
Due from banks and financial institutions	73,920	1,587,644	864,266	2,525,830
Financial assets given as collateral and reverse repurchase agreements	40,474	56,373	-	96,847
Derivative financial instruments	4,880	16,113	9,124	30,117
Financial assets held for trading	197,567	7,759	5,499	210,825
Net loans and advances to customers and related parties	2,886,897	274,884	1,044,883	4,206,664
Debtors by acceptances	85,822	20,686	177,960	284,468
Available-for-sale financial instruments	1,095,403	90,110	94,770	1,280,283
Financial assets classified as loans and receivables	4,330,999	207,228	80,878	4,619,105
Held-to-maturity financial instruments	1,146,454	-	153,192	1,299,646
Other assets	37,451	-	-	37,451
Total	**11,567,141**	**2,284,820**	**2,653,631**	**16,505,592**
Commitments and contingencies	949,951	163,951	809,464	1,923,366
Undrawn commitments to lend	716,693	113,927	111,202	941,822
Total financial commitments	**1,666,644**	**277,878**	**920,666**	**2,865,188**
Total credit risk exposure	**13,233,785**	**2,562,698**	**3,574,297**	**19,370,780**

2007

	Lebanon	*Europe*	*Other countries*	*Total*
Cash and balances with central banks	1,570,208	28,740	91,432	1,690,380
Due from banks and financial institutions	176,655	1,552,223	1,049,939	2,778,817
Financial assets given as collateral and reverse repurchase agreements	40,458	50,471	-	90,929
Derivative financial instruments	4,086	5,510	9,550	19,146
Financial assets held for trading	836,771	-	-	836,771
Net loans and advances to customers and related parties	2,357,210	204,555	804,248	3,366,013
Debtors by acceptances	100,554	47,908	116,953	265,415
Available-for-sale financial instruments	1,778,873	29,230	222,325	2,030,428
Financial assets classified as loans and receivables	904,581	261,752	15,932	1,182,265
Held-to-maturity financial instruments	1,652,262	614	-	1,652,876
Other assets	18,613	8,187	623	27,423
Total	**9,440,271**	**2,189,190**	**2,311,002**	**13,940,463**
Commitments and contingencies	857,156	157,963	698,070	1,713,189
Undrawn commitments to lend	846,617	106,861	265,747	1,219,225
Total financial commitments	**1,703,773**	**264,824**	**963,817**	**2,932,414**
Total credit risk exposure	**11,144,044**	**2,454,014**	**3,274,819**	**16,872,877**

54 - CREDIT RISK (continued)
MAXIMUM CREDIT RISK CONCENTRATION EXPOSURE (continued)

An industry sector analysis of the Group's financial assets, before taking into account any collateral held or other credit enhancements, is as follows:

LL million		2008	2007
	INDUSTRY OR SECTOR:		
	Commercial	1,422,039	1,262,665
	Industrial	821,679	604,523
	Agriculture	85,524	79,019
	Services	737,423	492,619
	Banks and other financial institutions	3,236,808	3,486,868
	Construction	472,650	390,855
	Retail	931,742	696,854
	Government	8,673,533	6,779,684
	Other	124,194	147,376
		16,505,592	**13,940,463**

AGING ANALYSIS OF PAST DUE BUT NOT IMPAIRED LOANS PER CLASS OF FINANCIAL ASSETS

2008

LL million	*Less than 90 days*	*91 to 180 days*	*181 to 365 days*	*366 to 720 days*	*More than 720 days*	*Total*
LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES						
- Commercial loans	31,368	2,017	1,855	652	-	35,892
- Other customer loans	67,051	6,969	3,865	4,309	9,300	91,494
Total	**98,419**	**8,986**	**5,720**	**4,961**	**9,300**	**127,386**

2007

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES						
- Commercial loans	17,047	9,027	700	-	-	26,774
- Other customer loans	45,352	6,364	4,117	5,710	7,333	68,876
Total	**62,399**	**15,391**	**4,817**	**5,710**	**7,333**	**95,650**

The fair value of the collateral held against past due but not impaired facilities as at 31 December 2008 amounted to LBP 70,454 million (2007: LBP 36,126 million).

The outstanding balance of financial assets that were renegotiated is as follows:

LL million		2008	2007
	Loans and advances to customers	18,289	31,458

55 LIQUIDITY RISK

Liquidity risk is the risk that the Group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To limit this risk, management has arranged diversified funding sources, manages assets with liquidity in mind, and maintains a healthy balance of cash and cash equivalents, and readily marketable securities.

ANALYSIS OF FINANCIAL LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2008 and 31 December 2007 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The table does not reflect the expected cash flows that are in line with the Group's deposit retention history.

2008

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Due to central banks	33,004	3	51,261	1,602	-	85,870
Due to banks and financial institutions	637,625	230,851	209,426	177,305	334,636	1,589,843
Derivative financial instruments	13,984	-	5,724	-	9,158	28,866
Customer deposits	8,788,556	1,653,748	1,827,135	380,565	74,882	12,724,886
Debt issued and other borrowed funds	-	207,815	74,259	-	-	282,074
Engagements by acceptances	67,691	156,507	59,222	1,048	-	284,468
Liabilities related to non-current assets held for sale	1,720	-	-	-	-	1,720
Subordinated loans	-	-	21,181	357,630	-	378,811
Total undiscounted financial liabilities	**9,542,580**	**2,248,924**	**2,248,208**	**918,150**	**418,676**	**15,376,538**

2007

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*More than 5 years*	*Total*
Due to central banks	23,511	438	1,333	42,412	-	67,694
Due to banks and financial institutions	493,384	233,884	46,417	116,139	178,109	1,067,933
Derivative financial instruments	3,928	-	-	15,060	-	18,988
Customer deposits	8,331,714	1,221,439	1,267,391	265,352	7,590	11,093,486
Debt issued and other borrowed funds	3,877	3,256	13,639	286,631	-	307,403
Engagements by acceptances	95,820	128,918	40,186	491	-	265,415
Liabilities related to non-current assets held for sale	2,139	-	-	-	-	2,139
Subordinated notes	-	13,206	14,773	462,050	-	490,029
Total undiscounted financial liabilities	**8,954,373**	**1,601,141**	**1,383,739**	**1,188,135**	**185,699**	**13,313,087**

55 - LIQUIDITY RISK (continued)
ANALYSIS OF FINANCIAL LIABILITIES BY REMAINING CONTRACTUAL MATURITIES (continued)

The table below summarizes the maturity profile of the Group's commitments and contingencies:

2008

LL million	*On demand*	*Less then 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Commitments and contingencies	86,052	543,896	766,838	575,704	876	1,973,366
Undrawn commitments to lend	941,822	-	-	-	-	941,822
	1,027,874	**543,896**	**766,838**	**525,704**	**876**	**2,865,188**

2007

LL million	*On demand*	*Less then 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Commitments and contingencies	207,959	442,178	722,243	334,481	6,328	1,713,189
Undrawn commitments to lend	1,103,864	45,348	70,013	-	-	1,219,225
	1,311,823	**487,526**	**792,256**	**334,481**	**6,328**	**2,932,414**

The Group expects that not all the commitments and contingencies will be demanded before maturity.

MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below summarizes the maturity profile of the Group's assets and liabilities based on contractual repayment arrangements. The contractual maturities of assets and liabilities have been determined on the basis of the remaining period at the balance sheet date to the contractual maturity date and do not take account of the effective maturities as indicated by the Group's deposit retention history and the availability of liquid funds. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The maturity profile of the assets and liabilities at 31 December 2008 was as follows:

2008

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
ASSETS						
Cash and balances with central banks	1,011,036	166,031	2,575	774,698	69,639	2,023,979
Due from banks and financial institutions	1,851,330	486,801	167,971	15,311	4,417	2,525,830
Financial assets given as collateral and reverse repurchase agreements	56,373	-	40,474	-	-	96,847
Derivative financial instruments	15,235	-	5,724	-	9,158	30,117
Financial assets held for trading	1,169	6,278	79,829	64,715	58,834	210,825
Net loans and advances to customers and related parties	1,711,733	311,168	527,026	1,026,880	629,857	4,206,664
Debtors by acceptances	67,691	156,507	59,222	1,048	-	284,468
Available-for-sale financial instruments	13,109	14,633	56,229	1,095,692	100,620	1,280,283
Financial assets classified as loans and receivables	46,571	88,730	827,632	2,467,478	1,188,694	4,619,105
Held-to-maturity financial instruments	74,453	169,352	600,284	310,184	145,373	1,299,646
Property and equipment	-	-	-	-	243,322	243,322
Intangible assets	-	-	-	-	1,074	1,074
Non-current assets held for sale	-	-	-	-	46,108	46,108
Other assets	39,459	2,303	16,186	659	2,267	60,874
Total assets	**4,888,159**	**1,401,803**	**2,383,152**	**5,756,665**	**2,499,363**	**16,929,142**
LIABILITIES						
Due to central banks	33,004	3	49,047	1,602	-	83,656
Derivative financial instruments	13,984	-	5,724	-	9,158	28,866
Due to banks and financial institutions	637,402	230,584	207,969	150,503	235,803	1,462,261
Deposits from customers and related parties	8,781,435	1,647,919	1,762,893	343,257	71,376	12,606,880
Debt issued and other borrowed funds	-	203,872	63,683	-	-	267,555
Current tax liability	22,864	2,745	4,387	-	-	29,996
Engagements by acceptances	67,691	156,507	59,222	1,048	-	284,468
Other liabilities	21,255	5,579	145,959	18,262	40	191,059
Liabilities linked to held-for-sale assets	-	-	-	-	1,720	1,720
Provision for risks and charges	26,778	-	1,348	-	2,465	30,591
End-of-service benefits	387	-	-	-	27,091	27,478
Subordinated notes	-	-	3,227	292,976	-	296,203
Total liabilities	**9,604,800**	**2,247,209**	**2,303,459**	**807,612**	**347,653**	**15,310,733**
Net liquidity gap	**(4,716,641)**	**(845,406)**	**79,693**	**4,949,053**	**2,151,710**	**1,618,409**

55 - LIQUIDITY RISK (continued)

The maturity profile of the assets and liabilities at 31 December 2007 were as follows:

2007

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
ASSETS						
Cash and balances with central banks	1,008,427	63,318	11,601	705,198	-	1,788,544
Due from banks and financial institutions	2,239,283	477,145	62,389	-	-	2,778,817
Financial assets given as collateral and reverse repurchase agreements	50,478	-	40,451	-	-	90,929
Derivative financial instruments	4,086	-	-	15,060	-	19,146
Financial assets held for trading	32,475	291,058	24,147	343,806	145,285	836,771
Net loans and advances to customers and related parties	1,506,342	330,022	419,180	965,629	144,840	3,366,013
Debtors by acceptances	95,819	99,614	69,490	492	-	265,415
Available for sale financial instruments	139,108	56,258	63,162	993,877	778,023	2,030,428
Held-to-maturity financial instruments	22,312	3,452	538,594	979,871	108,647	1,652,876
Financial assets classified as loans and receivables	206,480	154,725	58,783	560,359	201,918	1,182,265
Property and equipment	-	-	-	-	192,348	192,348
Intangible assets	-	-	-	-	1,199	1,199
Non-current assets held for sale	-	-	-	-	51,389	51,389
Other assets	-	-	-	-	43,690	43,690
Total assets	**5,304,810**	**1,475,592**	**1,287,797**	**4,564,292**	**1,667,339**	**14,299,830**
LIABILITIES						
Due to central banks	23,516	2	15	37,417	-	60,950
Derivative financial instruments	3,928	-	-	15,060	-	18,988
Due to banks and financial institutions	504,710	239,600	46,114	100,113	117,625	1,008,162
Deposits from customers and related parties	8,134,555	1,226,831	1,242,934	269,571	74,217	10,948,108
Debt issued and other borrowed funds	-	-	-	269,872	-	269,872
Current tax liability	25,400	-	-	-	-	25,400
Engagement by acceptances	125,123	99,614	40,186	492	-	265,415
Other liabilities	118,443	12,270	48,371	-	-	179,084
Liabilities linked to held-for-sale assets	2,139	-	-	-	-	2,139
Provision for risks and charges	18,033	-	-	-	-	18,033
End-of-service benefits	-	-	-	-	20,575	20,575
Subordinated notes	1,135	-	2,166	327,844	-	331,145
Total liabilities	**8,956,892**	**1,578,317**	**1,379,786**	**1,020,369**	**212,417**	**13,147,871**
Net liquidity gap	**(3,652,172)**	**(102,725)**	**(91,989)**	**3,543,923**	**1,454,922**	**1,151,959**

56

INTEREST RATE RISK AND MARKET RISK

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of financial instruments. The Group is exposed to interest rate risk as a result of mismatches of interest rate repricing of assets and liabilities and off-balance-sheet items that mature or are repriced in a given period. The Group manages the risk by matching the repricing of assets and liabilities through risk management strategies.

INTEREST RATE SENSITIVITY

The table below shows the sensitivity of interest income and shareholders' equity to reasonably possible parallel changes in interest rates, all other variables being held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2008, including the effect of hedging instruments. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets, including the effect of any associated hedges, and swaps designated as cash flow hedges, at 31 December 2008 for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

	LL million	2008		2007	
Currency	***Increase in interest rate***	***Net effect on interest income***	***Net effect on shareholders' equity***	***Net effect on interest income***	***Net effect on shareholders' equity***
LBP	+0.5%	(11,550)	(10,230)	(6,455)	(2,565)
Other currencies	+0.5%	(7,105)	(1,292)	(8,555)	(18,463)
		(18,655)	(11,522)	(15,010)	(21,028)

56 - INTEREST RATE RISK AND MARKET RISK (continued)

EFFECTIVE INTEREST RATES ON FINANCIAL INSTRUMENTS

The effective interest rate (effective yield) of a monetary financial instrument is the rate that, when used in a present value calculation, results in the carrying amount of the instrument. The rate is a historical rate for a fixed-rate instrument carried at amortized cost and a current market rate for a floating-rate instrument or an instrument carried at fair value.

