Annual Report 10

BYBLOS BANK

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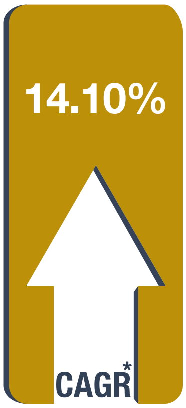

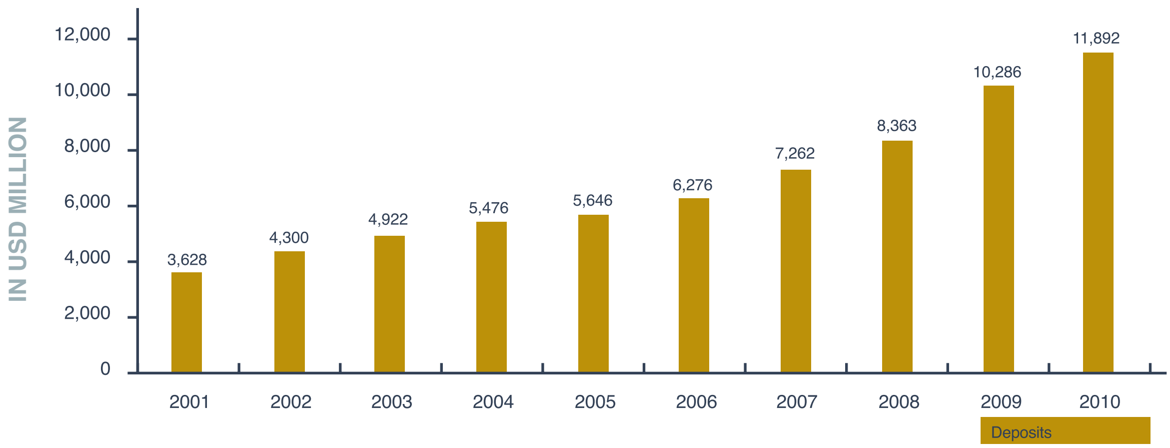

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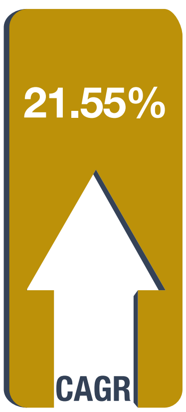
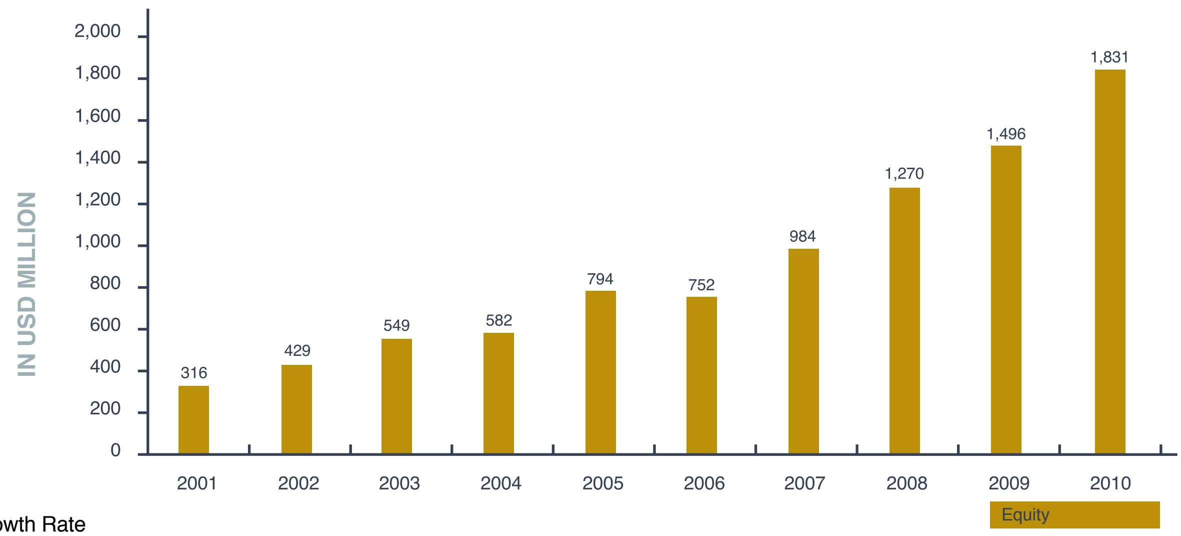
EVOLUTION OF TOTAL EQUITY DURING THE LAST TEN YEARS





* Compound Annual Growth Rate

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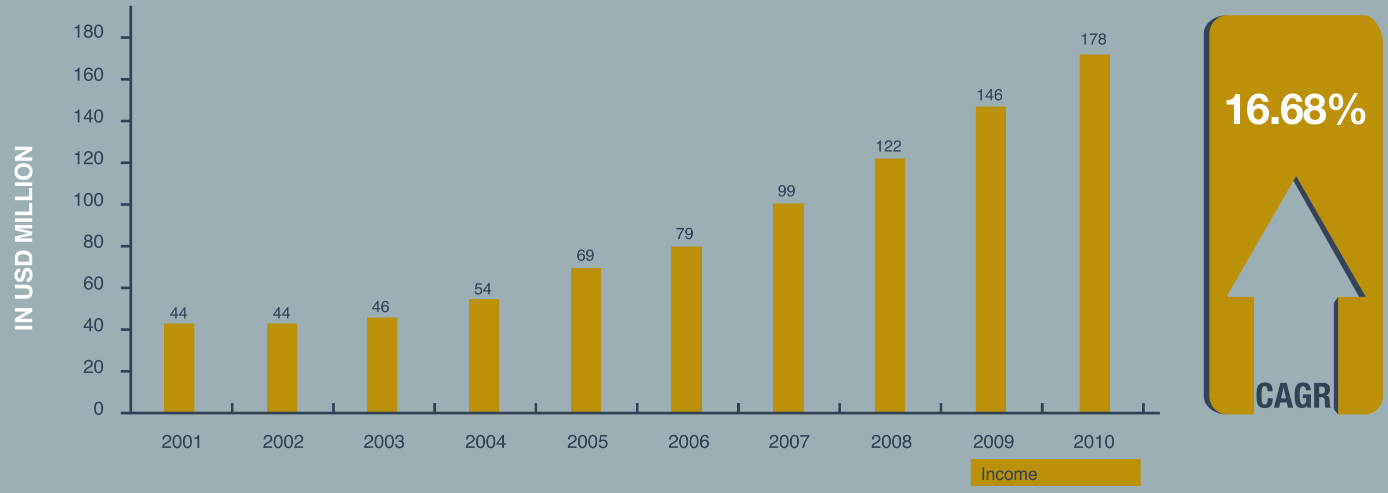
EVOLUTION OF NET INCOME DURING THE LAST TEN YEARS



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EVOLUTION OF TOTAL ASSETS DURING THE LAST TEN YEARS

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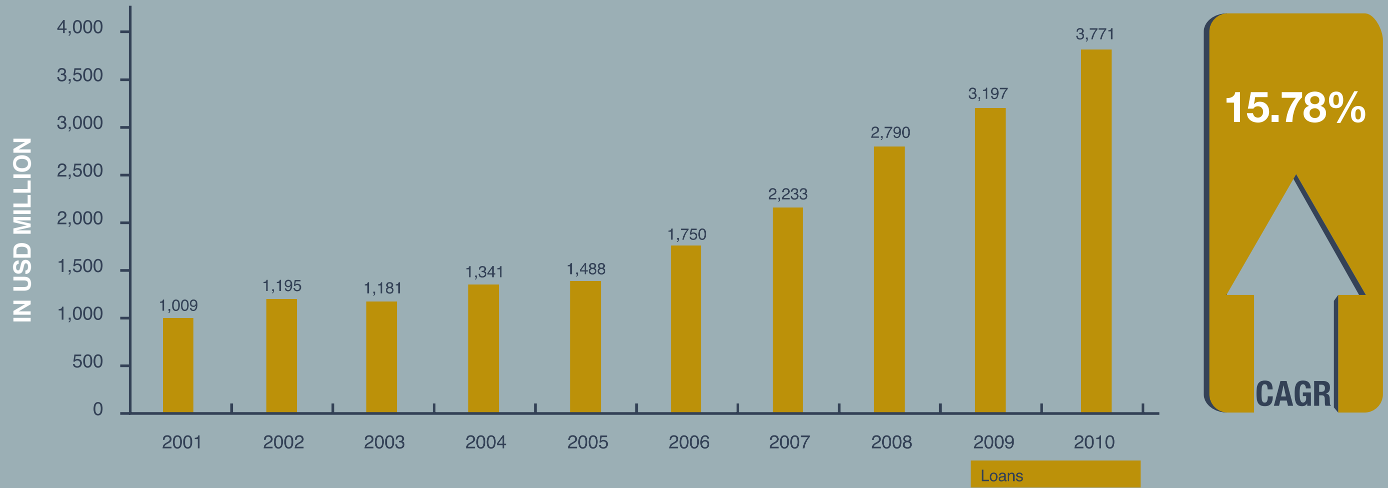
EVOLUTION OF CUSTOMERS' LOANS DURING THE LAST TEN YEARS



A Message from the Chairman

DEAR STAKEHOLDERS,

It gives me great pleasure to share with you the satisfying results of another year of hard work by all members of our team at the Byblos Bank Group. Many players in our industry continue to struggle with the after-effects of the global financial crisis, but our performance continues to improve, as well as to impress.

The financial results of 2010 are a lot more than an aggregation of numbers: they reflect the effectiveness of our business model and the professionalism of our people.

By any measure, the numbers are impressive. The Group's after-tax profits grew by 22% from USD 145.6 million in 2009 to USD 177.7 million in 2010. Total assets rose year-on-year by 12.6% to USD 15.3 billion, and customers' loans increased by 18% year-on-year to USD 3.8 billion at end-2010. Also, customers' and related parties' deposits grew 15.6% to reach USD 11.9 billion at the end of last year. In parallel, our risk-averse approach continued to provide a formidable shield against the potential pitfalls of doing business, and to enjoy the confidence of analysts, customers, investors and regulators.

Further, our expansion strategy continued to pave the way for additional successes in the future. Our domestic network grew to 77 branches in 2010 with openings in Jeb Jennine, Marjeyoun and Choueifat, and we plan to strengthen our presence in other regions of the country as well. On the international front, we added new branches in Iraq, Sudan and Syria, and entered a new market with the establishment of Byblos Bank RDC S.A.R.L. in the Democratic Republic of the Congo.

The soundness of our strategy and the concrete reliability of our operations also enabled Byblos Bank to attract two solid and prestigious new partners in 2010: the International Finance Corporation (IFC), the private sector arm of the World Bank Group; and Société de Promotion et de Participation pour la Coopération Economique (PROPARCO), which is the private sector arm of the French government's Agence Française de Développement. The IFC invested USD 100 million and PROPARCO injected USD 30 million in Byblos Bank, making each of them a shareholder in the Bank.

These investments were particularly fulfilling because, apart from constituting recognition of our business practices in general and of our reputation for effective risk management in particular, they also came from entities that share some of our most important values. Both the IFC and PROPARCO are concerned with helping developing countries to expand and invigorate their economies while following the highest standards of responsible behavior, objectives that figure near the very top of Byblos Bank's priorities. We strive each and every day to justify the trust and confidence of our stakeholders by generating adequate returns. But as a corporate citizen, we try to accomplish this goal in a way that constantly reinvests in the communities we serve and to address important issues like social development and environmental protection. As such, our newest partners will help us to carry out this mission even more effectively, and already their advice and expertise have helped us to improve our policies and procedures, especially with regard to the environment.

We cannot overemphasize the human aspect of Byblos Bank's business philosophy. We strongly believe in the long-term welfare of the families, companies, and communities that we serve. Our success depends on theirs, so the more we can help them create jobs and stimulate growth in their communities, the more we will be expanding and enriching the local, regional and international markets where we operate, thereby generating additional opportunities. Our business plan was designed to sustain this virtuous cycle, and we have succeeded so far in this objective. Our goal, therefore, is neither to just generate profits nor simply to perform a few acts of generosity. Instead, it is to humanize our capital, an ongoing process whereby we put resources to uses that are both economically productive and socially beneficial. We strongly believe that these objectives complement each other and, if intelligently pursued, are of great value as long-term investments that produce both tangible and intangible returns.

In addition to the Group's close involvement with the private sector, Byblos Bank is also a trusted partner of the Lebanese State. We took this relationship to a new level in 2010 by acting as sole Lead Manager for a seven-year LBP 1.5 trillion government bond issue. We were able to assist Lebanon in reducing the foreign-currency component of its debt stock, and the seven-year maturity was the longest ever for Lebanese domestic-currency debt. As a result, industry publication *mtn-i*, which specializes in the global medium-term notes market, named the transaction its "European Landmark Deal of the Year".

Looking ahead, our forecasts again indicate challenging conditions for much of 2011, particularly for some of the overseas markets in which the Group operates. Our strategy is flexible, so we expect to face these conditions from a position of strength as we continue to consolidate the gains already achieved by Byblos Bank's international expansion, and as we lay the groundwork for more to come.

I am not surprised that Byblos Bank has been able to overcome so many obstacles and reach so many milestones, given our meticulous and systematic approach in developing our strategy and the professionalism with which we implement it. As such, I am both gratified by the success of our team and humbled by the performance of the people who make our accomplishments possible. Thank you for all your contributions, and congratulations on yet another successful year.

Sincerely Yours,

François S. Bassil
Chairman and General Manager

The Economy in 2010

LEBANESE ECONOMY

Lebanon's economic activity was characterized by two stages in 2010. The first stage spanned the first half of the year and consisted of positive economic activity as a continuation of the trends of 2009. The formation of the new Cabinet of national unity in November 2009, along with stable political and security conditions, helped increase consumer confidence, improve investor sentiment and drive economic activity in the first half of 2010.

The second stage covered the second half the year and saw the resurgence of political risks and their detrimental impact on the economy. The rise in political tensions since July and the security incidents in the South and in Beirut during the summer negatively affected the business climate, as consumer confidence regressed and investors adopted a wait-and-see approach. This led to a reversal of economic trends, especially in the fourth quarter of the year, when all indicators pointed to a slowdown in activity and capital inflows, as well as to a deterioration in public finances. Further, the increase in political tensions and the paralysis of government institutions froze policy-making, which already had been largely paralyzed by sharp ideological and political differences within the Cabinet of national unity.

The year ended with the same set of challenges for the Lebanese economy and its financial sector, as the public finance vulnerabilities remain and have yet to be addressed by effectively reducing the government's borrowing needs despite the stability of public finances in general and the debt in particular. In addition, political discord continued to be an obstacle to improving the local investment climate and business environment, and to increasing the economy's overall competitiveness and transparency.

REAL AND EXTERNAL SECTORS

Economic growth in Lebanon is estimated to have slowed to 5% in the second half of 2010 compared to estimates of 9% for the first half of the year. Still, full-year real GDP growth is estimated at 7.5% compared to the official growth rate of 8.5% in 2009. The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, rose by 10.4% year-on-year on average. The trade deficit reached USD 13.7 billion in 2010, up 7% year-on-year from USD 12.75 billion in 2009, as the value of imports increased by 10.6% to USD 18 billion in 2010, while the value of exports rose by 22% to USD 4.25 billion. Also, the volume of imports increased by 3% to 15 million tons, while that of exports rose by 5% to 3.1 million tons in 2010. The coverage ratio reached 23.7% in 2010 compared to 21.5% in 2009. In parallel, the balance of payments posted a surplus of USD 3.3 billion in 2010 compared to a surplus of USD 7.9 billion in 2009.

Foreign direct investment (FDI) in Lebanon was estimated at USD 4.65 billion in 2010, constituting a decline of 3.2% from USD 4.8 billion in 2009. FDI in Lebanon was equivalent to 12% of the country's GDP last year, compared to 13.7% of GDP in 2009, and compared to FDI to the Middle East and North Africa (MENA) region of 2.8% of GDP in 2010 and 3.3% of GDP in 2009.

TOURISM SECTOR

The majority of tourism and hospitality sector indicators recorded improvements in 2010, but reflected a slowdown in growth from 2009. Incoming visitors totaled 2.2 million in 2010, constituting an increase of 17% year-on-year, compared to an increase of 39% in 2009. Also, the average occupancy rate at hotels in Beirut was 68% in 2010, decreasing from 73% in 2009. The average rate per room at Beirut hotels increased by 3.2% year-on-year to USD 257, compared to an annual increase of 26.5% in 2009, and posted the seventh highest increase among all markets in the MENA region. In addition, revenues per available room were USD 177 in Beirut in 2010, the third highest in the region, but down from USD 184 in 2009.

A total of 877,909 persons used hotels and furnished apartments in Lebanon and spent around 2.1 million nights in such facilities in 2010, constituting increases of 14% and 7.7%, respectively, from 2009 figures. Clients stayed an average of 2.4 nights per person in 2010 compared to 2.5 nights in 2009. This reveals a slowdown in growth from 2009, when the number of persons who used hotels and furnished apartments grew by 21.2% and the number of nights spent increased by 34.7%. Visitors came from 166 countries and spent a total of USD 126.4 million on lodging in hotels and furnished apartments in 2010, a decline of 38% from USD 203.4 million in 2009. Overall, the travel and tourism industry is estimated to have directly contributed about 13.3% of GDP in 2010, while its direct and indirect contribution is estimated at nearly 37.6% of overall economic activity.

FISCAL SITUATION

The ongoing political deadlock prevented the passage of the 2010 draft budget, which included a massive increase in spending on infrastructure projects and forecast a deficit of 11% of GDP. In fact, the fiscal deficit reached USD 2.92 billion in 2010, down 1.3% from USD 2.96 billion in 2009. The deficit was equivalent to 7.5% of GDP in 2010 compared to 8.5% of GDP in 2009, well below the official deficit target of 11% of GDP for 2010, due to strong tax receipts and the delay in the approval of the 2010 budget that led to a deferment of capital expenditures until 2011. The deficit was equivalent to 25.8% of total budget and Treasury expenditures, unchanged from 2009. Overall government expenditures reached USD 11.3 billion, down 0.5% year-on-year, while total revenues decreased by a marginal 0.2% to USD 8.4 billion. Debt servicing increased by 1.9% year-on-year to USD 3.9 billion, and accounted for 34.5% of total expenditures and for 38.7% of budgetary spending. It absorbed 46.5% of overall revenues and 49% of budgetary receipts. The overall primary surplus rose by 11.6% in 2010 to USD 1.2 billion, or 10.6% of total spending compared to a surplus of USD 1.1 billion, or 9.5% of total expenditures, a year earlier. But the primary surplus was equivalent to 3% of GDP in 2010 compared to 3.2% of GDP in the previous year.

In parallel, Lebanon's gross public debt reached USD 52.6 billion at the end of 2010, constituting an increase of 2.8% year-on-year. Domestic currency debt increased by 7.3% to USD 32 billion at the end of 2010, while foreign currency-denominated debt decreased by 3.3% year-on-year to USD 20.6 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased by 1.9% to USD 45 billion at the end of 2010. Local currency debt accounted for 61% of gross public debt at end-2010 compared to 58.3% at end-2009, while foreign currency-denominated debt represented 39% of the total at the end of 2010 relative to 41.7% a year earlier. The gross public debt was equivalent to 134.5% of GDP at the end of 2010, down from 146.5% of GDP at end-2009. But the decline was caused by economic growth rather than by any reforms or measures to reduce the nominal size of the debt. Commercial banks accounted for about 57% of the total public debt at the end of 2010.

CAPITAL MARKETS

The Beirut stock market continued to suffer from low liquidity and a lack of interest from privately-held firms in listing their shares. It under-performed its regional peers, as it was the third worst performer in the region last year, with the stock market index declining by 5.8% in 2010 compared to a 12.2% improvement for Arab markets. Further, its market capitalization was equivalent to 32.5% of GDP, third lowest in the region and compared to 64.5% of GDP for the combined Arab equity markets. Lebanon's market capitalization accounted for about 1.3% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 164.7 million shares in 2010, constituting an increase of 60.5% from end-2009, while aggregate turnover amounted to USD 1.87 billion, up 80% from a turnover of USD 1.04 billion in 2009. Market capitalization decreased by 1.3% to USD 12.7 billion at the end of 2010, of which 71.7% was in banking stocks and 24.2% in real estate stocks. The market liquidity ratio was 14.7% compared to 8.1% for 2009.

Bank stocks accounted for 90.4% of aggregate trading volume in 2010, followed by real estate stocks with 9.3%. In terms of value of shares traded, banking stocks accounted for 81.5% of aggregate value, followed by real estate stocks with 18.2%. The average daily traded volume for 2010 was 674,813 shares for an average daily value of USD 7.7 million. The figures reflect increases of 61.2% in volume and 80.8% in value year-on-year.

In the fixed-income market, Lebanon's external debt posted the 9th highest return, at 9.72%, among 24 markets in the Emerging Europe, Middle East and Africa (EMEA) region in 2010, as well as the 26th best return among 46 emerging markets. Lebanon outperformed the EMEA returns of 9.58% but underperformed the overall emerging market returns of 12.12% last year. Also, Lebanon's external debt underperformed the 15.3% returns posted by similarly rated sovereigns, while it posted the 7th best performance, at 10%, in the EMEA region and the 24th best performance in emerging markets in US dollar terms. It also underperformed the 19.8% returns of US dollar 'B'-rated bonds. Further, Lebanon's external debt posted the 7th highest returns among nine countries in the Middle East and Africa region in 2010.

The Lebanese Republic executed three transactions in 2010 to refinance maturing debt. The first was a 10-year, USD 1.2 billion Eurobond offering, with a coupon rate of 6.375%, issued in February to refinance debt that matured in March. The second was a USD 725 million dual-tranche Eurobond transaction issued in November. The first tranche carries a coupon rate of 5.15% and matures in November 2018, while the second tranche carries a coupon rate of 6.10% and matures in October 2022. The weighted average coupon rate is 5.44% and the average maturity is 9.2 years. The transaction was more than three times oversubscribed, with international subscriptions accounting for 26% of the total. In addition, the government issued a seven-year LBP 1,500 billion bond denominated in Lebanese pounds that carries a coupon rate of 7.9%. The issuance, which matures in December 2017, constitutes the longest maturing issue to date in the domestic currency and helps the government further shift the financing of the deficit and the composition of the public debt from foreign currencies to Lebanese pounds.

RISK METRICS

Spreads on five-year credit default swaps (CDS) for Lebanon ended the year at 298.1 basis points, widening from 287.7bps at end-September due to the deterioration of political conditions in the country. CDS spreads widened in the second quarter of 2010 by 79bps to 318.3, but this was due to external factors related to the sovereign crisis in Southern Europe. Overall, Lebanon's five-year CDS spreads widened by 28.5bps between the end of 2009 and the end of 2010, reflecting market stability. Further, Lebanon ended 2010 with a cumulative probability of default (CPD) of 19.2%, similar to the CPD of Iceland and Italy, and placing it among the top 15 riskiest sovereigns in the world. Lebanon's CPD rate at the end of the year deteriorated from 17% at end-2009 and from 16.2% at end-March, but improved from 20.5% at end-June.

During the year, rating agencies maintained their view on the sovereign. Standard & Poor's affirmed its 'B/B' long- and short-term sovereign credit ratings on Lebanon in November, with a 'positive' outlook. It stressed that structural reforms, together with stability, are vital to support sustained improvement in the fiscal deficit and to maintain confidence in the banking system in the medium- to long-term. Additionally, Moody's Investors Service upgraded Lebanon's government bond issuer ratings in April to 'B1' from 'B2', as well as the country ceiling for foreign currency bank deposits to 'B1' from 'B2' and the country ceiling for foreign currency bonds to 'Ba3' from 'B1'. The agency attributed the upgrades at the time to the continued improvement in external liquidity and the strengthened ability of the country's banking system to finance fiscal deficits.

MONETARY SITUATION

Lebanon's monetary authorities have consistently proven to be highly adept at maintaining stability in times of crisis. Indeed, the Lebanese pound's unofficial peg to the US dollar has been sustained and the Central Bank has accumulated adequate resources to keep the currency stable, as gross foreign currency reserves increased by 11.4% from the end of 2009 to reach USD 28.6 billion at end 2010, equivalent to about 72.6% of money supply (M2), and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 19.5 months worth of imports, well above the four-month reference and a high level by emerging market standards. The Central Bank's assets in foreign currencies, including gold, totaled USD 43.6 billion at the end of the year, equivalent to about 112% of GDP. The Central Bank intervened in the currency market in October and sold US dollars to absorb the rise in dollar demand that pushed the exchange rate outside the upper band. The move constituted the Central Bank's first market intervention in about two years.

INFLATION

Inflation has been under control during the previous 10 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports. As such, imported inflation accounts for about 70% of inflation in the country. Inflation reached 4.6% at the end of 2010, while it averaged about 4% in 2010. The increases in global oil and commodity prices exerted upward pressure on inflation in the latter part of 2010.

BANKING SECTOR

The banking sector remains the backbone of the Lebanese economy, and was profitable, highly liquid and well capitalized in 2010. The sector continued to benefit from the positive trends of the previous year, especially during the first half of 2010. The aggregate assets of banks operating in Lebanon were equivalent to about 330% of GDP and deposits equivalent to about 275% of GDP at the end of 2010, among the highest such ratios in the world. Banks continued to compete aggressively for corporate and retail clients domestically, while the sector carried on with its asset diversification strategy by expanding regionally and in emerging markets. The sector remained resilient to global and regional shocks, and continued to finance the private sector while supporting the public sector's needs.

Commercial bank assets reached USD 128.9 billion at the end of 2010, up 11.9% from end-2009, with overall foreign assets increasing by 8.6% year-on-year to USD 25.7 billion. Deposits of the private non-financial sector totaled USD 107.2 billion, up 12% from end-2009. Deposits in Lebanese pounds reached USD 39.5 billion, increasing by 15.9% from end-2009, while deposits in foreign currencies reached USD 67.8 billion, rising by 9.8% from end-2009. Non-resident foreign currency deposits reached USD 15.6 billion at end-2010, increasing by 9.7% from end-2009. In parallel, deposits of non-resident banks reached USD 4.5 billion at end-2010, down 2.2% from end-2009. The dollarization rate of deposits reached 63.2% at end-2010, down from 64.5% a year earlier, reflecting conversions from foreign currencies into Lebanese pounds.

Broad money supply (M3) grew by 12.3% in 2010 compared to 19.5% in 2009. Loans to the private sector amounted to USD 34.9 billion at end-2010, up 23% year on-year, highlighting the sector's financing of the national economy. The dollarization rate in private sector lending reached 80.3% compared to 84% at end-2009. The average lending rate in Lebanese pounds was 7.91% in December 2010 compared to 9.04% a year earlier, while the same average for US dollars was 6.74% compared to 7.28% in December 2009. In parallel, claims on the public sector stood at USD 29.3 billion, up 1% from end-2009, and accounted for 45.6% of the banking sector's total loans. Rating agencies continued to restrain banks' ratings to the sovereign ceiling, citing their high direct exposure to the sovereign as their most important risk factor.

The banks' capital base reached USD 9.2 billion, up 16% from end-2009, with core capital rising by 15.7% to USD 8.7 billion. The sector's capital adequacy ratio was 12.4% at end-2010 relative to 13.7% a year earlier. The ratio of private sector loans to deposits in foreign currencies stood at 41.4%, above the ratio of 38.6% a year earlier, but still well below the Central Bank's limit of 70%. In parallel, the same ratio in Lebanese pounds was 17.4%, up from 13.3% a year earlier. The ratio of total private sector loans to deposits stood at 32.6%, compared to 29.6% a year earlier. In parallel, the aggregate net income of the top 12 banks operating in Lebanon increased by 24% year-on-year to USD 1.6 billion. Also, the banks' return on average assets was 1.5% and their return on average equity reached 20.2% in 2010, improving from 1.2% and 16.9%, respectively, in the previous year. Further, the sector's gross non-performing loans declined to 4.3% of total loans at the end of 2010 from 6% in 2009.

GLOBAL AND REGIONAL ECONOMIES

The world economy continued to emerge from the global financial crisis and the deepest economic downturn in recent history. The world experienced a two-speed recovery in 2010, with emerging and developing economies driving global growth as developed economies lagged behind. As such, the global economy expanded by 5% in 2010, compared to a contraction of 0.5% in 2009, with advanced economies growing by 3% and emerging and developing economies expanding by 7.3%. Economic activity in most developing countries was supported by strong domestic demand, the resurgence of international and domestic financial flows, and higher commodity prices. In parallel, several advanced economies, many of which were at the center of the crisis, had not fully recovered from the crisis by the end of the year. Emerging market economies have coped much better with the global downturn due to improved fundamentals, strong growth, and avoidance of financial excess during the boom years that preceded the crisis. However, activity in these economies remains dependent on demand in advanced economies.

The economies of both the MENA region and Sub-Saharan Africa are of particular significance to Lebanon due to the economy's strong trade and financial links to Gulf Arab markets in particular, as well as to its dependence on the Diaspora and to the increasing activity of Lebanese banks in the two regions.

The MENA economies recovered from the global crisis, as the region posted a real GDP growth rate of 3.4% in 2010 relative to 1.9% in 2009, with oil exporters growing by 3.5% and oil importers expanding by 4.5%. Economic activity was supported by counter-cyclical fiscal policies, financial sector support measures, accommodative monetary policies, a recovery of tourism activity, and a resumption of capital inflows; while oil exporters benefited from a rebound in energy prices from their low levels in 2009. Oil exporters have largely overcome the most severe effects of the global financial crisis, and the rebound in oil prices in 2010 led to a significant improvement in their fiscal and external balances. But they continued to face significant vulnerabilities due to their dependence on oil, as non-oil activity remained subdued and improved only gradually in 2010. More specifically, the economies of the Gulf Cooperation Council (GCC) have returned to solid growth in 2010, but the recovery has been driven by the public sector as private sector activity remained sluggish, and as credit expansion continued to be weak more than two years into the crisis due to increased provisioning for non-performing loans and sluggish private sector demand. In parallel, oil importers, which were affected by the secondary effects of the crisis due to their strong linkages with oil producing countries in general and with GCC economies in particular, also benefited from trends in hydrocarbon-exporting countries. As such, oil importing economies benefited from the recovery in trade, tourism, remittance inflows and foreign direct investment.

Most of the economies in Sub-Saharan Africa recovered quickly from the global crisis, as the region's real GDP grew by 5% in 2010 compared to 2.8% a year earlier. But the pace of recovery has varied, with the region's 29 low-income countries growing by 5.3%, middle-income economies expanding by 3.7% and oil exporters posting growth of 6.5%.

The growth has been supported by the expansion in public investment and social support programs, continued monetary accommodation, stronger exports, rising commodity prices, and higher capital inflows. Foreign direct investment, the most important source of private capital flows to Sub-Saharan Africa, grew by 6% to USD 32 billion in 2010 compared to a decline of 12.3% in the previous year. Also, the expanding trade ties with Asia have played a role in the region's recovery, primarily through commodity markets.

Forging Ahead on All Fronts

The Byblos Bank Group has enjoyed a long run of consistent growth, a process that has only accelerated in recent years. Such achievements do not simply materialize of their own accord but are rather the product of concerted efforts by teams specializing in various different tasks. In 2010, we managed yet again to improve on our past performance, and simultaneously we continued to make the necessary preparations for similar successes in the future.

MORE SERVICES FOR MORE CONSUMERS

The Consumer Banking Division made major contributions to this effort on several fronts, with special focus on identifying the needs of specific market segments and developing purpose-built products that provide full-spectrum solutions and thereby increase customer satisfaction. Throughout the year, the Division also worked on improving a variety of the processes by which we service our clients. In addition, these services were made more readily available to more people in more places as new branches were opened as part of our ongoing expansion plan. The added convenience was buttressed, too, by greater emphasis on rewarding our customers with one of the most generous loyalty programs offered by any Lebanese bank. Consumer Banking also kept Byblos Bank at the top of the heap in terms of loans to small businesses, and once again we led all Lebanese banks in issuing government-subsidized Kafalat loans to small- and medium-sized enterprises, accounting for 23.6% of that market as of 31 December 2010. Another significant step was the signing of an agreement with the Agence Française de Développement (AFD) for a credit line of EUR 25 million: this funding helps us offer our University Educational Loan under optimum conditions.