The effective interest rates of the financial instruments denominated in Lebanese Pounds and foreign currencies, primarily US Dollars, are as follows:

	2008		2007	
	Foreign currencies %	***LL %***	***Foreign currencies %***	***LL %***
ASSETS				
Cash and balances with central banks	2.84%	1.43%	4.63%	1.24%
Due from banks and financial institutions	3.43%	2.99%	4.87%	1.48%
Financial assets held for trading	7.40%	10.27%	7.48%	9.71%
Net loans and advances to customers and related parties	8.31%	8.37%	8.69%	8.16%
Available-for-sale financial instruments	8.65%	10.06%	8.43%	4.76%
Financial assets classified as loans and receivables	7.17%	9.25%	8.26%	12.38%
Held-to-maturity financial instruments	8.40%	9.28%	8.33%	9.27%
LIABILITIES				
Due to central banks	0.18%	9.51%	-	9.29%
Due to banks and financial institutions	4.43%	8.50%	5.24%	6.60%
- Weighted average rate, including:				
- Deposits	3.48%	8.50%	4.69%	6.60%
- Loans	6.39%	-	7.22%	-
Customer deposits	3.92%	7.32%	4.90%	7.72%
Debt issued and other borrowed funds	6.42%	-	6.28%	-
Subordinated notes	9.00%	-	8.88%	-

The Group's interest sensitivity position based on contractual repricing arrangements at 31 December 2008 was as follows:

2008

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest bearing items*	*Total*
ASSETS							
Cash and balances with central banks	803,386	165,971	2,558	768,825	2,416	280,823	2,023,979
Due from banks and financial institutions	1,986,510	410,500	92,010	15,075	4,417	17,318	2,525,830
Financial assets given as collateral and reverse repurchase agreements	6,550	-	-	-	-	90,297	96,847
Derivative financial instruments	10,389	-	-	-	-	19,728	30,117
Financial assets held for trading	266	5,499	91,861	50,057	59,222	3,920	210,825
Net loans and advances to customers and related parties	1,669,296	493,120	750,780	845,398	428,448	19,622	4,206,664
Debtors by acceptances	-	1,808	-	-	-	282,660	284,468
Available-for-sale financial instruments	2,203	-	46,827	1,095,964	44,251	91,038	1,280,283
Financial assets classified as loans and receivables	98,895	116,219	692,057	2,425,235	1,179,780	106,919	4,619,105
Held-to-maturity financial instruments	71,000	153,244	583,717	310,553	145,373	35,759	1,299,646
Property and equipment	-	-	-	-	-	243,322	243,322
Intangible assets	-	-	-	-	-	1,074	1,074
Non-current assets held for sale	-	-	-	-	-	46,108	46,108
Other assets	-	-	-	-		60,874	60,874
Total assets	**4,648,495**	**1,346,361**	**2,259,810**	**5,511,107**	**1,863,907**	**1,299,462**	**16,929,142**
LIABILITIES							
Due to central banks	16,715	3	40,017	1,602	-	25,319	83,656
Derivative financial instruments	13,984	-	-	-	-	14,882	28,866
Due to banks and financial institutions	618,579	213,923	60,348	168,566	226,558	174,287	1,462,261
Deposits from customers and related parties	8,743,199	1,777,902	1,666,074	221,484	37,824	160,397	12,606,880
Debt issued and other borrowed funds	-	202,936	-	65,705	-	(1,086)	267,555
Current tax liability	5	2,420	-	-	-	27,571	29,996
Engagement by acceptances	-	1,808	-	-	-	282,660	284,468
Other liabilities	233	102	1	4	18,262	172,457	191,059
Liabilities linked to held-for-sale assets	-	-	-	-	-	1,720	1,720
Provision for risks and charges	-	-	-	-	-	30,591	30,591
End-of-service benefits	-	-	-	-	-	27,478	27,478
Subordinated notes	-	-	-	293,117	-	3,086	296,203
Total equity	-	-	-	-	-	1,618,409	1,618,409
Total liabilities and equity	**9,392,715**	**2,199,094**	**1,766,440**	**750,478**	**282,644**	**2,537,771**	**16,929,142**
Total interest rate sensitivity gap	**(4,744,220)**	**(852,733)**	**493,370**	**4,760,629**	**1,581,263**	**(1,238,309)**	
Cumulative interest rate sensitivity gap	**(4,744,220)**	**(5,596,953)**	**(5,103,583)**	**(342,954)**	**1,238,309**	**-**	

56 - INTEREST RATE RISK AND MARKET RISK (continued)

The Group's interest sensitivity position based on contractual repricing arrangements at 31 December 2007 was as follows:

2007

LL million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Non-interest-bearing items*	*Total*
ASSETS							
Cash and balances with central banks	779,417	63,318	11,601	705,198	-	229,010	1,788,544
Due from banks and financial institutions	2,239,283	473,605	51,176	-	-	14,753	2,778,817
Financial assets given as collateral and reverse repurchase agreements	50,478	-	40,451	-	-	-	90,929
Derivative financial instruments	-	-	-	-	-	19,146	19,146
Financial assets held for trading	-	290,018	17,644	343,806	145,285	40,018	836,771
Net loans and advances to customers and related parties	1,503,238	310,883	692,932	683,741	168,701	6,518	3,366,013
Debtors by acceptances	95,819	99,614	40,186	492	-	29,304	265,415
Available-for-sale financial instruments	14,703	48,871	34,659	990,898	813,108	128,189	2,030,428
Financial assets classified as loans and receivables	203,246	151,294	36,552	538,247	197,504	55,422	1,182,265
Held-to-maturity financial instruments	-	-	532,472	979,871	108,647	31,886	1,652,876
Property and equipment	-	-	-	-	-	192,348	192,348
Intangible assets	-	-	-	-	-	1,199	1,199
Non-current assets held for sale	-	-	-	-	-	51,389	51,389
Other assets	-	-	-	-	-	43,690	43,690
Total assets	**4,886,184**	**1,437,603**	**1,457,673**	**4,242,253**	**1,433,245**	**842,872**	**14,299,830**
LIABILITIES AND EQUITY							
Due to central banks	23,511	2	15	37,417	-	5	60,950
Derivative financial instruments	-	-	-	-	-	18,988	18,988
Due to banks and financial institutions	483,477	230,613	44,448	98,651	117,625	33,348	1,008,162
Customer deposits and deposits from related parties	8,052,772	1,194,919	1,216,358	223,555	4,746	255,758	10,948,108
Debt issued and other borrowed funds	-	-	-	269,872	-	-	269,872
Engagements by acceptances	125,123	99,614	40,186	492	-	-	265,415
Current tax liability	-	-	-	-	-	25,400	25,400
Other liabilities	20,445	12,270	48,371	-	-	97,998	179,084
Liabilities linked to held-for-sale assets	-	-	-	-	-	2,139	2,139
Provision for risks and charges	-	-	-	-	-	18,033	18,033
End-of-service benefits	-	-	-	-	-	20,575	20,575
Subordinated notes	-	-	2,166	327,844	-	1,135	331,145
Total equity	82,300	-	-	-	-	1,069,659	1,151,959
Total liabilities and equity	**8,787,628**	**1,537,418**	**1,351,544**	**957,831**	**122,371**	**1,543,038**	**14,299,830**
Total interest rate sensitivity gap	**(3,901,444)**	**(99,815)**	**106,129**	**3,284,422**	**1,310,874**	**(700,166)**	
Cumulative interest rate sensitivity gap	**(3,901,444)**	**(4,001,259)**	**(3,895,130)**	**(610,708)**	**700,166**	**-**	

57 CURRENCY RISK

Currency risk arises when the value of a financial instrument fluctuates due to changes in foreign exchange rates. The Bank protects its capital and reserves by holding a foreign currency position in US Dollars representing 60% of its equity after adjustment according to specific requirements set by the Bank of Lebanon. The Bank is also allowed to hold a net trading position, debit or credit, not to exceed 1% of its net equity, as long as the global foreign position does not exceed, at the same time, 40% of its equity (Bank of Lebanon circular number 32).

GROUP'S SENSITIVITY TO CURRENCY EXCHANGE RATES

The table below shows the currencies to which the Group had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The numbers represent the effect of a reasonably possible movement of the currency rate against the Lebanese Lira, with all other variables held constant, first on the income statement (due to the potential change in fair value of currency sensitive non-trading monetary assets and liabilities) and equity (due to the change in fair value of currency swaps and forward foreign exchange contracts used as cash flow hedges). A negative amount reflects a potential net reduction in income or equity, while a positive amount reflects a net potential increase.

	LL million	2008		2007	
Currency	***Change in currency rate %***	***Effect on profit before tax***	***Effect on equity***	***Effect on profit before tax***	***Effect on equity***
US Dollar	+5	(17,712)	13,514	(4,654)	73,481
Euro	+5	(2,283)	2,399	(560)	1,418
GBP	+5	12	-	(116)	-
Other currencies	+5	5,862	1,952	6,400	1,117
		(14,121)	17,865	1,070	76,016

57 - CURRENCY RISK (continued)

The following consolidated balance sheet as of 31 December 2008 is detailed in Lebanese Pounds and foreign currencies translated into Lebanese Pounds and US Dollars.

2008

LL million	LL million	Foreign currencies USD (000)	Foreign currencies C/V LL million	Total LL Million
ASSETS				
Cash and balances with central banks	476,622	1,026,439	1,547,357	2,023,979
Due from banks and financial institutions	93,014	1,613,808	2,432,816	2,525,830
Financial assets given as collateral and reverse repurchase agreements	40,474	37,395	56,373	96,847
Derivative financial instruments	5,087	16,604	25,030	30,117
Financial assets held for trading	74,511	90,424	136,314	210,825
Net loans and advances to customers	453,356	2,481,785	3,741,291	4,194,647
Net loans and advances to related parties	-	7,971	12,017	12,017
Debtors by acceptances	-	188,702	284,468	284,468
Available-for-sale financial instruments	1,006,434	181,658	273,849	1,280,283
Financial assets classified as loans and receivables	2,048,876	1,704,961	2,570,229	4,619,105
Held-to-maturity financial instruments	889,256	272,232	410,390	1,299,646
Property and equipment	151,134	61,153	92,188	243,322
Intangible assets	1,074	-	-	1,074
Non-current assets held for sale	(11,643)	38,309	57,751	46,108
Other assets	29,314	20,935	31,560	60,874
Total assets	**5,257,509**	**7,742,376**	**11,671,633**	**16,929,142**
LIABILITIES AND EQUITY				
Due to central banks	38,515	29,944	45,141	83,656
Derivative financial instruments	3,886	16,570	24,980	28,866
Due to banks and financial institutions	61,150	929,427	1,401,111	1,462,261
Customer deposits	4,335,968	5,415,881	8,164,440	12,500,408
Deposits from related parties	28,100	51,988	78,372	106,472
Debt issued and other borrowed funds	-	177,483	267,555	267,555
Engagement by acceptances	325	188,486	284,143	284,468
Current tax liability	18,879	7,374	11,117	29,996
Other liabilities	44,735	97,064	146,324	191,059
Liabilities linked to held-for-sale assets	-	1,141	1,720	1,720
Provision for risks and charges	27,355	2,147	3,236	30,591
End-of-service benefits	27,054	281	424	27,478
Subordinated notes	-	196,486	296,203	296,203
	4,585,967	**7,114,272**	**10,724,766**	**15,310,733**
Share capital	511,363	-	-	511,363
Issue premium	-	312,523	471,129	471,129
Capital reserves	250,941	55,328	83,407	334,348
Treasury shares	(1,554)	-	-	(1,554)
Retained earnings	16,903	(1,052)	(1,586)	15,317
Revaluation reserve of real estate	5,689	-	-	5,689
Available-for-sale reserve	7,614	(25,294)	(38,131)	(30,517)
Net results of the financial period – profit	146,394	17,175	25,891	172,285
Foreign currency translation reserve	-	12,341	18,604	18,604
Other reserve	5,538	-	-	5,538
Minority interest	-	77,086	116,207	116,207
Total equity	**942,888**	**448,107**	**675,521**	**1,618,409**
Total liabilities and equity	**5,528,855**	**7,562,379**	**11,400,287**	**16,929,142**

2007

LL million	LL million	Foreign currencies USD (000)	Foreign currencies C/V LL million	Total LL Million
ASSETS				
Cash and balances with central banks	332,375	965,950	1,456,169	1,788,544
Due from banks and financial institutions	41,229	1,815,979	2,737,588	2,778,817
Financial assets given as collateral and reverse repurchase agreements	40,458	33,480	50,471	90,929
Derivative financial instruments	4,462	9,741	14,684	19,146
Financial assets held for trading	527,983	204,834	308,788	836,771
Net loans and advances to customers	393,306	1,957,494	2,950,922	3,344,228
Net loans and advances to related parties	-	14,451	21,785	21,785
Debtors by acceptances	-	176,063	265,415	265,415
Available-for-sale financial instruments	234,535	1,191,305	1,795,893	2,030,428
Financial assets classified as loans and receivables	379,579	532,462	802,686	1,182,265
Held-to-maturity financial instruments	-	1,096,435	1,652,876	1,652,876
Property and equipment	130,046	41,328	62,302	192,348
Intangible assets	1,199	-	-	1,199
Non-current assets held for sale	(19,392)	46,953	70,781	51,389
Other assets	38,665	3,333	5,025	43,690
Total assets	**2,104,445**	**8,089,808**	**12,195,385**	**14,299,830**
LIABILITIES AND EQUITY				
Due to central banks	36,535	16,196	24,415	60,950
Derivative financial instruments	3,919	9,996	15,069	18,988
Due to banks and financial institutions	13,741	659,649	994,421	1,008,162
Customer deposits	2,759,083	5,350,659	8,066,119	10,825,202
Deposits from related parties	7,704	76,419	115,202	122,906
Debt issued and other borrowed funds	-	179,020	269,872	269,872
Engagement by acceptances	80	176,010	265,335	265,415
Current tax liability	15,287	6,708	10,113	25,400
Other liabilities	49,719	85,814	129,365	179,084
Liabilities linked to held-for-sale assets	-	1,419	2,139	2,139
Provision for risks and charges	17,787	163	246	18,033
End-of-service benefits	20,293	187	282	20,575
Subordinated notes	-	219,665	331,145	331,145
	2,924,148	**6,781,905**	**10,223,723**	**13,147,871**
Share capital	494,456	-	-	494,456
Issue premium	-	99,204	149,550	149,550
Capital reserves	225,006	47,417	71,481	296,487
Treasury shares	(947)	-	-	(947)
Retained earnings	7,393	2,477	3,734	11,127
Revaluation reserve of real estate	5,689	-	-	5,689
Available-for-sale reserve	9,716	(37,121)	(55,960)	(46,244)
Net results of the financial period – profit	135,302	4,808	7,248	142,550
Foreign currency translation reserve	-	14,374	21,669	21,669
Minority interest	-	51,491	77,622	77,622
Total equity	**876,615**	**182,650**	**275,344**	**1,151,959**
Total liabilities and equity	**3,800,763**	**6,964,555**	**10,499,067**	**14,299,830**

58 EQUITY PRICE

Equity price risk is the risk that the fair value of equities decreases as a result of a variation in the levels of equity indices and the value of individual stocks. The non-trading equity price risk exposure arises from the Group's investment portfolio.

The effect on equity (as a result of a change in the fair value of equity instruments held as available-for-sale at 31 December 2008) due to a reasonable possible change in equity indices, with all other variables held consistent, is as follows:

		LL million	2008	2007
Market indices	***Change in equity price %***		***Effect on equity***	***Effect on equity***
Jordan stock exchange	+5		1,908	3,630

59 OPERATIONAL RISK

Operational risk is the risk of loss arising form systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

60 PREPAYMENT RISK

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counter-parties repay or request repayment earlier or later than expected, such as fixed-rate mortgages when interest rates fall.

The Group's assets with fixed interest rates are not considered material with respect to the total assets. Moreover, other market risks that lead to prepayments are not material with respect to the markets where the Group operates. Accordingly, the Group considers prepayment risk on net profits as not material after considering any penalties arising from prepayments.

61 CAPITAL MANAGEMENT

The primary objectives of capital management are to ensure compliance with externally imposed capital requirements and maintaining strong credit ratings and healthy capital ratios in order to support business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Capital consists of the following as of 31 December 2008 and 2007:

LL million		2008	2007
	Tier 1 capital	1,332,157	951,620
	Tier 2 capital	267,664	286,879
	Total Capital	**1,599,821**	**1,238,499**

Tier 1 capital consists of capital, reserves and brought forward results. Tier 2 capital consists of revaluation variance recognized in the complementary equity, subordinated loans and cumulative changes in fair values.

62 LEGAL CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business. The Group has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. Management, after review with its legal counsel of all pending actions and proceedings, considers that the aggregate liability or loss, if any, resulting from an adverse determination would not have a material effect on the financial position of the Group.

63 DIVIDENDS PAID AND PROPOSED

LL million		2008	2007
	Declared and paid during the year		
	Equity dividends on ordinary shares:		
	Dividends for 2007: LBP 157.9 (2006: LBP 157.9)	32,373	32,373
	Equity dividends on priority shares:		
	Dividends for 2007: LBP 157.9 (2006: LBP 157.9)	32,531	32,531
	Distributions to preferred shares – 2003 series:		
	Distributions for 2007: USD 12.00 (2006: USD 12.00)	18,168	18,168
	Distributions to priority shares		
	Interest paid at 4% of share's nominal value: LBP 48 for 2007 (2006: LBP 48)	9,889	9,890
		92,961	**92,962**
	Proposed for approval at annual general meeting (not recognized as a liability as at 31 December)		
	Equity dividends on ordinary shares:		
	Dividends for 2008: LBP 157.9 (2007: LBP 157.9)	34,281	32,373
	Equity dividends on priority shares:		
	Dividends for 2008: LBP 157.9 (2007: LBP 157.9)	32,531	32,531
	Distributions to preferred shares – 2003 series:		
	Distributions for 2008: USD 12.00 (2007: USD 12.00)	18,168	18,168
	Distributions to preferred shares – 2008 series:		
	Distributions for 2008: USD 3.35 (2007: nil)	10,144	-
	Distributions to priority shares:		
	Interest paid at 4% of share's nominal value: LBP 48 for 2008 (2007: LBP 48)	9,889	9,889
		105,013	**92,961**

64 COMPARATIVE INFORMATION

Balance sheet and income statement captions have been reclassified in accordance with the requirements of Bank of Lebanon Intermediary Circular No. 158 issued on 28 March 2008.

HELD ON 22 MAY 2009

Resolutions of the Annual Ordinary General Assembly

FIRST RESOLUTION

The General Meeting approves the reports of the Board of Directors and the Statutory auditors and approves all the elements of the balance sheet and profit and loss account of the fiscal year 2008.

SECOND RESOLUTION

The General Meeting decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2008 as follows:

2008 Non Consolidated Net income	144,661
Legal Reserves	(14,467)
Special Reserve for Capital Increase	(4,920)
Reserves for General Banking Risk	(13,000)
Reserves for Foreclosed Property	(2,318)
Profits Carried Forward from Previous Years	5,296
Net Income Available for Distribution	115,252
Dividends Preferred Shares Series 2003	18,168
Dividends Preferred Shares Series 2008	10,144
Dividends Common Shares	34,281
Dividend on Priority Shares	32,531
Interest on Priority Shares (*)	9,889
Profit Carried Forward for 2009	10,239

(*) Annual distribution of interest calculated at 4% of the nominal value of the share

THIRD RESOLUTION

The General Meeting decides to grant discharge to the Board of Directors and to the Statutory Auditors with respect to the operations of the fiscal year 2008.

The General Meeting also decides to elect as part of the Board of Directors for a three-year term ending on the date of the General Meeting that approves the bank’s annual accounts for the fiscal year 2011, Messrs. Dr. François S. Bassil, Semaan F. Bassil, Dr. Nasser H. Saidi, Abdelhadi A. Shayif, Ahmad T. Tabbarah, Faysal M.A. Tabsh, Dr. Samir A. K. Makdessi, Moussa A. Maksoud, Dr. Hassan N. Mounla, Bassam A. Nassar, Arthur G. Nazarian, Sami F. Haddad

FOURTH RESOLUTION

The General Meeting decides on the following points, after reviewing the special report of Board of Directors and the Statutory Auditors:

To approve the credits effectively used during the year 2008 by the members of the Board of Directors and/or by companies in which they own shares, as detailed in the reports of the Board of Directors and the Statutory Auditors.

The Meeting also confirms the agreement between the Bank and the companies in which some members of the Board of Directors own shares as shown in the special reports of the Board of Directors and the auditors.

To grant the special authorization referred to in article /152/ of the Code of Money and Credit and in the article /158/ of the Code of Commerce to directors and/or companies in which they own shares as shown in the special report of the Board of Directors.

To grant the special authorization referred to in article /159/ of the Code of Commerce to allow members of the Board of Directors to be the Chairman or a member of the Board of Directors of other companies having similar interests.

FIFTH RESOLUTION

The General Meeting decides to fix the fees of the members of the Board of Directors to an annual gross sum of 480 million Lebanese Pounds for the year 2009, to be distributed equally among the members.

SIXTH RESOLUTION

The General Assembly approves the terms of the contracts of the Chairman and General Manager Dr. François Bassil, the Vice-Chairman and General Manager Mr. Semaan Bassil, the Board member and General Manager consultant Mr. Moussa Maksoud, as shown in the special report and grants them the special authorization referred to in article /152/ of the Code of Money and Credit and in the article /158/ of the Code of Commerce to carry through their duties in 2009 with the same terms specified in the special report.

The General Assembly approves on the compensations to be received by the members of the three Board Committees mentioned in the Special Report to the General Assembly.

SEVENTH RESOLUTION

The General Meeting decides to appoint Messrs Semaan Gholam & Co. and Messrs. Ernst & Young, as the external auditors for the fiscal years 2009, 2010 and 2011 and to fix their fees at 450 million Lebanese Pounds for the fiscal year 2009.

Byblos Bank Europe S.A.

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ERNST & YOUNG

Ernst & Young
Réviseurs d'Entreprises
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Statutory auditor's report to the general meeting of shareholders of Byblos Bank Europe sa on the financial statements for the year ended 31 December 2008

In accordance with the legal and statutory requirements, we report to you on the performance of our mandate of statutory auditor. This report contains our opinion on the financial statements as well as the required additional comments.

Unqualified opinion on the financial statements

We have audited the financial statements for the year ended 31 December 2008, prepared in accordance with the financial reporting framework applicable in Belgium, which show a balance sheet total of 553.243 thousands of euros and a profit for the year of 5.592 thousands of euros.

Responsibility of the board of directors for the preparation and fair presentation of the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the statutory auditor

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the auditing standards applicable in Belgium, as issued by the Institute of Registered Auditors (*Institut des Réviseurs d'Entreprises*). Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

In accordance with these standards, we have performed procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have evaluated the appropriateness of accounting policies used, the reasonableness of significant accounting estimates made by the company and the presentation of the financial statements, taken as a whole. Finally, we have obtained from the board of directors and the company's officials the explanations and information necessary for executing our audit procedures. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2008 give a true and fair view of the company's financial position and the results of its operations in accordance with the financial reporting framework applicable in Belgium.

AUDITORS' REPORT

ERNST & YOUNG

Audit report dated 27 April 2009 on the statutory financial Statements of Byblos Bank Europe sa for the year ended 31 December 2008

Additional comments

The preparation and the assessment of the information that should be included in the directors' report and the company's compliance with the requirements of the Company Code (*Code des sociétés*) and its articles of association are the responsibility of the board of directors.

Our responsibility is to include in our report the following additional comments, which do not modify the scope of our opinion on the financial statements:

- The directors' report deals with the information required by law and is consistent with the financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the company is facing, and on its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.
- Without prejudice to formal aspects of minor importance, the accounting records were maintained in accordance with the legal and regulatory requirements applicable in Belgium.
- We do not have to report any transactions undertaken or decisions taken in violation of the company's articles of association or the Company Code. The appropriation of the results proposed to the shareholders' meeting complies with the legal and statutory provisions.

Brussels, 27 April 2009

Ernst & Young Réviseurs d'Entreprises sccrl
Statutory auditor
represented by

Jean-François Hubin
Partner

09JFH0088

REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES OF THE BANK IN 2008

Dear Shareholders,

Byblos Bank Europe S.A. is delighted to present its 2008 Annual Report. The financial statements comprise Byblos Bank Europe S.A. and its two branches in London and Paris.

FINANCIAL HIGHLIGHTS

OVERVIEW

In a year characterized by market volatility, Byblos Bank Europe S.A. ended 2008 with a successful overall financial performance.

The Bank managed the financial storm by continuing to focus on its core business, which consists in providing trade finance facilities and correspondent banking services to the Middle East region and African countries. The opening of a new representative office in Nigeria will broaden the geographic network of the Byblos Bank Group and promotes the Bank's services with new clients and markets.

Byblos Bank Europe S.A. successfully completed its year by posting a 28 percent increase in its profits before taxes and provisions from €5.547 million at the end of 2007 to €7.087 million at the end of 2008.

The net profit after taxes and provisions of €5.591 million at the end of 2008 increased from €4.029 million at the end of 2007, a rise of 39 percent on a year-to-year basis.

The corporate tax for 2008 amounted to €1.310 million vs. €1.246 million in 2007.

Provisions for country risk for the year 2008 increased by €313,000 to reach €2.436 million vs. €2.123 million at the end of 2007.

The return on equity (ROE) reached 13.9 percent at the end of 2008 vs. 11.2 percent at the end of 2007.

ASSETS

The total assets of the Bank increased by 7 percent to reach €553.2 million at the end of December 2008 compared to €517.3 million at the end of December 2007.

The total loans (net of provisions) increased by 10 percent in 2008 to □208.4 million vs. □189.4 million at the end of 2007.

The commercial customer loan portfolio consisting of loans and advances (net of provisions) reached □122 million at the end of 2008 compared to €106 million at the end of 2007, reflecting an increase of 15 percent. The commercial bank loan portfolio, including forfeiting operations and trade finance (net of provisions), amounted to €83.6 million at the end of 2008 vs. €83.3 million at the end of 2007.

The total non-performing loans amounted to €1.74 million at the end of 2008 vs. €1.67 million at the end of 2007. The doubtful debts cover rate stands at 100 percent at the end of 2008.
The non-performing loans ratio on the total loan portfolio stands at 0.8 percent as at December 31, 2007 and 2008.

The Bank's securities portfolio comprises only held-to-maturity, investment-grade debt. Our investment amounted to the c/v of €21.1 million in 2008 vs. €19.8 million in 2007. "A" rated bonds accounted for 55 percent of the total portfolio. The unrealized loss amounted to €796,000 as at December 31, 2008 compared to an unrealized profit of €299,000 at the end of December 2007.

REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES OF THE BANK IN 2008

LIABILITIES

Banks' deposits placed with us represent 57 percent of the balance sheet in 2008 vs. 47 percent at the end of 2007. They are placed in the money markets on similar terms with prime European banks. Since these banks' deposits can fluctuate over time, the policy of the Bank in maintaining them on similar maturity will not have any impact on the Bank's liquidity.

Banks deposits accounted for €320.6 million at the end of 2008 compared to €247 million in 2007.

Customer deposits amounted to €155.6 million or 28 percent of the balance sheet at the end of 2008 vs. □199.2 million or 38 percent of the balance sheet at the end of 2007. This decrease on a year-to-year basis was the result of the migration of some deposits to Byblos Bank Beirut to profit from the interest yields differential mainly on the US Dollar. The core balance of these deposits is from longstanding customers and is considered stable for liquidity purposes.

The client loans-to-deposits ratio stood at 82 percent at the end of 2008 vs. 57 percent at the end of 2007. This increase is the result of the expansion of our loan portfolio which remains essentially commercial and short-term.

CAPITAL ADEQUACY

Throughout the year, Byblos Bank Europe was in compliance with the capital adequacy requirements that were in force as set out by the regulatory authorities (CBFA).

Under the new regulations that took effect from January 1st, 2008, the Bank adopted the standardized approach for credit and market risk and the basic indicator approach for operational risk.

The Bank will also assess its ICAAP (internal capital adequacy assessment process) and is planning to present its results before the end of April 2009.

The capital adequacy ratio stood at 14.67 percent at the end of 2008 compared to 26.29 percent at the end of 2007.

INCOME

The net operating income increased by 15.7 percent to €16.9 million in 2008 compared to €14.6 million in 2007.

--- **Net interest income**
Net interest income, including interest received on securities, increased by 23 percent to €7.886 million at the end of 2008 from €6.432 million at the end of 2007.

--- **Non-interest income**
Non-interest income, which consists mainly of commissions and fees on letters of credit and guarantees, increased by 41 percent to €9.821 million for 2008 compared to €6.967 million for 2007.

The higher price of commodities led to bigger transactions and larger commissions and fees.
This increase was also the result of the commitment of the Bank in strengthening its engagements with its existing clients, especially banks, and its success in finding new customers and markets.

EXPENSES

--- **Staff expenses**
Total salaries and related charges amounted to □5.495 million for the year ended December 31st 2008 compared to □5.120 million for the year ended 2007. This increase was mainly driven by higher personnel costs associated with the recruitment of new employees that will enhance our marketing and sales capabilities.

--- **General and administration expenses**
General and administration expenses stood at €4.172 million for the year ending December 31st 2008 from €3.784 million for 2007. This increase was the result of some non-recurring exceptional expenses incurred in 2008.
The Bank's overall cost-to-income ratio decreased to 58 percent in 2008 from 62 percent for 2007.

RISK MANAGEMENT

A - POLICIES

The risk management framework encompasses all the activities undertaken by the Bank. The framework adopted by the Bank is comprehensive to capture all risks the Bank is exposed to and open to any change in the business activities.

All of the below listed policies are updated at least once a year and cover the risk identification, monitoring, reporting, assessment and acceptance:

The credit risk policy
The large exposure policy
The liquidity policy
The investment policy
The whistle-blowing policy
The foreign exchange policy
The country risk covers policy
The outsourcing policy
The anti-money-laundering policy
The operational risk policy
The sector concentration risk policy
The execution policy

To take into consideration the internal control evaluation recently completed, approved by the Management Committee and communicated to the Banking Commission on March 23, 2009, it was decided to extend the expired policies for one year provided they will be updated as soon as possible and resubmitted to the Board of Directors at the latest by end-2009.

B - ICAAP PROJECT

Once implemented, the ICAAP framework should help the Bank to identify the other risks, which should attract additional capital to that already applied under the Pillar one. It should also enable the bank to identify stress situations ahead of time and plans to deal with different scenarios and events in an effective and timely manner.

C - INTERNAL CONTROL

An assessment of the Bank's internal control processes was undertaken at the end of the year. Each manager undertook an assessment of the controls in his department and highlighted the underlined risks and weaknesses.

The assessment of the IT Infrastructure and the security over our information systems according to the COBIT methodology was performed by the head office in Beirut and the IT department in Brussels.

During the coming year, all the weaknesses will be addressed and an action plan will be prepared accordingly.