Retail operations were highly productive in 2010, benefitting from several elements that helped meet the needs of our customers. These included the introduction of new Credit Card products, the addition of attractive features to several of our most popular Loans, and process enhancements that helped keep up with the growing demand for Bancassurance. We also implemented a variety of administrative changes that made service delivery more efficient, less costly and more customer-friendly, all while increasing opportunities for cross-selling and up-selling. And as ever, we continued to analyze the markets we serve in order to predict changing conditions that call for the launching of new products and/or improvements to existing ones. We also increased the level of support for these endeavors by working continuously to upgrade the technology involved, putting more and better tools in the hands of both our employees and our customers.

DEDICATED SUPPORT FOR OVERSEAS SUBSIDIARIES

The year also saw the launch of our new International Network Division to make the most of Byblos Bank's overseas expansion, which now sees us operating in a total of 12 countries. The Division is designed to supervise and support the activities of all subsidiaries, branches and representative offices in foreign markets. As such, it aims to ensure that Byblos Bank standards are maintained throughout our international network, acts as a liaison between the Group and its subsidiaries, and assists the latter in meeting budgets.

BIG ON BUSINESS

Commercial lending continues to be one of the pillars of the Bank, with its focus on the productive, rather than the speculative, sectors of the economy.

During 2010, we maintained a consistent growth in our loan portfolio without compromising our credit principles, a rare feat in today's market. SME lending was targeted particularly, with the aim of assisting small- and medium-sized industrialists and traders in growing their business and strengthening their foothold in the market. The benefits and know-how we have developed through our own regional expansion experience have been passed on to our customers by assisting them in finding new markets for their products, as well as by advising them about the opportunities for expanding their own businesses regionally.

The Bank has continued its pioneering approach of being among the leading users of the various trade and industrial programs offered by international agencies and has passed on the benefit of such programs to its customers.

During 2010, environmental adherence has become a firm element of our Risk Acceptance Criteria. This entailed introducing our customers to the benefits of implementing environmental controls in their daily business.

A LOCAL GATEWAY TO GLOBAL MARKETS

The Capital Markets team maintained its reputation for stellar service in 2010, fulfilling its end of the “Your Bank For Life” promise by helping our customers to build their investment portfolios on solid foundations. Staffed and managed by experienced professionals, the Division provides our clients with access to both local and international opportunities in Fixed Income, Equities, Currencies and Precious Metals. In addition to personalized service, we also put the latest research and analysis at our customers' disposal, ensuring that they have all the information they need to make their investment decisions.

SERVING THE NATIONAL INTEREST

In December, Byblos Bank took the next step in its longstanding role as facilitator for the Lebanese government's efforts to improve its finances – and set a record in the process. The Bank served as sole Lead Manager for a seven-year, LBP 1.5 trillion Treasury Bond issue that helped Beirut to reduce the foreign-currency component of its public debt. The seven-year, 7.90% coupon was the longest for a domestic-currency bond in Lebanon, the issue was oversubscribed, and industry publication *mtn-i* proclaimed it "European Landmark Deal of the Year".

GAINING INTERNATIONAL PARTNERS

Byblos Bank's reputation helped win two valuable new partners in 2010, both of which are already exerting a positive influence on our ability to meet our business goals while maintaining high levels of corporate citizenship. Both the International Finance Corporation (IFC, the private sector lending arm of the World Bank Group) and PROPARCO (an investment group partly held by the Agence Française de Développement) took significant equity stakes in the Bank. The investments add to Byblos Bank's already large capital base, enable us to provide more financing for small- and medium-size enterprises, and bring important synergies for our efforts to become a greener institution. They also demonstrate broad confidence in the Bank's business model, particularly in terms of our highly successful international expansion, our reputation for effective risk management, and our careful attention to social development in the communities we serve.

KEEPING STAKEHOLDERS INFORMED

The Group Communication Department had a very busy year in 2010, expanding its ability to develop and distribute information to both in-house and external recipients. Working as it does on the front line of the Bank's commitment to transparency, the Communication team remained focused on ensuring that all the data it produces is both accurate and relevant. In addition to improving our activities relating to products and services, we upgraded our ability to interact with the media by establishing a specialized Press Office, and completed both a comprehensive content overhaul strategy for Byblos Bank's new website, which goes live in 2011, and a cutting-edge digital strategy to keep us up-to-date with the social media revolution.

MAKING OUR HUMAN CAPITAL EVEN MORE VALUABLE

All of the foregoing depends on the abilities and dedication of the Group's employees, who together constitute our most valuable asset. The Human Resources Division's strategy emphasizes the highest standards of ethics and integrity. In accomplishing its mission of making Byblos Bank the employer of choice for competent and loyal individuals, the Division's priorities include the attraction and retention of the highest-quality Human Capital by developing their skills, managing their aptitudes with both skill and sensitivity, and maintaining an environment in which employees can deliver maximum value to our customers and shareholders.

The Division reached several milestones in 2010, including implementation of a new salary scale, the provision of People Management Training for all managers by a highly respected British facilitator, and new tests for potential recruits per job profile. We also compiled a new list of High Potential Candidates for promotion, trained all Department Heads to improve their interview skills and completed the Competency Catalogue for Byblos Bank. The year also saw the launch of an ambitious Succession Management exercise, as well as the inauguration of the Byblos Way Retail School.

In 2011, the Division's objectives include fairer and more accurate Job Evaluations, the opening of Byblos Way's Credit School and Management School, and the conducting of an Employee Satisfaction Survey. We also plan to complete the second phase of the Succession Management process, train all employees and managers in use of the E-Performance Module on PeopleSoft, and revise our Code of Conduct in line with the ongoing Culture Change.

Corporate Social Responsibility: Part of Everything We Do

Byblos Bank's business philosophy includes Corporate Social Responsibility (CSR) as a key pillar, and both our commitment to these activities and our ability to carry them out have increased in recent years. Our CSR strategy follows a "Triple Bottom Line" model in which performance is measured on three levels: people, planet and profit. Apart from a strong desire to simply do the right thing, we also operate on the assumption that helping to preserve and develop the communities we serve helps to improve our own long-term prospects. In other words, our contributions to ecological, social and other causes are anything but a drain on traditional business activities: quite the contrary, they constitute an investment in our own future by increasing the dynamism and sustainability of the markets in which the Group operates. Accordingly, our governance guidelines ensure that environmental and social considerations are part of everything we do, from global policy to individual loan applications.

To support the implementation of these guidelines, Byblos Bank has developed a dedicated Social and Environmental Policy under which we seek not only to maintain high standards but also to inform all of our stakeholders about the essential nature of these activities. Among other priorities, the Policy has led to the integration of social and environmental concerns into core decision-making processes, the adoption of both local regulations and international best practices, and regular reviews to ensure that our procedures remain up to date. It also has inspired the development of plans to make Byblos Bank a greener institution, for instance by making our buildings more environmentally friendly.

In keeping with these principles, Byblos Bank supports worthy projects in a variety of fields but focuses on building an educated society, preserving a sustainable environment, promoting higher standards of living, and upholding culture. Our experience shows that these are powerful contributors to better outcomes for countries, communities and individuals alike. Education plays a major role in virtually all elements of healthy economic and social groupings; Culture supports all manner of human development goals by strengthening the bonds within and between societies; and protecting the Environment underpins all of the foregoing by making everyday life safer and more harmonious for everyone – including future generations.

As usual, the Group Communication Department at Byblos Bank filled 2010 with numerous instances of support for worthy causes and events, working with individuals and organizations to build stronger communities. The following examples provide a representative picture of our priorities, and of our determination to achieve strong results on all of our Bottom Lines, often by participating in activities that address more than one of the different areas on which we focus.

BRINGING THE PAST TO LIFE

The past year saw Byblos Bank stress history as part of its cultural lineup, reasoning that a fuller appreciation of the past cannot help but to improve consideration for both the present and the future. The main activities under this banner included cooperation with the International Council of Museums and sponsorship of several special episodes of LBCI Television's *Hayda Lebnen* program, which focused on various museums in Lebanon. We also worked with the program to help promote awareness of historic mosques and churches, ancient castles and citadels, and the country's invaluable nature reserves. Another program on Future Television was used to highlight the findings of excavations in Saida undertaken by the British Museum (and also supported by the Bank) that have helped to flesh out the history of that city down through the ages. In addition, Byblos Bank lent its support to the historic Batroun village of Sourat by sponsoring the annual Sourat Festival.

BACKING FOR BOOKS

Reading is a highly versatile tool that provides both utility and enjoyment, not to mention myriad cultural benefits, so Byblos Bank places special emphasis on the written word. In 2010, our activities on this front included sponsorship of *Floral Enchantment* and *Orchids of Lebanon,* richly photographed tomes on the country's prolific plant life; *Palaces of Lebanon – The Lost Heritage*, which explores the spectacular homes of some of the wealthy families that have influenced the country in so many ways for centuries; *The History of the Lebanese Press*, which traces the history of local journalism since its beginning in the 19th century; *and Libania*, a book of photography celebrating Lebanon's cultural, historical and natural heritage. We also backed the Virgin Megastore activities during the Salon du Livre at Beirut's BIEL convention center.

KEEN ON CULTURE

The Bank has long been an avid supporter of Lebanon's thriving cultural scene, itself a healthy reflection of the country's amazing diversity. In 2010, these activities included backing for two separate shows at the annual Byblos Festival in Jbeil, as well as sponsorship of an event in Beirut's Ashrafieh neighborhood during the Fête de la Musique.

EAGER TO EDUCATE

As usual, Byblos Bank was a generous supporter of schools, universities and their students in 2010. We continued to develop the university scholarship program, and provided USD 50,000 to the American University of Beirut's Olayan School of Business, allowing it to establish the Byblos Bank OSB Faculty Research and Development Fund. In addition, we took part for the 25th consecutive year in Child's Week, an annual event organized by the Association for the Protection of Lebanese Children that encourages youngsters to develop their abilities in many artistic, cultural and educational activities. The theme for the 2010 program was environmental preservation, and activities included a tree planting expedition. Another recipient of Byblos Bank sponsorship was the Myschoolpulse Mini-Marathon in Faqra, which raised funds for the schooling of children who suffer from cancer and cannot attend regular classes. We also continued our support for the Lebanese Center for Special Education (LCSE), which works to improve access and opportunities for children with learning disabilities. The Bank has been a sponsor of the LCSE since the latter's inception in 2000.

A HELPING HAND FOR HEALTH

Byblos Bank sponsored a variety of initiatives during the year that aimed to improve individual situations and/or the public health environment. We also participated in several fundraising events aimed at supporting the infirm, the elderly and other needy people. Once again, the Bank helped support the Red Cross by, among other things, setting aside a day for an employee blood drive. And for the fifth year in a row, we sponsored Goodwill, an NGO that works with disabled people, as it used its participation in the Beirut Marathon to raise funds and increase awareness.

GALLOPING GREEN

In addition to changing our own business practices so as to reduce environmental impacts across the board, Byblos Bank also sponsored the efforts of others in 2010, and found ways to address green issues from a variety of angles. One of the most imaginative came when we participated in the Beirut Race Cup, a fundraising event designed to support the capital's historic Hippodrome: the Byblos Bank team stole the show with a table and hats made from recyclable bottles collected by employees – and won the prize for "Best Table" in the bargain. In addition, the Bank extended backing to efforts aimed at preserving the Bkassine Forest, a highlight of South Lebanon's beautiful Jezzine district and the largest pine forest in the Middle East.

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Corporate Profile

Profile of the Group

OUR HISTORY

Established in Jbeil (Byblos), Lebanon, in 1950, the Byblos Bank Group is a leading financial institution focused on the domestic and selected overseas markets. After nearly six decades of consistent growth, Byblos Bank now has an extensive branch network of 78 branches spread evenly across Lebanon. The Group also has expanded to several other countries, including Armenia, Belgium, Cyprus, the Democratic Republic of the Congo, France, Iraq, Nigeria, Sudan, Syria, the United Arab Emirates, and the United Kingdom.

OUR MAJOR LINES OF BUSINESS

- Consumer Banking
- Commercial Banking
- Correspondent 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 Co. S.A.L. (ADIR).

1997 Acquisition of Banque Beyrouth pour le Commerce (BBC). Listing of 30% of Byblos Bank's 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.

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

ADONIS INSURANCE AND REINSURANCE CO. S.A.L. (ADIR) 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% stake in ADIR, with Byblos Bank retaining a controlling interest of 64%. 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 Europe 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% 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 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

After three decades of prosperous business in Sudan via local banks and a selected customer base, the Group established Byblos Bank Africa in 2003. Operating under Sudanese law and the Sudanese Central Bank, Byblos Bank Africa's main lines of business are commercial 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%), followed by the OPEC Fund for International Development (17.5%), and the Islamic Corporation for the Development of the Private Sector (8.75%).

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

2003 – Opening of Byblos Bank Africa in Khartoum, Sudan.

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

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

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

2007 – Acquisition of 100% 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 USD 200 million in Series 2008 Preferred Shares. Acquisition of Unicredit Banca Di Roma's Lebanon branch.

2009 – Listing on the London Stock Exchange. Issuance of USD 200 million in Series 2009 Preferred Shares. Opening of a Representative Office in Lagos, Nigeria.

2010 – Acquisition of 66.7% stake in Solidaire Banque Internationale, a bank incorporated in the Democratic Republic of the Congo, now renamed as Byblos Bank RDC S.A.R.L..

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 2005, Byblos Bank Syria is owned (41.5%) and managed by Byblos Bank S.A.L., with other shareholders including the OPEC Fund (7.5%) and Syrian investors (51%). Byblos Bank Syria has developed a wide range of commercial, corporate 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% stake in International Trade Bank, the institution was renamed Byblos Bank Armenia and commenced operations in 2008 as the Group's fourth overseas subsidiary. Byblos Bank Armenia is currently expanding its lines of business to address local banking needs.

BYBLOS BANK RDC S.A.R.L.

On 27 March 2010, Byblos Bank S.A.L. participated in the capital increase of Solidaire Banque Internationale S.A.R.L., a bank incorporated in the Democratic Republic of the Congo. Byblos Bank S.A.L. became the major shareholder, with 66.67 percent of the shares, and acquired management control. Renamed Byblos Bank RDC S.A.R.L., the Bank operates as an independent subsidiary of the Byblos Bank Group, with its Head Office in Kinshasa and one branch in the capital's Gombe District. It provides mainly commercial lending, transfers and payments, letters of credit, letters of guarantee, and documentary collection services.

Corporate Governance

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

BYBLOS BANK EUROPE S.A.

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

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

H.E. Mr. Sami F. Haddad	Chairman and General Manager
Mr. René Klat	Managing Director and CEO
Mr. Jean Hleiss	Director and Assistant General Manager
Mr. Semaan F. Bassil	Director
Natixis Assurances – France	Director
Mrs. Nathalie Broutèle	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 RDC S.A.R.L.

Mr. Daniel Ribant	Chairman
Mr. Akram Mourad	Vice-Chairman
H.E. Mr. Sami Haddad	Director
Mr. Alain Tohmé	Director
Mr. Alain Wanna	Director
Mr. Walid Kazan	Director
Dr. Mohammad Cheaib	Director
Mr. Riad Roumieh	Director
Mr. Lengo Dia Ndinga	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. André Abou Hamad	Director
Mr. Mohammad Al Mourtada Al Dandashi	Director
Mr. Nader Al Kalai	Director

BYBLOS BANK ARMENIA C.J.S.C.

Dr. François S. Bassil	Chairman
H.E. Mr. Arthur G. Nazarian	Director
Mr. Alain Tohmé	Director
Mr. Alain Wanna	Director
Mrs. Sabina Dziurman representing EBRD*	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. Alain Tohmé	Director
Mr. Alain Wanna	Director

BYBLOS BANK AFRICA

Dr. François S. Bassil	Chairman
Mr. Semaan F. Bassil	Director
OPEC Fund for International Development	Director
The Islamic Corp. for the 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

ADONIS INSURANCE COMPANY (ADIR) – SYRIA S.A.

Mr. René Klat	Chairman
H.E. Mr. Sami Haddad	Director
Mrs. Pascale Asmar	Director
Mr. André Abou Hamad	Director
Mrs. Mona Bou Ezzat	Director
Mr. Walid Abdel Nour	Director

* *European Bank for Reconstruction and Development*

BYBLOS BANK S.A.L.

AUDIT COMMITTEE

Chairman	Mr. Moussa A. Maksoud
Member	H.E. Dr. Samir K. Makdessi
Member	Mr. Abdulhadi A. Shayif
Member	Mr. Bassam A. Nassar

RISK, COMPLIANCE, ANTI-MONEY-LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

Chairman	H.E. Dr. Nasser H. Saidi
Member	H.E. Mr. Sami F. Haddad
Member	Mr. Bassam A. Nassar

BYBLOS BANK AFRICA

AUDIT COMMITTEE

Chairman	Mr. Wassim Y. Aboul Naja
Member	Mr. Alain Wanna
Member	Mr. Mahmoud Saleh Osman Saleh

RISK COMMITTEE

Chairman	Mr. Semaan F. 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 (representing EBRD)

BYBLOS INVEST BANK S.A.L.

AUDIT COMMITTEE

Chairman	Mr. Moussa A. Maksoud
Member	H.E. Dr. Samir K. Makdessi
Member	Mr. Abdulhadi A. Shayif
Member	Mr. Bassam A. Nassar

BYBLOS BANK EUROPE S.A.

AUDIT COMMITTEE

Chairman	Mr. Najah Salem
Member	Mr. Jacques De Raeymaeker
Secretary	Mr. Ludo Swolfs

BYBLOS BANK SYRIA S.A.

AUDIT COMMITTEE

Chairman	Mr. Samir Hasan
Member	Dr. François S. Bassil
Member	Mr. Mohammad Al Mourtada Al Dandashi

CORPORATE GOVERNANCE COMMITTEE

Chairman	Mr. Semaan F. Bassil
Member	Mr. Nader Al Kalai
Member	Mr. Samir Hasan

RISK COMMITTEE

Chairman	Mr. Moutazz Al Sawwaf
Member	Mr. Alain Tohmé
Member	Mr. André Abou Hamad

NOMINATION AND COMPENSATION COMMITTEE

Chairman	Mr. Mohammad Al Mourtada Al Dandashi
Member	Dr. François S. Bassil
Member	Mr. Samir Hasan

Committees

BYBLOS BANK S.A.L.

MANAGEMENT COMMITTEE

President	Semaan Bassil	Vice-Chairman and 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
	Marwan Moharram	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 Development, Information Systems and Operational Support Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
Attendees	Walid Kazan	AGM, Head of International Network Division
	Renalda Hayek	AGM, Head of Group Human Resources Division
	Fadi Nassar	AGM, Head of Corporate Banking Department
	Fadi Hayek	Head of Group Internal Audit Division
Secretary	Zeina Khaled	Head of Credit Administration Department

CENTRAL AND INTERNATIONAL CREDIT COMMITTEE

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Marwan Moharram	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
	Walid Kazan	AGM, Head of International Network Division
Secretary	Zeina Khaled	Head of Credit Administration Department

INTERNAL AUDIT MANAGEMENT COMMITTEE

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

BANKING TECHNOLOGY COMMITTEE

President	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Vice President	Elie Bassil	Head of Group Banking Technology Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Alain Wanna	AGM, Head of Group Finance and Administration Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Walid Kazan	AGM, Head of International Network Division
Attendee	Fadi Hayek	Head of Group Internal Audit Division
Secretary	Elie Bassil	Head of Group Banking Technology Division

HUMAN RESOURCES COMMITTEE

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Members	Marwan Moharram	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 Development, Information Systems and Operational Support Division
Secretary/Member	Dr. Elie Abi Chahine	Head of Group Human Resources Workforce Administration Department

RISK COMMITTEE

President/Secretary	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Alain Wanna	AGM, Head of Group Finance and Administration Division
Attendee	Fadi Hayek	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 Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joseph Nasr	Head of Regional and Branch Distribution Channel Development Department
Attendee	Fadi Hayek	Head of Group Internal Audit Division
Secretary	Jean-Michel Kawkabani	Head of Information Security Unit

INTERNATIONAL COMMITTEE

President	Walid Kazan	AGM, Head of International Network Division
Vice President	Alain Wanna	AGM, Head of Group Finance and Administration Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Alain Tohmé	DGM, Head of Group Commercial Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
Attendee	Fadi Hayek	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 and General Manager
	Walid Kazan	AGM, Head of International Network Division
	Paul Chammas	Head of Group Operations Division
Attendee	Fadi Hayek	Head of Group Internal Audit Division
Secretary/Member	Antoine Dagher	Head of Group Compliance Department

LOAN RECOVERY COMMITTEE

President	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
Vice President	Alain Tohmé	DGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman and 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 Development, Information Systems and Operational Support Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	AGM, Head of Group Consumer Banking Division
	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
	Alain Wanna	AGM, Head of Finance and Administration Division
Attendee	Fadi Hayek	Head of Group Internal Audit Division
Secretary	Nada Yamout	Head of Group Operational Risk Unit

Committees

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

MANAGEMENT COMMITTEE

President	Sami Haddad	Chairman and General Manager
Vice President	René Klat	Managing Director and CEO
Members	Semaan Bassil	Vice-Chairman and General Manager
	Alain Tohmé	DGM, Head of Commercial Banking Division
	Joumana Chelala	AGM, Head of Consumer Banking Division
	Bernard Colin	Natixis Assurances Representative, International Affairs
	Pascale Asmar	Natixis Assurances Representative, International Affairs
	Jean Hleiss	Director and Assistant General Manager
General Secretary	Roger Noujaim	Finance and Administration Manager

MANAGEMENT

	Sami Haddad	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	Fouad N. Trad	Managing Director and CEO
Members	Daniel Ribant	Director, Deputy General Manager
	Alain Vander Stichelen	Director, Operations Manager

CREDIT COMMITTEE

President	Fouad N. Trad	Managing Director and CEO
Members	Daniel Ribant	Director, Deputy General Manager
	Alain Vander Stichelen	Director, Operations Manager

ASSETS AND LIABILITIES COMMITTEE

President	Fouad N. Trad	Managing Director and CEO
Members	Daniel Ribant	Director, Deputy General Manager
	Alain Vander Stichelen	Director, Operations Manager
	Sélim Haddad	Manager, Head of Commercial and Correspondent Banking
	Dirk Vermeiren	Finance Manager
	Frederik Sladden	Credit Manager
	Charles Woods	Treasury Dealer

HUMAN RESOURCES COMMITTEE

President	Fouad N. Trad	Managing Director and CEO
Members	Daniel Ribant	Director, Deputy General Manager
	Alain Vander Stichelen	Director, Operations Manager

ANTI-MONEY-LAUNDERING COMPLIANCE COMMITTEE

President	Fouad N. Trad	Managing Director and CEO
Members	Daniel Ribant	Director, Deputy General Manager
	Alain Vander Stichelen	Director, Operations Manager
	Bart Bogers	Compliance Officer
	Dirk Vermeiren	Finance Manager
	Frederik Sladden	Credit Manager

BYBLOS BANK SYRIA S.A.

MANAGEMENT COMMITTEE

President	Walid Abdel Nour*	General Manager
Members	Jean Bassil	AGM, Head of Commercial Banking
	Hanadi Naccache	AGM, Head of Support Functions
	Marwan Sagha	Head of Branch Coordination
	Georges Bitar	Head of Finance and Administration
	Muhannad Haj Sharif	Assistant Chief Dealer

CREDIT COMMITTEE

Chairman	Walid Abdel Nour*	General Manager
Members	Jean Bassil	AGM, Head of Commercial Banking
	Ziad Hajjar	Credit Administration Senior Officer
	Lynn Sacy	Retail Approval Senior Officer
	Sareen Khajarian	Credit Risk Analyst

* Starting 2011, Mr. Georges Sfeir became the General Manager of Byblos Bank Syria S.A., replacing Mr. Walid Abdel Nour.

BYBLOS BANK AFRICA

MANAGEMENT COMMITTEE

President	Nicolas Saliby	General Manager
Vice President	Fouad Negga	DGM, Head of Business Functions
Members	Labib Sammour	AGM, Head of Support Functions
	Ghassan Cortas**	Head of Corporate Banking
Secretary	Ahmed Mousa	Compliance Officer

CREDIT COMMITTEE

President	Nicolas Saliby	General Manager
Vice President	Fouad Negga	DGM, Head of Business Functions
Members	Ghassan Cortas**	Head of Corporate Banking
	Ahmed Mousa	Compliance Officer
Secretary	Abdulilah Ghali	Head of Credit Administration

ASSETS AND LIABILITIES COMMITTEE

President	Nicolas Saliby	General Manager
Members	Fouad Negga	DGM, Head of Business Functions
	Labib Sammour	AGM, Head of Support Functions
Secretary	Tina El Rayah	Treasury Senior Officer

PURCHASING COMMITTEE

President	Fouad Negga	DGM, Head of Business Functions
Member	Labib Sammour	AGM, Head of Support Functions
Secretary	Omer Abdelwahab	Administration Officer

** In May 2011, Mr. Samer Assaf Bou Saba became the Head of Corporate Banking of Byblos Bank Africa, replacing Mr. Ghassan Cortas.

BYBLOS BANK ARMENIA C.J.S.C.

MANAGEMENT COMMITTEE		
President	Ararat Ghukasyan	Chief Executive Officer
Members	Aram Artinian	Head of Commercial Banking Department
	Haroutioun Bouldoukian	Head of Consumer Banking Department
	Karapet Melkonyan	Chief Accountant
Secretary	Anush Gevorgyan	Executive Secretary

ASSETS AND LIABILITIES COMMITTEE		
President	Hayk Stepanyan	Head of Finance and Administration Division
Vice President	Ararat Ghukasyan	Chief Executive Officer
Members	Aram Artinian	Head of Commercial Banking Department
	Haroutioun Bouldoukian	Head of Consumer Banking Department
	Victoria Kocharyan	Head of Risk Management Department
Member/Secretary	Armen Aleksanyan	Head of Treasury Unit

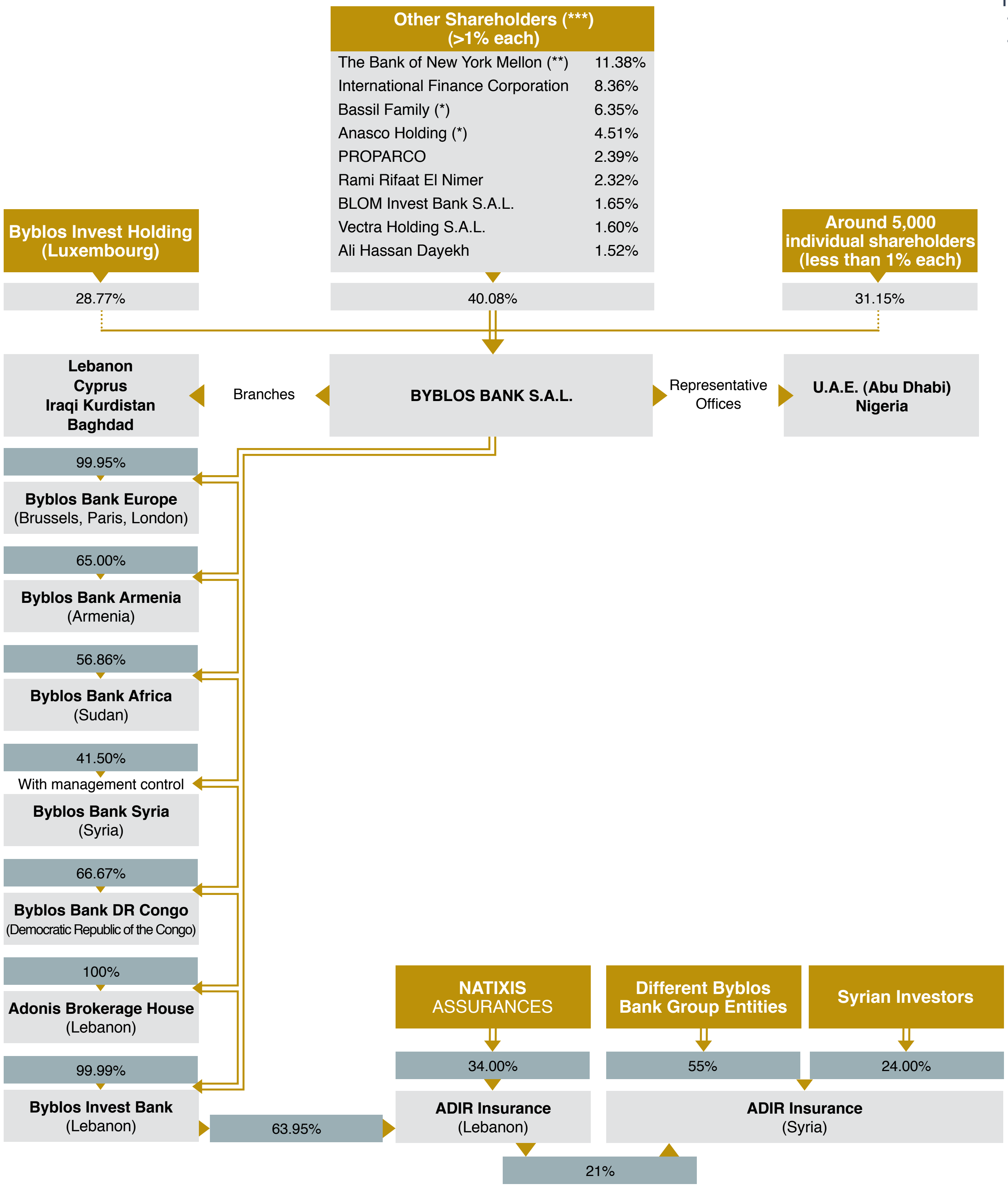
BYBLOS BANK S.A.L. – IRAQ

MANAGEMENT COMMITTEE		
President	Atira Abdel Kader	Iraq Country Manager and Baghdad Branch Manager
Members	Joseph Wehbe	Head of Finance and Administration
	Alexi Azouri	Erbil Branch Manager

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

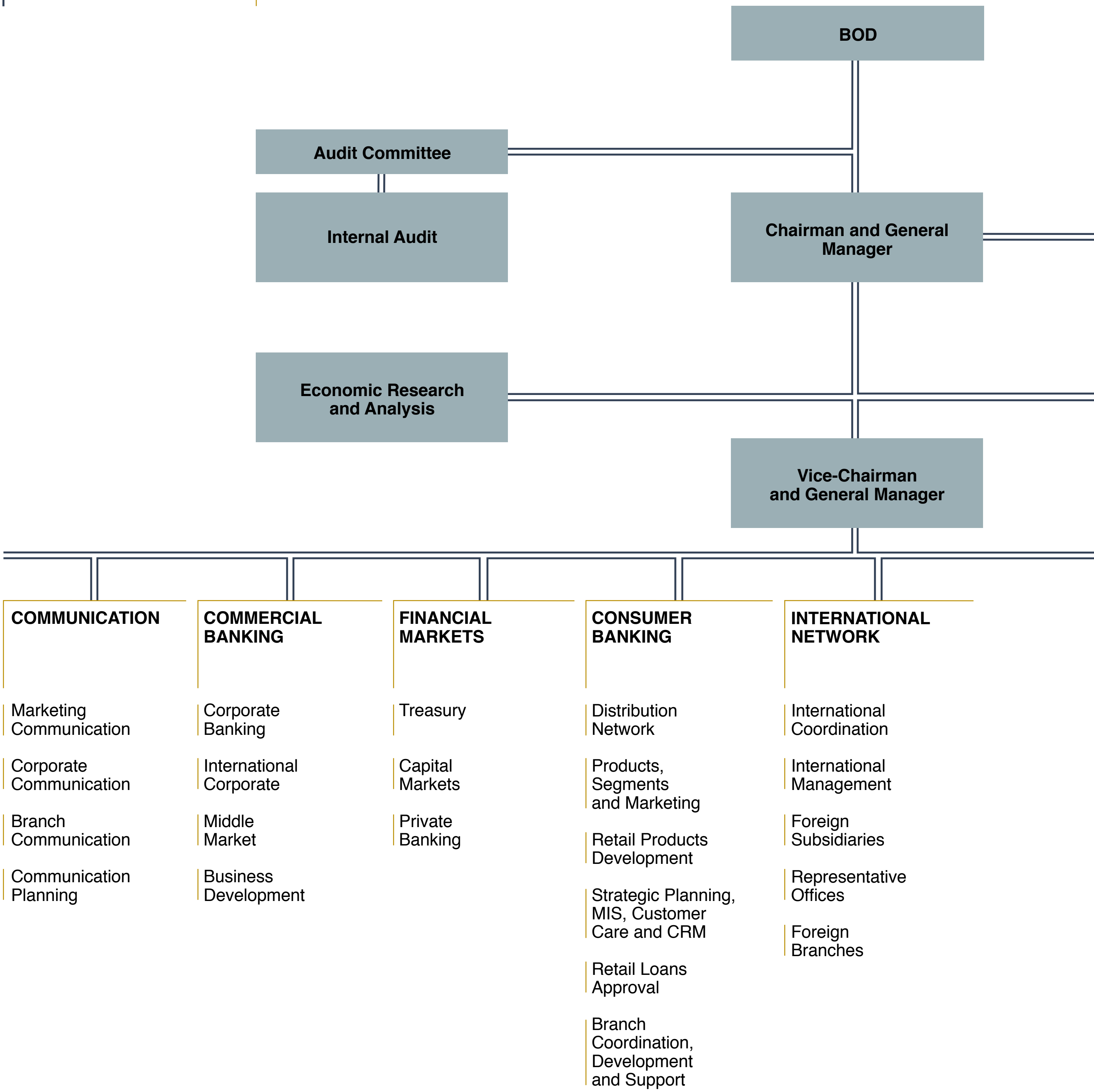
MANAGEMENT COMMITTEE		
President	René Klat	Chairman
Vice President	Abdel Aziz Al-Soukhni	Vice-Chairman
Members	Sleiman Abi Nader	General Manager
	Raja Mouawad	Assistant General Manager
	Ahmad Hadaya	Board Member
	André Abou Hamad	Board Member
	Sami Haddad	Chairman and General Manager
	Alain Wanna	Board Member
	Alain Tohmé	Board Member

Group Chart



(*) Major shareholders in Byblos Invest Holding.
(**) The Bank of New York Mellon is the depositary bank for the GDR program.
(***) Post capital increase which took place in June 2010 (including preferred shares).

Organizational Chart



Advisor to the Chairman and Secretary of the Board

Legal Support

Group Risk Management

FINANCE AND ADMINISTRATION

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

CREDIT RISK MANAGEMENT

- Corporate Credit Risk
- Middle Market Credit Risk
- International Credit Risk
- Retail Credit Risk
- Credit Administration
- Financial Institutions and Countries Credit Risk
- Credit Information
- Loan Recovery

ORGANIZATION DEVELOPMENT, INFORMATION SYSTEMS AND OPERATIONAL SUPPORT

- Organization Support and Procedures
- Banking Technology
- Operations
- E-Channels Development

HUMAN RESOURCES

- Planning and Recruitment
- Compensation and Benefits
- Performance and Career Management
- Talent Development and Organizational Behavior
- HR Coordination
- HR Information Systems

FINANCIAL INSTITUTIONS

A Comprehensive Approach to Risk Management

Risk-taking is core to our financial business, and operational risks are an inevitable consequence of being in business. Our aim is not to eliminate all risks but rather to achieve an appropriate balance between risk and return. Thus, in our day-to-day business and in the strategic management of our balance sheet and capital, we seek to limit the scope for adverse variations in our earnings and exposure to “stress events” for all the material risks we face. Good risk management and control are integral parts of providing consistent, high-quality returns to shareholders. We need to adequately manage and control our risks to avoid significant financial losses and the resultant damage to our reputation.

- The primary objective of risk management is the protection of the Group’s financial strength. Our risk management approach is based on the following key principles:

- Controlling risks at the level of individual exposures, at a portfolio level and in aggregate, across all risk types and businesses, relative to our risk capacity, in order to limit the impact of potential adverse events, both on capital and on financial results. The risk appetite must be proportional to the available capital.

- Protecting the Group’s reputation: reputation is essential for the proper performance of the Bank and needs to be diligently preserved. We adopt the highest standards in protecting the confidentiality and integrity of our client information, and aim to maintain the highest ethical standards in all our business dealings.

- Risk transparency: for clear insight into Byblos Bank Group’s positions, it is vital to identify all risks. Risks must always be considered as accurately as possible in order to be able to make sound commercial decisions. Comprehensive, transparent and objective risk disclosure to the Board of Directors, to our senior management, regulators, rating agencies and other stakeholders is the cornerstone of the risk control process.

- Management responsibility: Byblos Bank’s business entities are individually responsible for their results as well as for the risks associated with their operations. A balance must be found between risk and return, while of course duly observing the relevant risk limits. This responsibility applies not only to the traditional banking risks of credit risk and market risk but also to the many and varied operational risks that potentially arise from inadequate or failed internal processes, people or systems or from external causes, which may be deliberate, accidental or natural.

- Independent risk management: this is the structured process of identifying, measuring, monitoring and reporting risks. In order to ensure integrity, the risk management departments operate independently of the commercial activities. The implementation of an independent control process is essential to balance the short-term profit incentives and long-term interests of the Bank.

Our independent risk management process encompasses the following critical elements:

- Risk identification, through the continuous monitoring of portfolios, by assessing new business and by reviewing our own risks in the light of market developments and external events.
- Measurement of quantifiable risks, using methodologies and models which are being tested and used as support for the development of risk policies.
- Establishment of risk policies to reflect our risk principles, risk capacity and risk appetite, consistent with evolving business requirements and international best practice.
- Comprehensive risk reporting to stakeholders, and to management at all levels, against the approved risk control framework and, where applicable, limits.
- Controlling risk by monitoring and enforcing compliance with the risk principles, and with policies, limits and regulatory requirements.

Coordinated processes involving all relevant control and systems functions regarding new business involve the business itself, the operational risk, and legal, compliance, financial control and systems functions to ensure that all critical elements are addressed in a comprehensive and holistic way, including the assurance that transactions can be booked in a way that will permit appropriate ongoing risk monitoring, reporting and control.

The primary and operational risks inherent in our business activities are subject to independent risk control. Primary risks are exposures deliberately entered into for business reasons, which are actively traded and managed. Operational risks arise as a consequence of business undertaken and as a consequence of internal control gaps.

Primary risks are credit risk, market risk and liquidity and funding risk:

- Credit risk is the risk of loss resulting from client or counterparty default and arises on credit exposure in all forms, including settlement risk.
- Market risk is exposure to market variables such as interest rates, exchange rates and equity markets, and to price movements on securities and other obligations which we trade.
- Liquidity and funding risk is the risk that we will be unable to meet our payment obligations when due, or that we will be unable, on an ongoing basis, to borrow funds in the market on an unsecured or even secured basis at an acceptable price to fund actual or proposed commitments.

Operational risk can arise in a number of ways:

- Transaction processing risk arises from errors, failures or shortcomings at any point in the transaction process, from deal execution and capture to final settlement.
- Compliance risk is the risk of financial loss due to regulatory fines or penalties, restriction or suspension of business, or mandatory corrective action. Such risks may be incurred by not adhering to applicable laws, rules, regulations, accounting standards, local or international best practice, or our own internal standards.
- Legal risk is the risk of financial loss resulting from the non-enforceability of our actual or anticipated rights arising under law, a contract or other arrangement.
- Liability risk is the risk that we, or someone acting on our behalf, fail to fulfill the obligations, responsibilities or duties imposed by law or assumed under a contract and that claims are therefore made against us.

Failure to identify, manage or control any of these risks, including business risks, may result not only in financial loss but also in loss of reputation, and repeated or widespread failure compounds the impact. Reputation risk is not directly quantifiable and cannot be managed and controlled independently of other risks.

Stress situations can arise from many sources and when extreme events occur, quantitative and qualitative risk assessments alone are not sufficient. The essential complements are a tried and tested process which can be invoked immediately in response to any crisis, and well-prepared business continuity management processes and plans. We continue to develop and refine these processes as we learn from our own and others' experience.

2010 Performance Review

Key Financial Data

YEAR ENDED 31 DECEMBER, (In USD Million, except for per share data)

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total assets	5,288	6,021	6,968	7,526	8,190	9,486	11,230	13,576	15,288
Customers' deposits	4,300	4,922	5,476	5,646	6,276	7,262	8,363	10,286	11,892
Net advances to customers	1,195	1,181	1,341	1,488	1,750	2,233	2,790	3,197	3,771
Cash and due from banks	1,648	3,146	3,452	3,194	3,234	3,884	4,708	6,179	7,802
Total equity	429	549	582	794	752	984	1,270	1,494	1,831
Net book value (1)	323	444	479	690	718	762	1,071	1,294	1,627
Net income	44	46.4	53.7	69.4	78.7	99.2	122.0	145.6	177.7
Number of domestic branches	69	70	72	73	73	73	76	75	77
Number of foreign branches and subsidiaries (2)	4	5	5	6	9	16	17	19	23
Number of ATMs	62	62	79	84	85	109	114	133	147
Number of employees	1,456	1,399	1,397	1,520	1,766	2,101	2,362	2,433	2,719
MARKET SHARES (3)									
Market share in assets	9.23%	9.18%	9.04%	9.17%	9.30%	9.67%	9.88%	9.80%	9.99%
Market share in customers' loans	7.18%	7.11%	7.22%	7.18%	8.35%	8.78%	8.71%	8.51%	8.13%
Market share in customers' deposits	9.50%	9.55%	9.39%	9.32%	9.42%	9.55%	9.48%	9.41%	9.69%
SHARE DATA									
Book value per share (4)	1.58	1.68	1.85	1.44	1.50	1.61	1.82	2.16	2.21
Earnings per common share in USD (4)	0.21	0.17	0.20	0.25	0.14	0.18	0.21	0.26	0.27
Earnings per priority share in USD (4)				0.29	0.17	0.22	0.24	0.29	0.30
Net dividend per common share in USD (5)	0.15	0.10	0.10	0.10	0.10	0.10	0.10	0.13	0.13
Net dividend per priority share in USD (5) (6)				0.01	0.13	0.13	0.13	0.16	0.16
Dividend payout ratio	73.12%	72.31%	62.47%	50.63%	78.32%	62.17%	57.10%	58.71%	63.80%
PROFITABILITY									
Return on average assets	0.89%	0.82%	0.83%	0.96%	1.00%	1.12%	1.18%	1.17%	1.23%
Return on average common equity	13.90%	10.33%	11.49%	12.03%	11.37%	13.84%	14.56%	15.00%	14.03%
Leverage multiplier	16.36	13.56	14.53	10.91	11.41	12.45	10.48	10.49	9.40
Interest on earning assets	7.92%	7.65%	6.26%	6.32%	7.16%	7.29%	6.97%	6.38%	5.82%
Funding cost	5.99%	5.79%	5.00%	5.02%	5.66%	5.64%	4.99%	4.65%	4.23%
Spread	1.93%	1.86%	1.25%	1.30%	1.49%	1.65%	1.98%	1.73%	1.59%
Net interest margin	2.27%	2.22%	1.60%	1.70%	2.00%	2.10%	2.39%	2.17%	2.04%
Cost-to-income	56.63%	53.18%	56.49%	49.56%	53.41%	51.81%	47.38%	46.28%	46.60%
CAPITAL ADEQUACY									
Capital to assets	8.11%	9.11%	8.36%	10.55%	9.18%	10.37%	11.31%	11.01%	11.97%
Tier 1/risk-weighted assets (Basel I)	13.48%	21.03%	15.93%	21.53%	19.41%	14.85%	22.49%	20.61%	22.84%
Tier 2/risk-weighted assets (Basel I)	5.47%	6.01%	4.27%	3.52%	0.76%	5.70%	3.30%	1.52%	1.24%
Capital adequacy (Basel I)	18.95%	26.83%	19.86%	25.04%	20.17%	20.54%	25.80%	22.13%	24.08%
Capital adequacy (Basel II)						11.23%	12.61%	12.62%	14.75%
LIQUIDITY									
Net advances/assets	22.59%	19.62%	19.24%	19.77%	21.36%	23.54%	24.85%	23.55%	24.67%
Net advances/customers' deposits	27.78%	24.00%	24.48%	26.36%	27.88%	30.75%	33.37%	31.08%	31.71%
Customers' deposits/total resources	81.32%	81.75%	78.58%	75.02%	76.63%	76.56%	74.47%	75.77%	77.79%
Liquid assets	73.30%	76.77%	76.16%	76.20%	74.00%	71.63%	70.69%	72.42%	71.85%
ASSETS QUALITY									
Loan loss provisions (7)/ customers' loans	12.59%	13.25%	11.86%	10.24%	8.73%	5.40%	4.19%	3.64%	3.45%
Non-performing loans/customers' loans	12.63%	13.29%	12.19%	10.47%	8.14%	4.66%	3.36%	2.63%	2.38%
Loan loss provision (7)/ Non-performing loans	78.46%	84.96%	82.83%	83.61%	91.11%	95.23%	101.32%	118.59%	128.48%
1 USD =	**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**	**LBP 1,507.5**

(1) Excludes subordinated loans.
(2) Includes branches of Byblos Bank Europe, Byblos Bank Africa, Byblos Bank Syria, Byblos Bank Armenia, Byblos Bank Iraq, Byblos Bank Cyprus, and Byblos Bank RDC.
(3) Market share is based on all commercial and investment banks operating in Lebanon.
(4) Based on the number of shares outstanding at the end of the period.
(5) Net of income tax (5%).
(6) Representing annual distribution for priority shares calculated at 4% of the nominal value in addition to dividend declared for common shares.
(7) Includes specific and general provisions, as well as reserved interest.

Management Discussion and Analysis

OVERVIEW OF THE BANK

Byblos Bank is one of the leading banks in Lebanon, providing a full range of banking services through its extensive branch network. Through its overseas banking and other subsidiaries, the Bank also conducts a wide range of commercial banking and financial activities in Europe, the Middle East and North Africa (MENA) region. As at 31 December 2010, the Bank had 2,719 employees, 640,000 active accounts, 77 branches in Lebanon, one branch in Cyprus, one in Erbil, Iraq, and one in Baghdad, Iraq. As at the same date, Byblos Bank Europe S.A., the Bank's 99.95% owned subsidiary, had its main branch in Brussels, one branch in London and another branch in Paris; Byblos Bank Africa, the Bank's 56.9% owned subsidiary, had two branches in Khartoum and one branch in Bahri; Byblos Bank Syria S.A., the Bank's 41.5% owned subsidiary, had two branches in Aleppo and one branch in each of Abu Remaneh, El Mazzeh, Homs, Lattakia, Tartous, Hama, Abbasiyin, and Hosh Blass. Byblos Bank Armenia C.J.S.C., the Bank's 65% owned subsidiary, had three branches in Amiryan, Vanadzor and Malatia. The Bank also has a representative office in Abu Dhabi, United Arab Emirates, and another one in Lagos, Nigeria, aiming at better servicing of the Lebanese diaspora abroad. In addition, in April 2010, the Bank bought 66.67% of the shares in Solidaire Banque Internationale in the Democratic Republic of the Congo, which is now known as Byblos Bank RDC.

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.

On 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange (LSE) representing, as at 31 December 2010, 26 per cent of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank for the issue. The Bank aimed through the listing of Global Depositary Shares to increase liquidity and to promote further transparency for investors. According to the LSE, Byblos Bank was also the first Lebanese company to list on the bourse in the past 12 years and the first Bank to list on it in 2009, showing resilience despite the ongoing global financial crisis.

The Extraordinary General Assembly of the Bank's shareholders held on 19 February 2010 decided to increase the capital of the Bank for an amount of LBP 172,278,299,600 by way of an issue of 142,378,760 new common shares with a par value of LBP 1,210 each, having the same rights and obligations as the common shares.

The International Finance Corporation (IFC), a member of the World Bank Group, and Byblos Bank jointly announced in January 2010 that the IFC would make an equity investment of approximately USD 100 million in Byblos Bank. The transaction, closing of which is subject to customary closing conditions, is in the form of a purchase by IFC of common shares from Byblos Invest Holdings S.A. (Luxembourg), Byblos Bank's largest shareholder, with a commitment of Byblos Invest Holdings to utilize the proceeds to subscribe to a USD 250 million capital increase by Byblos Bank, bringing the Bank's consolidated total capital to over USD 1.5 billion. IFC's equity investment – the largest to date in a Lebanese bank – will assist Byblos Bank in increasing access to finance for small- and medium-sized enterprises (SMEs) in Lebanon and elsewhere, and expand its operations to frontier countries in the MENA region.

In April 2010, PROPARCO, which is partly held by the Agence Française de Développement (AFD), invested USD 30 million in Byblos Bank's shares, becoming one of the Bank's largest shareholders. Through this transaction, the Bank will be able to further expand its activities to frontier countries in MENA, and reinforce its already large capital base. This partnership will also enhance the capacity of Byblos Bank to extend financing to SMEs.

On 5 May 2011, upon the expiration of the priority rights period on the date of the Ordinary General Assembly of Shareholders of the Bank at which the final accounts of the Bank for the year 2010 were approved, the Priority Shares were automatically converted into Common Shares in accordance with their terms and applicable laws and regulations. Accordingly, no Priority Shares remain outstanding.

According to Bankdata, as at and for the year ended 31 December 2010, the Bank ranked third among all banks operating in Lebanon in terms of net profit of LBP 267.8 billion (USD 177.7 million), in terms of total assets of LBP 23,047 billion (USD 15,288 million), in terms of shareholders' equity of LBP 2,453 billion (USD 1,627 million), in terms of advances to customers of LBP 5,685 billion (USD 3,771 million) and in terms of customers' deposits of LBP 17,928 billion (USD 11,892 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 71.9% of total assets as at 31 December 2010. As at and for the year ended 31 December 2010, the Bank's capital adequacy ratio (Basel I) was 24.08% (excluding net income for 2010) and capital adequacy (Basel II) was 14.75%, while its return on average assets was 1.2% and its return on average common equity was 14.03%.

GROWTH

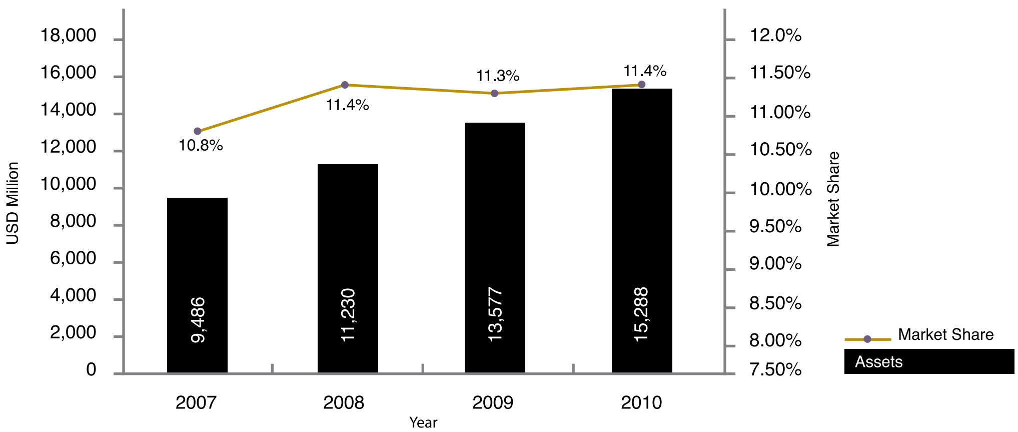
TOTAL ASSETS

The Bank's total assets recorded an increase of 12.6% during the year 2010 to reach LBP 23,047 billion (USD 15,288 million) at the end of December 2010 compared to an increase of 20.9% during the year 2009, and compared to an increase of 11.2% in the Alpha Group of Lebanese banks. Consequently, the Bank's market share in the Alpha Group, by total assets, stood at 11.4% at the end of 31 December 2010 compared to 11.3% at the end of 31 December 2009.

During the period between 31 December 2007 and 31 December 2010, the Bank's total assets grew at an average annual compounded rate of 17.2% compared to growth of 15.3% for the Alpha Group as a whole, and which was reflected in the Bank's market share by total assets, which grew from 10.8% at the end of 31 December 2007 to reach 11.4% at the end of 31 December 2010.

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

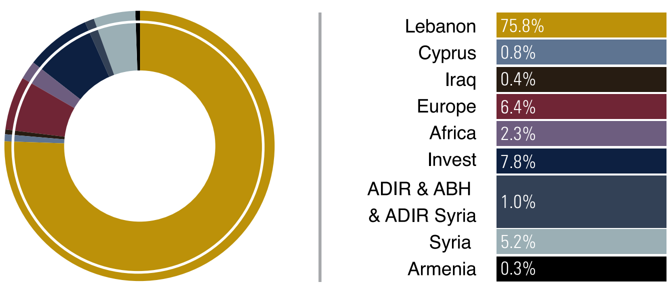
Evolution of Total Assets During Last Four Years



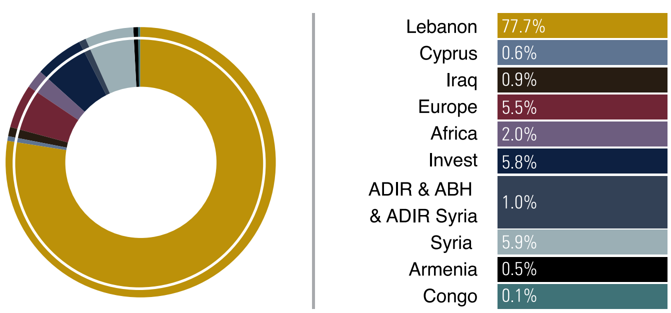
ASSET SPLIT IN THE GROUP

The following graphs show the breakdown of assets in the Byblos Bank Group as at 31 December 2009 and 31 December 2010.

Asset Split in the Group 2009



Asset Split in the Group 2010



As shown above, total assets of international subsidiary banks and branches represented 15.5% of total assets at the end of 31 December 2010, remaining stable compared to the previous year.

GEOGRAPHICAL DISTRIBUTION OF BRANCHES

Byblos Bank's branch network reached 77 branches inside Lebanon at the end of 2010, representing 8.4% 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. Byblos Bank branches located in Mount Lebanon, 19 branches, represented 24.7% of total Byblos Bank branches at the end of December 2010 compared to just 18.2% in the Lebanese banking sector, and represented 11.4% of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, branches located in Beirut and its suburbs, 37 branches, represented 48.1% of total Byblos Bank branches at the end of December 2010 compared to 54.3% in the Lebanese banking sector, and it represented 7.5% of total branches operating in Beirut and its suburbs.

The nine branches located in the North of Lebanon represented 11.7% of total Byblos Bank branches compared to 10.1% in the Lebanese banking sector, and represented 9.8% of total branches of the Lebanese banking sector operating in North Lebanon.
In South Lebanon (eight branches) and the Bekaa Valley (four branches), Byblos Bank's presence was similar to the Lebanese banking sector, where Byblos Bank branches located in the South and Bekaa represented 10.4% and 5.2% of total Byblos Bank branches respectively compared to 10.4% and 7.0% respectively in the Lebanese banking sector.

The graph below shows the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2010.

Byblos December 2010

Beirut & Suburbs	48.1%
Mount Lebanon	24.6%
North Lebanon	11.7%
South Lebanon	10.4%
Bekaa	5.2%

Sector December 2010

Beirut & Suburbs	54.3%
Mount Lebanon	18.2%
North Lebanon	10.1%
South Lebanon	10.4%
Bekaa	7.0%

At the end of 2010, the Byblos Bank Group's presence abroad consisted of Cyprus; Erbil and Baghdad in Iraq (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum (two branches) and Bahri through our subsidiary Byblos Bank Africa (Sudan); Abu Remaneh, Aleppo (two branches), Homs, Lattakia, Mazzeh, Tartous, Hama, Abbasiyin and Hosh Blass through our subsidiary Byblos Bank Syria S.A.; Vanadzor, Malatia, and Amiryan through our subsidiary Byblos Bank Armenia; and Kinshasa through our subsidiary Byblos Bank RDC.

GEOGRAPHICAL DISTRIBUTION OF AUTOMATED TELLER MACHINES (ATMS)

Geographical Distribution of ATMs
(Byblos December 2010)

Beirut & Suburbs	42.2%
Mount Lebanon	33.6%
North Lebanon	9.5%
South Lebanon	7.8%
Bekaa	6.9%

Geographical Distribution of ATMs
(Sector December 2010)

Beirut & Suburbs	48.9%
Mount Lebanon	23.4%
North Lebanon	10.2%
South Lebanon	10.2%
Bekaa	7.3%

BREAKDOWN OF ASSETS

The following graphs show that portfolio securities represented 43.4% of total assets in 2010 compared to 45.2% at the end of 2009.

Breakdown of Assets 2009

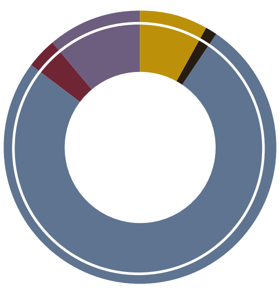
Banks & Central Bank	29.2%
Portfolio securities	43.2%
Net loans	23.5%
Non-interest earning assets	3.5%

Breakdown of Assets 2010

Banks & Central Bank	31.6%
Portfolio securities	40.7%
Net loans	24.7%
Non-interest earning assets	3.0%

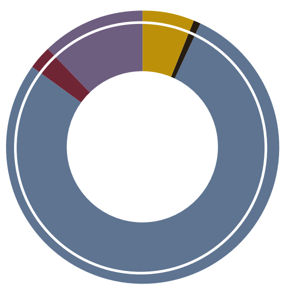
BREAKDOWN OF LIABILITIES

Customers' deposits represent the major source of funds with a share of 77.8% at the end of 2010 compared to a share of 75.8% at the end of 2009.



Breakdown of Liabilities 2009

Banks' deposits	8.2%
Financial Instruments	1.4%
Customers' deposits	75.8%
Other liabilities	3.6%
Equity	11.0%



Breakdown of Liabilities 2010

Banks' deposits	6.3%
Financial Instruments	0.9%
Customers' deposits	77.8%
Other liabilities	3.0%
Equity	12.0%

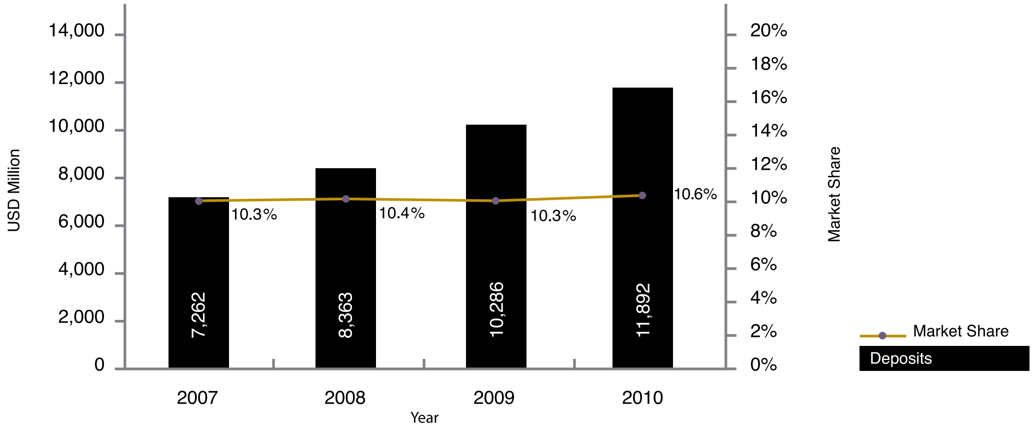
CUSTOMERS' DEPOSITS

Customers' deposits recorded an increase of 15.6% during 2010 to reach LBP 17,928 billion (USD 11,892 million) at the end of 31 December 2010 compared to an increase of 23.0% during 2009, and compared to an increase of 12.2% in the Lebanese Alpha Group of banks. Consequently, the Bank's market share of total customers' deposits in the Lebanese Alpha Group of banks stood at 10.6% at the end of 31 December 2010, higher than 10.3% at the end of the previous year.

During the period between 31 December 2007 and 31 December 2010, the Bank's customers' deposits grew at an annual average compounded growth rate of 17.9% compared to growth of 16.6% in the Lebanese Alpha Group banks. Consequently, the Bank's market share stood at 10.6% at the end of 31 December 2010, higher than 10.3% at the end of 31 December 2007.

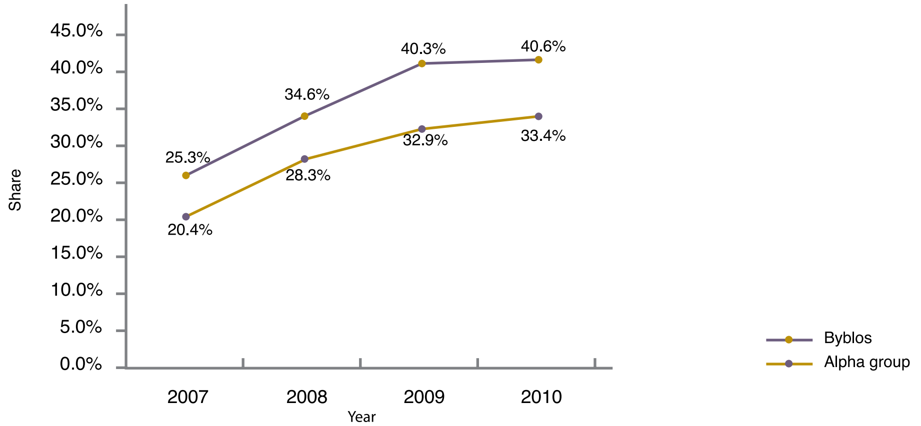
The graph below shows the evolution of customers' deposits over the past four years:

Evolution of Customers' Deposits During Last Four Years



CUSTOMERS' DEPOSITS CURRENCY STRUCTURE

LBP Customers' Deposits (Byblos vs. Sector)



Influenced 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 Pound, bearing in mind the high differential between Lebanese Pound and foreign currency (mainly US Dollar) interest rates. Accordingly, customers' deposits denominated in LBP increased to 40.6% of total customers' deposits at the end of 31 December 2010 after it had reached a five-year low of 25.3% 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 former Prime Minister Rafic Hariri. Compared to the Lebanese Alpha Group of Banks, Byblos Bank has a higher deposit base denominated in LBP as compared to 36.5% in the sector.

CUSTOMERS' DEPOSITS BY TYPE OF ACCOUNT

The following table shows the distribution of the Bank's customers' deposits by type of account as at 31 December 2008, 2009 and 2010:

	2008		2009		2010	
As at 31 December	**LBP million**	**% of total**	**LBP million**	**% of total**	**LBP million**	**% of total**
Current accounts	1,915,683	15.20	1,916,710	12.36	2,514,441	14.03
Term deposits	9,933,340	78.79	12,740,833	82.17	14,425,189	80.46
Blocked accounts	594,445	4.72	639,064	4.12	793,115	4.42
Related parties' accounts	106,472	0.84	138,073	0.89	111,595	0.62
Accrued interest	56,940	0.45	71,487	0.46	83,339	0.47
Total	**12,606,880**	**100**	**15,506,168**	**100**	**17,927,679**	**100**

The composition of customers' deposits stood almost unchanged throughout the past three years, during which time they were comprised mostly of term deposits, which consisted of 80.5% of total customers' deposits at the end of December 2010, as compared to 82.2% as at 31 December 2009, and to 78.8% as at 31 December 2008.

MATURITY PROFILE OF CUSTOMERS' DEPOSITS

The following table shows the distribution of the Bank's customers' deposits by maturity profile as at 31 December 2008, 2009 and 2010:

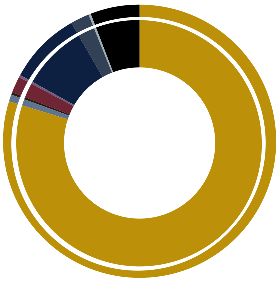
	2008		2009		2010	
As at 31 December	**LBP million**	**% of total**	**LBP million**	**% of total**	**LBP million**	**% of total**
Less than 3 months	10,429,354	82.7	12,982,058	83.7	14,700,150	82.0
3 months to 1 year	1,762,893	14.0	1,932,889	12.5	2,642,482	14.8
1 year to 5 years	343,257	2.7	587,753	3.8	581,580	3.2
Over 5 years	71,376	0.6	3,467	0.0	3,466	0.0
Total	**12,606,880**	**100**	**15,506,168**	**100**	**17,927,679**	**100**

Almost all of the Bank's customers' deposits are short-term, with deposits having a remaining maturity of less than one year representing 96.7% and 96.2% of total customers' deposits as at 31 December 2010 and 31 December 2009, respectively.