REPORT OF THE BOARD OF DIRECTORS ON THE ACTIVITIES OF THE BANK IN 2008

CORPORATE GOVERNANCE

The corporate governance guidelines in Byblos Bank Europe were prepared in accordance with international standards.

These guidelines were approved by the Board of Directors meeting held on 15 December 2008.

AUDIT COMMITTEE

At the year-end closure, Byblos Bank Europe S.A. can confirm that the Audit Committee members have an individual and collective expertise in the activity area of the Bank as regards accounting and audit.

INFORMATION TECHNOLOGY

The following projects were implemented in 2008 :

--- Upgrade of our IT infrastructure through the acquisition of a new server and the upgrade of other components. This upgrade is a prerequisite for a major release of our Banking system (T 24 from Temenos).

--- Basel 2 Reporting System was successfully implemented in 2008 in cooperation with the risk department in Beirut and the Belgian software provider Financial Architects.

--- The yearly disaster recovery drill on the critical systems of the Bank was successfully performed.

The new electronic delivery channel for e-banking services expected in 2008 was postponed till mid-2009. The development cycle is in its final stages. This new service will provide our clients with online access to their accounts and offer them fund-transfer capabilities. At a later stage, trade finance services will be offered through this channel.

RESEARCH AND DEVELOPMENT

During the Financial Year 2008, no activity as regards to research and development was achieved.

SUBSEQUENT EVENT

At the year-end closure, no significant event which could alter the annual results of the Bank was noted.

INDICATIONS ON THE CIRCUMSTANCES WHICH CAN HAVE A MARKED IMPACT ON THE BANK S DEVELOPMENT

No circumstance known can have a marked impact on the Bank’s development.

APPROPRIATION OF THE RESULTS OF 2008

The net profit after tax and provisions for the year 2008 amounts to €5,591,442.57. Taking into account the profit carried forward from the previous year of €66,497.24, the amount available for appropriation is €5,657,939.81 to be distributed as follows:

--- To legal reserve	€	279,572.13
--- To other reserves	□	5,300,000.00
--- Balance to be carried forward to 2008	€	78,367.68

Finally, the Board would like to congratulate the employees for their contribution in achieving a successful year.

The Board of Directors

31 DECEMBER 2008

Balance Sheet After Appropriation

ASSETS

(EUR 000's)	31.12.08	31.12.07
I. Cash in hand, balances with central banks and post office banks	**7,468**	**8,350**
II. Treasury bills eligible for refinancing with central banks	**-**	**-**
III. Loans and advances to credit institutions	**399,732**	**380,185**
A. Repayable on demand	6,217	3,869
B. Other loans and advances (with agreed maturity dates or periods of notice)	393,515	376,316
IV. Loans and advances to customers	**122,177**	**106,076**
V. Debt securities and other fixed-income securities	**21,116**	**19,831**
A. Issued by public bodies	16,100	14,135
B. Issued by other borrowers	5,016	5,696
VI. Shares and other variable-yield securities	**-**	**-**
VII. Financial fixed assets	**1**	**1**
A. Participating interests in affiliated enterprises	0	0
B. Participating interests in other enterprises linked by participating interests	-	-
C. Other shares held as financial fixed assets	1	1
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	-	-
VIII. Formation expenses and intangible fixed assets	**15**	**17**
IX. Tangible fixed assets	**339**	**300**
X. Own shares	**-**	**-**
XI. Other assets	**183**	**88**
XII. Deferred charges and accrued income	**2,212**	**2,467**
TOTAL ASSETS	**553,243**	**517,315**

	31.12.08	31.12.07
I. Amounts owed to credit institutions	**320,608**	**246,999**
A. Repayable on demand	50,413	25,058
B. Amounts owed as a result of the rediscounting of trade bills	-	-
C. Other debts with agreed maturity dates or periods of notice	270,195	221,941
II. Amounts owed to customers	**155,685**	**199,232**
A. Savings deposits	-	-
B. Other debts	155,685	199,232
1) repayable on demand	17,056	17,099
2) with agreed maturity dates or periods of notice	138,629	182,133
3) as a result of the rediscounting of trade bills		-
III. Debts evidenced by certificates	**-**	**-**
A. Debt securities and other fixed-income securities in circulation		
B. Other		
IV. Other liabilities	**2,414**	**1,954**
V. Accrued charges and deferred income	**2,048**	**2,233**
VI. A. Provisions for liabilities and charges	**0**	**0**
1. Pensions and similar obligations	-	-
2. Taxation	-	-
3. Other liabilities and charges	0	0
B.Deferred taxes	-	-
VII. Fund for general banking risks	**-**	**-**
VIII. Subordinated liabilities	**30,000**	**30,000**
CAPITAL AND RESERVES	**42,488**	**36,897**
IX. CAPITAL	**20,000**	**20,000**
A. Subscribed capital	20,000	20,000
B. Uncalled capital (-)	-	-
X. Share premium account	**-**	**-**
XI. Revaluation surpluses	**-**	**-**
XII. Reserves	**22,410**	**16,830**
A. Legal reserve	1,654	1,374
B. Reserves not available for distribution	66	66
1. in respect of own shares held	-	-
2. other	66	66
C. Untaxed reserves	-	-
D. Reserves available for distribution	20,690	15,390
XIII. Profits (losses (-)) brought forward	**78**	**67**
TOTAL LIABILITIES	**553,243**	**517,315**

LIABILITIES

(EUR 000's)

Off Balance Sheet Items

(EUR 000's)		31.12.08	31.12.07
	I. Contingent liabilities	**273,798**	**181,410**
	A. Non-negotiated acceptances	43,234	21,642
	B. Guarantees serving as direct credit substitutes	1,666	1,505
	C. Other guarantees	28,272	23,570
	D. Documentary credits	200,626	134,693
	E. Assets charged as collateral security on behalf of third parties	-	-
	II. Commitments which could give rise to a risk	**47,811**	**43,816**
	A. Firm credit commitments	0	0
	B. Commitments as a result of spot purchases of transferable or other securities	-	-
	C. Undrawn margin on confirmed credit lines	47,811	43,816
	D. Underwriting and placing commitments	-	-
	E. Commitments as a result of open-ended sale and repurchase agreements	-	-
	III. Assets lodged with the credit institution	**129,561**	**129,953**
	A. Assets held by the credit institution for fiduciary purposes	-	-
	B. Safe custody and equivalent items	129,561	129,953
	IV. Uncalled amounts of share capital	**-**	**-**

	31.12.08	31.12.07	CHARGES
II. Interest payable and similar charges	**17,416**	**23,009**	(EUR 000's)
V. Commissions payable	**383**	**168**	
VI. Losses on financial transactions			
A. On trading of securities and other financial instruments	-	-	
B. On disposal of investment securities	-	-	
VII. General administrative expenses	**8,397**	**7,709**	
A. Remuneration, social security costs and pensions	5,494	5,120	
B. Other administrative expenses	2,903	2,589	
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	**177**	**176**	
IX. Increase in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	**186**	**272**	
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities		**-**	
XII. Provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	**-**	**-**	
XIII. Transfer to the fund for general banking risks	**-**	**-**	
XV. Other operating charges	**1,270**	**1,196**	
XVIII. Extraordinary charges	**1,453**	**10**	
A. Extraordinary depreciation/amortization of and extraordinary write-downs on formation expenses, intangible and tangible fixed assets	-	-	
B. Write-downs on financial fixed assets	-	-	
C. Provisions for extraordinary liabilities and charges	-	-	
D. Loss on disposal of fixed assets	-	-	
E. Other extraordinary charges	1,453	10	
XIXbis. A. Transfer to deferred taxes	**-**	**-**	
XX.A. Income taxes	**1,341**	**1,251**	
XXI. Profits for the period	**5,592**	**4,029**	
XXII. Transfer to untaxed reserves	**-**	**-**	
XXIII. Profits for the period available for appropriation	**5,592**	**4,029**	

Income Statement

INCOME (EUR 000's)	31.12.08	31.12.07
I. Interest receivable and similar income	**25,304**	**29,441**
of which: from fixed-yield securities	1,201	1,332
III. Income from variable-yield securities	**-**	**-**
A. From shares and other variable-yield securities		
B. From participating interests in affiliated enterprises		
C. From participating interests in other enterprises linked by participating interests		
D. From other shares held as financial fixed assets		
IV. Commissions receivable	**9,588**	**6,634**
VI. Profit on financial transactions	**405**	**201**
A. On trading of securities and other financial instruments	405	201
B. On disposal of investment securities	-	-
IX. Decrease in write-downs on receivables and in provisions for off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	**0**	**0**
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	**-**	**-**
XI. Utilization and write-backs of provisions for liabilities and charges other than those included in the off balance sheet items "I. Contingent liabilities" and "II. Commitments which could give rise to a risk"	**66**	**0**
XIII. Transfer from the fund for general banking risks	**-**	**-**
XIV. Other operating income	**812**	**655**
XVII. Extraordinary income	**40**	**889**
A. Adjustments to depreciation/amortization of and to other write-downs on intangible and tangible fixed assets	-	-
B. Adjustments to write-downs on financial fixed assets	-	-
C. Adjustments to provisions for extraordinary liabilities and		-
and charges		87
D. Gain on disposal of fixed assets		186
E. Other extraordinary income	40	616
XIXbis. B. Transfer from deferred taxes	**-**	**-**
XX. B. Adjustment of income taxes and write-back of tax provisions		
XXI. Losses for the period	**-**	**-**
XXII. Transfer from untaxed reserves	**-**	**-**
XXIII. Losses for the period available for appropriation	**-**	**-**

Income Statement

APPROPRIATION ACCOUNT

(EUR 000's)

	31.12.08	31.12.07
A. Profits (Losses (-)) to be appropriated	**5,658**	**4,068**
1. Profits (Losses (-)) for the period available for appropriation	5,592	4,029
2. Profits (Losses (-)) brought forward	66	39
B. Transfers from capital and reserves	**-**	**-**
1. From capital and share premium account		
2. From reserves		
C. Appropriations to capital and reserves (-)	**(5,580)**	**(4,001)**
1. To capital and share premium account	-	-
2. To legal reserve	280	201
3. To other reserves	5,300	3,800
D. Result to be carried forward		
1. Profits to be carried forward (-)	(78)	(67)
2. Losses to be carried forward	-	-
E. Shareholders' contribution in respect of losses	**-**	**-**
F. Distribution of profits(-)	**-**	**-**
1. Dividends (a)		
2. Directors' entitlements (a)		
3. Other allocations (a)		

I. STATEMENT OF LOANS AND ADVANCES TO CREDIT INSTITUTIONS

(Assets item III)
(EUR thousand)

	31.12.08	31.12.07
A. For the item as a whole:		
1 - loans and advances to affiliated enterprises	392	2,576
- loans and advances to other enterprises	-	-
linked by participating interests	-	-
B. Other loans and advances to credit institutions	**-**	
(with agreed maturity dates or periods of notice)		
2 - Analysis according to the remaining maturity:		
- 3 months and under	374,259	
- over 3 months up to 1 year	19,256	
- over 1 year up to 5 years	0	
- over 5 years	-	
- undated	-	

II. STATEMENT OF LOANS AND ADVANCES TO CUSTOMERS

(Assets item IV)
(EUR thousand)

	31.12.08	31.12.07
1. Loans and advances		
- to affiliated enterprises	-	-
- to other enterprises linked by participating interests	-	-
4. Analysis according to the remaining maturity:		
- 3 months and under	104,191	
- over 3 months up to 1 year	7,978	
- over 1 year up to 5 years	9,899	
- over 5 years	-	
- undated	109	
5. Analysis by type:		
- trade bills (including own acceptances)	209	
- loans and advances as a result of leasing and similar agreements	-	
- fixed-rate loans	-	
- mortgage loans	-	
- other term loans with a maturity over 1 year	9,899	
- other loans and advances	112,069	
6. Country analysis		
- Belgium	10,749	
- Foreign countries	111,428	

III. STATEMENT OF DEBT SECURITIES AND OTHER FIXED-INCOME

(Assets item V)
(EUR thousand)

	31.12.08	31.12.07
3. Country analysis of the securities issued:		
V.A.. by public bodies	1,999	14,101
V.B.. by other borrowers	-	5,016
	Carrying value	**Market value**
4. Listing and maturity		
a) . Listed securities	21,116	20,319
. Unlisted securities	-	-
	31.12.08	
b) . Remaining maturity of up to one year	**7,426**	
. Remaining maturity of over one year	**13,690**	
5. Analysis by portfolio:		
a). trading portfolio	-	
b). investment portfolio21,116		
7. Investment portfolio		
. difference between redemption value (if higher) and carrying value	322	
. difference between redemption value (if lower) and carrying value	1,119	
a) ACQUISITION COST		
As at end of preceding period	**19,831**	
Movements during the period:		
. acquisitions	5,811	
. sales (-)	-3,709	
. adjustments by application of Article 35ter	-817	
§4 and 5 (+/-)		
As at end of period	**21,116**	
d) CARRYING VALUE AS AT END OF PERIOD	**21,116**	

V. STATEMENT OF FINANCIAL FIXED ASSETS

(Assets item VII)
(EUR thousand)

	Credit iInstitutions		Others	
	31.12.08	31.12.07	31.12.08	31.12.07
A.1. Analysis of Assets items VII.A, B, C:				
a) economic sector of items:				
A. Participating interests in affiliated enterprises	0	0	-	-
B. Participating interests in other enterprises linked by participating interests	-	-	-	-
C. Other shares held as financial fixed assets	-	-	1	1
b) listing			**listed**	**unlisted**
A. Participating interests in affiliated enterprises			**-**	**0**
B. Participating interests in other enterprises linked by participating interests			**-**	**-**
C. Other shares held as financial fixed assets			**-**	**1**

	Enterprises		
	affiliated (VII.A.)	linked by participating interests (VII.C.)	others (VII.B.)
A.2. Analysis of the carrying value, as at end of period, of Assets items VII.A, B and C			
A. ACQUISITION COST			
As at end of preceding period	0	-	1
Movements during the period			
. acquisitions	-	-	-
. sales and disposals (-)	-	-	-
. transfers from one caption to another (+/-)	-	-	-
As at end of period	0		1
B. REVALUATION SURPLUSES	**-**	**-**	**-**
C. WRITE-DOWNS	**-**	**-**	**-**
D. NET CARRYING VALUE AS AT END OF PERIOD (A + B - C)	**0**	**-**	**1**

VII. STATEMENT OF FORMATION EXPENSES AND INTANGIBLE FIXED ASSETS

(Assets item VIII)
(EUR thousand)

	31.12.08		
	goodwill	other intangible fixed assets	of which commissions for attracting new business Art. 27bis *
B. Intangible fixed assets			
a) ACQUISITION COST			
As at end of preceding period	-	164	-
Movements during the period:			
. acquisitions, including own construction	-	15	-
. sales and disposals (-)	-	0	-
. transfers from one item to another (+/-)	-	0	-
As at end of period	-	179	-
b) AMORTIZATION AND WRITE-DOWNS			
As at end of preceding period	-	147	-
Movements during the period			
. recorded	-	17	-
. excess written back (-)	-	-	-
. acquisitions from third parties	-	-	-
. cancellations (-)	-	0	-
. transfers from one item to another (+/-)	-	0	-
As at end of period	-	164	-
c) NET CARRYING VALUE AS AT END OF PERIOD (a) - b))	**-**	**15**	**-**