CUSTOMERS' DEPOSITS SPLIT IN BYBLOS BANK GROUP

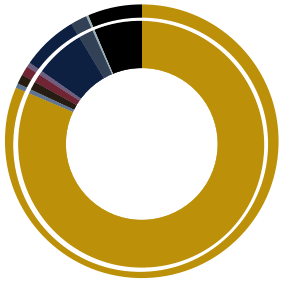
The pie charts below show the split of customers' deposits in the Byblos Bank Group:

Deposits Split within the Group 2009



Lebanon	79.8%
Cyprus	0.9%
Iraq	0.4%
Africa	1.7%
ADIR	0.4%
Invest	8.7%
Europe	2.1%
Armenia	0.2%
Syria	5.8%

Deposits Split within the Group 2010



Lebanon	81.4%
Cyprus	0.7%
Iraq	1.0%
Africa	1.2%
ADIR	0.5%
Invest	6.6%
Europe	2.2%
Armenia	0.2%
Syria	6.2%
Congo	0%

GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS' DEPOSITS

Byblos December 2010

Beirut & Suburbs	61.0%
Mount Lebanon	19.5%
North Lebanon	9.3%
South Lebanon	6.8%
Bekaa	3.4%

Sector December 2010

Beirut & Suburbs	69.3%
Mount Lebanon	12.8%
North Lebanon	6.2%
South Lebanon	6.7%
Bekaa	5.0%

Geographical distribution of the Bank's customers' deposits is in line with the geographical distribution of its branches, with customers' deposits in branches located in Beirut and its suburbs (48.1% of total branches) representing 61.0% of total customers' deposits in the Bank compared to 69.3% in the Lebanese banking sector. On the other hand, customers' deposits in branches located in Mount Lebanon (24.7% of total branches) represented 19.5% of the Bank's customers' deposits compared to 12.8% in the Lebanese banking sector; customers' deposits in branches located in North Lebanon (11.7% of total branches) represented 9.3% of the Bank's customers' deposits, higher than 6.2% in the Lebanese banking sector. In the South (10.4% of total branches), Byblos Bank's customers' deposits concentration was 6.8% compared to 6.7% in the Lebanese banking sector. In the Bekaa Valley, the Bank's customers' deposits are less concentrated than in the Lebanese banking sector, with 3.4% of the Bank's total customers' deposit located in the Bekaa (5.2% of total branches) compared to 5.0% in the Lebanese banking sector.

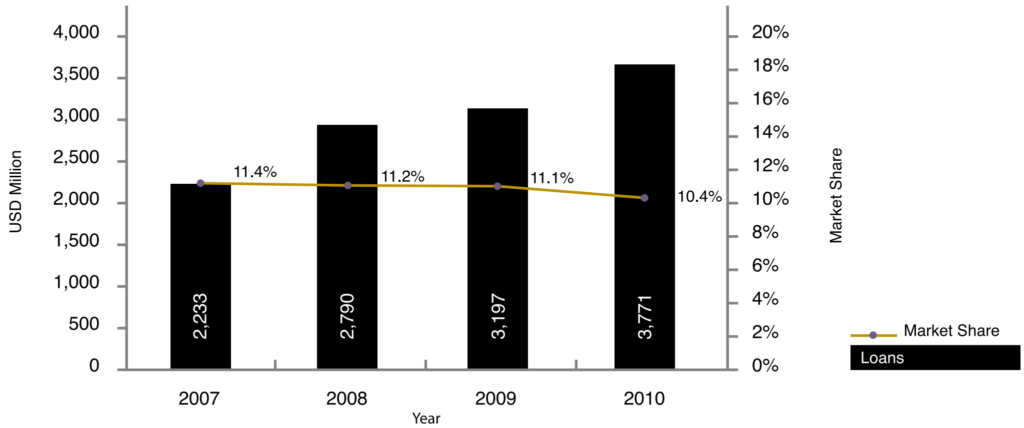
CUSTOMERS' LOANS

Customers' loans net of provisions (specific and collective) on doubtful loans and reserved interest on substandard and doubtful loans grew by 18.0% during the year 2010 to reach LBP 5,685 billion (USD 3,771 million) at the end of 31 December 2010 compared to growth of 14.6% in 2009, and compared to growth of 25.7% in the Lebanese Alpha Group banks. The lower growth in the Bank's net customers' loans in comparison with the Lebanese Alpha Group banks led to a decrease in the Bank's market share of net customers' loans to 10.4% at the end of 31 December 2010, down from 11.1% at the end of 31 December 2009.

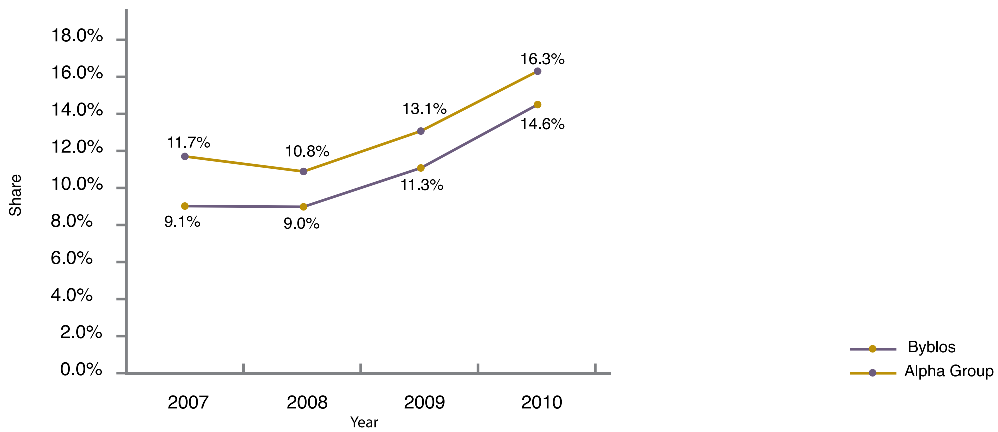
During the period between 31 December 2007 and 31 December 2010, net customers' loans increased at an average annual compounded rate of 19.1% compared to growth of 22.9% in the Lebanese Alpha Group banks. Consequently, the Bank's market share of net customers' advances dropped from 11.4% at the end of 31 December 2007 to reach 10.4% at the end of 31 December 2010.

The chart below shows the evolution of net customers' loans and their market shares over the past four years:

Evolution of Customers' Loans During Last Four Years



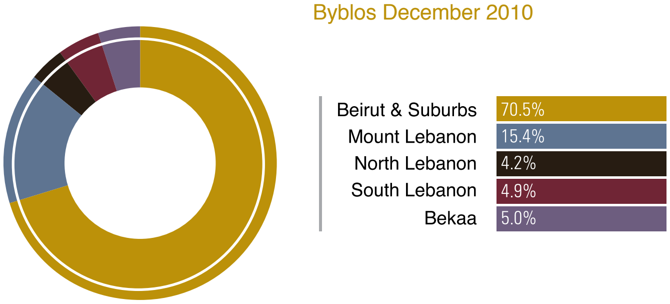
LBP Customers' Loans (Byblos vs. Sector)



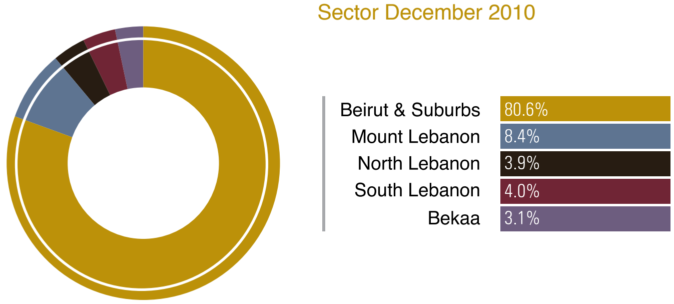
Management Discussion and Analysis

GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS' LOANS

Byblos December 2010

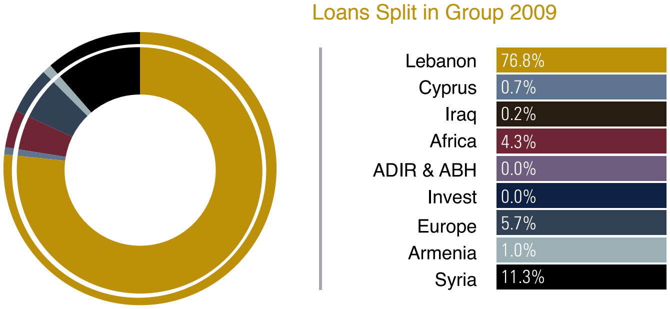


Sector December 2010

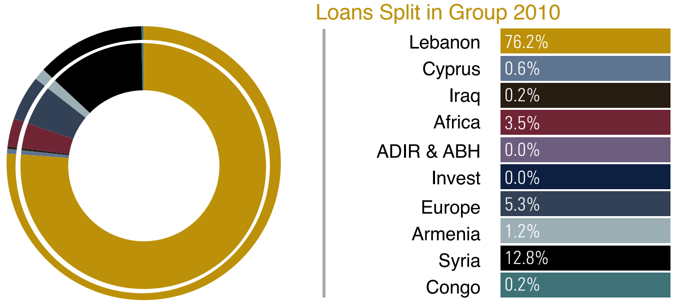


CUSTOMERS' LOANS SPLIT WITHIN BYBLOS BANK GROUP

Loans Split in Group 2009



Loans Split in Group 2010



LOAN BREAKDOWN BY NATURE OF BORROWER

Loan Portfolio	December 2008			December 2009			December 2010		
by Nature of Borrower	**LBP Million**	**USD 000's**	**% of total**	**LBP Million**	**USD 000's**	**% of total**	**LBP Million**	**USD 000's**	**% of total**
Corporate	1,689,895	1,120,992	37.8%	1,872,506	1,242,127	36.7%	2,267,135	1,503,904	37.9%
International	1,136,445	753,861	25.4%	1,324,027	878,293	25.9%	1,517,830	1,006,853	25.4%
Middle Market	262,246	173,961	5.9%	289,804	192,241	5.7%	344,109	228,265	5.8%
Retail	1,031,607	684,317	23.0%	1,280,772	849,600	25.1%	1,533,561	1,017,287	25.7%
Syndication	217,457	144,250	4.9%	155,913	103,425	3.1%	83,572	55,437	1.4%
Others	138,811	92,080	3.1%	180,337	119,627	3.5%	230,162	152,678	3.9%
Total	**4,476,461**	**2,969,460**	**100.0%**	**5,103,359**	**3,385,313**	**100.0%**	**5,976,368**	**3,964,423**	**100.0%**

During 2010, Byblos Bank's gross loan portfolio increased by 17.1% (+LBP 873 billion) to reach LBP 5,976 billion (USD 3,964 million) at the end of 31 December 2010 compared to an increase of 14.0% in 2009.

COMMERCIAL LOAN PORTFOLIO

- The corporate loan portfolio increased by 21.1% (+LBP 395 billion or USD 262 million) during the year 2010 to reach LBP 2,267 billion (USD 1,504 million) at the end of 31 December 2010 compared to an increase of 10.8% (+LBP 183 billion or USD 121 million) in 2009. Corporate loans represented 37.9% of the gross loan portfolio at the end of December 2010, compared to 36.7% at the end of 31 December 2009.

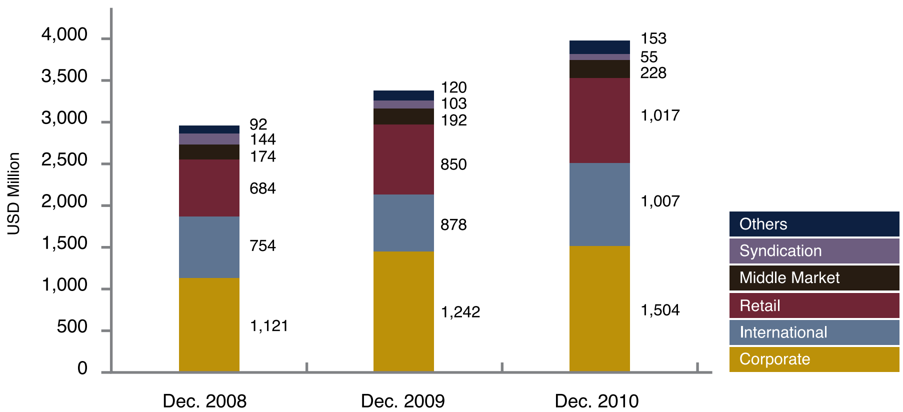
- The international loan portfolio increased by 14.6% (+LBP 194 billion or USD 129 million) during the year 2010 to reach LBP 1,518 billion (USD 1,007 million) at the end of 31 December 2010 compared to an increase of 16.5% (+LBP 188 billion or USD 124 million) in 2009.

- International loans represented 25.4% of the gross loan portfolio compared to 25.9% at the end of December 2009.

- The middle market loan portfolio increased by 18.7% (+LBP 54 billion or USD 36 million) during the year 2010 to reach LBP 344 billion (USD 228 million) at the end of 31 December 2010, representing 5.8% of the gross loan portfolio compared to 5.7% at the end of 31 December 2009.

- Total exposure to syndicated loans at the end of 2010 amounted to LBP 84 billion (USD 55 million) compared to LBP 156 billion (USD 103 million) at the end of December 2009, representing 1.4% of the gross loan portfolio compared to 3.1% at the end of December 2009.

The chart below shows the breakdown of the loan portfolio by nature of borrower for the years 2008, 2009 and 2010:

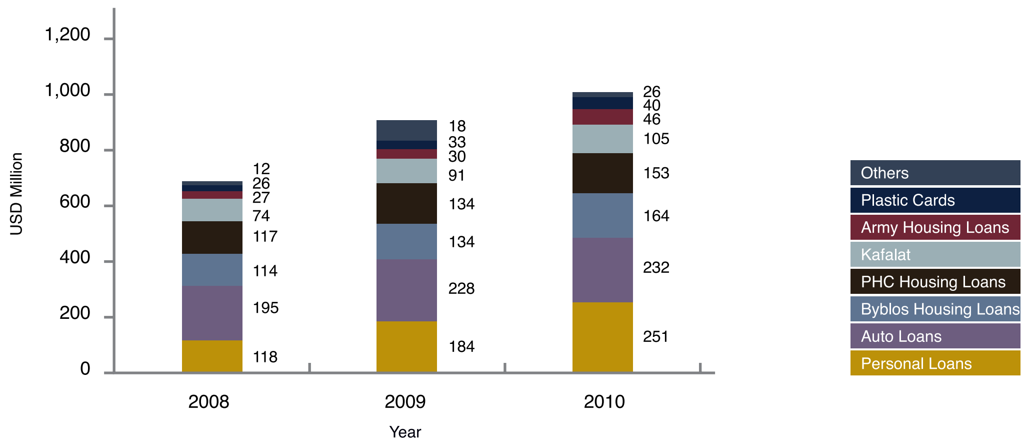


RETAIL LOAN PORTFOLIO

	December 2008			December 2009			December 2010		
	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total
Personal Loans	178,453	118,377	17.3%	276,940	183,708	21.6%	378,707	251,215	24.7%
Byblos Housing Loans	171,950	114,063	16.7%	201,473	133,647	15.7%	246,729	163,668	16.1%
PHC Housing Loans	176,472	117,063	17.1%	201,335	133,556	15.7%	230,478	152,888	15.0%
Army Housing Loans	40,612	26,940	3.9%	44,579	29,571	3.5%	68,976	45,755	4.5%
Auto Loans	294,333	195,246	28.5%	343,066	227,573	26.8%	350,153	232,274	22.8%
Plastic Cards	39,571	26,249	3.8%	49,694	32,964	3.9%	60,257	39,971	3.9%
Kafalat	112,082	74,349	10.9%	136,604	90,616	10.7%	158,794	105,336	10.4%
Others	18,128	12,025	1.8%	27,082	17,965	2.1%	39,466	26,180	2.6%
Total Retail	**1,031,602**	**684,313**	**100.0%**	**1,280,772**	**849,600**	**100.0%**	**1,533,561**	**1,017,287**	**100.0%**

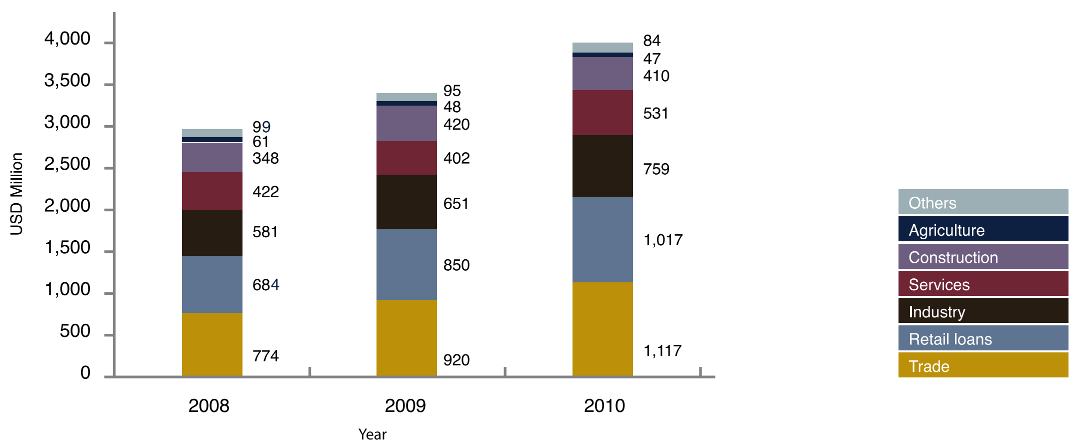
In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from LBP 1,032 billion (USD 684 million) as at 31 December 2008 to LBP 1,281 billion (USD 850 million) as at 31 December 2009, and to LBP 1,534 billion (USD 1,017 million) as at 31 December 2010, a growth of 24.2% and 19.7% respectively. The main increase in retail loans came from personal loans and housing loans, whose outstanding portfolios increased between 2009 and 2010 from USD 184 million to USD 251 million, an increase of 36.7% for personal loans, and from USD 297 million to USD 362 million, an increase of 22.1%, for housing loans.

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

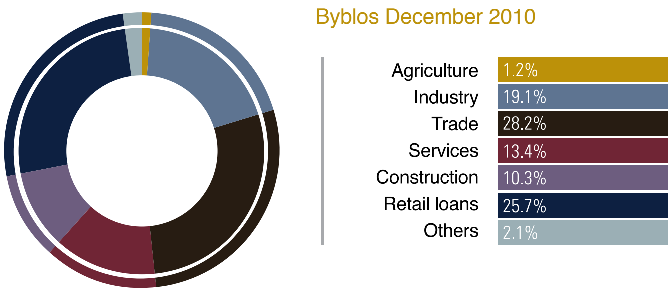


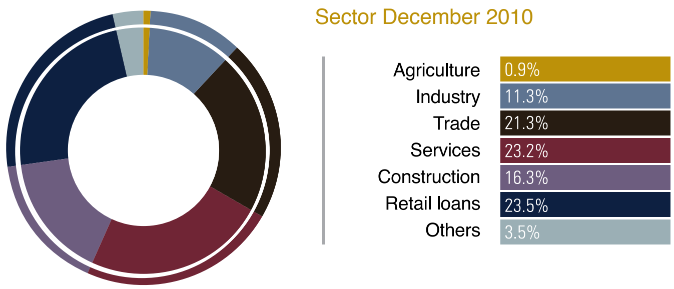
LOAN PORTFOLIO BY ECONOMIC SECTOR

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 28.2% of outstanding loans as at 31 December 2010, as compared to 27.2% as at 31 December 2009 and 26.1% as at 31 December 2008. Loans to the manufacturing sector decreased slightly to 19.1% as at 31 December 2010, as compared to 19.2% as at 31 December 2009 and 19.6% as at 31 December 2008. Loans to the construction sector decreased to 10.3% as at 31 December 2010, as compared to 12.4% as at 31 December 2009 and 11.8% as at 31 December 2008, while retail loans stood at 25.7%, 25.1%, and 23.1% as at 31 December 2010, 2009 and 2008, respectively.



The pie charts below show the breakdown of the loan portfolio by economic sector as at 31 December 2010 in comparison with the Lebanese banking sector.





LONG-TERM SOURCES OF FUNDS

As part of the Bank's strategy to match its longer-term loan portfolio with longer-term funding sources, the Bank has tapped into several types of long-term funding resources. The following table shows the breakdown of the Bank's long-term sources of funding as at 31 December 2008, 2009 and 2010, respectively:

In USD 000's	December 2008	December 2009	December 2010
Central Bank of Lebanon	26,534		5,847
International Finance Corporation (IFC)	1,634		
Arab Trade Finance Program	22,313	9,594	9,101
Certificates of deposit	77,920	141,600	141,600
PROPARCO	12,530	9,864	7,198
OPEC Fund for International Development	455		10,000
European Investment Bank	191,844	182,012	168,961
FMO Loan	3,214	1,071	0
Govco Incorporated NY	43,393	74,179	70,357
Agence Française de Développement	12,792	34,194	37,614
Citibank	4,583	9,750	8,667
Index-linked notes	49,430		
Equity-linked notes	49,414	49,414	
Commodity-linked notes	6,371		
9% Subordinated Participating Notes	31,169	31,169	31,169
Convertible subordinated loans	173,000	173,000	173,000
Total Long-Term Sources of Funds	**706,595**	**715,846**	**663,514**

PROFITABILITY

LBP Million	2008	2009	2010	Growth (Vol.)	Growth (%)
Net interest income	355,842	388,780	427,263	38,483	9.9%
Net allocation to provisions	(5,434)	(26,245)	(29,272)	(3,027)	11.5%
Net commission income	106,923	114,949	125,659	10,710	9.3%
Net profits on Financial Operations	23,854	52,153	123,123	70,970	136.1%
Impairment losses on financial investments	(37,700)	(15,279)	(8,863)	6,416	-42.0%
Other operating income	17,519	16,251	8,118	(8,133)	-50.0%
Total operating income (before provisions and impairment)	**504,138**	**572,133**	**684,162**	**112,030**	**19.6%**
Total operating income (after provisions and impairment)	**461,004**	**530,609**	**646,027**	**115,418**	**21.8%**
Operating expenses	(221,351)	(238,852)	(287,696)	(48,845)	20.4%
Depreciation an Amortization	(17,530)	(25,925)	(31,126)	(5,201)	20.1%
Taxes	(38,208)	(46,410)	(59,386)	(12,976)	28.0%
Net income	**183,915**	**219,422**	**267,819**	**48,397**	**22.1%**

LBP Million	2008	2009	2010
Bank's share	172,285	206,628	255,770
Dividend on preferred shares (series 2003)	(18,168)		
Dividend on preferred shares (series 2008)	(10,144)	(24,032)	(24,224)
Dividend on preferred shares (series 2009)		(10,063)	(24,224)
Priority distribution of 4 percent on priority shares	(9,882)	(9,972)	(9,518)
Net income related to common and priority shares	134,091	162,561	197,804
Weighted average number of common shares during the period	216,862,160	216,721,108	288,838,287
Weighted average number of priority shares during the period	205,875,672	205,915,830	205,982,021
Earnings per common share	317.19	384.63	399.75
Earnings per priority share	365.19	433.06	445.96

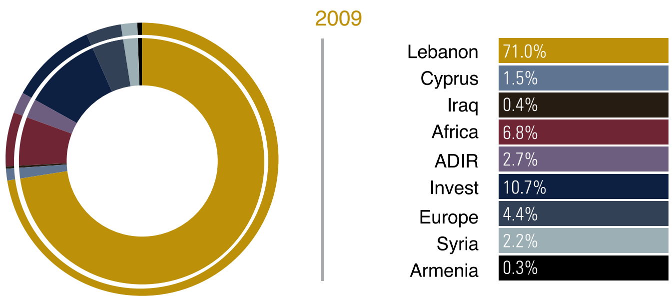
Key profitability ratios	December 2008	December 2009	December 2010
Return on average assets	1.18%	1.17%	1.23%
Return on average common equity	14.56%	15.00%	14.03%
Net interest margin	2.39%	2.17%	2.04%
Cost-to-income	47.38%	46.28%	46.60%

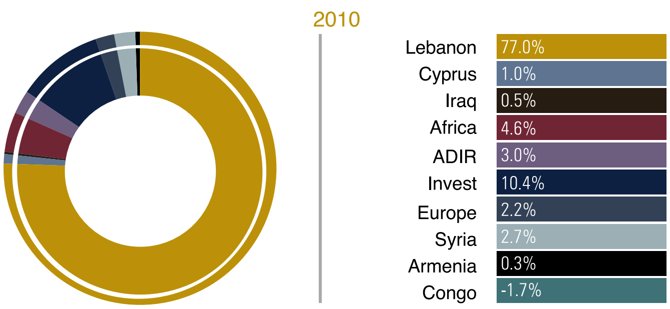
Net income for the year 2010 amounted to LBP 267,819 million (USD 178 million), recording an increase of 22.1% (+LBP 48,398 million or USD 32 million) compared to LBP 219,421 million (USD 146 million) in the year 2009. The growth in net income is explained mainly by the sale of foreign-currency governmental securities in 2010 leading to an increase of 19.6% (+LBP 112,030 million or USD 74 million) in operating income compared to an increase of 20.4% (LBP 54,045 million or USD 36 million) in operating expenses. Return on average assets (ROA) increased to 1.23% at the end of December 2010 compared to 1.17% at the end of December 2009. Moreover, return on average common equity (ROCE) decreased to 14.03% compared to 15.00% at the end of December 2009, due to the capital increase during the year 2010. Earnings per common and priority shares based on the weighted average number of shares stood at LBP 399.75 (USD 0.265) and LBP 445.96 (USD 0.296) respectively in 2010 compared to LBP 384.63 (USD 0.255) and LBP 433.06 (USD 0.287) in 2009.

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

- Byblos Bank Africa's net income for the year 2010 amounted to LBP 13,773 million (USD 9.1 million) compared to LBP 17,317 million (USD 11.5 million) for the year 2009.
- Byblos Bank Europe's net income for the year 2010 amounted to LBP 6,210 million (USD 4.1 million) compared to LBP 11,576 million (USD 7.7 million) for the year 2009.
- Byblos Bank Syria's net income stood at LBP 7,940 million (USD 5.3 million) at the end of 2010 compared to LBP 5,706 million (USD 3.8 million) for the year 2009.
- Byblos Invest Bank's net income stood at LBP 30,955 million (USD 20.5 million) at the end of 2010 compared to a net income of LBP 27,306 million (USD 18.1 million) for the year 2009.
- Byblos Bank Armenia's net income stood at LBP 1,001 million (USD 0.7 million) at the end of 2010 compared to a net income of LBP 714 million (USD 0.5 million) for the year 2009.
- Net income of the insurance companies – Adonis Insurance & Reinsurance CO. S.A.L. (ADIR), Adonis Insurance & Reinsurance Syria, and Adonis Brokerage House – for the year 2010 amounted to LBP 8,960 million (USD 5.9 million) compared to LBP 6,863 million (USD 4.6 million) for the year 2009.

The pie chart below shows the contribution of the Bank's subsidiaries to consolidated income between the years 2009 and 2010:





NET INTEREST INCOME

Net interest income before provisions for the year 2010 amounted to LBP 427,263 million (USD 283.4 million), recording an increase of 9.9% (+ LBP 38,483 million or USD 25.5 million) compared to LBP 388,780 million (USD 257.9 million) for the year 2009. However, net interest differential decreased by 12 basis points to reach 1.62% at the end of 2010 compared to 1.74% at the end of 2009.

	2009			2010		
	Average balance LBP Million	Interest earned LBP Million	Average rate %	Average balance LBP Million	Interest earned LBP Million	Average rate %
ASSETS						
Interest-bearing deposits in other banks	8,206,043	345,536	4.21%	10,538,107	424,396	4.03%
Securities	404,199	23,504	5.82%	487,522	25,099	5.15%
Loans	4,512,906	358,203	7.94%	5,252,194	404,113	7.69%
Treasury Bills	4,784,494	414,649	8.67%	4,665,286	370,406	7.94%
Total interest-earning assets	**17,907,642**	**1,141,893**	**6.38%**	**20,943,109**	**1,224,014**	**5.84%**
Premises and equipment	297,368	0	0.00%	312,850	0	0.00%
Other non-interest-bearing assets	492,155	0	0.00%	500,331	0	0.00%
Total average assets	**18,697,165**	**1,141,893**	**6.11%**	**21,756,290**	**1,224,014**	**5.63%**
LIABILITIES						
Customers' deposits	14,056,524	659,101	4.69%	16,716,923	718,171	4.30%
Subordinated loans	297,918	27,371	9.19%	301,479	27,662	9.18%
Certificates of deposit	167,374	14,704	8.79%	213,501	14,667	6.87%
Index- and equity-linked instruments	111,886	7,404	6.62%	38,731	2,483	6.41%
Interest-bearing deposits due to banks	1,616,714	44,533	2.75%	1,574,174	33,767	2.15%
Total interest-bearing liabilities	**16,250,416**	**753,112**	**4.63%**	**18,844,809**	**796,751**	**4.23%**
Other liabilities	661,079	0	0.00%	706,805	0	0.00%
Shareholders' equity	1,785,671	0	0.00%	2,204,675	0	0.00%
Total average liabilities and equity	**18,697,165**	**753,112**	**4.03%**	**21,756,290**	**796,751**	**3.66%**
Spread (a)			**1.74%**			**1.62%**
Spread (b)			**2.08%**			**1.96%**
Interest-earning assets / Interest-bearing liabilities			**1.10**			**1.11**

(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 11.5% to LBP 29,272 million (USD 19 million) for the year 2010, as compared to LBP 26,245 million (USD 17 million) for the year 2009. This increase was mainly due to the rise in provisions (specific and collective) on doubtful debts by LBP 9.7 billion (USD 6.5 million) in 2010 and the provision taken on doubtful banks' accounts amounted to LBP 5.7 billion in 2010 compared to LBP 3.9 billion in 2009. Provisions recovery reached LBP 17.0 billion in 2010 compared to LBP 8.4 billion in 2009. Coverage of non-performing loans by specific and general provisions and reserved interest increased to 144.5% as at 31 December 2010, as compared to 134.1% as at 31 December 2009. Additional details on coverage of non-performing loans will be discussed in the section on asset quality.

LBP Million	2008	2009	2010
Provisions set up during the year			
- Doubtful debts	11,682	30,529	40,275
- Doubtful banks' and financial institutions' accounts		3,870	5,682
- Miscellaneous debtor accounts			
- Write-offs	230	217	269
Total provisions allocated	**11,912**	**34,616**	**46,226**
Provision written back during the year:			
- Loans recovered or upgraded	(6,478)	(8,371)	(16,954)
- Excess general provisions brought forward from prior year			
- Doubtful banks' and financial institutions' accounts			
- Provision for country risk			
- Miscellaneous debtor recovered			
Total provisions recoveries	**(6,478)**	**(8,371)**	**(16,954)**
Net provisions allocated	**5,434**	**26,245**	**29,272**

NON INTEREST INCOME

LBP Million	2008	2009	2010	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	46,016	47,561	48,828	1,268	2.67%
out of which in Lebanon	21,951	20,785	22,402	1,617	7.78%
out of which in Byblos Europe	17,977	19,167	16,055	(3,112)	-16.24%
out of which in Byblos Africa	4,514	6,085	7,797	1,712	28.14%
out of which in Byblos Syria	1,574	1,524	2,573	1,049	68.86%
out of which in Byblos Congo	0	0	1	1	
Commissions on letters of guarantee	12,261	13,736	14,534	799	5.81%
out of which in Lebanon	9,406	9,429	10,475	1,046	11.09%
out of which in Byblos Europe	790	831	1,025	194	23.34%
out of which in Byblos Africa	448	349	393	44	12.50%
out of which in Byblos Syria	1,574	3,083	2,561	(523)	-16.95%
out of which in Byblos Armenia	43	44	70	26	60.68%
out of which in Byblos Congo			11	11	
Securities income	1,277	30,641	95,951	65,309	213.14%
Dividends	4,390	6,299	4,987	(1,312)	-20.83%
Foreign exchange income	18,187	15,213	22,185	6,973	45.84%
Other commissions on banking services	48,646	53,653	62,296	8,643	16.11%
Total Non-Interest Income (Net)*	**130,777**	**167,102**	**248,782**	**81,680**	**48.88%**

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

Non-interest income for the year 2010 amounted to LBP 248,782 million (USD 165.0 million), recording an increase of 48.9% (+LBP 81,680 million) as compared to LBP 167,102 million (USD 110.8 million) in the same period of last year.