VIII. TANGIBLE FIXED ASSETS

(Assets item IX)
(EUR thousand)

	Land and buildings	Plant, machinery and equipment	Furniture and vehicles	Other tangible fixed assets
a) ACQUISITION COST				
As at end of preceding period	0	1,079	385	1,207
Movements during the period				
. acquisition, including own construction	-	87	10	103
. sales and disposals (-)	0			-
. transfers from one item to another (+/-)	-		-	0
As at end of period	0	1,166	395	1,310
b) REVALUATION SURPLUSES	**-**	**-**	**-**	**-**
c) DEPRECIATION AND WRITE-DOWNS				
As at end of preceding period	0	924	376	1,071
Movements during the period				
. recorded	0	75	4	82
. excess written back (-)	-		-	-
. acquisitions from third parties	-	-	-	-
. cancellations (-)	0			0
. transfers from one item to another (+/-)	-	-	-	-
As at end of period	0	999	380	1,153
d) NET CARRYING VALUE AS AT END OF PERIOD (a) + b) - c))	**0**	**167**	**15**	**157**

IX. OTHER ASSETS

(Assets item XI)
(EUR thousand)

	31.12.08
Precious metals	
Miscellaneous	183

X. DEFERRED CHARGES AND ACCRUED INCOME

(Assets item XII)
(EUR thousand)

	31.12.08
1. Deferred charges	241
2. Accrued income	1,971

XI. STATEMENT OF AMOUNTS OWED TO CREDIT INSTITUTIONS

(Liabilities item I)
(EUR thousand)

	31.12.08	31.12.07
A. For the item as a whole:		
- amounts due to affiliated enterprises	16,685	12,497
- amounts due to other enterprises linked by participating interests	-	-
B. For amounts owed to credit institutions (other than those repayable on demand), analysis of their remaining maturity: (Liabilities item 1.B. and C.)		
. 3 months and under	259,179	
. over 3 months up to 1 year	11,016	
. over 1 year up to 5 years	-	
. over 5 years	-	
. undated	-	

XII. STATEMENT OF AMOUNTS OWED TO CUSTOMERS

(Liabilities item II)
(EUR thousand)

	31.12.08	31.12.07
1. Amounts owed to:		
- affiliated enterprises	-	
- other enterprises linked by participating interests	-	-
2. Country analysis:		
- Customers in Belgium	11,841	
- Customers in foreign countries	143,844	
3. Analysis according to the remaining maturity		
. repayable on demand	17,056	
. 3 months and under	133,099	
. over 3 months up to 1 year	5,530	
. over 1 year up to 5 years		
. over 5 years		
. undated	-	

XIV. OTHER LIABILITIES

(Liabilities item IV)
(EUR thousand)

	31.12.08
1. Taxes, remuneration and social security not matured	
a) amounts due to the tax authorities	48
b) amounts due to the National Social Security Office	110
2. Taxes:	
a) taxes payable	-
b) estimated tax liabilities	46
3. Other liabilities	
Analysis:	
Paid holidays	383
Invoices to be received	815
Transitory accounts	562
Miscellaneous	450

XV. ACCRUED CHARGES AND DEFERRED INCOME

(Liabilities item V)
(EUR thousand)

	31.12.08
1. Accrued charges	880
2. Deferred income	1,168

XVI. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

(Liabilities item VI. A. 3.)
(EUR thousand)

	31.12.08
Analysis:	
Provision for redundancy costs	-

XVII. STATEMENT OF SUBORDINATED LIABILITIES

(Liabilities item VIII)
(EUR thousand)

	31.12.08	31.12.07
A. For the caption as a whole, amounts due to		
- affiliated enterprises		
- other enterprises linked by participating interests	30,000	30,000
	Current period	
B. Charges as a result of subordinated debt	**2,378**	

C. Subordinated loans

Reference N°	Currency	Amount	Maturity date or method of determining the duration	a) Circumstances of early redemption b) conditions of subordination c) conditions for conversion
LD0617200001	EUR	30.000.000	At the latest, 10 years after the date of emission	a) Decision of the Management Committee and prior agreement of the CBFA if the increase of the capital is no longer needed b) Credit granted on a subordinated basis up to the amount of the obligations on the principal and the periodic remunerations. Lender gives up his rights of equality to the other creditors c) irrevocable commitment of the lender to subscribe to a new share for each reimbursed obligation. This reimbursement will be subject to a notarized act.

XVIII. STATEMENT OF CAPITAL

	Amounts (EUR thousand)	Number of shares
A. CAPITAL		
1. Subscribed capital (Liabilities item IX. A.)		
- as at end of preceding period	20,000	xxxxxxxxxxxxxxxxxx
- changes during the period:	0	-
- as at end of period	20,000	xxxxxxxxxxxxxxxxxxxx
2. Structure of the capital		
2.1. Categories of shares Ordinary	20,000	9,750
2.2. Registered or bearer shares		
Registered shares	xxxxxxxxxxxxxxxxxxx	9,750
Bearer shares	xxxxxxxxxxxxxxxxxxx	-

	Uncalled capital	Called, but unpaid amount
B. UNPAID CAPITAL		

	Amount of capital	Number of shares
C. OWN SHARES HELD BY		
- the company itself		
- its subsidiaries		

D. COMMITMENT TO ISSUE CHARGES		
1. Following the exercising of CONVERSION RIGHTS		
. Amount of outstanding convertible loans	30,000	
. Amount of capital to be issued	30,000	
. Maximum number of shares to be issued	10,000	
2. Following the exercising of SUBSCRIPTION RIGHTS		
. Number of outstanding subscription rights		
. Amount of capital to be issued		
. Maximum number of shares to be issued		

	Number of shares	Voting right attached thereto
E. AMOUNT OF AUTHORIZED CAPITAL, NOT ISSUED		

F. SHARES ISSUED, NOT REPRESENTING CAPITAL		
Whereof : - held by the company itself		
- held by its subsidiaries		

	in EUR thousand	in foreign currencies (equiv. in EUR thousand)
Total Assets	275,099	278,144
Total Liabilities	281,726	271,517

(1) Lower of the hypothecated amount of the mortgage and the carrying value of the immovable properties mortgaged
(2) Hypothecated amount of mortgage
(3) Carrying value of the assets concerned
(4) Amount of the assets concerned

Reporting institution's own assets given or irrevocably promised as collateral security

XXI. SECURED DEBTS AND COMMITMENTS

	Mortgages	Floating charges	Other assets charged or pledged	Future assets charged or pledged
	(1)	(2)	(3)	(4)
	05	10	15	20
a) to secure the reporting institution's debts and commitments				
1. Liabilities captions				
2. Off balance sheet captions				
b) to secure third-party debts and commitments				
1. Liabilities captions				
2. Off balance sheet captions				

XXII. STATEMENT OF CONTINGENT LIABILITIES AND OF COMMITMENTS LIABLE TO A FUTURE CREDIT RISK

(Off balance sheet items I and II)
(EUR thousand)

	31.12.08	31.12.07
. Total contingent liabilities on behalf of affiliated enterprises	12,956	7,026
. Total contingent liabilities on behalf of other enterprises linked by participating interests	-	-
. Total commitments towards affiliated enterprises	-	-
. Total commitments towards other enterprises linked by participating interests	-	-

XXIII. INFORMATION ON OPERATING RESULTS

(Income statement items I to XV)
(EUR thousand)

	31.12.08	31.12.07
A. 1. Statement of registered personnel (in Belgium only)		
a) Number of persons employed at the closing date	61	55
b) Average number of persons employed in full-time equivalents	57.2	54.5
c) Number of working hours	86,929.2	83,516.2
1 Bis. Temporary employees and persons put at the disposal of the company		
a) Total number at the closing date	0	0
b) Average number of persons employed	0.34	0.39
c) Number of effective working hours	560.75	608.15
d) Company charges linked to this category of personnel	14.3	17.5
2. Personnel charges		
a) Remuneration and direct social benefits	3,675	3,694
b) Employer's contribution for social security	1,136	1,007
c) Employer's premiums for extra-statutory insurance	589	350
d) Other personnel charges	94	69
e) Pensions		-
B. 1. Other operating income		
Recovery of fees with customers	812	655
2. Other operating charges		
(Income statement item XV)		
. taxes	530	577
. other operating charges	740	619
C. Operating results in relation with affiliated enterprises		
. Income	149	101
. Charges	3,238	3,150

D. Operating results by origin	31.12.08 Belgian operations	31.12.08 Foreign operations	31.12.07 Belgian operations	31.12.07 Foreign operations
I. Interest receivable and similar income	**17,904**	**7,400**	**21,877**	**7,564**
IV. Commissions receivable	**6,124**	**3,464**	**4,532**	**2,102**
VI. Profit on financial transactions				
. profit on trading of securities and other financial instruments	-382	787	76	125
. profit on disposal of investment securities	0	0		-
XIV. Other operating income	**529**	**283**	**400**	**255**

XXIV. FORWARD OFF BALANCE SHEET TRANSACTIONS ON SECURITIES, CURRENCIES AND OTHER FINANCIAL INSTRUMENTS WITHIN THE MEANING OF OFF BALANCE SHEET ITEM II WHICH ARE NOT COMMITMENTS THAT COULD GIVE RISE TO A RISK

(a) Amounts to be delivered
(b) Nominal/national reference amount
(c) Agreed buying/selling price

(EUR thousand)

TYPE OF TRANSACTION	Amount as at end of period	of which not intended as a hedge
1. SECURITIES TRANSACTIONS	**-**	**-**
2. CURRENCY TRANSACTIONS (a)		
- forward foreign exchange transactions	38,031	-
- cross-currency interest rate swaps	-	-
- currency futures	-	-
- currency options	-	-
- exchange rate agreements	-	-
3. OTHER FINANCIAL INSTRUMENTS	**-**	**-**
1. INTEREST RATE TRANSACTIONS (b)	-	-
2. OTHER FORWARD PURCHASES AND SALES (c)	-	-

XXV. EXTRAORDINARY RESULTS

(EUR thousand)

	31.12.08
A. Gain on disposal of fixed assets to affiliated enterprises	**0**
B. Other extraordinary income	
(Income statement caption XVII.E.)	
Reimbursement creditor	
Reimbursement legal fees	
Miscellaneous	
Other extraordinary charges	
(Income statement caption XVIII.E.)	1,453
- Fees and interests on an old fully provisioned debt	1,414
- Miscellaneous charges	39

XXVI. INCOME TAXES

(EUR thousand)

	31.12.08	
A. Analysis of income statement item XX.A.		
1. Income taxes of the current period		
a. Taxes and withholding taxes due or paid	1,311	
b. Excess of prepaid taxes or withholding taxes figuring on the asset side of the balance sheet	90	
c. Complementary estimated taxes (poste IV.B of liability)		
2. - Income taxes on prior periods		
- Complementary taxes due	30	
- Complementary estimated taxes (poste IV of liability)		
B. Main sources of disparity between the profit before taxes and the estimated taxable profit		
. Taxable provisions		
. Disallowable expenses	139	
. Notional Interests	(1,524)	
D. Status of future taxation		
1. Future tax allowances:		
. accumulated tax losses deductible from future taxable profits		
. Taxable provisions		
2. Future tax liabilities		
. Recapture		

XXVII. OTHER TAXES AND TAXES SUPPORTED BY THIRD PARTIES

(EUR thousand)

	31.12.08	31.12.07
A. Value added tax, turnover taxes and special taxes charged during the period:		
1. To the reporting institution (deductible)	160	165
2. By the reporting institution	209	260
B. Amounts retained on behalf of third parties for:		
1. Payroll withholding taxes	1,020	982
2. Withholding taxes on investment income	27	52

XXIX. FINANCIAL RELATIONSHIPS WITH

(EUR thousand)

	31.12.08	
A. Directors and Managers		
B. Individuals or Legal Personae who control the Credit Institution directly or indirectly, but who are not affiliated entreprises		
C. Other entreprises controlled directly or indirectly by the persons mentioned under B.		
D. External auditor remuneration		
B. 1. Direct and indirect remuneration and pensions included in the income statement		
- for directors and managers	587	
- for former directors and managers	-	
D. External auditor remuneration	**106**	
-External auditor remuneration	85	
-Remunerations for exceptional or other particular missions	21	

V. STATEMENT OF FINANCIAL FIXED ASSETS

(Assets item VII)
(EUR thousand)

A. REGISTERED PERSONNEL	1. Full-time	2. Part-time	3. Total (T) or total full-time equivalents (VTE)	4. Total (T) or total full-time equivalents (VTE)
1. During this and the previous fiscal year	**31.12.08**	**31.12.07**	**31.12.08**	**31.12.07**
Average number of persons employed	30.8	5.0	35.2 VTE	34.8 VTE
Number of effective working hours	48,529.5	6,999.9	55,528.4 T	52,345.6 T
Personnel charges (x 1,000 EUR)	3,244.5	328.8	3,573.3T	3,208.2 T
Benefits in addition to wages (x 1,000 EUR)	xxxxxxxxxxx	xxxxxxxxxxxx	37.8 T	35.5 T

	1. Full-time	2. Part-time	3. Total full-time equivalents
2. At the closing date of the fiscal year equivalents			
a. Number of registered employees	**34**	**5**	**38.4**
b. Breakdown according to the type of labor agreement			
Agreement for an indefinite period	33	5	37.4
Agreement for a definite period	-	-	-
Agreement for a clearly	-	-	-
specified job	-	-	-
Replacement agreement	1	-	1
c. Breakdown according to gender			
Men	21	-	21
Women	13	5	17.4
d. Breakdown according to the professional category			
Executives	7	-	7
Salaried staff	27	5	31.4
Manual workers	-	-	-
Other	-	-	-

B. TEMPORARY EMPLOYEES AND PERSONS PUT AT THE DISPOSAL OF THE COMPANY	1. Temporary employees	2. Person put at the disposal of the company
During the current period		
Average number of persons employed	0.34	-
Number of effective working hours	560.75	-
Company charges (x 1,000 EUR)	14.3	-

II. TABLE CONCERNING PERSONNEL CHANGES DURING THE FISCAL YEAR

	1. Full-time	2. Part-time	3. Total full-time equivalents
A. NEWLY ENGAGED PERSONNEL			
a. Number of employees newly registered during the fiscal year	**9**		**9**
b. Breakdown according to the type of labor agreement			
Agreement for an indefinite period	7		7
Agreement for a definite period	-	-	-
Agreement for a clearly specified job	-	-	-
Replacement agreement	2	-	2
c. Breakdown according to gender and the level of education			
Men : primary education	-	-	-
secondary education	1	-	1
higher education (non-university level)		-	
higher education (university level)	5	-	5
	-		-
Women : primary education	-	-	-
secondary education	-	-	-
higher education (non-university level)	-	-	-
higher education (university level)	3	-	3
B. PERSONNEL WHO HAVE LEFT THE COMPANY			
a. Number of employees having a registered date at which their labor agreement came to an end during the fiscal year	**4**	**-**	**4**
b. Breakdown according to the type of labor agreement			
Agreement for an indefinite period	3	-	3
Agreement for a definite period		-	
Agreement for a clearly specified job	-	-	-
Replacement agreement	1	-	1
c. Breakdown according to gender and the level of			
Men : primary education -	-	-	
secondary education	1	-	1
higher education(non univ.lev.)		-	
higher education (univ.lev)	2	-	2
Women : primary education	-	-	-
secondary education		-	
higher education(non univ.lev.)		-	
higher education (univ.lev)	1	-	1
d. Breakdown according to the reason for ending the labor agreement			
Pension		-	
Early retirement		-	
Lay-off	1	-	1
Other reasons	3	-	3
including: the number of employees with the status of self-employed who continue to work for the company at least on a half-time basis			

III. STATEMENT OF THE EXTENT TO WHICH USE HAS BEEN MADE OF THE EMPLOYMENT STIMULATING MEASURES DURING THE FISCAL YEAR

EMPLOYMENT STIMULATING	Number of employees concerned		
	1. Number	2. Full-time	3. Financial advantage equivalents (x 1,000 EUR)
1. Measures offering a financial advantage (1)	-	-	- -
1.3 Complete interruption of the professional career			
1.6 Structural reduction-social security charges	43	42.4	107.5
2. Other measures			
2.4 Reduction of the personal contributions of social security of the workers with low wages	1	1	
Number of employees to whom one or more employment stimulating measures apply :			
- total number for this fiscal year	43	42.4	
- total number for the previous fiscal year	40	39.4	

IV. INFORMATION ON EMPLOYEE TRAINING PROGRAMS DURING THE FISCAL YEAR

Total number of training programs at the employer's expense	Men	Women
1. Number of employees concerned	19	18
2. Number of training hours spent	240	124
3. Charges at the expense of the company	1.8	1.3

Summary of the Valuation Rules

JUDGMENTS

The Bank's valuation policy is in accordance with the rules laid down by the Royal Decree of 23 September 1992 governing the annual accounts of credit institutions.

VALUATION OF DEBTORS

Loans are accounted for in the balance sheet for the nominal value, less repayments and amounts written off.
Provisions are applied on loans identified as doubtful, in whole or in part, when objective elements indicate that the loan concerned is irrecoverable.

FIXED–INCOME SECURITIES OF THE INVESTMENT PORTFOLIO

The securities are valued on the basis of their actuarial yield, being the purchase price adjusted for any variance in relation to their future redemption value. Any variance is accounted for under interest income.

VALUATION OF ITEMS DENOMINATED IN FOREIGN CURRENCIES

Monetary items denominated in foreign currencies are translated into Euros at the official end-of-year closing rates. The translation differences are entered in the profit and loss account.

VALUATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

The cost of investments in premises, furniture, equipment, vehicles and software are depreciated on a straight-line basis over the estimated average life of the asset.

Premises	over 20 years
Furniture	over 5 years
Equipment	over 3 years
Vehicles	over 4 years
Software	over 3 years

PROVISIONS FOR RISKS AND CHARGES

These provisions are set aside to cover probable or certain losses and charges, for which if is not possible to put a value on with more than a reasonable degree of accuracy and which are expected to occur at some unspecified time in the future.

Proposition of Resolution of the Ordinary General Meeting of Shareholders on 12th of May 2009

FIRST RESOLUTION

The General Meeting approves the reports of the Board of Directors and of the Statutory Auditors for the financial year 2008.

SECOND RESOLUTION

The General Meeting approves the balance sheet and profit and loss account for the year ending December 31st, 2008.

THIRD RESOLUTION

The General Meeting approves the distribution of the 2007 net profit as proposed by the Board of Directors:

Profit for the financial year 2008	EUR	5,591,442.57
Carried forward from 2007	EUR	66,497.24
Profit available for appropriation	EUR	5,657,939.81
To legal reserve	EUR	279,572.13
To other reserves	EUR	5,300,000.00
Balance to be carried forward to 2009	EUR	78,367.68

FOURTH RESOLUTION

The General Meeting gives discharge to the Directors and to the Statutory Auditors, Ernst & Young, SCRL, and Reviseurs d'Entreprises, represented by Mr. Jean-François Hubin, for carrying out their duties in 2008.

The Board of Directors

Byblos Bank Africa Ltd.

Byblos Bank Africa Ltd.

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BARAKAT & Co.Chartered Accountants
بركات وشركاه محاسبون قانونيون
Member of Talal Abu-Ghazaleh Organization
عضو في مجموعة طلال أبوغزالة
The Arab Organization for Global Professional Services
المؤسسة العربية للخدمات المهنية الدولية

Auditors' report

TO THE SHAREHOLDERS' OF:
BYBLOS BANK AFRICA
A JOINT STOCK COMPANY
KHARTOUM – REPUBLIC OF SUDAN

We have audited the accompanying financial statements (balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flows, and the notes from 1 to 28 of **BYBLOS BANK AFRICA, A JOINT STOCK COMPANY,** as of December 31, 2008. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Organization for Islamic Financial Institute Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of **BYBLOS BANK AFRICA, A JOINT STOCK COMPANY** as of 31 December 2008 and the results of its operations and cash flows for the year then ended in accordance with the prinsibles of Islamic Shari'a as determened by the Shari'a Supervision Board, the Organization for Islamic Financial Institute Accounting Standards and with the Companies Act,1925.

Musab Barakat Ahmed Ali
FCCA – FCMI - PhD
February 22, 2009

بركات وشركاه محاسبون ومراجعون قانونيون
Barakat & Co. Chartered Certified Accountants

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شارع القصر ، عمارة البنك الإسلامي السوداني، الطابق 6، شقة رقم 5.
P.O.Box: 1623, Khartoum, Sudan
ص.ب: 1623 الخرطوم، السودان

Income Statement

YEAR ENDED 31 DECEMBER 2008

(SDG)		2008	2007
	Income from deferred sales	16,583,684	19,190,117
	Income from investments	18,624,478	12,011,579
		35,208,162	**31,201,696**
	Less: return on unrestricted investment deposits	(10,822,324)	(8,786,993)
	BANK'S SHARE OF INCOME	**24,385,838**	**22,414,703**
	Other fee and commission income	12,692,040	11,323,065
	Other operating income	9,141,863	7,165,858
	TOTAL OPERATING INCOME	**46,219,741**	**40,903,626**
	Staff expenses	4,772,300	4,588,415
	Depreciation and amortization	2,302,252	617,197
	General and administration expense	8,673,878	7,946,499
	Provisions	6,983,894	5,640,646
	TOTAL EXPENSES	**22,732,324**	**18,792,757**
	PROFIT BEFORE TAXATION AND ZAKAH	**23,487,417**	**22,110,869**
	Taxation	(3,243,105)	(2,364,542)
	Zakah	(300,000)	(300,000)
	NET PROFIT FOR THE YEAR	**19,944,312**	**19,446,327**

These accounts have been approved by the Board of Directors.

(SDG)

	2008	2007
ASSETS		
Cash and cash equivalents	180,296,369	173,793,191
Deferred sales receivables	215,104,195	157,038,485
Investment in associates	93,750	93,750
Investments	172,153,948	99,368,000
Fixed assets	33,935,184	18,193,447
Intangible assets	50,778	114,084
Other assets	23,683,582	7,621,478
TOTAL ASSETS	**625,317,806**	**456,222,435**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customers' current accounts	262,106,658	244,979,828
Other liabilities	30,577,469	34,190,154
	292,684,127	**279,169,982**
UNRESTRICTED INVESTMENT ACCOUNTS HOLDERS	**188,495,740**	**81,759,866**
SHAREHOLDERS' EQUITY		
Share capital	93,380,000	63,752,000
Share permuim	10,621,200	-
General reserve	12,430,620	5,678,620
Legal reserves	9,482,240	7,487,809
Retained earning	18,223,879	18,374,158
TOTAL SHAREHOLDERS' EQUITY	**144,137,939**	**95,292,587**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**625,317,806**	**456,222,435**
Contra-accounts	**136,363,517**	**109,096,953**

Byblos Bank Syria S.A.

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Middle East – Syria Branch
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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BYBLOS BANK SYRIA S.A.

We have audited the accompanying financial statements of **Byblos Bank Syria S.A.** (The "Bank") which comprise the balance sheet as at 31 December 2008 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Ernst & Young
Date: 5 March 2009
Damascus, Syrian Arab Republic

ERNST & YOUNG

YEAR ENDED 31 DECEMBER 2008

Income Statement

In SYP		2008	2007
	Interest and similar income	1,205,579,535	776,251,758
	Interest and similar expenses	(538,453,425)	(429,635,431)
	Net interest income	**667,126,110**	**346,616,327**
	Fee and commission income	122,210,647	79,871,414
	Fee and commission expense	(1,609,520)	(597,832)
	Net fee and commission income	**120,601,127**	**79,273,582**
	Net interest, fee and commission income	**787,727,237**	**425,889,909**
	Gains less losses arising from dealing in foreign currencies	24,750,064	11,069,837
	Unrealized net foreign exchange difference on structural position	(36,295,160)	(64,050,282)
	Other operating income (expenses)	(52,704)	180,044
	Total operating income	**776,129,437**	**373,089,508**
	Personnel expenses	(223,434,366)	(132,625,207)
	Depreciation of fixed assets	(60,977,685)	(41,923,974)
	Amortization of intangible assets	(2,657,082)	(1,442,060)
	Credit loss expense	(36,599,803)	(19,500,000)
	Other operating expenses	(162,319,240)	(128,094,595)
	Total operating expenses	**(485,988,176)**	**(323,585,836)**
	PROFIT BEFORE TAX	**290,141,261**	**49,503,672**
	Income tax expense	(93,538,705)	(23,059,446)
	PROFIT FOR THE YEAR	**196,602,556**	**26,444,226**
	Basic earnings per share	**49.15**	**6.61**

	Dec / 2008	Dec / 2007
ASSETS		
Cash and balances with the Central Bank	4,231,865,242	1,261,472,923
Balances due from banks	5,853,715,221	5,351,394,882
Placements due from banks	1,962,716,044	547,903,527
Loans and advances to customers	10,561,181,599	6,592,228,305
Financial investments – loans and receivables	2,047,466,818	500,000,000
Financial investments – available for sale	62,500,000	1,715,024,188
Premises, equipment and projects under construction	1,204,307,121	1,010,293,232
Intangible assets	9,117,999	8,611,863
Other assets	224,468,801	124,027,406
Statutory blocked funds	184,734,686	188,364,202
TOTAL ASSETS	**26,342,073,531**	**17,299,320,528**
LIABILITIES AND EQUITY		
LIABILITIES		
Due to banks	2,925,447,608	1,368,637,210
Due to customers	20,454,588,239	13,302,076,497
Margin accounts	392,855,582	444,468,862
Current tax liabilities	93,538,705	23,059,446
Other liabilities	353,918,460	248,905,135
TOTAL LIABILITIES	**24,220,348,594**	**15,387,147,150**
EQUITY		
Share capital	2,000,000,000	2,000,000,000
Statutory reserve	37,011,043	4,367,401
Special reserve	37,011,043	4,367,401
Available-for-sale reserve	(2,193,642)	(15,142,645)
Retained earnings	202,549,636	34,939,204
Accumulated losses related to unrealized net foreign exchange losses on structural position	(152,653,143)	(116,357,983)
TOTAL EQUITY	**2,121,724,937**	**1,912,173,378**
TOTAL LIABILITIES AND EQUITY	**26,342,073,531**	**17,299,320,528**

In SYP

Byblos Bank Armenia C.J.S.C.

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KPMG Armenia cjsc
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Internet www.kpmg.am

Independent Auditors' Report

To the Board of Directors
"Byblos Bank Armenia" cjsc

Report on the Financial Statements

We have audited the accompanying financial statements of "Byblos Bank Armenia" cjsc (the "Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Coxshall
Director

Tigran Gasparyan
Director, Audit Department

KPMG Armenia cjsc
24 February 2009

KPMG Armenia cjsc

YEAR ENDED 31 DECEMBER 2008

Income Statement

AMD'000		2008	2007
	Interest income	696,393	587,619
	Interest expense	(157,010)	(104,861)
	NET INTEREST INCOME	**539,383**	**482,758**
	Fee and commission income	81,383	87,505
	Fee and commission expense	(40,816)	(78,857)
	NET FEE AND COMMISSION INCOME	**40,567**	**8,648**
	Net foreign exchange income	144,210	176,925
	Net realized (loss)/gain on available-for-sale assets	(62)	238
	Other income	4,625	25,513
		728,723	**694,082**
	Impairment losses	(108,992)	(10,015)
	General administrative expenses	(877,164)	(682,165)
	(LOSS)/INCOME BEFORE TAXES	**(257,433)**	**1,902**
	Income tax benefit/(expense)	28,020	(11,074)
	NET LOSS	**(229,413)**	**(9,172)**

	Dec / 2008	Dec / 2007	AMD'000
ASSETS			
Cash	141,578	1,224,003	
Due from the Central Bank of Armenia	772,088	636,447	
Placements with banks and other financial institutions	3,432,745	676,240	
Loans to customers	7,214,117	2,014,752	
Available-for-sale assets			
- Held by the Bank	190,538	740,123	
- Pledged under repurchase agreements	1,334,083	-	
Property and equipment	539,792	564,096	
Other assets	53,572	59,824	
Deferred tax asset	25,685	-	
Total Assets	**13,704,198**	**5,915,485**	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	893,786	720,186	
Amounts payable under repurchase agreements	1,333,946	-	
Current accounts and deposits from customers	3,187,072	2,099,504	
Other liabilities	78,600	65,149	
Deferred tax liability	-	4,157	
Total liabilities	**5,493,404**	**2,888,996**	
SHAREHOLDERS' EQUITY			
Share capital	8,125,100	2,965,600	
Share premium	257,149	-	
Revaluation reserve for available-for-sale assets	(783)	2,148	
(Accumulated losses)/retained earnings	(170,672)	58,741	
Total shareholders' equity	**8,210,794**	**3,026,489**	
Total liabilities and shareholders' equity	**13,704,198**	**5,915,485**	

Adonis Insurance and Reinsurance S.A.L.

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ADONIS INSURANCE AND REINSURANCE CO., ADIR S.A.L.