- Commissions on documentary credits and acceptances for the year 2010 amounted to LBP 48,828 million (USD 32.4 million), recording an increase of 2.7% as compared to LBP 47,561 million (USD 31.5 million) in 2009. Trade finance activities in 2010 represented 19.6% of total non-interest income in 2010, down from 28.5% in 2009.
- Commissions on letters of guarantee for the year 2010 amounted to LBP 14,534 (USD 9.6 million), recording an increase of 5.8% as compared to LBP 13,736 million (USD 9.1 million) in 2009.
- Realized and unrealized gain on the securities portfolio for the year 2010 amounted to LBP 100,938 million (USD 67.0 million), recording a huge increase of 173.2% as compared to a gain of LBP 36,940 million (USD 24.5 million) in 2009 due as mentioned previously to the sale of foreign currency governmental securities.
- Gains on foreign exchange trading for the year 2010 amounted to LBP 22,185 million (USD 14.7 million), recording an increase of 45.8% as compared to LBP 15,213 million (USD 10.1 million) in 2009.

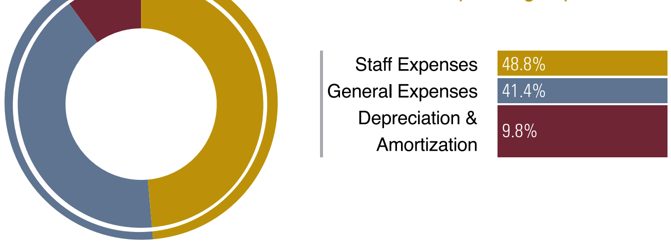
OPERATING EXPENSES

LBP Million	2008	2009	2010	Growth (Vol.)	Growth (%)
Staff expenses	123,143	129,339	145,552	16,213	12.5%
General expenses	98,208	109,513	142,144	32,631	29.8%
Depreciation and amortization	17,530	25,925	31,126	5,201	20.1%
Total operating expenses	**238,881**	**264,777**	**318,822**	**54,045**	**20.4%**

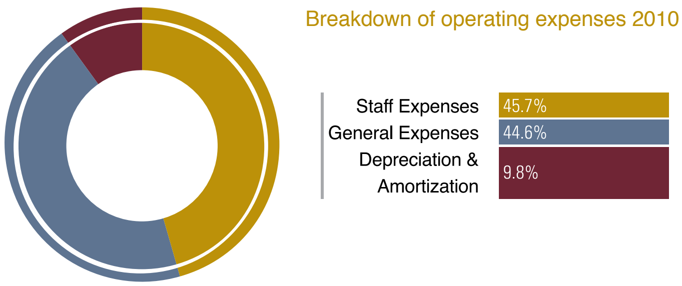
Operating expenses for the year 2010 amounted to LBP 318,822 million (USD 211 million), recording an increase of 20.4% (+LBP 54,045 million) as compared to LBP 264,777 million (USD 175.6 million) in 2009. Despite the increase in operating expenses, the Bank succeeded in maintaining its cost-to-income ratio to 46.6% in 2010 compared to 46.3% in 2009.

The following graphs show the breakdown of operating expenses for the last two years.

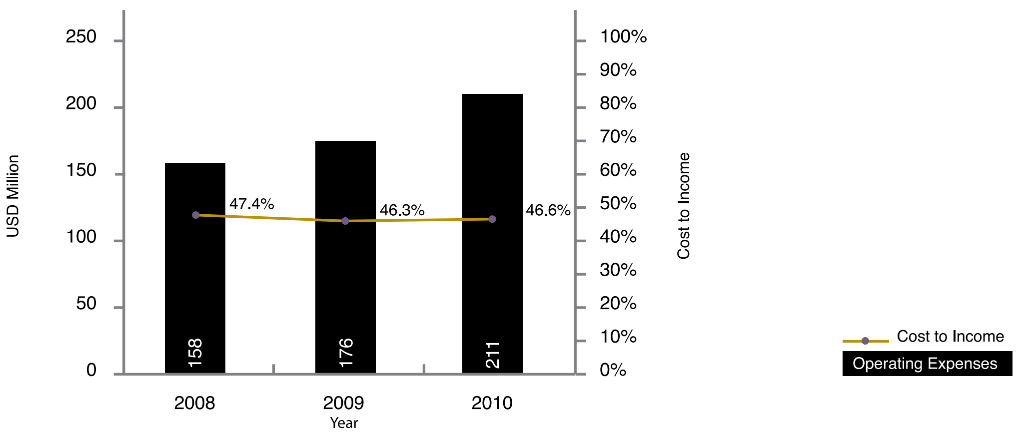
Breakdown of operating expenses 2009



Breakdown of operating expenses 2010



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



ASSETS QUALITY

Loan portfolio

Under Decision No. 7159 issued by Lebanon's Central Bank, the Banque du Liban (BDL), 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. Byblos Bank's internal classification system, which has been followed since 1992, generally incorporates and refines the requirements set out in 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 2010, 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 review 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:

	2008		2009		2010	
As at 31 December	**LBP Million**	**% of total**	**LBP Million**	**% of total**	**LBP Million**	**% of total**
Gross balances:						
Good loans	4,049,822	90.5	4,730,021	92.7	5,641,404	94.4
Watch loans	248,987	5.5	227,746	4.5	190,380	3.2
Substandard loans	27,027	0.6	11,204	0.2	2,317	0.0
Doubtful loans	88,049	2.0	61,066	1.2	35,857	0.6
Bad loans	62,577	1.4	73,322	1.4	106,412	1.8
Total	**4,476,462**	**100.0**	**5,103,359**	**100.0**	**5,976,368**	**100.0**

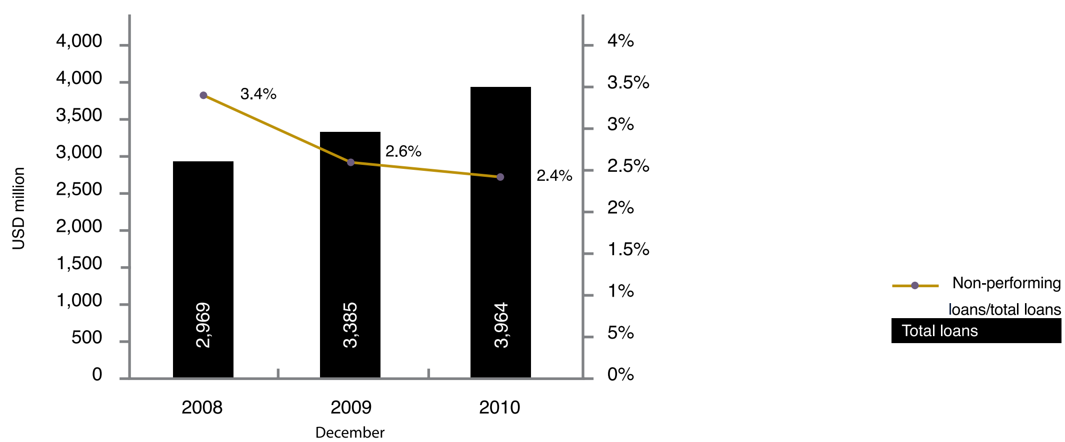
	2008		2009		2010	
As at 31 December	**LBP Million**	**% of total**	**LBP Million**	**% of total**	**LBP Million**	**% of total**
Net balances:						
Good loans	4,049,822	93.5	4,730,021	94.9	5,641,404	96.4
Watch loans	248,987	5.7	227,746	4.6	190,380	3.3
Substandard loans	13,573	0.3	5,456	0.1	1,640	0.0
Doubtful loans	23,607	0.5	19,498	0.4	16,260	0.3
Bad loans	0	0.0	0	0.0	0	0.0
Total	**4,335,989**	**100.0**	**4,982,720**	**100.0**	**5,849,683**	**100.0**

Management Discussion and Analysis

PROVISIONING AND COVERAGE RATIOS

LBP Million	Dec. 07	Dec. 08	Dec. 09
Substandard Loans	27,027	11,204	2,317
Non-performing Loans	150,626	134,388	142,268
Total Classfied Loans	177,653	145,592	144,585
Specific provisions for loan losses	59,668	56,800	67,018
General provisions and collective provisions	47,170	65,317	79,516
out of which general and collective provisions for retail	21,574	20,832	22,736
Reserved interest (sub-standard loans)	13,454	5,749	677
Reserved interest (non-performing loans)	67,351	58,091	58,990
Total provisions and cash collateral	**187,643**	**185,956**	**206,202**
Substandard loans/total loans	0.60%	0.22%	0.04%
Non-performing loans/total loans	3.36%	2.63%	2.38%
Total classified/total loans	3.97%	2.85%	2.42%
Total provisions/total loans	4.19%	3.64%	3.45%
NPL provisions/non-performing loans (*)	115.64%	134.09%	144.46%
NPL provisions/non-performing loans (**)	101.32%	118.59%	128.48%
Total provisions/total classified loans (*)	105.62%	127.72%	142.62%

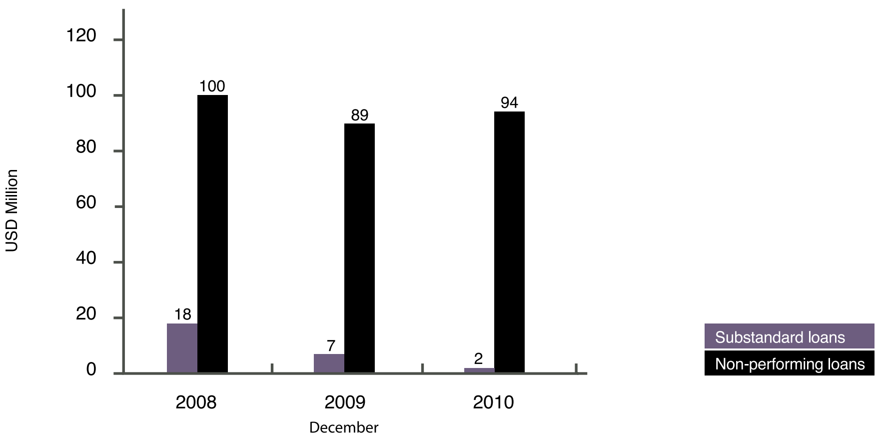
(*) Includes specific, general and collective provisions, reserved interest
(**) Excluding general provisions for retail loans

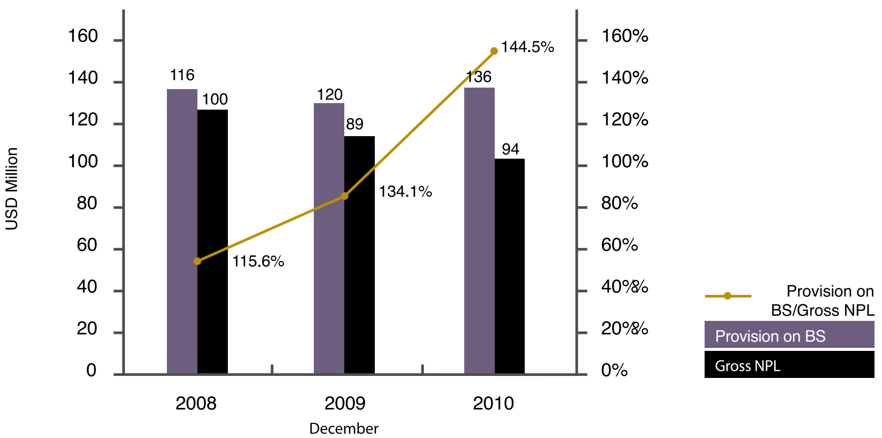


Total classified loans (substandard, doubtful, and loss) amounted to LBP 144,585 million (USD 95.9 million) at the end of 31 December 2010, representing 2.4% of the total loan portfolio compared to LBP 145,592 million (USD 96.6 million) at the end of December 2009, representing 2.9% of the total loan portfolio. Total non-performing loans (doubtful and loss) amounted to LBP 142,268 million (USD 94.4 million) as at 31 December 2010, representing 2.4% of the total loan portfolio, down from 2.6% at the end of 31 December 2009. Specific, general and collective provisions (excluding general provisions for the retail loan portfolio), as well as reserved interest on non-performing loans, amounted to LBP 182,788 million (USD 121.3 million), covering up to 128.5% of total non-performing loans as at 31 December 2010 compared to 118.6% at the end of 31 December 2009.

Substandard loans amounted to LBP 2,317 million (USD 1.5 million) at the end of 31 December 2010, representing 0.04% of the total loan portfolio compared to LBP 11,204 million (USD 7.4 million) and 0.2% respectively at the end of 31 December 2009. Substandard loans are covered up to 29.2% by reserved interest at the end of 31 December 2010 compared to 51.3% as at 31 December 2009.

Classified Loans





Investment and trading portfolio

The Bank's investment portfolio includes Lebanese Treasury Bills and other governmental bills, certificates of deposit, bonds and financial instruments with fixed income, and marketable securities and financial instruments with variable income.

The following table sets forth the breakdown of the Bank's securities portfolio by type of instrument and currency as at 31 December 2008, 2009 and 2010:

	2008		2009		2010	
As at 31 December	**LBP Million**	**%**	**LBP Million**	**%**	**LBP Million**	**%**
Lebanese and other governmental treasury bills and bonds						
Lebanese Treasury Bills in LBP	2,342,233	32.5	2,865,576	32.0	2,668,930	28.5
Lebanese governmental bonds in foreign currencies	2,142,518	29.7	2,218,661	24.8	1,588,567	16.9
Bonds and financial assets with fixed income						
Corporate bonds in foreign currencies	385,326	5.3	431,197	4.8	557,490	5.9
Corporate certificates of deposit in foreign currencies	25,491	0.5	42,904	0.5	22,669	0.2
Central Bank certificates of deposit in LBP and foreign currencies	2,223,764	30.8	3,293,987	36.9	4,448,481	47.5
Shares, securities and financial assets with variable income in LBP and foreign currencies	89,300	1.2	99,703	1.1	110,771	1.2
Collective provisions			**(8,758)**	**-0.1**	**(16,680)**	**-0.2**
Total	**7,208,632**	**100**	**8,943,271**	**100**	**9,380,228**	**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 45.3% as at 31 December 2010, as compared to 56.8% as at 31 December 2009 and 62.2% as at 31 December 2008. Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 47.5% of the Bank's portfolio as at 31 December 2010, as compared to 36.8% as at 31 December 2009 and 30.8% as at 31 December 2008.

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 remeasured 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;
- **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 2008, 2009 and 2010:

As at 31 December 2008/LBP Million	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposits				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 income	7866	71,322	116,782	178,775	10,581	385,326
Shares, securities and financial instruments with variable income	29,954		59,346			89,300
Corporate certificates of deposits				24,652	839	25,491
Total by category	**206,935**	**1,303,764**	**1,255,076**	**4,267,962**	**174,895**	**7,208,632**

As at 31 December 2009/LBP Million	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposits				3,225,577	68,410	3,293,987
Lebanese and other governmental treasury bills and bonds	152,988	493,582	1,516,505	2,820,948	100,214	5,084,237
Bonds and financial assets with fixed income	22,565	58,097	162,152	179,829	8,554	431,198
Shares, securities and financial instruments with variable income	24,918		74,786			99,704
Corporate certificate of deposits				42,179	726	42,904
Collective Provisions		(4,909)		(3,849)		(8,758)
Total by category	**200,471**	**546,770**	**1,753,443**	**6,264,683**	**177,904**	**8,943,271**

As at 31 December 2010/LBP Million	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				4,366,501	81,981	4,448,481
Lebanese and other governmental treasury bills and bonds	142,007	385,789	1,433,865	2,203,391	92,444	4,257,496
Bonds and financial assets with fixed income	33,929	42,790	316,423	155,342	9,006	557,490
Shares, securities and financial instruments with variable income	26,447		84,324			110,771
Corporate certificates of deposits				22,613	56	22,669
Collective provisions		(3,722)		(12,958)		(16,680)
Total by category	**202,383**	**424,857**	**1,834,612**	**6,734,889**	**183,487**	**9,380,228**

LIQUIDITY

Liquid Assets to Total Assets	December 2008	December 2009	December 2010
Cash and Central Bank	**25.09%**	**28.90%**	**31.28%**
out of which other certificates of deposits	13.14%	16.10%	19.30%
Lebanese Government Securities	**26.49%**	**24.84%**	**18.42%**
Bonds and fixed-income securities	2.28%	2.07%	2.39%
Banks and financial institutions	16.83%	16.61%	19.75%
Total Liquidity	**70.69%**	**72.43%**	**71.85%**

Liquid Assets to Customers' Deposits	December 2008	December 2009	December 2010
Cash and Central Bank	**33.69%**	**38.15%**	**40.21%**
out of which other certificates of deposits	17.64%	21.24%	24.81%
Lebanese Government securities	**35.57%**	**32.79%**	**23.69%**
Bonds and fixed-income securities	3.06%	2.73%	3.08%
Banks and financial institutions	22.60%	21.92%	25.39%
Total Liquidity	**94.93%**	**95.59%**	**92.37%**

As shown above, liquidity increased compared to the previous years, where the Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2009, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese Government securities, placements with banks, and other fixed-income securities) represented 71.9% of total assets and 92.4% of customers' deposits compared to 72.4% and 95.6% respectively as at 31 December 2009.

CAPITAL AND CAPITAL ADEQUACY

As at 31 December 2010, the Bank's share capital is LBP 689,113 million, consisting of (i) a single class of 359,491,317 Common Shares, with a par value LBP 1,210 per share, all of which is fully paid-up; (ii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 15 August 2008 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; (iii) 2,000,000 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on 4 September 2009 at a price of USD 96.00 per share, 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 (iv) 206,023,723 Priority Shares, with a par value of LBP 1,210, all of which are fully paid up. However, on 5 May 2011, upon the expiration of the priority rights' period, the Priority Shares were automatically converted into Common Shares in accordance with their terms and applicable laws and regulations.

Accordingly, no Priority Shares remain outstanding and the Bank's share capital is LBP 689,113,498,400, consisting of (i) a single class of 565,515,040 Common Shares, with a par value LBP 1,210 per share, all of which are fully paid-up; (ii) 2,000,000 Series 2008 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on August 29, 2008 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) 2,000,000 Series 2009 Preferred Shares, with a par value of LBP 1,210 per share, which were issued on September 4, 2009 at a price of USD 96.00 per share, and may, subject to certain conditions, be redeemed by the Bank at a price of USD 100.00 per share, all of which are fully paid-up.

On 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange representing 26 per cent of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank of the issue. The Bank aimed through the listing to increase liquidity through the listing of Global Depositary Shares and to promote further transparency for investors. According to the London Stock Exchange, Byblos Bank is also the first Lebanese company to list on the London Stock Exchange in the past 12 years and the first bank to list on the LSE in 2009, showing resilience despite the ongoing global financial crisis.

As at 31 December

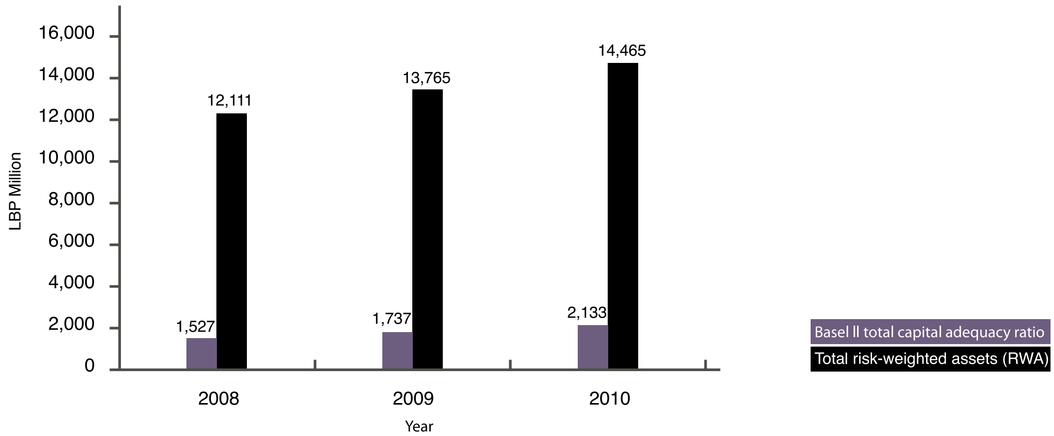
(LBP Million except ratios)

	2008	**2009**	**2010**
Basel II total capital adequacy ratio (Pillar 1 risks)	12.61%	12.62%	14.75%
Common equity ratio	7.02%	6.87%	9.66%
Tier 1 capital ratio	10.93%	10.46%	14.07%
Tier 2 capital ratio	1.69%	2.15%	0.68%
Common equity	849,739	945,599	1,398,012
Tier 1 capital (*)	1,323,183	1,440,085	2,035,254
Tier 2 capital (*)	204,076	296,490	97,869
Total capital base (*)	1,527,259	1,736,575	2,133,123
Total risk-weighted assets (RWA)	**12,110,998**	**13,764,908**	**14,464,964**
Credit risk RWA	11,246,373	12,600,294	13,221,731
Market risk RWA	152,114	307,835	258,573
Operational risk RWA	712,512	856,778	984,660

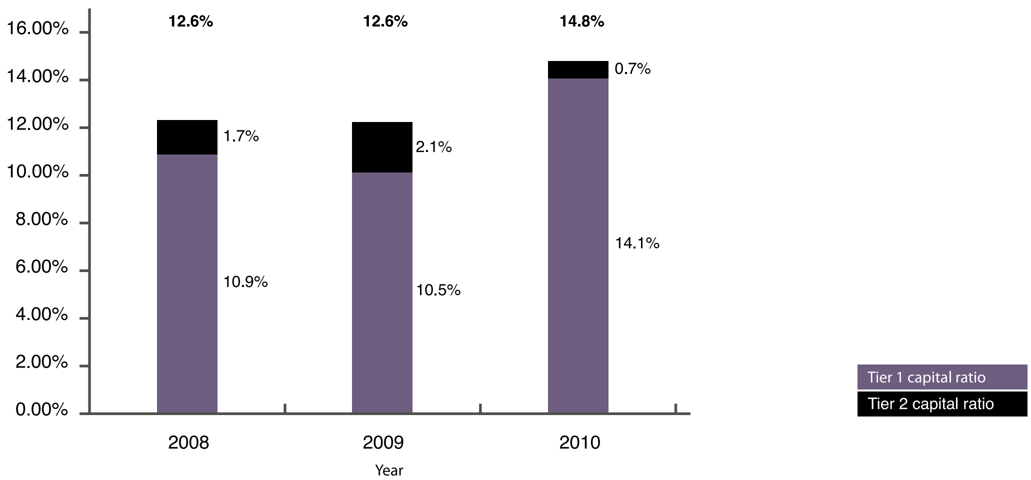
(*) After deducting:
- Unrealized losses on available-for-sale portfolio
- Investment in unconsolidated companies banks where the bank's share exceeds 10%
- Investment in insurance companies

In view of the past two years' gradual increases of the Bank's capital, Byblos Bank Group's total capital adequacy ratio for the Pillar 1 risks under the Standardized Approach of Basel II has improved from 12.61% as at 31 December 2008 to 12.62% at 31 December 2009 and to 14.75% at the end of December 2010 despite a 19.4% increase in the risk-weighted assets due to an increase in the consolidated balance sheet. Byblos Bank applies strictly Basel II Pillar 1 rules and risk weights and uses the Central Bank of Lebanon methodology for the segmentation of the loans portfolio and the application of the granularity test. Therefore, the disclosed capital ratios show the Bank's capital position in a highly transparent and standard fashion, where the Bank operates with a safe cushion above the 8% minimum total capital ratio and with satisfactory Common Equity ratio (9.66% at 31/12/2010) and Tier 1 Capital ratio (14.07%).

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



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



DIVIDEND DISTRIBUTION

The following table sets forth the high and low sale prices of Byblos Bank 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	Common share dividend(1) 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
2009	2.1900	1.5800	200.00	0.1327
2010	**2.3000**	**1.7000**	**200.00**	**0.1327**

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

Period	High USD	Low USD	Common share dividend(1) LBP	Common share dividend(1) 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
2009	2.2000	1.6000	248.40	0.1648
2010	**2.4600**	**1.7100**	**246.2**	**0.1633**

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

In addition, at its Annual General Assembly held on 5 May 2011, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended 31 December 2010 (before taxes of 5%) of LBP 200 (USD 0.1327) per Common Share, LBP 248.0 (USD 0.1645) per Priority Share (comprised of the regular dividend of LBP 200 (USD 0.1327) plus the priority dividend equivalent to 4% of the nominal value of the Priority Share as provided in the terms of the Priority Shares) and USD 8 per Series 2008 and Series 2009 Preferred Share. Total dividends paid in respect of 2010 represented 63.8% 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 statement of financial position as at 31 December 2010 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 at 31 December 2010, 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.

16 April 2011
Beirut, Lebanon

YEAR ENDED
31 DECEMBER 2010

Consolidated Income Statement

LBP Million

	Notes	2010	2009
Interest and similar income	5	1,224,014	1,141,893
Interest and similar expense	6	(796,751)	(753,113)
NET INTEREST INCOME		**427,263**	**388,780**
Fee and commission income	7	140,221	129,573
Fee and commission expense	7	(14,563)	(14,624)
NET FEE AND COMMISSION INCOME		**125,658**	**114,949**
Net trading income	8	22,158	38,141
Net gain on financial assets	9	100,965	14,011
Other operating income	10	8,118	16,251
TOTAL OPERATING INCOME		**684,162**	**572,132**
Credit loss expense	11	(29,272)	(26,245)
Impairment losses on other financial assets	12	(8,863)	(15,278)
NET OPERATING INCOME		**646,027**	**530,609**
Personnel expenses	13	(145,552)	(129,339)
Depreciation and impairment of property and equipment	27	(31,014)	(25,585)
Amortization of intangible assets	28	(112)	(340)
Other operating expenses	14	(142,144)	(109,513)
TOTAL OPERATING EXPENSES		**(318,822)**	**(264,777)**
PROFIT BEFORE TAX		**327,205**	**265,832**
Income tax expense	15	(59,386)	(46,410)
PROFIT FOR THE YEAR		**267,819**	**219,422**
Equity holders of the parent		255,770	206,628
Non-controlling interest		12,049	12,794
		267,819	**219,422**
Earnings per share			
Equity shareholders of the parent for the year:			
Basic earnings per share – common shares	16	399.61	384.65
Basic earnings per share – priority shares	16	448.01	433.05
Diluted earnings per share – common shares	16	374.78	362.97
Diluted earnings per share – priority shares	16	423.18	411.37

The attached notes 1 to 55 form part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

	2010	2009	
Profit for the year	**267,819**	**219,422**	LBP Million
Other comprehensive income (loss)			
Net (loss) gain on available-for-sale financial assets	(15,968)	112,073	
Exchange differences on translation of foreign operations	(36,090)	(5,210)	
Income tax effect on components of other comprehensive income	4,225	(15,485)	
Other comprehensive (loss) income for the year, net of tax	**(47,833)**	**91,378**	
Total comprehensive income for the year, net of tax	**219,986**	**310,800**	
Attributable to:			
Equity holders of the parent	220,770	297,943	
Non-controlling interest	(784)	12,857	
	219,986	**310,800**	

The attached notes 1 to 55 form part of these consolidated financial statements.

31 DECEMBER 2010

Consolidated Statement of Financial Position

LBP Million		Notes	2010	2009
	ASSETS			
LBP Million	Cash and balances with central banks	17	2,761,110	2,533,372
	Due from banks and financial institutions	18	3,899,011	3,142,483
	Financial assets given as collateral and reverse repurchase agreements	19	8,918	1,193
	Derivative financial instruments	20	1,462	12,224
	Financial assets held for trading	21	205,940	204,128
	Net loans and advances to customers	22	5,674,283	4,807,633
	Net loans and advances to related parties	49	10,957	11,515
	Debtors by acceptances	23	291,834	335,904
	Available-for-sale financial instruments	24	1,875,811	1,794,657
	Other financial assets classified as loans and receivables	25	7,490,856	6,681,889
	Held-to-maturity financial instruments	26	428,698	563,604
	Property and equipment	27	281,303	266,738
	Intangible assets	28	1,039	734
	Non-current assets	29	39,092	38,567
	Other assets	30	77,078	70,545
	TOTAL ASSETS		**23,047,392**	**20,465,186**
	LIABILITIES AND EQUITY			
LBP Million	Due to central banks	31	19,492	11,704
	Due to banks and financial institutions	32	1,441,346	1,675,807
	Financial assets against securities lent and repurchase agreements	19	-	1,193
	Derivative financial instruments	20	4,350	1,790
	Customers' deposits	33	17,815,282	15,366,354
	Deposits from related parties	49	112,396	139,814
	Debt issued and other borrowed funds	34	213,501	290,963
	Engagements by acceptances	23	291,834	335,904
	Current tax liability	35	44,526	40,212
	Other liabilities	36	212,261	236,169
	Liabilities linked to held-for-sale assets	29	1,312	1,995
	Provision for risks and charges	37	88,983	66,954
	End-of-service benefits	38	30,922	28,276
	Deferred tax liabilities	15	11,445	15,485
	Subordinated notes	39	303,324	299,634
	TOTAL LIABILITIES		**20,590,974**	**18,512,254**
	EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
LBP Million	Share capital – common shares	40	434,984	262,706
	Share capital – priority shares	40	249,289	249,289
	Share capital – preferred shares	40	4,840	4,840
	Share premium – common shares	40	229,014	26,425
	Share premium – preferred shares	40	581,456	579,035
	Capital reserves	43	475,653	391,073
	Other equity instruments	46	14,979	-
	Treasury shares	44	(16,189)	(176)
	Retained earnings		16,484	24,954
	Revaluation reserve of real estate	41	5,689	5,689
	Available-for-sale reserve	42	53,993	66,026
	Net results of the financial period – profit		255,770	206,628
	Foreign currency translation reserve		(9,573)	13,394
			2,296,389	**1,829,883**
	NON-CONTROLLING INTEREST	45	**160,029**	**123,049**
	TOTAL EQUITY		**2,456,418**	**1,952,932**
	TOTAL LIABILITIES AND EQUITY		**23,047,392**	**20,465,186**

The consolidated financial statements were authorized for issue in accordance with the Board of Directors resolution on 16 April 2011.

Dr. François S. Bassil
Chairman and General Manager

Ziad El-Zoghbi
Head of Finance Division

The attached notes 1 to 55 form part of these consolidated financial statements.

LBP Million

OFF-STATEMENT OF FINANCIAL POSITION ITEMS	Notes	2010	2009
Financing commitments			
Financing commitments given to banks and financial institutions	52	933,859	803,564
Financing commitments received from banks and financial institutions		81,765	244,917
Engagements to customers		341,871	403,731
Undrawn commitments to lend		1,514,547	812,871
Bank guarantees			
Guarantees given to banks and financial institutions	52	401,244	360,485
Guarantees given to customers	52	1,001,997	885,543
Foreign currency contracts			
Foreign currencies to receive	20	282,530	297,126
Foreign currencies to deliver		285,418	296,046
Claims from legal cases		**5,937**	**5,937**
Assets under management		**3,385,897**	**3,952,357**
Bad debts fully provided for	**22**	**98,700**	**113,117**

The attached notes 1 to 55 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

LBP Million		Attributable to equity holders of the parent					
		Share capital					
	Notes	Common shares	Priority shares	Preferred shares	Share premium – common shares	Share premium – preferred shares	Capital reserve
Balance at 1 January 2009		**260,535**	**247,228**	**3,600**	**26,425**	**444,704**	**339,886**
Profit for the year		-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Transfer to retained earnings		-	-	-	-	-	-
Transfer to reserves and premiums	43	-	-	-	-	-	53,165
Redemption of Series 2003 Preferred Shares	40	-	-	(1,200)	-	(149,550)	-
Increase in par value of outstanding shares	40	2,171	2,061	20	-	-	(3,052)
Issuance of Series 2009 Preferred Shares	40	-	-	2,420	-	283,881	-
Net sale of treasury shares	44	-	-	-	-	-	-
Non-controlling interest's share of dividends paid by subsidiaries		-	-	-	-	-	-
Other		-	-	-	-		1,074
Dividends paid	54	-	-	-	-	-	-
Balance at 31 December 2009		**262,706**	**249,289**	**4,840**	**26,425**	**579,035**	**391,073**
Balance at 1 January 2010		**262,706**	**249,289**	**4,840**	**26,425**	**579,035**	**391,073**
Profit for the year		-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income		**-**	**-**	**-**	**-**	**-**	**-**
Transfer to retained earnings		-	-	-	-	-	-
Transfer to reserves and premiums	40 & 43	-	-	-	-	2,421	84,124
Capital increase	40	172,278	-	-	202,589	-	-
Net purchase of treasury shares	44	-	-	-	-	-	456
Non-controlling interest share in capital increase of a subsidiary	45	-	-	-	-	-	-
Non-controlling interest's share of dividends paid by subsidiaries		-	-	-	-	-	-
Dividends paid to treasury shares	44	-	-	-	-	-	-
Dividends paid	54	-	-	-	-	-	
Non-controlling interest in subsidiary acquired	3	-	-	-	-	-	-
Non-controlling interest in subsidiary liquidated	45	-	-	-	-	-	-
Other equity instruments issued	46	-	-	-	-	-	-
Balance at 31 December 2010		**434,984**	**249,289**	**4,840**	**229,014**	**581,456**	**475,653**

The attached notes 1 to 55 form part of these consolidated financial statements.