We have audited the accompanying financial statements of Adonis Insurance and Reinsurance Co., ADIR S.A.L. ("the Company"), which comprise the balance sheet as of 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

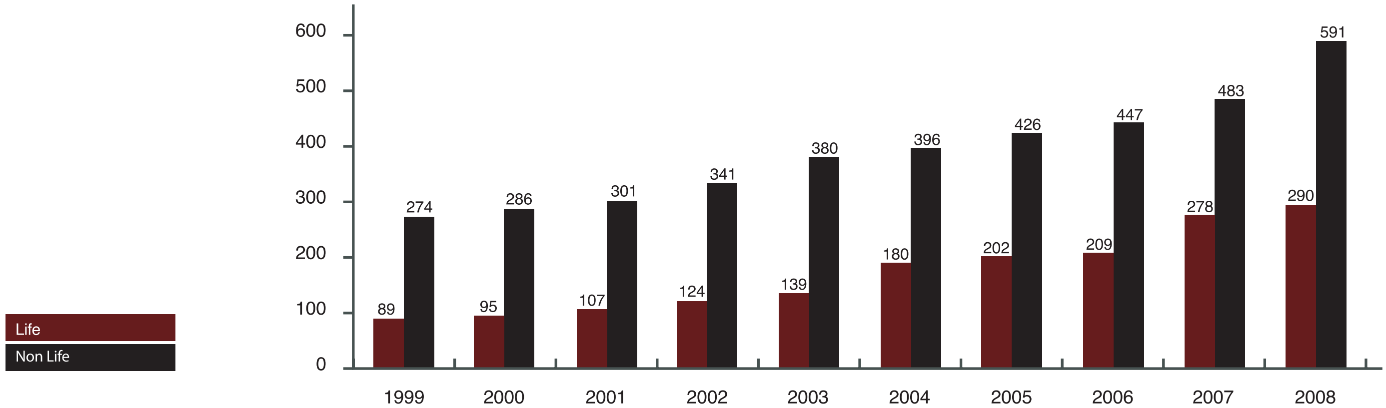
Ernst & Young

Semaan, Gholam & Co.

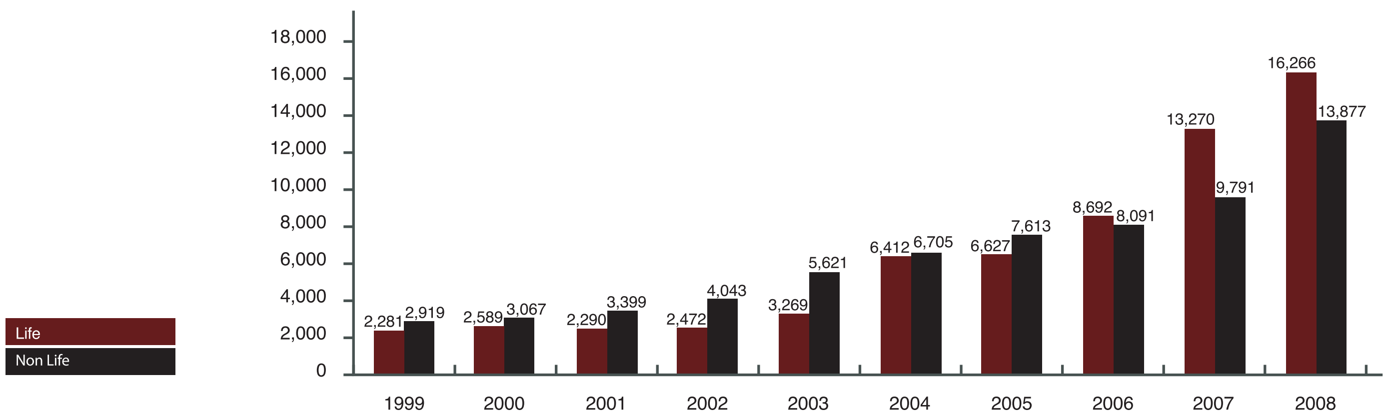
Semaan, Gholam & Co.

DURING THE LAST TEN YEARS (IN USD THOUSANDS)

INSURANCE MARKET GROWTH IN LEBANON



ADIR PREMIUM GROWTH



ASSETS

LBP

	LIFE	NON-LIFE	2008 TOTAL	2007 TOTAL
CASH and INVESTMENTS				
Cash and short-term investments	1,103,014,469	4,179,138,546	5,282,153,015	3,256,501,522
Long-term investments	18,946,985,530	17,210,768,805	36,157,754,335	28,780,368,299
Financial investments	-	13,301,489,993	13,301,489,993	8,132,923,552
Unit-linked contracts investments	36,714,561,207	-	36,714,561,207	27,224,207,158
Investments in affiliated companies	-	8,740,673,650	8,740,673,650	8,672,601,975
	56,764,561,206	**43,432,070,994**	**100,196,632,200**	**76,066,602,506**
Premiums receivable	1,299,267,334	1,647,468,114	2,946,735,448	2,384,852,416
Receivable under reinsurance contracts	230,477,910	111,550,326	342,028,236	201,772,310
Reinsurance share in technical reserve	7,343,586,998	2,197,473,750	9,541,060,748	6,726,123,563
Inter branches account	2,471,246,576	(2,471,246,576)	-	-
Tangible assets	425,000,000	1,693,524,700	2,118,524,700	1,790,170,132
Intangible assets	-	41,700,265	41,700,265	22,583,559
Other assets	-	1,948,720,900	1,948,720,900	178,215,775
	11,769,578,818	**5,169,191,479**	**16,938,770,297**	**11,303,717,755**
Total assets	**68,534,140,024**	**48,601,262,473**	**117,135,402,497**	**87,370,320,261**

RETURN ON EQUITY 21.2%

LIABILITIES AND SHAREHOLDERS' EQUITY

LBP

	LIFE	NON-LIFE	2008 TOTAL	2007 TOTAL
LIABILITIES/TECHNICAL PROVISIONS				
Mathematical reserve	5,246,018,399	-	5,246,018,399	2,992,775,472
For unearned premium	5,895,403,060	9,876,526,326	15,771,929,386	10,088,334,961
For premium deficiency	-	851,256,097	851,256,097	-
For outstanding claims	527,627,153	2,898,724,847	3,426,352,000	2,788,538,728
Other provisions	-	-	-	1,208,282,050
	11,669,048,612	**13,626,507,270**	**25,295,555,882**	**17,077,931,211**
Debts due to policyholders under unit linked contracts	36,070,084,798	-	36,070,084,798	26,902,306,732
Liabilities under reinsurance contracts	274,516,702	595,707,945	870,224,647	975,262,451
Reinsurers' deposits	7,670,645,672	146,189,495	7,816,835,167	5,222,255,029
Other debts	649,999,999	18,813,242,087	19,463,242,086	12,867,059,448
Provision for end of service indemnity	200,000,000	225,000,000	425,000,000	308,655,803
Total Liabilities	**56,534,295,783**	**33,406,646,797**	**89,940,942,580**	**63,353,470,674**
SHAREHOLDERS' EQUITY				
Capital	2,250,000,000	2,750,000,000	5,000,000,000	5,000,000,000
Legal reserve	520,788,516	1,146,211,484	1,667,000,000	1,667,000,000
General reserve	6,943,000,000	8,152,000,000	15,095,000,000	13,330,000,000
Retained earnings	2,286,055,725	3,146,404,192	5,432,459,917	4,019,849,587
Total shareholders' equity	**11,999,844,241**	**15,194,615,676**	**27,194,459,917**	**24,016,849,587**
Total liabilities	**68,534,140,024**	**48,601,262,473**	**117,135,402,497**	**87,370,320,261**
OFF BALANCE SHEET				
Letter of guarantee			**49,740,000**	**48,680,000**

RETURN ON ASSETS 5.31%

STATEMENT OF INCOME FOR THE YEAR 2008

LBP	2008	2007
NET PREMIUMS		
Written and accepted premiums		
Life contracts	8,919,739,464	6,887,903,097
Other contracts	20,920,221,697	14,760,186,754
Mathematical reserve variation	-2,253,242,927	-641,811,197
Unearned premium reserve	-5,683,594,426	-2,018,320,670
	21,903,123,808	**18,987,957,984**
Ceded premiums		
Life contracts	-5,557,806,489	-4,358,034,540
Other contracts	-5,182,461,242	-4,531,433,938
Mathematical reserve variation	1,889,998,662	452,357,316
Unearned premium reserve	1,115,296,519	386,156,796
	-7,734,972,550	-8,050,954,366
Net premiums	**14,168,151,258**	**10,937,003,618**
Revenue commissions and other	3,925,796,270	3,643,867,162
Revenue from investments and similar	4,620,855,719	3,891,014,819
Other revenues	1,307,558,374	810,183,117
Other revenues	9,854,210,363	8,345,065,098
	24,022,361,621	**19,282,068,716**
Claims paid	-8,656,333,197	-6,649,987,587
Ceded claims	1,596,779,639	1,685,710,758
Claims variation	-1,489,069,368	-1,334,987,771
Reinsurers share of claims variation	-190,357,996	541,784,653
Claims paid-net	**-8,738,980,922**	**-5,757,479,947**
Other external and administrative charges	-6,314,808,324	-5,107,505,742
Commissions paid	-1,467,113,345	-2,420,349,747
Financial charges	-1,603,848,700	-1,079,864,073
Other charges	**-9,385,770,369**	**-8,607,719,562**
	-18,124,751,291	**-14,365,199,509**
Profit before income tax	**5,897,610,330**	**4,916,869,207**
Income tax	-470,000,000	-900,885,557
Net profit of the year	**5,427,610,330**	**4,015,983,650**

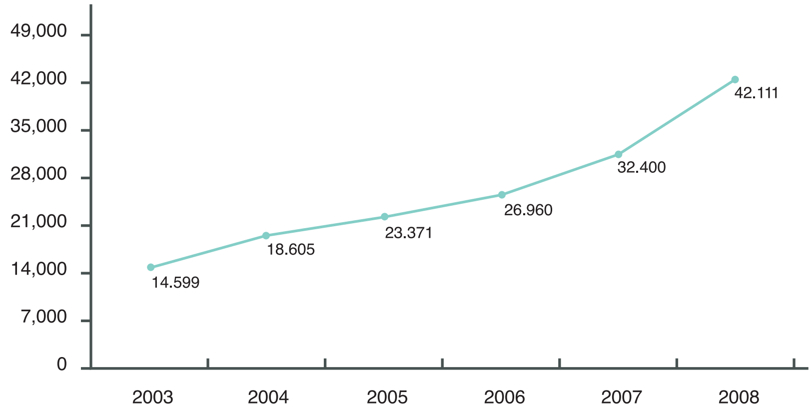
	2008	2007
OPERATING ACTIVITIES		
Profit before income tax	5,897,610,330	4,916,869,207
Adjustments for:		
- depreciation	420,202,340	358,331,212
- provision	517,362,888	50,000,000
- provision no more required	(1,563,641)	(154,531,185)
- gain on sale of fixed assests	-	(12,896,641)
- net charge in technical provision	5,402,687,486	2,190,820,871
- Amortized receivable	-	(5,425,492)
- Gain /loss on sale of investments held for trading	(161,320,590)	-24,534,563
Trading profit	**12,074,978,813**	**7,318,633,409**
Purchase of investments held for trading	(36,761,897)	-
Credit reinsurers current account	2,347,666,813	927,090,741
Premium receivable	(651,827,078)	(522,476,695)
Debts due to policyholders under unit linked contracts	9,167,778,066	11,212,925,122
Accounts payable	6,818,970,638	3,480,823,891
Other assets	(1,768,941,484)	(151,164,578)
Deposits more than 3 months	6,136,184,000	6,293,577,851
Net margin	(24,036,582)	(19,106,499)
Unit-linked contracts investments	(9,490,354,049)	(11,421,752,293)
Income tax on profit	(692,788,000)	(112,907,000)
End of service indemnities paid	-	(1,344,197)
	23,880,869,240	**17,004,299,752**
INVESTING ACTIVITIES		
Acquisition of fixed assets	(693,096,081)	(581,575,807)
Acquisition of software	(74,577,533)	(13,518,657)
revenue on disposal of fixed assets	-	40,535,900
Acquisition of subsidiaries	-	(7,916,250,030)
Loans to affiliated companies	-	(753,750,000)
Interest on loans to affiliated companies	(68,071,675)	(2,601,945)
Increase of investments held to maturity	(5,279,939,004)	(1,430,752,652)
	(6,115,684,293)	**(10,657,913,191)**
FINANCING ACTIVITIES		
Dividend distribution	(2,250,000,000)	(2,000,000,000)
Increase in cash and cash equivalent	**15,515,184,947**	**4,346,386,561**
Cash and cash equivalent at the beginning of the year	**15,075,527,059**	**10,729,140,498**
Cash and cash equivalent at year end	**30,590,712,006**	**15,075,527,059**

LBP

STATEMENT OF CASH FLOW

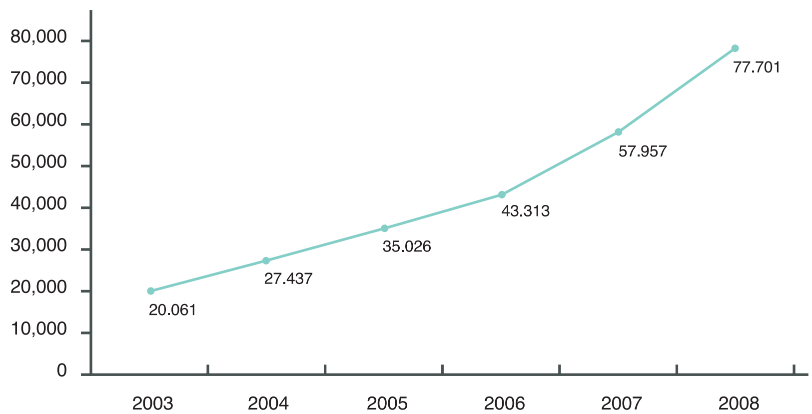
IN USD THOUSANDS

INVESTED ASSETS EVOLUTION



DURING THE LAST SIX YEARS (IN USD THOUSANDS)

TOTAL ASSETS EVOLUTION



GROSS WRITTEN PREMIUM

USD

	2008	2007
Life business:	$	$
Retirement and education	10,529,894	8,782,094
Other life business	5,735,931	4,487,689
Total life business	**16,265,825**	**13,269,783**
Non-life business:		
Fire	1,902,120	1,652,105
Marine	971,332	784,707
General Accident	1,023,406	876,386
Motor	8,771,745	5,381,392
Medical	549,771	537,584
Other	659,053	558,995
Total non-life business	**13,877,427**	**9,791,169**
Gross written premiums	**30,143,252**	**23,060,952**
Growth	**+30.71%**	**+37.40%**
No. of contracts issued	**88,357**	**72,735**

KEY FIGURES

	2008
Capital	**LBP 5,000,000,000**
Shareholders' equity	**USD 18,039,443**
Total assets	**USD 77,701,760**
Invested assets	**USD 42,110,827**
Number of clients	**61,411**
Number of policies in force	**114,915**
Net profit	**USD 3,600,405**
Solvency ratio	**74.00%**