Other equity instruments	Treasury shares	Retained earnings	Revaluation reserve of real estate	Available-for-sale reserve	Net results of the financial period – profit	Foreign currency translation reserve	Total	Non-controlling interests	Total equity
-	**(1,554)**	**15,317**	**5,689**	**(30,517)**	**172,285**	**18,604**	**1,502,202**	**116,207**	**1,618,409**
-	-	-	-	-	206,628	-	206,628	12,794	219,422
-	-	-	-	96,525	-	(5,210)	91,315	63	91,378
-	**-**	**-**	**-**	**96,525**	**206,628**	**(5,210)**	**297,943**	**12,857**	**310,800**
-	-	172,285	-	-	(172,285)	-	-	-	-
-	-	(53,165)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	(150,750)	-	(150,750)
-	-	(1,200)	-	-	-	-	-	-	-
	-	-	-	-	-	-	286,301	-	286,301
-	1,378	-	-	-	-	-	1,378	-	1,378
-	-	-	-	-	-	-	-	(3,558)	(3,558)
-	-	(3,270)		18			(2,178)	(2,457)	(4,635)
-	-	(105,013)	-	-	-	-	(105,013)	-	(105,013)
-	**(176)**	**24,954**	**5,689**	**66,026**	**206,628**	**13,394**	**1,829,883**	**123,049**	**1,952,932**
-	**(176)**	**24,954**	**5,689**	**66,026**	**206,628**	**13,394**	**1,829,883**	**123,049**	**1,952,932**
-	-	-	-	-	255,770	-	255,770	12,049	267,819
-	-	-	-	(12,033)	-	(22,967)	(35,000)	(12,833)	(47,833)
-	**-**	**-**	**-**	**(12,033)**	**255,770**	**(22,967)**	**220,770**	**(784)**	**219,986**
-	-	206,628	-	-	(206,628)	-	-	-	-
-	-	(86,545)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	374,867	-	374,867
-	(16,013)	-	-	-	-	-	(15,557)	-	(15,557)
-	-	-	-	-	-	-	-	38,037	38,037
-	-	-	-	-	-	-	-	(5,966)	(5,966)
-	-	141	-	-	-	-	141	-	141
	-	(128,694)	-	-	-	-	(128,694)	-	(128,694)
-	-	-	-	-	-	-	-	7,505	7,505
-	-	-	-	-	-	-	-	(1,812)	(1,812)
14,979	-	-	-	-	-	-	14,979	-	14,979
14,979	**(16,189)**	**16,484**	**5,689**	**53,993**	**255,770**	**(9,573)**	**2,296,389**	**160,029**	**2,456,418**

YEAR ENDED
31 DECEMBER 2010

Consolidated Statement of Cash Flows

LBP Million

	Notes	2010	2009
OPERATING ACTIVITIES			
Profit before tax		327,205	265,832
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization	27 & 28	30,115	25,344
Provision for loans and advances and other doubtful accounts, net	11	29,272	26,245
Gain on disposal of property, plant and equipment	10	(900)	(860)
Gain on disposal of non-current assets held for sale	10	(3,914)	(11,275)
Provisions for risks and charges, net		22,029	36,363
Provision for impairment of financial instruments		8,863	15,278
Provision for end-of-service benefits	38	4,456	3,686
Impairment provision on non-current assets held for sale		-	581
Impairment provision on property and equipment	27	1,011	-
Operating profit before working capital changes		**418,137**	**361,194**
Changes in operating assets and liabilities			
Due from central banks		(8,284)	126,370
Due from banks and financial institutions		(7,189)	(189,970)
Financial assets given as collateral		(7,725)	95,654
Due to banks and financial institutions		52,040	8,993
Cash collateral on securities lent and repurchase agreements		(1,193)	1,193
Derivative financial instruments		13,322	171
Financial assets held for trading		(1,812)	6,697
Net loans and advances		(887,365)	(638,729)
Other assets		(6,382)	(9,671)
Customers' and related parties' deposits		2,412,583	2,899,288
Other liabilities		(39,652)	38,911
Cash from operations		**1,936,480**	**2,700,101**
End-of-service benefits paid	38	(1,810)	(2,888)
Taxation paid		(40,212)	(29,996)
Net cash from operating activities		**1,894,458**	**2,667,217**
INVESTING ACTIVITIES			
Available-for-sale financial instruments		(98,167)	(416,507)
Financial assets classified as loans and receivables		(818,076)	(2,062,865)
Held-to-maturity financial instruments		136,092	735,006
Purchase of property and equipment		(59,992)	(52,887)
Proceeds from sale of property and equipment		2,552	7,277
Purchase of non-current assets held for sale		(5,389)	(772)
Proceeds from sale of non-current assets held for sale		8,778	19,587
Liabilities linked to held-for-sale assets		(683)	275
Acquisition of subsidiary, net of cash acquired	3	(12,557)	-
Net cash used in investing activities		**(847,442)**	**(1,770,886)**

	Notes	2010	2009
			LBP Million
FINANCING ACTIVITIES			
Issuance of ordinary common shares		374,867	-
Issuance of preferred shares		-	286,301
Issuance of other equity instruments		14,979	-
Redemption of preferred shares		-	(150,750)
Due to Central Bank		9,865	(82,516)
Debts issued and other borrowed funds		(77,462)	14,054
Subordinated notes		3,690	3,431
Treasury shares		(15,415)	1,378
Dividends paid		(128,694)	(105,013)
Change in minority interest		17,366	(5,951)
Net cash from financing activities		**199,196**	**(39,066)**
Effect of exchange rates:			
Effect of exchange rates on property and equipment		13,591	(2,530)
Foreign currency translation differences		(22,967)	(5,210)
Effect of exchange rates on reserves and premiums		-	(2,197)
Net effect of foreign exchange rates		**(9,376)**	**(9,937)**
INCREASE IN CASH AND CASH EQUIVALENTS		**1,236,836**	**847,328**
Cash and cash equivalents at 1 January		3,498,532	2,651,204
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**48**	**4,735,368**	**3,498,532**

The attached notes 1 to 55 form part of these consolidated financial statements.

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 in Ashrafieh, Elias Sarkis Street, 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 nine locations abroad (Cyprus, Belgium, United Kingdom, France, Syria, Sudan, Iraq, Democratic Republic of Congo and Armenia).

2 ACCOUNTING POLICIES

2.1 ~ BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis except for: a) the restatement of certain tangible real estate properties in Lebanon according to the provisions of Law No. 282 dated 30 December 1993, and b) the measurement at fair value of derivative financial instruments, financial assets held for trading and financial instruments available for sale. The carrying values of recognized assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortized cost, are adjusted to record changes in fair value attributable to the risks that are being hedged.

The consolidated financial statements are presented in Lebanese Pounds (LBP) and all values are rounded to the nearest LBP million except when otherwise indicated.

Statement of compliance

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

Presentation of financial statements

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within one year after the statement of financial position date (current) and more than one year after the statement of financial position date (non-current) is presented in note 47.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expense will not be offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2010.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-Group balances, transactions, unrealized gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interest
- Derecognizes the cumulative translation differences, recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the difference between the consideration and the book value of the share of the net assets acquired were recognized in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments at 1 January 2010 have not been restated.

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

Subsidiary	Percentage of ownership 2010 %	2009 %	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	Lebanon
Adonis Brokerage House S.A.L.	**100.00**	100.00	Insurance brokerage	Lebanon
Byblos Invest Bank S.A.L.	**99.99**	99.99	Investment banking	Lebanon
Byblos Bank Africa	**56.86**	56.86	Commercial banking	Sudan
Byblos Bank Syria S.A .*	**41.50**	41.50	Commercial banking	Syria
Byblos Bank Armenia C.J.S.C.	**65.00**	65.00	Commercial banking	Armenia
Adonis Insurance and Reinsurance (ADIR) Syria	**76.00**	76.00	Insurance	Syria
Byblos Bank RDC S.A.R.L.** (formerly Solidaire Banque Internationale S.B.I. SARL)	**66.67**	-	Banking activities	Democratic Republic of the Congo
Byblos Management S.A.L. (Holding)***	**-**	99.98	Investment	Lebanon
Byblos Ventures S.A.L. (Holding)**** (under liquidation)	**-**	50.00	Investment	Lebanon

* The Group has control by virtue of agreement with other investors over Byblos Bank Syria S.A. and consequently, the financial statements of Byblos Bank Syria S.A. have been consolidated with those of the Group.

** The above subsidiary was acquired on 31 March 2010 (please refer to note 3).

*** The general assembly of the above subsidiary held on 30 September 2010 decided to dissolve the company and liquidate its assets and liabilities.

**** The general assembly of the above subsidiary held on 15 February 2010 decided to dissolve the company and liquidate its assets and liabilities.

2 - ACCOUNTING POLICIES (continued)

2.2 ~ CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year. Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 2 *Share-based payment: Group Cash-settled Share-based Payment Transactions* effective 1 January 2010
- IFRS 3 *Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)* effective 1 July 2009, including consequential amendments to IFRS 2, IFRS 5, IFRS 7, IAS 7, IAS 21, IAS 28, IAS 31 and IAS 39
- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* effective 1 July 2009
- IFRIC 17 *Distributions of Non-cash Assets to Owners* effective 1 July 2009

The adoption of the above standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group.

Improvements to IFRSs

Issued in May 2008

- IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* effective 1 January 2010

Issued in April 2009

- IFRS 2 *Share-based Payment*
- IAS 1 *Presentation of Financial Statements*
- IAS 17 *Leases*
- IAS 38 *Intangible Assets*
- IAS 39 *Financial Instruments: Recognition and Measurement*
- IFRIC 9 *Reassessment of Embedded Derivatives*

Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards and interpretations issued, which the Group reasonably expects to be applicable at a future date. The Group intends to adopt those standards when they become effective.

IAS 24 Related Party Disclosures (Amendment)

The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Group does not expect any impact on its financial position or performance. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

IAS 32 Financial Instruments: Presentation – Classification of Rights Issues

The amendment to IAS 32 is effective for annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the Group after initial application.

IFRIC 14 Prepayments of a minimum funding requirement (Amendment)

The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is expected to have no impact on the financial statements of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case this cannot be reliably measured, they are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the Group.

Improvements to IFRSs (issued in May 2010)

The IASB issued *Improvements to IFRSs*, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after either 1 July 2010 or 1 January 2011. The amendments are listed below.

- IFRS 3 *Business Combinations*
- IFRS 7 *Financial Instruments: Disclosures*
- IAS 1 *Presentation of Financial Statements*
- IAS 27 *Consolidated and Separate Financial Statements*
- IFRIC 13 *Customer Loyalty Programs*

The Group, however, expects no impact from the adoption of the amendments on its financial position or performance.

2.3 ~ IMPACT OF THE EARLY ADOPTION OF PHASE I OF IFRS 9 EFFECTIVE 1 JANUARY 2011 ON THE AMOUNTS REPORTED

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and liabilities as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. However, it will be early adopted by the Group beginning 1 January 2011, in accordance with the regulatory directives of Banking Control Commission Circular No. 265 issued on 23 September 2010.

Management's preliminary assessment of the impact of the early adoption of phase I of IFRS 9 is summarized as follows:

- In accordance with the provisions of IFRS 9, adoption by the Group in 2011 will be applied retrospectively and comparative amounts will not be restated as permitted by IFRS 9.

- Effective 1 January 2011, the Group's available-for-sale financial assets under IAS 39 will be classified as financial assets at amortized cost, financial assets designated at fair value through other comprehensive income or financial assets designated at fair value through profit or loss.

  As a result, the cumulative change in fair value of available-for-sale reserve is expected to decrease by an amount of LBP 61,819 million against a decrease in the opening balance of retained earnings in the amount of LBP 5,239 million, an increase in financial assets at amortized cost in the amount of LBP 1,750,287 million, an increase in financial assets designated at fair value through profit or loss in the amount of LBP 3,636 million.

- Effective 1 January 2011, part of the Group's financial assets measured at amortized cost under IAS 39 will be measured at fair value through profit or loss. As a result, the financial assets designated at fair value through profit and loss are expected to increase by an amount of LBP 69,998 million against an increase in the opening balance of retained earnings by an amount of LBP 1,534 million as at 1 January 2011.

- Effective 1 January 2011, part of the Group's financial assets held for trading under IAS 39 will be measured at amortized cost, which will result in a decrease in retained earnings by an amount of LBP 584 million as of 1 January 2011.

- Effective 1 January 2011, unrealized losses resulting from the reclassification of available-for-sale securities in 2008 to loans and receivables as per IAS 39 and IFRS 7 will be eliminated; as a result, cumulative change in fair value of available-for-sale reserve is expected to increase by an amount of LBP 18,918 million against an increase in financial assets measured at amortized cost.

2 - ACCOUNTING POLICIES (continued)

2.4 ~ SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation
The consolidated financial statements are presented in Lebanese Pounds, which is the Group'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.

(i) ***Transactions and balances***
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the statement of financial position date. Differences on trading activities are taken to "Net trading income". All differences arising on non-trading activities are taken to the income statement, with the exception of differences on foreign currency borrowings that provide an effective hedge against a net investment in a foreign entity. These differences are taken directly to equity until the disposal of the net investment, at which time they are recognized in the income statement. Tax charges and credits attributable to exchange differences on those borrowings are also recorded in equity.

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.

(ii) ***Group companies***
As at the reporting date, the assets and liabilities of subsidiaries are translated into the Group's presentation currency at the rate of exchange as at the statement of financial position 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. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement in "Other operating expenses" or "Other operating income".

Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition
All financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Group becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

(ii) Initial measurement of financial instruments
The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs except in the case of financial assets and financial liabilities classified at fair value through profit or loss.

(iii) Derivatives recorded at fair value through profit or loss
The Group uses derivatives such as interest rate swaps and futures, credit default swaps, cross currency swaps, forward foreign exchange contracts and options on interest rates, foreign currencies and equities. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognized in the consolidated income statement.

Derivatives embedded in other financial instruments, such as the conversion option in an acquired convertible bond, are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognized in the consolidated income statement.

(iv) Financial assets held for trading
Financial assets held for trading are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividends are recognized 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 and equities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets and financial liabilities designated at fair value through profit or loss
Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- 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.
- 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.
- The financial instrument contains one or more embedded derivatives which significantly modify the cash flows that otherwise would be required by the contact.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in the consolidated income statement in “Net gain or loss on financial assets and liabilities designated at fair value through profit or loss”. Interest earned or incurred is accrued in “Interest and similar income” or “Interest and similar expenses”, respectively, using the effective interest rate, while dividend income is recorded in “Other operating income” when the right to the payment has been established.

(vi) Day 1 profit or loss
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a “Day 1” profit or loss) in the consolidated income statement. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated income statement when the inputs become observable, or when the instrument is derecognized.

(vii) Other financial assets classified as loans and receivables
These include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially recognized at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributed to the acquisition are also included in the cost of investment.

After initial measurement, loans and receivables are measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount of 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 are recognized in the income statement in “Impairment losses on other financial assets”. Gains or losses are recognized in the income statement when the investments are derecognized or impaired.

(viii) Available-for-sale financial instruments
Available-for-sale instruments include equity and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions. After initial measurement, available-for-sale financial instruments are subsequently measured at fair value.

2 - ACCOUNTING POLICIES (continued)
2.4 ~ Summary of significant accounting policies (continued)
Financial instruments – initial recognition and subsequent measuremen (continued)

Unrealized gains and losses are recognized directly in shareholders' equity (other comprehensive income) in the "Available-for-sale reserve". When the investment is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the consolidated income statement. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned while holding available-for-sale financial instruments is reported as interest income using the Effective Interest Rate (EIR). Dividends earned while holding available-for-sale financial instruments are recognized in the consolidated income statement as when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the consolidated income statement in "Impairment loss on financial instruments" and removed from the "Available-for-sale reserve".

(ix) Held-to-maturity financial instruments

Held-to-maturity financial instruments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial instruments are subsequently measured at amortized cost using the Effective Interest Rate, less 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" in the consolidated income statement. The losses arising from impairment of such investments are recognized in the consolidated income statement as "Impairment loss on financial instruments".

(x) Due from banks and financial institutions and Loans and advances to customers

"Due from banks and financial institutions" and "Loans and advances to customers" include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Group intends to sell immediately or in the near term and those that the Group upon initial recognition designates as at fair value through profit or loss.
- Those that the Group, upon initial recognition, designates as available for sale.
- Those for which the Group may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts "Due from banks and financial institutions" and "Loans and advances to customers" are subsequently measured at amortized cost using the EIR 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 EIR. The amortization is included in "Interest and similar income" in the consolidated income statement. The losses arising from impairment are recognized in the consolidated income statement in "Net credit losses".

(xi) Debt issued and other borrowed funds

Financial instruments issued by the Group, which are not designated at fair value through profit or loss, are classified as liabilities under "Debt issued and other borrowed funds", where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, debt issued and other borrowings 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 and costs that are an integral part of the EIR method.

A compound financial instrument which contains both a liability and an equity component is separated at the issue date. A portion of the net proceeds of the instrument is allocated to the debt component on the date of issue based on its fair value (which is generally determined based on the quoted market prices for similar debt instruments). The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the debt component. The value of any derivative features (such as a call option) embedded in the compound financial instrument other than the equity component is included in the debt component.

(xii) Customers' deposits
All customers' deposits are carried at amortized cost less amounts repaid.

(xiii) Reclassification of financial assets
Effective from 1 July 2008, the Group was permitted to 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 was also permitted to reclassify, in certain circumstances, financial instruments out of the "Available for sale" category and into the "Loans and receivables" category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost.

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 other comprehensive income is recycled to the consolidated income statement.

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 it 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 effect of that increase is recognized as an adjustment to the EIR from the date of the change in estimate.

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

(i) 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 when:

- The rights to receive cash flows from the asset have expired.
- 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:
    - The Group has transferred substantially all the risks and rewards of the asset, or
    - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement 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.

(ii) 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. The difference between the carrying value of the original financial liability and the consideration paid is recognized in the consolidated income statement.

2 - ACCOUNTING POLICIES (continued)
2.4 ~ Summary of significant accounting policies (continued)

Repurchase and reverse repurchase agreements
Securities sold under agreements to repurchase at a specified future date are not derecognized from the consolidated statement of financial position as the Group retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized in the consolidated statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within “Cash collateral on securities lent and repurchase agreements”, reflecting the transaction’s economic substances as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the EIR. When the counterparty has the right to sell or repledge the securities, the Group reclassifies those securities in its statement of financial position to “Financial assets held for trading pledged as collateral” or to “financial investments available for sale pledged as collateral”, as appropriate.

Conversely, securities purchased under agreements to resell at a specified future date are not recognized in the consolidated statement of financial position. The consideration paid, including accrued interest, is recorded in the consolidated statement of financial position within “Cash collateral on securities borrowed 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 recorded in “Net interest income” and is accrued over the life of the agreement using the EIR.

If securities purchased under agreement to resell are subsequently sold to third parties, the obligation to return the securities is recorded as a short sale within “Financial liabilities held for trading” and measured at fair value with any gains or losses included in “Net trading income”.

Determination of fair value
The fair value for financial instruments traded in active markets at the statement of financial position 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 traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash-flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined using a valuation model that has been tested against prices or inputs to actual market transactions and using the Group’s best estimate of the most appropriate model assumptions.

Impairment of financial assets
The Group assesses at each statement of financial position 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 occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event (or events) has (or have) 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, the probability that they will enter bankruptcy or other financial reorganization, default or delinquency in interest or principal payments, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Financial assets carried at amortized cost

For financial assets carried at amortized cost (such as amounts due from banks, loans and advances to customers, other financial assets classified as loans and receivables as well as held-to-maturity investments), the Group first assesses individually whether objective evidence of impairment exists 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, 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). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated income statement. 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 the "Credit loss expense" in the consolidated income statement.

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. If the Group has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR rate determined at the reclassification date. 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.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system, which considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

See note 12 for details of impairment losses on financial assets carried at amortized cost and note 22 for an analysis of the impairment allowance on loans and advances by class.

(ii) Available-for-sale financial investments

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

In the case of debt instruments classified as available for sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortized cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated income statement. 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 period, the fair value of a debt instrument increases and the increase can be objectively related to credit events occurring after the impairment loss was recognized in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

In the case of equity investments classified as available for sale, objective evidence would also 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 consolidated income statement, is removed from other comprehensive income and recognized in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in the fair value after impairment are recognized directly in other comprehensive income.

(iii) 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 agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and 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, calculated using the loan’s original effective interest rate.

Hedge accounting

The Group makes use of derivative instruments to manage exposures to interest rate, foreign currency and credit risks, including exposures arising from forecast transactions and firm commitments. In order to manage particular risks, the Group applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is expected to be highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the consolidated income statement.

(i) Fair value hedges
For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognized in the consolidated income statement. Meanwhile, the change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated income statement in “Net trading income”.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortized cost, the difference between the carrying value of the hedged item on termination and the face value is amortized over the remaining term of the original hedge using the effective interest rate. If the hedged item is derecognized, the unamortized fair value adjustment is recognized immediately in the consolidated income statement.

(ii) Cash-flow hedges
For designated and qualifying cash-flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognized directly in equity in the “Cash-flow hedge” reserve. The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in the consolidated income statement.

When the hedged cash flow affects the consolidated income statement, the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the consolidated income statement. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement.

(iii) Hedge of a net investment
Hedges of net investments in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash-flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized directly in equity, while any gains or losses relating to the ineffective portion are recognized in the consolidated income statement. On disposal of the foreign operation, the cumulative value of any such gains or losses recognized directly in the equity statement is transferred to the consolidated income statement.

Leasing
The determination of whether an arrangement is a lease, or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Leases which do not transfer to the Group substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Operating lease payments are recognized as an expense in the consolidated income statement on a straight-line basis over the lease term. Contingent rental payables are recognized as an expense in the period in which they are incurred.

Group as a lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

2 - ACCOUNTING POLICIES (continued)
2.4 ~ Summary of significant accounting policies (continued)

Recognition of income and expenses
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. The following specific recognition criteria must also be met before revenue is recognized.

(i) Interest and similar income and expense
For all financial instruments measured at amortized cost, interest-bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through 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 and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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. However, for a reclassified financial asset for which the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognized as an adjustment to the effective interest rate from the date of the change in estimate.

Once the recorded value of a financial asset on a group of similar financial assets has been reduced due to an impairment loss, interest income continue to be recognized using the rate of interest used to discount the future cash flows of the purpose of measuring the impairment loss.

(ii) Fee and commission income
The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time
Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees.

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 EIR on the loan. When it is unlikely that a loan be drawn down, the loan commitment fees are recognized over the commitment period on a straight-line basis.

Fee income from providing transaction services
Fees arising from negotiating or participating in the negotiation of a transaction for a third party, such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses, are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend income
Dividend income is recognized when the right to receive the payment is established.

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

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

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 pro rata 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 comprise balances with original maturities of a period of three months or less including: cash and non-restricted balances with the central banks, deposits with banks and financial institutions, and deposits due to banks and financial institutions.

Property and equipment
Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are 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.

Non-current assets held for sale
Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Gains and losses on disposal are recognized in the consolidated income statement.

2 - ACCOUNTING POLICIES (continued)
2.4 ~ Summary of significant accounting policies (continued)

Business combinations and goodwill
Business combinations from 1 January 2010
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated income statement.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010
In comparison to the above-mentioned requirements, the following differences applied:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognized goodwill. When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognized if, and only if, the Group had a present obligation, the economic outflow was more likely than not, and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

Intangible assets
An intangible asset is recognized only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite of indefinite. Intangible assets with finite lives are amortized over the useful economic life. 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 consolidated income statement.

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 as follows:

Key money	10-15 years

Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated income statement.

Provisions for risks and charges
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the consolidated income statement net of any reimbursement.

Employees' end-of-service benefits
For the Group 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 monthly salary multiplied by the number of years of service. The Group is liable to pay to the NSSF the difference between the subscriptions paid and the final end-of-service benefits due to employees. The Group 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.

Taxes
Taxes are provided for in accordance with regulations and laws that are effective in the countries where the Group operates.

(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 statement of financial position date.

(ii) Deferred tax
Deferred tax is provided on temporary differences at the statement of financial position 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.
- 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.

2 - ACCOUNTING POLICIES (continued)
2.4 - Summary of significant accounting policies (continued)
Taxes (continued)

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.

- 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 statement of financial position 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 statement of financial position 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.

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 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 statement of financial position date.

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.

Treasury shares
Own equity instruments of the Group which are acquired by it or by any of its subsidiaries (treasury shares) are deducted from equity and accounted for at weighted average cost. Consideration paid or received on the purchase sale, issue or cancellation of the Group's own equity instruments is recognized directly in equity. No gain or loss is recognized in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments.

When the Group holds own equity instruments on behalf of its clients, those holdings are not included in the Group's consolidated statement of financial position.

Assets under management
The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in trust, under management or in a fiduciary capacity, are not treated as assets of the Group and accordingly are recorded as off-balance-sheet items.

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 (within "Other liabilities") at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized less, when appropriate, cumulative amortization recognized in the consolidated income statement, and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the consolidated income statement. The premium received is recognized in the consolidated income statement on a straight-line basis over the life of the guarantee.

Customers' acceptances
Customers' acceptances represent term 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 statement of financial position for the same amount.

Equity reserves
The reserves recorded in equity (other comprehensive income) on the Group statement of financial position include:

"Available-for-sale reserve", which comprises changes in fair value of available-for-sale investments.

"Foreign currency translation reserve", which is used to record exchange differences arising from the translation of the net investment in foreign operations, net of the effects of hedging.

"Capital reserves", which include transfers from retained earnings in accordance with regulatory requirements and the portions of compound financial liabilities that qualify for treatment as equity (note 34).

Segment reporting
The Group's segmental reporting is based on the following operating segments: Consumer Banking, Corporate Banking, Treasury and Capital Markets, Insurance and Group Functions.

2.5 ~ SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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:

Going concern
The Group's management has made an assessment of the Group's ability to continue as a going concern and is satisfied that the Group has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Fair value of financial instruments
Where the fair values of financial assets and financial liabilities recorded on the statement of financial position 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.

Impairment losses on loans and advances
The Group reviews its individually significant loans and advances at each statement of financial position date to assess whether an impairment loss should be recorded in the consolidated income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as credit quality, levels of arrears, credit utilization, loan-to-collateral ratios etc.), concentrations of risks and economic date (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Impairment of available-for-sale investments
The Group reviews its debt securities classified as available-for-sale investments at each statement of financial position date to assess whether they are impaired. This requires similar judgment as applied 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.

Deferred tax assets
Deferred tax assets are recognized in respect to tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determined the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3 BUSINESS COMBINATION

On 31 March 2010, the Group completed the acquisition of 66.67% of the share capital of Solidaire Banque Internationale S.B.I. SARL, an unlisted entity specializing in banking activities in the Democratic Republic of the Congo, for a total consideration of LBP 15,075 million (equivalent to USD (000) 10,000).

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Solidaire Banque Internationale S.B.I. SARL, an unlisted entity engaged in banking activities in the Democratic Republic of the Congo, as of 31 March 2010 were as follows:

LBP Million		Fair value recognized on acquisition	Carrying value
	ASSETS		
	Cash and balances with central bank	2,518	2,518
	Amounts due from Head Office	18,553	18,553
	Loans and advances to customers	7,998	7,998
	Deposits with banks and financial institutions	1,982	1,982
	Tangible fixed assets	1,250	1,250
	Other assets	153	153
	Total assets	**32,454**	**32,454**
	LIABILITIES		
	Customers' deposits	8,927	8,927
	Other liabilities	916	916
	Total liabilities	**9,843**	**9,843**
	Total identifiable net assets at fair value	**22,611**	**22,611**
	Non-controlling interest measured at fair value	(7,505)	
	Excess of Group's interest in the net fair value of identifiable assets and liabilities over cost	(31)	
	Purchase consideration transferred	**15,075**	

Cash outflow on acquisition was as follows:

LBP Million		
	Cash paid	15,075
	Net cash acquired with subsidiary	(2,518)
	Net cash outflow arising on acquisition of the subsidiary	12,557

From the date of acquisition, the subsidiary contributed to a loss of LBP 5,001 million to the results of the Group.

If the combination had taken place at the beginning of the year, the total net operating income for the year would have been less by LBP 83 million.

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

4 SEGMENTAL INFORMATION

The business segments are distinctive components of the Group that have different risks and rates of returns and which offer different products and services. The Group segments its business into Consumer Banking, Corporate Banking, Treasury and Capital Markets, and Insurance. Management treats the operations of these segments separately for the purposes of decision-making, resource allocation and performance assessment. There are no inter-segment transactions.

Retail Banking
Retail Banking provides a diversified range of products and services to individuals. The range includes housing loans, consumer loans, credit cards, deposits, foreign exchange and other branch-related services.

Corporate Banking
Corporate Banking provides a comprehensive product and service offering to business and corporate customers, including lending, deposits, trade finance and foreign exchange operations.

Treasury and Capital Markets
Treasury and Capital Markets include treasury, investments and other defined Group activities. It also includes investment products and services to institutional investors and intermediaries. Treasury is also responsible for the Bank's liquidity management and market risk.

Insurance
The Group provides insurance services through subsidiaries operating in Lebanon and Syria.

Unallocated
This includes long-term investments and other operating income and expenses not allocated to any of the above segments in addition to other miscellaneous activities.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, which in certain respects is measured differently from operating profit or loss in the financial statements. Income taxes are not allocated to operating segments.

Interest income is reported net since the majority of the segments' revenues are from interest. Management primarily relies on net interest revenue as a performance measure, not the gross revenue and expense amounts.

4 - SEGMENTAL INFORMATION (continued)

The following tables present net operating income, profit and total assets information in respect of the Group's operating segments:

31 December 2010

LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Insurance	Unallocated	Total
Net interest income	219,668	106,218	100,691	686	-	427,263
Net fee and commission income	41,204	61,637	(2,454)	12,288	12,983	125,658
Net trading income	-	-	19,474	(16)	2,700	22,158
Net gain or loss on financial assets	-	-	98,320	-	2,645	100,965
Other operating income	-	-	-	87	8,031	8,118
Credit loss expense	(10,801)	(7,506)	-	-	(10,965)	(29,272)
Impairment losses on other financial assets	-	-	(8,863)	-	-	(8,863)
Net operating income	**250,071**	**160,349**	**207,168**	**13,045**	**15,394**	**646,027**
Personnel and other operating expenses	(83,586)	(12,578)	(7,043)	(9,487)	(175,002)	(287,696)
Depreciation and amortization	(10,134)	(1,098)	(165)	(1,435)	(18,294)	(31,126)
Income tax expense	-	-	-	(1,798)	(57,588)	(59,386)
Total operating expenses	**(93,720)**	**(13,676)**	**(7,208)**	**(12,720)**	**(250,884)**	**(378,208)**
Operating profit	**156,351**	**146,673**	**199,960**	**325**	**(235,490)**	**267,819**
Total assets	**1,409,368**	**4,567,705**	**16,671,807**	**89,784**	**308,728**	**23,047,392**
Total liabilities	**16,752,227**	**1,175,452**	**1,982,013**	**167,429**	**513,853**	**20,590,974**

31 December 2009

LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Insurance	Unallocated	Total
Net interest income	153,653	109,451	124,155	1,521	-	388,780
Net fee and commission income	33,649	69,297	8,199	6,024	(2,220)	114,949
Net trading income	-	-	38,328	(187)	-	38,141
Net gain or loss on financial assets	-	-	14,011	-	-	14,011
Other operating income	-	-	-	175	16,076	16,251
Credit loss expense	(4,248)	(18,155)	(3,842)	-	-	(26,245)
Impairment losses on other financial assets	-	-	(15,179)	(99)	-	(15,278)
Net operating income	**183,054**	**160,593**	**165,672**	**7,434**	**13,856**	**530,609**
Personnel and other operating expenses	(76,775)	(8,601)	(3,555)	(8,409)	(141,512)	(238,852)
Depreciation and amortization	(10,912)	(170)	(67)	(1,170)	(13,606)	(25,925)
Income tax expense	-	-	-	-	(46,410)	(46,410)
Total operating expenses	**(87,687)**	**(8,771)**	**(3,622)**	**(9,579)**	**(201,528)**	**(311,187)**
Operating profit	**95,367**	**151,822**	**162,050**	**(2,145)**	**(187,672)**	**219,422**
Total assets	**1,280,772**	**3,874,280**	**14,933,550**	**77,039**	**299,545**	**20,465,186**
Total liabilities	**14,516,466**	**989,702**	**2,281,091**	**135,973**	**589,022**	**18,512,254**

Geographic information
The Group operates in two geographic markets; local and international. The local market represents the Lebanese market and the international market represents markets outside Lebanon. The following table shows the distribution of the Group's external net operating income, total assets and capital expenditure by geographical segment.

	Domestic		International		Total	
LBP Million	2010	2009	2010	2009	2010	2009
Net interest income	349,536	329,432	77,727	59,348	427,263	388,780
Net fee and commission income	58,118	48,444	67,540	66,505	125,658	114,949
Net trading income	13,623	30,657	8,535	7,484	22,158	38,141
Net gain on financial assets	95,897	8,740	5,068	5,271	100,965	14,011
Other operating income	7,794	14,728	324	1,523	8,118	16,251
Credit loss expense	(16,727)	(19,644)	(12,545)	(6,601)	(29,272)	(26,245)
Impairment losses on other financial assets	(3,800)	(8,658)	(5,063)	(6,620)	(8,863)	(15,278)
Net operating income	**504,441**	**403,699**	**141,586**	**126,910**	**646,027**	**530,609**
Personnel expenses	(114,378)	(102,512)	(31,174)	(26,827)	(145,552)	(129,339)
Depreciation of property, plants and equipments	(20,143)	(16,924)	(10,871)	(8,661)	(31,014)	(25,585)
Amortization of intangibles	(112)	(340)	-	-	(112)	(340)
Other operating expenses	(114,108)	(87,476)	(28,036)	(22,037)	(142,144)	(109,513)
Income tax expense	(46,615)	(35,420)	(12,771)	(10,990)	(59,386)	(46,410)
Total operating expenses	**(295,356)**	**(242,672)**	**(82,852)**	**(68,515)**	**(378,208)**	**(311,187)**
Operating profit	**209,085**	**161,027**	**58,734**	**58,395**	**267,819**	**219,422**
Total assets	**14,987,694**	**14,289,186**	**8,059,698**	**6,176,000**	**23,047,392**	**20,465,186**

5 INTEREST AND SIMILAR INCOME

LBP Million

	2010	2009
Cash and balances with central banks	15,116	19,158
Due from banks and financial institutions	32,573	32,958
Financial assets given as collateral	403	2,606
Financial assets – held for trading	10,809	16,245
Financial assets – available for sale	137,341	124,862
Financial assets – held to maturity	47,166	89,549
Financial assets – loans and receivables	576,494	498,312
Loans and advances to customers	403,624	357,550
Loans and advances to related parties	488	653
	1,224,014	**1,141,893**

6 INTEREST AND SIMILAR EXPENSE

LBP Million		2010	2009
	Due to central banks	253	3,088
	Due to banks and financial institutions	33,515	41,445
	Customers' deposits	709,785	650,725
	Related parties' deposits	8,386	8,376
	Debt issued and other borrowed funds	17,150	22,108
	Subordinated notes	27,662	27,371
		796,751	**753,113**

7 NET FEE AND COMMISSION INCOME

LBP Million		2010	2009
	Fee and commission income		
	Loan and advance commission	19,535	14,932
	Letter-of-guarantee commission	14,535	13,736
	Acceptance commission	6,037	6,877
	Letter-of-credit commission	42,791	40,420
	Credit-card commission	5,414	4,839
	Domiciliation commission	1,738	1,526
	Checks-for-collection commission	2,451	2,206
	Maintenance-of-accounts commission	6,613	7,504
	Closing-of-accounts commission	5	59
	Transfer commission	7,462	4,885
	Safe-rental commission	472	472
	Portfolio commission	2,334	2,456
	Insurance-premiums commission and commission on reinsurance ceded	16,250	11,524
	Other commissions	14,584	18,137
		140,221	**129,573**
	Fee and commission expense		
	Commissions paid on financial instruments	(1,714)	(2,119)
	Other fees	(12,849)	(12,505)
		(14,563)	**(14,624)**
	Net fee and commission income	**125,658**	**114,949**

Fee income relating to fiduciary activities is not significant.

8 NET TRADING INCOME

	2010	2009
Treasury bills and other governmental bills	(551)	13,392
Bonds and financial assets with fixed income	1,110	753
Shares, securities and financial assets with variable income	(185)	7,043
Dividend income	957	1,287
Foreign exchange	20,827	15,666
	22,158	**38,141**

LBP Million

"Treasury bills, other governmental bills, bonds and financial assets with fixed income" net income (loss) includes the results of buying and selling and change in the fair value of debt securities as well as related interest income and expenses.

"Shares, securities and financial assets with variable income" net income (loss) includes the results of buying and selling and changes in the fair value of equity securities.

"Foreign exchange" net income (loss) includes gains and losses from spot and forward contracts, foreign exchange operations, and other currency derivatives.

9 NET GAIN ON FINANCIAL ASSETS

	2010	2009
Gain on sale of certificates of deposit classified as loans and receivables	2,183	1,704
Gain on sale of treasury bills and other governmental bonds classified as available for sale	25,076	651
Gain on sale of bonds and investments with fixed income classified as available for sale	-	706
Gain on sale of treasury bills and other governmental bonds classified as loans and receivables	67,892	6,391
Gain on sale of bonds and investments with fixed income classified as loans and receivables	427	-
Dividend income	4,030	5,012
Gain (loss) on foreign exchange	1,357	(453)
	100,965	**14,011**

LBP Million

10 OTHER OPERATING INCOME

	2010	2009
Net gain on sale of assets acquired in settlement of debt	3,914	11,275
Rental income	882	850
Net gain on sale or disposal of property and equipment	900	860
Others	2,422	3,266
	8,118	**16,251**

LBP Million

11 CREDIT LOSS EXPENSE

LBP Million		2010	2009
	Provisions for commercial loans (note 22)	(26,192)	(27,456)
	Provisions for consumer loans (note 22)	(14,083)	(3,073)
	Provision for doubtful banks and registered exchange companies (note 18)	(5,682)	(3,870)
	Bad debts written off	(269)	(217)
		(46,226)	**(34,616)**
	Write-back of provisions		
	Commercial loans (note 22)	14,368	7,635
	Consumer loans (note 22)	1,633	736
	Doubtful banks and registered exchange companies (note 18)	953	-
		16,954	**8,371**
	Net credit loss expense	**(29,272)**	**(26,245)**

12 IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

LBP Million		2010	2009
	Financial investments – available for sale		
	Shares, securities and financial assets with variable income	-	6,520
	Treasury bills and other governmental bills	940	-
	Financial investments – held to maturity (note 26)		
	Treasury bills and other governmental bills	-	100
	Bonds and investments with fixed income	-	4,809
	Financial investments – Loans and receivables (note 25)		
	Bonds and investments with fixed income	9,110	3,849
	Write-back of impairment losses on bonds and investments classified as held to maturity (note 26)	(1,187)	-
		8,863	**15,278**

13 PERSONNEL EXPENSES

LBP Million		2010	2009
	Salaries and related charges	125,622	111,156
	Social security contributions	15,474	14,497
	Provision for end-of-service benefits (note 38)	4,456	3,686
		145,552	**129,339**

14 OTHER OPERATING EXPENSES

LBP Million		2010	2009
	Taxes on interest	9,689	8,070
	Taxes and duties	10,848	7,825
	Contribution to deposit guarantee fund	7,520	6,205
	Rent and related charges	7,662	6,390
	Consulting fees	8,008	6,235
	Telecommunications and postage expenses	9,585	8,640
	Board of Directors attendance fees	1,182	1,046
	Maintenance and repairs	12,498	9,939
	Electricity and fuel	5,148	4,787
	Travel and entertainment	5,451	4,630
	Publicity and advertising	9,727	9,150
	Subscriptions	3,526	2,877
	Bonuses	23,731	16,719
	Legal expenses	3,658	3,195
	Insurance	3,137	1,558
	Other operating expenses	20,774	12,247
		142,144	**109,513**

15 INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2010 and 2009 are:

LBP Million		2010	2009
	Current income tax expense reported in the consolidated statement of comprehensive income	59,386	46,410

15 - INCOME TAX EXPENSE (continued)

The reconciliation of the Group's income tax for the years ended 31 December 2010 and 2009 is as follows:

LBP Million		2010	2009
	Net profit before income tax	327,205	265,831
	Non-deductible expenses	69,178	13,268
	Non-taxable revenue	(24,490)	(2,164)
	Taxable income	371,893	276,935
	Effective income tax rate	16%	17.5%
	Income tax reported in the consolidated income statement	59,386	46,410
	Less: taxes on interest	(21,502)	(18,337)
	Less: tax advances	(4,068)	(4,068)
	Net taxes due	**33,816**	**24,005**
	Current tax liability (note 35)	32,516	27,018

LBP Million	**Deferred tax liability**	2010	2009
	At 1 January	15,485	-
	Deferred tax on available-for-sale instruments reflected in other comprehensive income	(4,225)	15,485
	Translation differences	185	-
	At 31 December	**11,445**	**15,485**

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 Group by the weighted average number of shares (common and priority) outstanding during the year.

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

The following table shows the calculations of the basic earnings per share:

LBP Million		2010	2009
	Weighted average number of shares outstanding during the period:		
	- Common shares	288,838,287	216,721,108
	- Priority shares	205,982,021	205,915,830

	2010	2009
Net profit for the year attributable to equity holders of the parent	255,770	206,628
(Less): Proposed dividends to preferred shares	(48,064)	(34,095)
Net profit attributable to common and priority shareholders	207,706	172,533
(Less): Distribution of 4% on nominal value of priority shares (LBP 1,210) calculated on the basis of the weighted average number of priority shares outstanding during the year 205,982,021 shares (2009: 205,915,830 shares)	(9,970)	(9,966)
Net profits attributable to common and priority shareholders	197,736	162,567
Of which:		
Net profits attributable to priority shares (205,982,021 shares) (2009: 205,915,830 shares)	82,313	79,206
Net profits attributable to common shares (288,838,287 shares) (2009: 216,721,108 shares)	115,423	83,361
	197,736	**162,567**
Basic earnings per share in LBP:		
- Common shares	399.61	384.65
- Priority shares	448.01	433.05

LBP Million

Diluted earnings per share

The following table shows the calculations of the diluted earnings per share for the years ended 31 December 2010 and 2009 for common and priority shares:

	2010	2009
Weighted average number of common shares for basic earnings per share	288,838,287	216,721,108
Effect of dilution:		
Convertible subordinated notes	80,652,681	76,888,889
Other equity instruments (note 46)	2,601,205	-
Weighted average number of common shares adjusted for the effect of dilution	372,092,173	293,609,997

LBP Million

	2010	2009
Net profit attributable to ordinary shares (common and priority) of the parent	207,706	172,533
Interest on convertible subordinated notes	22,038	22,057
Interest on other equity instruments (note 46)	213	-
Less: income tax	(3,338)	(3,309)
Net profit attributable to ordinary shares (common and priority) of the parent adjusted for the effect of convertible instruments	226,619	191,281

LBP Million

16 - EARNINGS PER SHARE (continued)

LBP Million		2010	2009
	(Less): Distribution of 4% on nominal value of priority shares (LBP 1,210) calculated on the basis of the weighted average number of priority shares outstanding during the year 205,982,021 shares (2009: 205,915,830 shares)	(9,970)	(9,966)
	Net profits attributable to shares (common and priority) after the interest paid to priority shares	216,649	181,315
	Of which:		
	Net profits attributable to priority shares (205,982,021 shares) (2009: 205,915,830 shares)	77,198	74,743
	Net profits attributable to common shares (372,092,173 shares) (2009: 293,609,997 shares)	139,451	106,572
	Diluted earnings per common share in LBP:		
	- Common shares	374.78	362.97
	- Priority shares	423.18	411.37

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

LBP Million		2010	2009
	Cash on hand	**151,145**	**115,337**
	Balances with the Bank of Lebanon:		
	- Current accounts	739,580	763,485
	- Time deposits	1,389,915	1,341,675
		2,129,495	**2,105,160**
	Balances with central banks in other countries:		
	- Current accounts	428,203	301,290
	- Time deposits	38,164	2,716
	- Statutory blocked funds	12,468	6,056
		478,835	**310,062**
	Accrued interest receivable	1,635	2,813
		2,761,110	**2,533,372**

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. Additionally, 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 nature. Obligatory reserve amounted to LBP 1,903,716 million as at 31 December 2010 (2009: LBP 1,802,430 million).

Balances with the central banks in other countries (Cyprus, Iraq, Sudan and Syria)
Current accounts with central banks in other countries include obligatory reserve deposits with the Central Bank of Cyprus amounting to LBP 2,422 million (2009: LBP 2,659 million).

In accordance with the requirements of the Syrian law, a statutory blocked fund of LBP 12,468 million (2009: LBP 6,056 million) represents non-interest-bearing legal blocked deposit at the Central Bank of Syria.

18 DUE FROM BANKS AND FINANCIAL INSTITUTIONS

	2010	2009	
Commercial banks:			LBP Million
- Current accounts	273,324	248,618	
- Time deposits	3,583,500	2,878,609	
- Interest receivable	6,343	6,009	
- Doubtful bank accounts	10,727	6,183	
- Provision for doubtful bank accounts	(10,727)	(6,183)	
	3,863,167	**3,133,236**	
Financial institutions:			
- Current accounts	32,363	5,847	
Registered exchange companies:			
- Current accounts	3,481	3,400	
- Doubtful exchange companies accounts	2,259	2,259	
- Provision for doubtful exchange companies accounts	(2,259)	(2,259)	
	3,481	**3,400**	
	3,899,011	**3,142,483**	

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:

	2010	2009	
Balance at 1 January	8,442	4,766	LBP Million
Charge for the year	5,682	3,870	
Write-off	-	(185)	
Write-back	(953)	-	
Exchange difference	(185)	(9)	
Balance at 31 December	**12,986**	**8,442**	
Out of which			
- Banks	10,727	6,183	
- Registered exchange companies	2,259	2,259	
	12,986	**8,442**	

19 FINANCIAL ASSETS GIVEN AS COLLATERAL AND REVERSE REPURCHASE AGREEMENTS

LBP Million	2010	2009
Treasury bills mortgaged in favor of the Central Bank as a guarantee for loans (note 31) classified as held to maturity	8,814	-
Government securities pledged under repurchase agreements classified as loans and receivables	-	1,193
Interest receivable	104	-
	8,918	**1,193**

The carrying amount of securities sold under agreements to repurchase at 31 December 2010 was nil (2009: LBP 1,193 million).

20 DERIVATIVE FINANCIAL INSTRUMENTS

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, 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 indicative of neither the market risk nor the credit risk.

	2010			**2009**		
LBP Million	***Assets***	***Liabilities***	***Notional amount***	***Assets***	***Liabilities***	***Notional amount***
Derivatives held for trading:						
Currency swaps	129	2,441	117,520	976	354	68,991
Forward foreign exchange contracts	1,333	1,909	165,010	1,894	1,436	228,135
	1,462	**4,350**	**282,530**	**2,870**	**1,790**	**297,126**
Derivatives held for hedging:						
Equity options	-	-	-	9,354	-	75,375
	1,462	**4,350**	**282,530**	**12,224**	**1,790**	**372,501**

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Over-the-counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market risk.

FORWARDS

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

The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than futures contracts which are settled on a net basis. Forwards result in market risk exposure.

SWAPS

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

OPTIONS

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

The Group purchases options through regulated exchanges and in the over-the-counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

Equity options outstanding as of 31 December 2009 relate to the 50% of the positive performance of portfolio of stocks related to equity-linked notes (note 34).

21 FINANCIAL ASSETS HELD FOR TRADING

LBP Million

	2010	2009
Treasury bills and other governmental bills	142,007	152,988
Bonds and financial assets with fixed income	33,929	22,565
Shares, securities and financial assets with variable income	26,447	24,918
Accrued interest receivable on Treasury bills and other governmental bills	3,278	3,252
Accrued interest receivable on bonds and financial assets with fixed income	279	405
	205,940	**204,128**

22 NET LOANS AND ADVANCES TO CUSTOMERS

Following is a comparison of loans and advances at 31 December 2010 and 2009:

		2010	2009
LBP Million	Commercial loans	4,433,698	3,801,240
	Consumer loans	1,446,786	1,192,350
		5,880,484	**4,993,590**
	Less:		
	- Allowance for impairment	(146,534)	(122,117)
	- Unrealized interest	(59,667)	(63,840)
		5,674,283	**4,807,633**

BREAKDOWN OF LOANS AND ADVANCES TO CUSTOMERS BY ECONOMIC SECTOR (GROSS LOANS BEFORE DEDUCTION OF INTEREST RECEIVED IN ADVANCE AND ADDITION OF ACCRUED INTEREST RECEIVABLE)

		2010	2009
LBP Million	Commercial	1,672,626	1,390,838
	Industrial	1,143,544	971,652
	Agriculture	70,828	73,012
	Services	800,062	600,990
	Construction	618,214	631,983
	Retail	1,533,561	1,280,309
	Other	126,577	143,060
		5,965,412	**5,091,844**

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

2010

LBP Million	*Gross balance*	*Unrealized interest*	*Provisions*	*Net balance*
- Good loans	5,630,447	-	-	5,630,447
- Watch loans	190,380	-	-	190,380
	5,820,827	**-**	**-**	**5,820,827**
- Substandard loans	2,317	(677)	-	1,640
- Doubtful loans	35,856	(8,296)	(11,300)	16,260
- Bad loans	106,412	(50,694)	(55,718)	-
	5,965,412	**(59,667)**	**(67,018)**	**5,838,727**
Less:				
- Collective provisions	-	-	(79,516)	(79,516)
Accrued interest receivable	21,938	-	-	21,938
Less: Interest received in advance	(106,866)	-	-	(106,866)
	5,880,484	**(59,667)**	**(146,534)**	**5,674,283**

2009

LBP Million	*Gross balance*	*Unrealized interest*	*Provisions*	*Net balance*
- Good loans	4,718,506	-	-	4,718,506
- Watch loans	227,746	-	-	227,746
	4,946,252	**-**	**-**	**4,946,252**
- Substandard loans	11,204	(5,749)	-	5,455
- Doubtful loans	61,066	(21,087)	(20,482)	19,497
- Bad loans	73,322	(37,004)	(36,318)	-
	5,091,844	**(63,840)**	**(56,800)**	**4,971,204**
Less:				
- Collective provisions	-	-	(65,317)	(65,317)
Accrued interest receivable	11,661	-	-	11,661
Less: Interest received in advance	(109,915)	-	-	(109,915)
	4,993,590	**(63,840)**	**(122,117)**	**4,807,633**

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 98,700 million as of 31 December 2010 (2009: LBP 113,117 million).

Movement of unrealized interest on doubtful substandard and bad loans during the years ended 31 December was as follows:

LBP Million

	2010	2009
Balance at 1 January	**63,840**	**80,777**
Add (less):		
- Charge for the year	10,578	11,579
- Recoveries	(7,049)	(18,369)
- Amounts written off	(7,657)	(10,381)
- Difference of exchange	(45)	234
Balance at 31 December	**59,667**	**63,840**

22 - NET LOANS AND ADVANCES TO CUSTOMERS (continued)

Movement of the allowance for impairment losses during the years ended 31 December 2010 and 2009 was as follows:

	2010			2009		
LBP Million	*Commercial loans*	*Consumer loans*	*Total*	*Commercial loans*	*Retail loans*	*Total*
Balance at 1 January	**94,278**	**27,839**	**122,117**	**80,548**	**26,290**	**106,838**
Add (less):						
- Charge for the year	26,192	14,083	40,275	27,456	3,073	30,529
- Amounts written off	(447)	(728)	(1,175)	(5,928)	(849)	(6,777)
- Recoveries	(14,368)	(1,633)	(16,001)	(7,635)	(736)	(8,371)
- Transfer to provision for risk and charges				(1,065)	-	(1,065)
- Transfer from off balance sheet	6,607	-	6,607	2,289	-	2,289
- Difference of exchange	(5,733)	444	(5,289)	(1,387)	61	(1,326)
Balance at 31 December	**106,529**	**40,005**	**146,534**	**94,278**	**27,839**	**122,117**
Individual impairment	49,749	17,269	67,018	49,793	7,007	56,800
Collective impairment	56,780	22,736	79,516	44,485	20,832	65,317
	106,529	**40,005**	**146,534**	**94,278**	**27,839**	**122,117**
Gross amount of loans individually determined to be impaired	**124,255**	**20,330**	**144,585**	**131,839**	**13,753**	**145,592**

Collateral repossessed
During the year 2010, the Group took possession of collateral amounting to LBP 5,389 million (note 29).

Bad loans transferred to off statement of financial position accounts
As per Banking Control Commission Circular No. 24, banks are required to transfer to the off statement of financial position doubtful loans fully provided for and which meet some additional criteria outlined in the circular.

The movement in the allowance for impairment losses for doubtful loans fully provided for and transferred to off statement of financial position accounts was as follows:

LBP Million		2010	2009
	Balance at 1 January	**113,117**	**121,244**
	Transferred to balance sheet	(10,309)	(5,541)
	Interest on off-balance-sheet loans	(12,099)	(7,730)
	Interest charged on off-balance-sheet loans	9,074	4,741
	Difference of exchange	(1,083)	403
	Balance at 31 December	**98,700**	**113,117**

23 BANK ACCEPTANCES

LBP Million

	2010	2009
Letters of credit payable by the Group on behalf of its customers:		
- Acceptances confirmed by the Group without recourse to the beneficiary	7,959	13,877
- Other acceptances	283,875	322,027
	291,834	**335,904**

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 statement of financial position for the same amount.

24 AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

LBP Million

	2010	2009
Lebanese Treasury bills and other governmental bills	1,433,865	1,516,505
Bonds and financial assets with fixed income	316,422	162,152
Shares, securities and financial assets with variable income	84,324	74,785
Accrued interest receivable	41,200	41,215
	1,875,811	**1,794,657**

25 OTHER FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

LBP Million

	2010	2009
Certificates of deposit	4,389,114	3,267,756
Lebanese Treasury bills and other governmental bills	2,203,391	2,820,948
Bonds and financial assets with fixed income	155,342	179,829
Loans to banks and financial institutions	369,694	104,998
Discounted acceptances	262,466	196,780
Interest received in advance	(3,614)	(2,655)
Accrued interest receivable	127,422	118,082
	7,503,815	**6,685,738**
Less: allowance for impairment losses	(12,959)	(3,849)
	7,490,856	**6,681,889**

25 - OTHER FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES (continued)

The movement of the allowance for impairment losses is as follows:

LBP Million		2010	2009
	Balance at 1 January	3,849	-
	Charge for the year	9,110	3,849
	Balance at 31 December	**12,959**	**3,849**

26 HELD-TO-MATURITY FINANCIAL INSTRUMENTS

LBP Million		2010	2009
	Lebanese Treasury bills and other governmental bills	376,975	493,582
	Bonds and financial assets with fixed income	42,790	58,097
	Accrued interest receivable	12,655	16,834
		432,420	**568,513**
	Less: allowance for impairment losses	(3,722)	(4,909)
		428,698	**563,604**

The movement of the allowance for impairment losses is as follows:

LBP Million		2010	2009
	Balance at 1 January	4,909	-
	Charge for the year	-	4,909
	Written back during the year	(1,187)	-
	Balance at 31 December	**3,722**	**4,909**

27 PROPERTY AND EQUIPMENT

LBP Million	*Buildings*	*Motor vehicles*	*Furniture and equipment*	*Deposits*	*Advance payments*	*Total*
Cost:						
At 1 January 2010	**232,009**	**3,465**	**150,338**	**1,453**	**12,781**	**400,046**
Additions during the year	20,250	535	22,857	106	17,494	61,242
Addition through acquisition of a bank	-	73	1,177	-	-	1,250
Transfers	1,720	-	1,916	-	(3,636)	-
Disposal of fixed assets	(3,272)	(83)	(1,719)	-	(43)	(5,117)
Foreign exchange difference	(11,511)	(181)	(1,342)	(14)	(2,015)	(15,063)
At 31 December 2010	**239,196**	**3,809**	**173,227**	**1,545**	**24,581**	**442,358**
Depreciation:						
At 1 January 2010	**34,425**	**1,905**	**96,978**	**-**	**-**	**133,308**
Depreciation during the year	6,460	694	22,849	-	-	30,003
Impairment of fixed assets	1,011	-	-	-	-	1,011
Related to disposals of fixed assets	(166)	(51)	(1,578)	-	-	(1,795)
Foreign exchange difference	(1,213)	(79)	(180)	-	-	(1,472)
At 31 December 2010	**40,517**	**2,469**	**118,069**	**-**	**-**	**161,055**
Net carrying value:						
At 31 December 2010	**198,679**	**1,340**	**55,158**	**1,545**	**24,581**	**281,303**

LBP Million	*Buildings*	*Motor vehicles*	*Furniture and equipment*	*Deposits*	*Advance payments*	*Total*
Cost:						
At 1 January 2009	**205,045**	**3,672**	**119,724**	**1,348**	**23,530**	**353,319**
Additions during the year	20,623	886	21,667	106	9,617	52,899
Transfers	9,050	-	10,740	-	(19,790)	-
Disposal of fixed assets	(1,043)	(1,009)	(1,558)	-	(50)	(3,660)
Foreign exchange difference	(1,666)	(84)	(235)	(1)	(526)	(2,512)
At 31 December 2009	**232,009**	**3,465**	**150,338**	**1,453**	**12,781**	**400,046**
Depreciation:						
At 1 January 2009	**28,721**	**1,870**	**79,489**	**-**	**-**	**110,080**
Depreciation during the year	5,675	779	18,549	-	-	25,003
Impairment of fixed assets	582	-	-	-	-	582
Related to transfers	(3)	-	3	-	-	-
Related to disposals of fixed assets	(36)	(716)	(1,150)	-	-	(1,902)
Foreign exchange difference	(514)	(28)	87	-	-	(455)
At 31 December 2009	**34,425**	**1,905**	**96,978**	**-**	**-**	**133,308**
Net carrying value:						
At 31 December 2009	**197,584**	**1,560**	**53,360**	**1,453**	**12,781**	**266,738**

The costs of buildings at 31 December 2010 and 2009 include 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 amounted to LBP 5,689 million as at 31 December 2010 (2009: the same) (note 41).

27 - PROPERTY AND EQUIPMENT (continued)

28 INTANGIBLE ASSETS

LBP Million	2010	2009
Key money		
Cost:		
At 1 January	**1,637**	**1,637**
Additions for the year	417	-
At 31 December	**2,054**	**1,637**
Accumulated amortization:		
At 1 January	**903**	**563**
Amortization expense for the year	112	340
At 31 December	**1,015**	**903**
Net book value:		
At 31 December	**1,039**	**734**

29 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 is as follows:

LBP Million	2010	2009
Cost		
At 1 January	**43,726**	**51,267**
Additions during the year	5,389	826
Disposal	(4,864)	(8,367)
At 31 December	**44,251**	**43,726**
Impairment		
At 1 January	**(5,159)**	**(5,159)**
At 31 December	**(5,159)**	**(5,159)**
Net carrying value		
At 31 December	**39,092**	**38,567**

Liabilities linked to held-for-sale assets in the amount of LBP 1,312 million represent advance payments received in connection with future sale transactions for the above assets (2009: LBP 1,995 million).

Rental income from foreclosed properties for the year amounted to LBP 1,046 million (2009: LBP 850 million).

30 OTHER ASSETS

		2010	2009	
a	Obligatory financial assets	2,250	2,250	LBP Million
b	Blocked deposit	-	2,500	
c	Other assets	74,793	65,760	
	Doubtful debtor accounts	72	72	
		77,115	**70,582**	
d	Less: Allowance for credit losses	(37)	(37)	
		77,078	**70,545**	

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 A 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, which is denominated in Lebanese Pounds and does not earn any interest, was released in 2010.

c Other assets consist of the following:

	2010	2009	
Prepaid rent	5,664	2,928	LBP Million
Printings and stationery	2,990	3,263	
Credit-card balances due from customers	9,501	7,637	
Insurance premiums receivable	5,248	4,207	
Reinsurers' share of technical reserve of subsidiary insurance company	16,624	14,325	
Other debit balances	34,766	33,400	
	74,793	**65,760**	

d Movement of the allowance for credit losses is as follows:

	2010	2009	
Balance at 1 January	37	186	LBP Million
Write-off	-	(149)	
Balance at 31 December	**37**	**37**	

31 DUE TO CENTRAL BANKS

LBP Million		2010	2009
	Current accounts	9,570	10,558
	Loan due to the Central Bank of Lebanon	8,814	-
	Loan due to the Central Bank of Armenia	1,061	1,142
	Accrued interest payable	47	4
		9,922	**1,146**
		19,492	**11,704**

During the year ended 31 December 2010, the Group obtained three loans from the Central Bank of Lebanon to finance customers affected by the July-August 2006 war as follows:

LBP Million		Amount	Interest rate	Maturity
	First loan	1,899	2,425%	2 May 2019
	Second loan	5,528	2,9%	23 April 2015
	Third loan	1,387	2,9%	21 April 2016
		8,814		

The above loans are secured by the pledge of Lebanese Treasury bills amounting to LBP 8,814 million and included under financial assets given as collateral and reverse purchase agreements (note 19).

32 DUE TO BANKS AND FINANCIAL INSTITUTIONS

LBP Million		2010	2009
	Commercial banks:		
	- Current accounts	212,149	369,179
	- Time deposits	738,055	755,553
	- Medium-term loans	266,930	287,390
	- Accrued interest payable	8,415	7,456
		1,225,549	**1,419,578**
	Financial institutions:		
	- Current account	2,640	13
	- Term loans	201,238	194,470
	- Time deposits	6,560	52,272
	- Accrued interest payable	2,122	5,558
	- Less: Cost to be amortized over the loan period	-	(1,122)
		212,560	**251,191**
	Registered exchange companies:		
	- Current accounts	813	1,632
	- Time deposits	2,424	3,354
	- Accrued interest payable	-	52
		3,237	**5,038**
	Total	**1,441,346**	**1,675,807**

33 CUSTOMERS' DEPOSITS

LBP Million

	2010	2009
Current accounts	2,514,441	1,916,710
Demand deposits	568,339	494,088
Term deposits	13,856,849	12,246,746
Blocked deposits	793,115	639,064
Accrued interest payable	82,538	69,746
	17,815,282	**15,366,354**

Customers' deposits include coded deposit accounts amounting to LBP 42,496 million as of 31 December 2010 (2009: LBP 42,816 million).

34 DEBT ISSUED AND OTHER BORROWED FUNDS

LBP Million

	2010	2009
Certificates of deposit		
2009 – First Series (USD (000) 101,150)	152,484	152,484
2009 – Second Series (USD (000) 40,450)	60,978	60,978
Accrued interest payable: USD (000) 26 (2009: USD (000) 26)	39	39
	213,501	**213,501**
Equity-linked notes		
Issuance value: USD (000) 49,414	-	74,491
Discount to be amortized over the period of the notes: USD (000) 4,234	-	(6,383)
	-	**68,108**
Accrued 50% of the positive performance of a portfolio of stocks (note 20)	-	9,354
	-	**77,462**
	213,501	**290,963**
Interest and similar expense:		
- Certificates of deposit:		
Interest: USD (000) 9,729 (2009: USD (000) 9,754)	14,667	14,630
Add: Amortization of issuing cost: USD (000) nil (2009: USD (000) 49)	-	74
	14,667	**14,704**
- Equity-linked notes:		
Interest: nil (2009: USD (000) 2,194)	-	3,307
Add: amortization of discount	2,483	980
	2,483	**4,287**
- Interest on index-linked notes (matured on 9 October 2009)	-	2,759
- Interest on commodity-linked notes (matured on 12 September 2009)	-	358
	17,150	**22,108**

Certificates of deposit – series 2009

On 31 March 2009, Byblos Bank S.A.L. issued two series of certificates of deposit with a total nominal value of USD (000) 141,600 detailed as follows:

First series:
Amount: USD (000) 101,150
Interest: Fixed at an annual rate of 6.5% payable every three months with the first interest due on 1 July 2010, not subject to withholding taxes.
Maturity: 31 March 2012

Second series:
Amount: USD (000) 40,450
Interest: Fixed at an annual rate of 7.25% payable every three months with the first interest due on 1 July 2010, not subject to withholding taxes.
Maturity: 31 March 2014.