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Directory

CORRESPONDENT BANKS

COUNTRY	CITY	BANK NAME
Algeria	Algiers	Arab Banking Corporation Algeria / Banque Nationale d'Algérie (BNA) / Banque de Développement Local SPA (BDL) / Credit Populaire D'Algérie
Australia	Sydney	Westpac Banking Corporation*
Austria	Vienna	UniCredit Bank Austria AG*
Armenia	Yerevan	Byblos Bank Armenia CJSC
Bahrain	Manama	Arab Banking Corporation BSC / Gulf International Bank BSC
Belgium	Brussels	Byblos Bank Europe SA* / KBC Bank NV*
Brazil	Sao Paolo	Banco ABC Brasil SA / Deutsche Bank AG
Bulgaria	Sofia	UniCredit Bulbank AD
Canada	Montréal	Royal Bank of Canada*
	Toronto	Scotiabank*
China	Shanghai	Bank of China / The Bank of New York Mellon / Commerzbank AG / Deutsche Bank AG / Sumitomo Mitsui Banking Corporation
Cyprus	Limassol	Byblos Bank SAL- Limassol Branch / Bank of Cyprus Public Company Limited
Czech Republic	Prague	Commerzbank AG
Denmark	Copenhagen	Danske Bank A/S*
Egypt	Cairo	National Bank of Egypt* / Commercial International Bank SAE / Export Development Bank of Egypt (EDBE)
Ethiopia	Addis Ababa	Commercial Bank of Ethiopia*
Finland	Helsinki	Danske Bank A/S
France	Paris	Byblos Bank Europe SA - Paris Branch * / Natixis*
Germany	Frankfurt	Commerzbank AG* / Deutsche Bank AG* / The Bank of New York Mellon*
Ghana	Accra	Ghana Commercial Bank
Greece	Athens	National Bank of Greece SA
Hong Kong	Hong Kong	Sumitomo Mitsui Banking Corporation / Standard Chartered Bank
Hungary	Budapest	Commerzbank Zrt
India	New Delhi	MashreqBank / Standard Chartered Bank
Iraq	Baghdad	Byblos Bank SAL - Erbil Branch / Trade Bank of Iraq*
Ireland	Dublin	Citibank NA
Italy	Milan	UniCredit SpA * / Intesa Sanpaolo SpA *
	Rome	Banca UBAE SpA
Japan	Tokyo	Sumitomo Mitsui Banking Corporation* / The Bank of New York Mellon*
Jordan	Amman	Jordan Ahli Bank Plc* / Arab Bank Plc / Union Bank* / The Housing Bank for Trade and Finance
K.S.A.	Jeddah	The National Commercial Bank*
	Riyadh	Riyad Bank* / Saudi Hollandi Bank* / Arab National Bank / Banque Saudi Fransi
Kuwait	Kuwait	Gulf Bank KSC* / National Bank of Kuwait SAK*

Libya	Tripoli	Sahara Bank / Libyan Foreign Bank / Gumhouria Bank
	Baida	National Commercial Bank
Netherlands	Amsterdam	ABN AMRO Bank NV*
Nigeria	Lagos	Guaranty Trust Bank Plc / Sterling Bank Plc / Diamond Bank Plc / First Bank of Nigeria Plc* / Zenith Bank Plc
Norway	Oslo	DnB NOR BANK ASA*
Philippines	Manila	Bank of the Philippine Islands*
Poland	Warsaw	Deutsche Bank AG
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Republic of Korea	Seoul	Sumitomo Mitsui Banking Corporation / Union de Banques Arabes et Françaises - U.B.A.F. / The Bank of New York Mellon
Russian Federation	Moscow	VTB Bank OJSC * / ZAO Citibank
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Sudan	Khartoum	Byblos Bank Africa Ltd *
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	Ruwi	Oman Arab Bank SAOC *
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Switzerland	Geneva	BNP Paribas (Suisse) SA* / Banque de Commerce et de Placements SA
	Lausanne	Banque Cantonale Vaudoise
	Zurich	Credit Suisse * / UBS AG*
Syria	Damascus	Byblos Bank Syria SA *
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	Dubai	Commercial Bank of Dubai PSC / Emirates NBD PJSC * / MashreqBank PSC* / Standard Chartered Bank
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Yemen	Sana'a	International Bank of Yemen / Saba Islamic Bank / Tadhamon International Islamic Bank

* *Byblos Bank S.A.L. maintains Nostro account(s) with this bank.*

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Airport (24 h services) Mr. Ayoub Abou Hamdan	4 ATMs	Beirut International Airport Departure Zone	(01) 629000 / 629100 / 629111	
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Bliss Mrs. Nada Abdul Samad	ATM	Bliss Street Mohamad F. Itani Bldg.	(01) 369238 / 369240	
Chiyah Mr. Hussein Hayek	ATM	Al Moucharrafieh - Al Ariss Street Saleh Bldg.	(01) 556734 / 552499 / 552566 / 279308.9	
Ghobeiry Mr. Mahmoud Bachir	ATM	Old Airport Road Jawharat El Kasser Bldg.	(01) 837144 / 837160.1 / 824043.7	
Hamra Mr. Mohamad Salam	ATM	Hamra Street Imad Salma Bldg.	(01) 341540 / 345692 / 745672.3.4.5	
Hamra Sadat Mr. Moustafa Anouty	ATM	Hussein Talhouk Street Nemr Bldg.	(01) 792477 / 801655 / 803738 / 868466	
Haret Hreyk Mrs. Imane Mhanna	ATM	Hadi Nasrallah Boulevard Hazmieh Cross Road - Al Jinan Bldg.	(01) 544270 / 558860.1	(01) 558859
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Jnah Mrs. Haifa Azar	ATM	Khalil Moutran Street Hannawi Bldg.	(01) 840642.3.4	(01) 840473
Mar Elias Mr. Nicolas Laylo		Mar Elias Street Boubess Bldg.	(01) 300160 / 305055 / 305059 / 300893	
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Ashrafieh St.Nicolas Mrs. Soraya Yazbeck		Charles Malek Avenue The Netherlands Tower	(01) 203157.8	(01) 203159
BRANCHES				
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Gemmayzeh Miss. Fadia Yared	ATM	Gouraud Street Halim Naim Zeini Bldg.	(01) 566128 / 566134 / 566895	
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St. Nicolas Mrs. Soraya Yazbeck	ATM	Charles Malek Avenue The Netherlands Tower	(01) 219200	(01) 217756

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Baabda Cap Center Mr. Bernard Rahal	ATM	Damascus Road Cap Center	(05) 956301.2.3.4.5.6.7.8.9.10.12	(05) 956311
Badaro Mr. Gabriel Fernaine	ATM	Sami El Solh Ave. Cemate Bldg.	(01) 382690 / 399730.1	(01) 380060
Furn El Chebbak Mrs. Jamale Chakhtoura	ATM	Damascus Road Bou Rislan Bldg.	(01) 280967 / 281227 / 284060 / 291938	
Hazmieh Mrs. Dina Younes	ATM	Mar Takla Nabil Ibrahim Haddad Bldg.	(05) 455150 / 455356 / 455637.8	(05) 455567
Place de l'Etoile Mr. Joseph El Khoury	2 ATMs	Place de l'Etoile Down Town Beirut	(01) 970137.8/971000	(01) 970134
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Sin El Fil Miss. Agnes Ghobril	ATM	Charles de Gaulle Avenue Debahy Center	(01) 485240.1.2.4	

METN REGIONAL MANAGEMENT

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Dekwaneh Mr. Armand Bassil	ATM	Internal Main Road El Khoury Center	(01) 695210.1.2.3.4	
Dora Mr. Elie Hojeily	ATM	Dora Roundabout Tabbara Bldg.	(01) 244701.2.3 / 257600 / 257900.1.2	
Dora Aya Miss. Katia Lteif	ATM	Dora Highway Aya Center	(01) 241143.4.5.6.7.8.9	(01) 255155
Elyssar (Mazraat Yachouh) Mr. Samir Yammouni	ATM	Main Road to Bikfaya Byblos Bank Bldg.	(04) 921640.1.2	
Jal El Dib Mr. Toufic Abi Jaoude	ATM	Internal Main Road Abou Jaoudeh Bldg.	(04) 711061.2.3.4 / 715176	
Jdeideh1 Mr. Nazih Saadeh	ATM	"Palais de Justice" Direction Tanios El Beyrouthi Bldg.	(01) 900346.7 / 901024.5	
Jdeideh2 Miss. Denise Rameh		New Jdeideh Street Khoury Bldg.	(01) 899089 / 899090.1.2 / 901639	
Rabieh Mr. Antoine Khoury	ATM	Shukri H. Chammas Avenue Rabiya Club	(04) 525703.5 / 525803	

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Haret Sakhr Mr. Mario Kamar	ATM	Old Harissa Road Said and Daher Bldg.	(09) 831230 / 911356.8	
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Jbeil2 Mr. Georges Khoury	2 ATMs	Voie 13 Byblos Bank Bldg.	(09) 544112.3.4.5	(09) 546586
Jounieh Sérail Mr. Selim Breidy	ATM	Sérail Street St. Nicolas Bldg.	(09) 643993 / 645339.40 / 911836 / 915253 / 936070	
Kaslik Mr. Pierre Moubarak		Sarba Boulevard Moudabber Center	(09) 211543	(09) 211545
Kfarhbab Mr. Rachid Jabbour	ATM	Maameltein/Ghazir Road George Al Zayek Bldg.	(09) 851380.1.2.3	
Mastita – Blat Mr. Joseph Ghanem	ATM	Mastita Square Georges Atmeh Bldg.	(09) 796901.2.3.4.5	
Okaybeh Mr. Elie Krim	ATM	Main Road Chalfoun Center	(09) 444417 / 444475 / 448432	
Reyfoun Mr. Sleiman Haddad	ATM	Main Road Napoli Center	(09) 950367.8.9 / 950370	
Zouk Mr. Marc Salameh	ATM	Jeita Main Road Semaan Sammour Bldg.	(09) 220330.1.2 / 220990.1	

NORTH REGIONAL MANAGEMENT

Tripoli Mr. Jamil Alameddine	Tripoli Blvd. - Abou Samra Bridge Intersection Jamila Center	(06) 629770.1 / 629975 / 441737
BRANCHES (all with ATMs)		
Batroun Mr. Francois Hokayem	Main Road / Royal Center	(06) 642360 / 642370 / 744360 / 744370
Bechmezzine Mr. Elias Khoury	Amioun / Bterram Cross Road	(06) 930582.3.4 / 930791
Halba Mr. Ammar Rachid	Main Road Al Abdeh / Naim Center	(06) 691215 / 692043 / 693950.1
Kobayat Mr. Milad Antoun	Akkar - Zouk Kobayat / Demiane Bldg.	(06) 352800.1.2.3.4
Kousba Mr. Antoine Saba	Main Road / Byblos Bank Bldg.	(06) 510160 / 511079.80
Tripoli Boulevard Mr. Jamil Alameddine	Jamila Center / Abou Samra Bridge Intersection	(06) 442153.4.5
Tripoli Kobbeh Mr. Youssef El Khoury	Al Arz Street / Al Arz Complex	(06) 392800.1.2.3.4
Tripoli Mina Mr. Michel Kebbe	Al Bawabe Street / Jabadou Bldg.	(06) 205943.4
Tripoli Tall Mr. Rabih Merhabi	Al Massaref Street / Miskawi Bldg.	(06) 430650.1.2 / 441752

SOUTH REGIONAL MANAGEMENT

Saida Mrs. Carole Hajj	Riad El Solh Street Al Zaatari and Dandashly Bldg.	(07) 754066.7.8	
BRANCHES (all with ATMs)			
Bint Jbeil Mr. Ali Assaad	Main Road / Haydous Center	(07) 450601.2.3	
Ghazieh Mrs. Nada Khalife	Main Road / Sidawi Bldg.	(07) 222402.3 / 223255	
Hlaliyeh Mr. Yasser Samia	Saida Region / Nabil Al Zaatari Bldg.	(07) 752456.7	
Jezzine Mr. Youssef Nader	Al Boulevard Street / St. Antoine Center	(07) 781730.2.3	
Nabatieh Mrs. Souheir Nassar Daher	Al Jazaer Quarter - Youssef Bek Zein Avenue Sabbagh Bldg.	(07) 768352.3.4	(07) 768356
Saida Mrs. Carole Hajj	Riad El Solh Street / Al Zaatari and Dandashly Bldg.	(07) 722661 / 725709 / 728415.6.7 / 733507.8.9.10	
Tyre Mr. Ali Hamade	City's North Entrance Chahine Commercial Center	(07) 348350.1.2	

BEKAA REGIONAL MANAGEMENT

Jdita Miss. Arlette Dalloul	Main Road Ghassan Nassar Bldg.	(08) 541777 / 544447.8	
BRANCHES (all with ATMs)			
Aley Mrs. Rabab Chehayeb	Internal Main Road - Street number 11-A Fouad Abou Rafeh Bldg.	(05) 555993.4.5.6	
Bar Elias Mrs. Rim Kadri	Beirut / Damascus International Road El Mayss Bldg.	(08) 510203.4.5	
Deir El Kamar Mr. Boulos Ghorayeb	Main Road / Near Deir El Kamar public school	(05) 511173.4.5.6.7	
Jdita Miss. Arlette Dalloul	Main Road / Parc Hotel Bldg.	(08) 543268.9 / 543270 / 540536 / 544501	
Kabrchmoun Mrs. Imane Hamzeh	El Chahar El Gharbi / Byblos Bank Bldg.	(05) 410880.1.2.3	(05) 410884
Ras El Metn Mr. Zuheir Nuwayhed	Main Road / El Maydan Quarter	(05) 380231.2.3	
Zahleh Mr. Naji Chamoun	Al Boulevard Street Mekhael and Ghassan Chedid Bldg.	(08) 818330 / 818440 / 818550 / 818660 / 818770	

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Location	Responsible Branch
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Baalback, Dar Al Amal Hospital	Bar Elias Branch
Badaro, Badaro Street - Chamandi Bldg.	Badaro Branch
Bchamoun	Kabrchmoun Branch
Beirut, Achrafieh, ABC Shopping mall, L3	Tabaris Branch
Beirut, Achrafieh, Lebanese Hospital (Geitawi)	Geitawi Branch
Beirut, Rafic Hariri International Airport	Airport Branch
Beirut, Rafic Hariri International Airport	Airport Branch
Beirut, Rafic Hariri International Airport	Airport Branch
Beirut Mall	Chiyah Branch
Bikfaya, Misk River Center	Rabieh Branh
Blat, Jbeil (Byblos), Lebanese American University (LAU)	Jbeil Branch
Fayadieh, Saint Charles Hospital	Hazmieh Branch
Ghobeiry (Old Branch)	Ghobeiry Branch
IPT Halate	Amchit Branch
IPT Halate (Second Station)	Amchit Branch
Jbeil, Maounat Hospital	Mar Youssef Branch
Jnah, Ramlet El Bayda, Security Forces Location	Jnah Branch
Jounieh, Zouk Highway, Cadbury	Jounieh Sérail Branch
Kaslik, Lebanese Army Officers' Club	Jounieh Sérail Branch
Kesrwan, Louaizeh, Notre Dame University (NDU)	Zouk Branch
Kesrwan, Louaizeh, Notre Dame School	Zouk Branch
Marjeyoun Governmental Hospital	Nabatieh Branch
Okaybeh, Sanita	Okaybeh Branch
Tibnine, Tibnine Hospital	Bint Jbeil Branch
Yarzeh, Ministry of Defense	Hazmieh Branch
Zghorta, Main Road, Al Aabi area	Tripoli Kobbeh Branch
Zouk, Masterpack	Zouk Branch

ACKNOWLEDGMENTS

CONCEPT
Byblos Bank – Group Communication Department

DESIGN AND LAYOUT
Circle – visual communication

PRINTING
Anis Commercial Printing Press

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Sudan
UAE
Syria
Iraq (Erbil)
Armenia
Nigeria
Byblos Invest Bank
ADIR