Certificate of deposit – series 2004

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.

The cost of issuing the certificates amounted to USD (000) 490, to be amortized until maturity, of which USD (000) 49 was amortized during 2009.

The certificates of deposit matured on 1 July 2009.

Equity-linked notes

The equity-linked notes issued on 1 August 2005 by a subsidiary amounted to USD 50 million 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 subsidiary bought an option from a third party to receive the 50% positive performance of a portfolio of stocks (note 20). The cost of the option amounted to USD (000) 1,764 and the cost of issuing the equity-linked notes amounted to USD (000) 169.

At maturity on 4 August 2010, the subsidiary settled USD 47.5 million to the holders of the notes. The effective interest rate on the notes was 6.67% per annum.

35 CURRENT TAX LIABILITY

	2010	2009	
Income tax due (note 15)	32,516	27,018	LBP Million
Withholding tax on salaries	2,632	1,226	
Withholding tax on interest earned by customers	5,274	4,815	
Value added tax	145	350	
Withholding tax on dividends	6	2,207	
Other taxes	3,953	4,596	
	44,526	**40,212**	

36 OTHER LIABILITIES

	2010	2009	
Margins on letters of credit and acceptances	123,787	160,860	LBP Million
Accrued expenses	44,603	27,418	
Fixed-assets suppliers	10,032	3,393	
Unearned commission and interest	2,847	3,177	
Cash margin related to companies under establishment	2,709	1,834	
Insurance premium received in advance	2,170	1,209	
Partial payments received from customers	7,209	6,715	
Payables to National Social Security Fund	1,636	1,338	
Other creditors	17,268	30,225	
	212,261	**236,169**	

37 PROVISIONS FOR RISKS AND CHARGES

		2010	2009	
	Technical reserves of insurance company	75,253	60,571	LBP Million
a	Other provisions (a)	13,730	6,383	
		88,983	**66,954**	

a Movement for other provisions during the year:

	2010	2009	
At 1 January	**6,383**	**3,638**	LBP Million
Charge for the year	7,864	2,860	
Foreign exchange	(517)	(115)	
At 31 December	**13,730**	**6,383**	

38 END-OF-SERVICE BENEFITS

LBP Million		2010	2009
	Balance at 1 January	**28,276**	**27,478**
	Provision constituted during the year (note 13)	4,456	3,686
	End-of-service benefits paid during the year	(1,810)	(2,888)
	Balance at 31 December	**30,922**	**28,276**

39 SUBORDINATED NOTES

LBP Million		2010	2009
	a Convertible subordinated notes	254,976	251,379
	b Subordinated notes	48,348	48,255
		303,324	**299,634**

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 GDR's 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. The conversion price was reduced to USD 2.145 in accordance with the terms of the subordinated loan agreement and following the capital increase of the Bank in 2009 and 2010.

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

	LBP 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:

	2010		2009	
	LBP Million	USD (000)	LBP Million	USD (000)
Nominal value of the convertible notes	260,798	173,000	260,798	173,000
Equity component	(18,040)	(11,967)	(18,040)	(11,967)
Liability component	**242,758**	**161,033**	**242,758**	**161,033**
Add:				
- Accrued interest payable	1,931	1,281	1,931	1,281
- Amortization of discount	10,287	6,824	6,690	4,438
Amortized cost at 31 December	**254,976**	**169,138**	**251,379**	**166,752**

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

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 and as such the nominal value of outstanding convertible notes was in the amount of USD (000) 173,000 as of 31 December 2010 and 2009.

b SUBORDINATED NOTES

	2010		2009	
	LBP Million	USD (000)	LBP Million	USD (000)
31,169 notes at USD 1,000 each maturing on 30 June 2012	46,988	31,169	46,988	31,169
Less: Issuing cost of USD (000) 836 to be amortized till maturity	(60)	(40)	(102)	(67)
Amortized cost	46,928	31,129	46,886	31,102
Add: Yield payable	1,420	942	1,369	908
	48,348	**32,071**	**48,255**	**32,010**

The notes pay an annual yield, not to exceed 15% of the annual amount, detailed as follows:

- an annual yield of 9% compounded and paid quarterly.
- 5% of the Bank’s net income, after adding the provision constituted to settle this balance and after deducting taxes.

The subordinated notes’ original issue on 1 July 2002 was 100,000 notes at USD 1,000 each. 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.

40 SHARE CAPITAL

	2010		2009	
	No. of shares	***LBP Million***	***No. of shares***	***LBP Million***
Ordinary shares				
- Common shares	359,491,317	434,984	217,112,557	262,706
- Priority shares	206,023,723	249,289	206,023,723	249,289
Preferred shares				
- Series 2009	2,000,000	2,420	2,000,000	2,420
- Series 2008	2,000,000	2,420	2,000,000	2,420
	569,515,040	**689,113**	**427,136,280**	**516,835**

The capital of the Bank is divided into 596,515,040 shares of LBP 1,210 each fully paid (2009: 427,136,280 shares of LBP 1,210 each).

CAPITAL INCREASE IN 2009

On 1 August 2009, an extraordinary general assembly resolved to increase the capital of Byblos Bank S.A.L. in two phases.

In phase 1, capital was increased by the amount of LBP 3,052 million from LBP 511,363 million to LBP 514,415 million through an increase of the par value of the outstanding shares from LBP (000) 1,200 to LBP (000) 1,210 by a transfer from the reserve appropriated for capital increase (note 43). Accordingly, by the end of phase 1, the Bank's capital was divided as follows:

	No. of shares	**LBP Million**
Ordinary shares		
- Common shares	217,112,557	262,706
- Priority shares	206,023,723	249,289
Preferred shares		
- Series 2008	2,000,000	2,420
	425,136,280	**514,415**

In phase 2, the capital of the Bank was increased by LBP 2,420 million from LBP 514,415 million to LBP 516,835 million through the issuance of 2,000,000 Tier I Series 2009 Preferred Shares of LBP 1,210 par value.

As such, the capital of the Bank was divided into 427,135,280 shares with a par value of LBP 1,210 each as of 31 December 2009.

CAPITAL INCREASE IN 2010

The extraordinary general assembly convened on 19 February 2010 approved the increase in capital of LBP 172,278 million from LBP 516,835 million to LBP 689,113 million by issuing 142,378,760 common shares with a par value of LBP 1,210 each. The issue price was USD 1.75 per share (LBP 2,638.125) and accordingly total share premium amounted to USD (000) 134,387 (equivalent to LBP million 202,589).

PRIORITY SHARES

On 10 December 2005, the Bank issued 206,023,723 priority shares which have the same rights and obligations as common 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 five years starting from the year 2005, inclusive of the period from 10 December 2005 till 31 December 2005. At the end of the fifth year, priority shares are converted into common shares without any further resolution by the general assembly.

The Board of Directors' meeting held on 16 April 2011 resolved that the conversion of the priority shares into common shares shall become effective on the same date of the annual general assembly meeting of shareholders held to approve 2010 accounts, which fall on 5 May 2011.

PREFERRED SHARES

Series 2009 Preferred Shares
On 4 September 2009, and based on the decision of the extraordinary general assembly held on 1 August 2009, the Bank issued Series 2009 Preferred Shares according to the following terms:

Number of shares	2,000,000
Share's issue price	USD 96
Share's nominal value	LBP 1,210
Issue premium	USD (000) 188,313 (equivalent to LBP 283,881 million) calculated in USD as the difference between the total issue of USD(000) 192,000 and the total par value of the issue amounting to LBP 2,420 million and after deducting issuance commissions of USD (000) 2,082
Benefits	Non-cumulative annual dividends of USD 8.00 per share, subject to the availability of non-consolidated distributable net profits. Series 2009 Preferred Shares are entitled to dividends in the amount of USD 3.35 per share relating to the remaining period of 2009.
Repurchase right	Redeemable (at a date subsequent to the approval of 2014 accounts by the general assembly) at the Bank's option at USD 100 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.

During 2010, the Bank transferred LBP 2,421 million from retained earnings to the share premium on Series 2009 Preferred Shares.

40 - SHARE CAPITAL (continued)
Preferred shares (continued)

(ii)

Series 2008 Preferred Shares
On 15 August 2008, and based on the decision of the extraordinary general assembly held on 18 July 2008, the Bank issued Series 2008 preferred shares, according to the following terms:

Number of shares	2,000,000
Share's issue price	USD 100
Share's nominal value	LBP 1,200
Issue premium	USD (000) 195,790 (equivalent to LL 295,154 million) calculated in USD as the difference between the total issue of USD (000) 200,000 and the total par value of the issue amounting to LL 2,400 million and after deducting issuance commission for the issue amounting to USD (000) 2,618.
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.

In 2009, the par value of Series 2008 Preferred Shares was increased from LBP 1,200 to LBP 1,210.

(iii)

Series 2003 Preferred Shares

Number of shares	1,000,000
Share's issue price	USD 100
Share's nominal value	LBP 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 (LBP 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.

In 2009, the Bank redeemed and cancelled Series 2003 Preferred Shares that were outstanding as at 31 December 2008 in accordance with the extraordinary general assembly resolution dated 1 August 2009.

LISTING OF SHARES

As of 31 December 2010 and 2009, all of the Bank's common and preferred shares were listed on the 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.

41 REVALUATION RESERVE OF REAL ESTATE

LBP Million

	2010	2009
Revaluation reserve accepted in Tier II capital	1,978	1,978
Revaluation reserve not accepted in Tier II capital	3,711	3,711
	5,689	**5,689**

42 AVAILABLE-FOR-SALE RESERVES

Movement of available-for-sale reserve during the year was as follows:

LBP Million

	2010	2009
Balance at 1 January	**66,026**	**(30,517)**
Realized during the year	(25,077)	1,386
Impairment loss recognized during the year	-	6,521
Net unrealized gain on available-for-sale financial assets	2,998	98,780
Amortization of unrealized losses related to securities transferred to the loans and receivables portfolio	6,006	5,176
Net changes in deferred taxes	4,225	(15,306)
Difference on exchange	(185)	(14)
Balance at 31 December	**53,993**	**66,026**

43 CAPITAL RESERVES

LBP Million	Legal reserve	Reserves for capital increase	General reserve	Equity component of convertible subordinated notes	Reserve for general banking risks	Other capital reserves	Total
Balance at 1 January 2009	**104,646**	**26,345**	**117,941**	**18,040**	**66,886**	**6,028**	**339,886**
Appropriation from retained earnings	15,770	7,239	16,613	-	13,543	-	53,165
Transfer to general reserve	-	(898)	898	-	-	-	-
Transfer to share capital (note 40)	-	(3,052)	-	-	-	-	(3,052)
Other	(58)	-	1,738	-	-	(606)	1,074
Balance at 31 December 2009	**120,358**	**29,634**	**137,190**	**18,040**	**80,429**	**5,422**	**391,073**
Balance at 1 January 2010	**120,358**	**29,634**	**137,190**	**18,040**	**80,429**	**5,422**	**391,073**
Appropriation from retained earnings	23,383	10,045	17,916	-	32,780	-	84,124
Net gain on sale of treasury shares (note 44)	-	456	-	-	-	-	456
Balance at 31 December 2010	**143,741**	**40,135**	**155,106**	**18,040**	**113,209**	**5,422**	**475,653**

43 - CAPITAL RESERVES (continued)

LEGAL RESERVE

According to the Lebanese Code of Commerce and to the Money and Credit Act, banks and companies operating in Lebanon have to transfer 10% of their annual net profit to a legal reserve. This reserve cannot be distributed as dividends.

During 2010, the Group appropriated LBP 23,383 million from 2009 profits to the legal reserve in accordance with the general assembly of shareholders' resolutions.

RESERVES FOR CAPITAL INCREASE

This represents regulatory reserves constituted in accordance with circulars issued by the Banking Control Commission. These reserves cannot be distributed as dividends and comprise the following:

LBP Million		2010	2009
	Reserve equivalent to realized profit on sale of assets acquired in settlement of debt, in accordance with BCC Circular No. 173	13,595	3,550
	Reserve equivalent to provisions recovered, in accordance with BCC Circular No. 167	9,737	9,737
	Reserve against assets acquired in settlement of debt in accordance with BCC Circular (a)	6,958	6,958
	Others	9,845	9,389
		40,135	**29,634**

GENERAL RESERVE

The Group appropriates general reserves from its retained earnings to strengthen its equity.

During 2010, the Group appropriated LBP 17,916 million from 2009 profits to the general reserve in accordance with the general assembly of shareholders' resolutions. This reserve is available for dividends distribution.

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 statement of financial position 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 2010 from the profits of the year 2009 amounted to LBP 32,780 million (2009: LBP 13,543 million).

OTHER CAPITAL RESERVES

LBP Million

	2010	2009
Premium on capital increase of Byblos Bank Armenia C.J.S.C.	1,263	1,263
Premium on capital increase of Byblos Bank Africa	4,765	4,765
	6,028	6,028
Less: translation difference	(606)	(606)
	5,422	**5,422**

44 TREASURY SHARES

Movement of treasury shares recognized in the balance sheet for the years 2010 and 2009 is as follows:

	Common shares		Priority shares	
	No. of shares	***Amount*** *LBP Million*	***No. of shares***	***Amount*** *LBP Million*
At 1 January 2010	**141,846**	**271**	**60,072**	**(95)**
Acquisition of treasury shares	10,890,935	29,804	164,942	445
Sale of treasury shares	(5,224,996)	(14,330)	(111,613)	(309)
Adjustments	-	142	-	261
At 31 December 2010	**5,807,785**	**15,887**	**113,401**	**302**
Total treasury shares (common and priority) in LBP million				**16,189**

	Common shares		Priority shares	
	No. of shares	***Amount*** *LBP Million*	***No. of shares***	***Amount*** *LBP Million*
At 1 January 2009	**444,748**	**1,192**	**221,287**	**362**
Acquisition of treasury shares	1,402,186	3,918	817,156	2,409
Sale of treasury shares	(1,705,088)	(4,839)	(978,371)	(2,866)
At 31 December 2009	**141,846**	**271**	**60,072**	**(95)**
Total treasury shares (common and priority) in LBP million				**176**

During 2010, the Group transferred dividends paid on treasury shares amounting to LBP 141 million to retained earnings.

During 2010, the Group realized a net gain on disposal of treasury shares amounting to LBP 456 million. This amount was transferred to reserves for capital increase (note 43).

45 NON-CONTROLLING INTERESTS

Byblos Bank Syria increased its capital from SYP 2,000 million to SYP 4,000 million. Accordingly, non-controlling interest share of the capital increase amounted to SYP 1,170 million (equivalent to LBP 38,037 million).

In 2010, two of the Group's subsidiaries, Byblos Management S.A.L. (Holding) and Byblos Ventures S.A.L. (Holding), were liquidated. Non-controlling interest in the subsidiaries liquidated was in the amount of LBP 1,812 million.

46 OTHER EQUITY INSTRUMENTS

On 12 July 2010, Byblos Bank S.A.L. issued three-year notes ("3 Years Byblos Bank Note") for a total amount of USD 9,936,000 (equivalent to LBP 14,979 million) according to the following terms:

Number of notes	46
Principal of one note	USD 216,000
Issuing price	100%
Total issue	USD 9,936,000 (equivalent to LBP 14,979 million).
Annual return	3% per year payable on a monthly basis plus any dividend paid on Byblos Bank shares during the period preceding the payments of the notes on the basis of 120,000 shares per note.
Maturity	12 July 2013
Prepayment	The Bank has the right to redeem the notes before maturity on an annual basis, but only within 30 days following the Annual Ordinary General Meeting of shareholders. In such case, the Bank shall pay in addition to the principal amount of the note and the return, a bonus of 6% on the principal of the note.
Settlement	At maturity, and at its discretion, Byblos Bank shall either settle 120,000 Byblos Bank common shares per note (calculated on the basis of a strike price of USD 1.8 per share) or the principal amount of the note in addition to a bonus of 6%.

In 2010, the Group accounted for LBP 213 million relating to the 3% annual return payable on the notes. In addition, the Group accounted for a liability relating to 6% bonus on the principal of the notes, and which covers for the period from 12 July 2010 till 31 December 2010, in the amount of LBP 125 million.

47 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

	2010							
	Less than 12 months				Over than 12 months			
LBP Million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*Total*	*1 to 5 years*	*Over 5 years*	*Total*	*Total*
ASSETS								
Cash and balances with central banks	2,032,058	-	-	2,032,058	716,063	12,989	729,052	2,761,110
Due from banks and financial institutions	3,214,450	364,649	271,072	3,850,171	48,674	166	48,840	3,899,011
Financial assets given as collateral and reverse repurchase agreements	-	-	104	104	8,814	-	8,814	8,918
Derivative financial instruments	938	363	161	1,462	-	-	-	1,462
Financial assets held for trading	12,220	6,946	5,371	24,537	108,964	72,439	181,403	205,940
Net loans and advances to customers and related parties	2,150,023	494,096	1,036,829	3,680,948	1,552,408	451,884	2,004,292	5,685,240
Debtors by acceptances	96,867	104,320	80,656	281,843	9,991	-	9,991	291,834
Available-for-sale financial instruments	13,201	275,338	686,560	975,099	576,363	324,349	900,712	1,875,811
Other financial assets classified as loans and receivables	118,274	332,526	874,554	1,325,354	4,218,479	1,947,023	6,165,502	7,490,856
Held-to-maturity financial instruments	7,962	185,748	57,942	-	44,729	132,317	177,046	428,698
Property and equipment	-	-	-	-	-	281,303	281,303	281,303
Intangible assets	-	-	-	-	-	1,039	1,039	1,039
Non-current assets held for sale	-	-	-	26,403	-	39,092	39,092	39,092
Other assets	23,147	1,672	1,584	-	911	49,764	50,675	77,078
Total assets	**7,669,140**	**1,765,658**	**3,014,833**	**12,449,631**	**7,285,396**	**3,312,365**	**10,597,761**	**23,047,392**
LIABILITIES								
Due to central banks	8,486	1	1,138	9,625	8,480	1,387	9,867	19,492
Due to banks and financial institutions	746,736	120,566	151,587	1,018,889	250,591	171,866	422,457	1,441,346
Derivative financial instruments	3,717	448	185	4,350	-	-	-	4,350
Deposits from customers and related parties	12,495,113	2,205,037	2,642,483	17,342,633	581,580	3,465	585,045	17,927,678
Debt issued and other borrowed funds	-	39	-	39	213,462	-	213,462	213,501
Engagements by acceptances	96,867	104,320	80,656	281,843	9,991	-	9,991	291,834
Current tax liability	11,877	907	31,742	44,526	-	-	-	44,526
Deferred tax liability	1,950	1,482	3,720	7,152	2,451	1,842	4,293	11,445
Other liabilities	139,357	6,620	50,905	196,882	7,090	8,289	15,379	212,261
Liabilities linked to held-for-sale assets	-	-	1,312	1,312	-	-	-	1,312
Provision for risks and charges	-	-	-	-	-	88,983	88,983	88,983
End-of-service benefits	-	-	-	-		30,922	30,922	30,922
Subordinated notes	-	12	3,340	3,352	299,972	-	299,972	303,324
Total liabilities	**13,504,103**	**2,439,432**	**2,967,068**	**18,910,603**	**1,373,617**	**306,754**	**1,680,371**	**20,590,974**
Net liquidity gap	**(5,834,963)**	**(673,774)**	**47,765**	**(6,460,972)**	**5,911,779**	**3,005,611**	**8,917,390**	**2,456,418**

47 - MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

	2009							
	Less than 12 months				Over than 12 months			
LBP Million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*Total*	*1 to 5 years*	*Over 5 years*	*Total*	*Total*
ASSETS								
Cash and balances with central banks	1,419,469	393,135	2,531	1,815,135	717,665	572	718,237	2,533,372
Due from banks and financial institutions	1,870,210	980,085	117,800	2,968,095	174,200	188	174,388	3,142,483
Financial assets given as collateral and reverse repurchase agreements	1,193	-	-	1,193	-	-	-	1,193
Derivative financial instruments	1,453	1,281	9,490	12,224	-	-	-	12,224
Financial assets held for trading	614	2,552	25,367	28,533	101,947	73,648	175,595	204,128
Net loans and advances to customers and related parties	1,807,747	383,323	740,354	2,931,424	1,231,931	655,793	1,887,724	4,819,148
Debtors by acceptances	89,747	155,700	69,629	315,076	20,828	-	20,828	335,904
Available-for-sale financial instruments	9,484	25,238	36,562	71,284	1,323,634	399,739	1,723,373	1,794,657
Other financial assets classified as loans and receivables	156,226	546,375	623,797	1,326,398	3,903,242	1,452,249	5,355,491	6,681,889
Held-to-maturity financial instruments	230	41,534	188,528	230,292	207,131	126,181	333,312	563,604
Property and equipment	-	-	-	-	-	266,738	266,738	266,738
Intangible assets	-	-	-	-	-	734	734	734
Non-current assets held for sale	-	-	-	-	-	38,567	38,567	38,567
Other assets	4,495	4,887	633	10,015	5,491	55,039	60,530	70,545
Total assets	**5,360,868**	**2,534,110**	**1,814,691**	**9,709,669**	**7,686,069**	**3,069,448**	**10,755,517**	**20,465,186**
LIABILITIES								
Due to central banks	10,563	1	7	10,571	1,133	-	1,133	11,704
Due to banks and financial institutions	755,313	398,491	73,882	1,227,686	213,340	234,781	448,121	1,675,807
Cash collateral on securities lent and repurchase agreements	1,193	-	-	1,193	-	-	-	1,193
Derivative financial instruments	1,262	404	124	1,790	-	-	-	1,790
Deposits from customers and related parties	11,221,679	1,760,379	1,932,889	14,914,947	587,753	3,468	591,221	15,506,168
Debt issued and other borrowed funds	39	-	77,462	77,501	213,462	-	213,462	290,963
Engagements by acceptances	89,747	155,700	69,629	315,076	20,828	-	20,828	335,904
Current tax liability	10,777	803	28,632	40,212	-	-	-	40,212
Deferred tax liability	63	204	324	591	11,259	3,635	14,894	15,485
Other liabilities	197,681	6,094	20,518	224,293	43	11,833	11,876	236,169
Liabilities linked to held-for-sale assets	-	-	1,995	1,995	-	-	-	1,995
Provision for risks and charges	-	-	2,193	2,193	-	64,761	64,761	66,954
End-of-service benefits	-	-	-	-	-	28,276	28,276	28,276
Subordinated notes	-	-	-	-	299,634	-	299,634	299,634
Total liabilities	**12,288,317**	**2,322,076**	**2,207,655**	**16,818,048**	**1,347,452**	**346,754**	**1,694,206**	**18,512,254**
Net liquidity gap	**(6,927,449)**	**212,034**	**(392,964)**	**(7,108,379)**	**6,338,617**	**2,722,694**	**9,061,311**	**1,952,932**

48 CASH AND CASH EQUIVALENTS

	2010	2009	
Cash and balances with central banks	2,032,058	1,812,604	LBP Million
Due from banks and financial institutions	3,579,099	2,850,295	
	5,611,157	**4,662,899**	
Less: Due to banks and financial institutions	(867,302)	(1,153,803)	
Less: Due to Central Bank	(8,487)	(10,564)	
Cash and cash equivalents at 31 December	**4,735,368**	**3,498,532**	

49 RELATED PARTY TRANSACTIONS

The Group enters into transactions, arrangements and agreements involving directors, senior management and their related concerns in the ordinary course of business at commercial interest and commission rates.

The following table provides the total amount of transactions, which have been entered into with related parties for the relevant financial year.

	2010	2009	**Major shareholders**
Net loans and advances	10,957	11,515	LBP Million
Deposits	112,396	139,814	
Other credit balances	764	749	
Interest income on loans and advances	488	653	
Interest expense on deposits	8,386	8,376	

COMPENSATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

LBP Million	2010			2009		
	Chairman and board members	***Senior management***	***Total***	***Chairman and board members***	***Senior management***	***Total***
Salaries and allowances	3,365	6,768	10,133	4,178	6,185	10,363
Bonuses	6,391	3,286	9,677	5,490	2,389	7,879
Attendance fees	703	84	787	831	84	915

50 CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS

To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

LEGAL CLAIMS

Litigation is a common occurrence in the banking industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At year-end, the Group had several unresolved legal claims. Management believes that legal claims will not result in any financial loss to the Group based on information presently available.

LEASE ARRANGEMENTS

Operating leases – Group as lessee
The Group has entered into commercial leases on premises. These leases have an average life of between five and ten years.

There are no restrictions placed upon the lessee by entering into these leases.

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

LBP Million		2010	2009
	Within one year	3,009	2,466
	After one year but not more than five years	11,922	5,177
	More than five years	16,091	10,435
		31,022	**18,078**

Operating leases – Group as lessor
As of 31 December 2010 and 2009, the Group rented some of the assets acquired in settlement of bad loans. Rental income for the year amounted to LBP 1,046 million (2009: LBP 850 million) (note 29).

OTHER CONTINGENCIES

The Group's books and records are being reviewed by the Department of Income Tax for the years 2006 and 2007. The ultimate outcome of this review cannot be presently determined.

The Group's contributions to the National Social Security Fund (NSSF) have not been reviewed since May 2004. The ultimate outcome of any review that may take place cannot be presently determined.

The Group's books and records have not yet been reviewed by the department of Value Added Tax since inception. The ultimate outcome of any tax review that might take place cannot be presently determined. Management believes that other contingencies will not result in any financial loss to the Group based on information presently available.

51 FAIR VALUE OF FINANCIAL INSTRUMENTS

A – Determination of fair value and fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique.

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly, and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

			2010	
LBP Million	***Level 1***	***Level 2***	***Level 3***	***Total***
FINANCIAL ASSETS				
Derivative financial instruments:				
Currency swaps	-	129	-	129
Forward foreign exchange contracts	-	1,333	-	1,333
	-	**1,462**	**-**	**1,462**
Financial assets held for trading				
Treasury bills	137,274	8,011	-	145,285
Bonds and financial assets with fixed income	26,313	-	7,895	34,208
Shares, securities and financial assets with variable income	26,447	-	-	26,447
	190,034	**8,011**	**7,895**	**205,940**
Financial assets available for sale				
Treasury bills	484,008	986,955	-	1,470,963
Bonds and financial assets with fixed income	250,721	69,804	-	320,525
Shares, securities and financial assets with variable income	50,371	33,952	-	84,323
	785,100	**1,090,711**	**-**	**1,875,811**
	975,134	**1,100,184**	**7,895**	**2,083,213**
FINANCIAL LIABILITIES				
Derivative financial instruments:				
Currency swaps	-	2,441	-	2,441
Forward foreign exchange contracts	-	1,909	-	1,909
	-	**4,350**	**-**	**4,350**

51 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)
A - Determination of fair value and fair value hierarchy (continued)

			2009	
LBP Million	*Level 1*	*Level 2*	*Level 3*	*Total*
FINANCIAL ASSETS				
Derivative financial instruments:				
Currency swaps	-	976	-	976
Forward foreign exchange contracts	-	1,894	-	1,894
	-	**2,870**	**-**	**2,870**
Derivatives held for hedging				
Equity options	-	9,354	-	9,354
Financial assets held for trading				
Treasury bills	139,836	16,404	-	156,240
Bonds and financial assets with fixed income	15,782	-	7,188	22,970
Shares, securities and financial assets with variable income	24,918	-	-	24,918
	180,536	**16,404**	**7,188**	**204,128**
Financial assets available for sale				
Treasury bills	531,978	1,023,199	-	1,555,177
Bonds and financial assets with fixed income	99,778	64,284	-	164,062
Shares, securities and financial assets with variable income	42,519	32,899	-	75,418
	674,275	**1,120,382**	**-**	**1,794,657**
	854,811	**1,149,010**	**7,188**	**2,011,009**
FINANCIAL LIABILITIES				
Derivative financial instruments:				
Currency swaps	-	354	-	354
Forward foreign exchange contracts	-	1,436	-	1,436
	-	**1,790**	**-**	**1,790**

FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

DERIVATIVES

Derivative products valued using a valuation technique with market observable inputs are mainly currency swaps, forward foreign exchange contracts, and options. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

FINANCIAL INVESTMENTS – AVAILABLE FOR SALE AND HELD FOR TRADING

Available-for-sale and held-for-trading financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Total gains relating to level 3 financial instruments included in the income statement were in the amount of LBP 707 million during 2010 (2009: gain of LBP 170 million). Except for the above gains, there was no other movement in level 3 financial instruments in 2010 and 2009.

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	2010		2009	
LBP Million	***Fair value***	***Carrying value***	***Fair value***	***Carrying value***
FINANCIAL ASSETS				
Cash and balances with central banks	2,761,110	2,761,110	2,533,372	2,533,372
Due from banks and financial institutions	3,902,884	3,899,011	3,147,616	3,142,483
Financial assets given as collateral on securities borrowed and reverse repurchase agreements	9,075	8,918	1,193	1,193
Net loans and advances to customers and related parties	5,720,953	5,685,240	4,826,100	4,819,148
Other financial assets classified as loans and receivables	7,951,106	7,490,856	6,946,263	6,681,889
Held-to-maturity financial instruments	447,820	428,698	587,588	563,604
FINANCIAL LIABILITIES				
Due to central banks	19,492	19,492	11,704	11,704
Due to banks and financial institutions	1,442,542	1,441,346	1,698,377	1,675,807
Cash collateral on securities lent and repurchase agreements	-	-	1,193	1,193
Deposits from customers and related parties	17,969,300	17,927,678	15,516,881	15,506,168
Debt issued and other borrowed funds	213,501	213,501	290,963	290,963
Liabilities linked to unquoted available-for-sale assets	1,312	1,312	1,995	1,995
Subordinated notes	320,436	303,324	321,036	299,634

51 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)
A - Determination of fair value and fair value hierarchy (continued)

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and savings accounts without a specific maturity.

Fixed-rate financial instruments
The fair value of fixed-rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity.
For quoted debt issued the fair values are determined based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash-flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity and credit spreads. For other variable-rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognized.

B – Reclassification of financial assets

During 2008, the Group reclassified certain trading assets and available-for-sale financial assets 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 to the Group.

The following table shows the carrying amount and fair value of financial assets reclassified from “Available for sale” to the “Loans and receivables” category, as at the date of reclassification and as at the reporting date. All transfers occurred on 1 July 2008 and thereafter. There were no reclassifications prior to 1 July 2008.

	Available for sale			
	2010		2009	
LBP Million	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Financial assets reclassified during the year as at the date of reclassification	-	-	-	-
Financial assets reclassified during 2008 as at year end	704,435	789,318	1,264,019	1,393,431

The following table shows the carrying amount and fair value of financial assets reclassified from “Held for trading” to the “Loans and receivables” category, as at the date of reclassification and as at the reporting date. All transfers occurred on 15 October 2008 and thereafter. There were no reclassifications prior to 15 October 2008.

	Held for trading			
	2010		2009	
LBP Million	***Carrying amount***	***Fair value***	***Carrying amount***	***Fair value***
Financial assets reclassified during the year as at the date of reclassification	-	-	-	-
Financial assets reclassified during 2008 as at year end	33,924	40,372	55,098	59,004

LBP Million	2010	2009
Expected undiscounted cash recoveries, as assessed at the date of reclassification	2,848,483	2,848,483
Anticipated average effective interest rate over the remaining life of the assets	8.03%	8.03%

The following table shows the total fair value gains or losses and the difference in net interest income that would have been recognized during the period subsequent to reclassification if the Group had not reclassified financial assets from the “Held for trading” and “Available for sale” to the “Loans and receivables” category. This disclosure is provided for information purposes only; it does not reflect what has actually been recorded in the consolidated financial statements of the Group.

	Debt securities			
	2010		2009	
LBP Million	***Income statement***	***Equity***	***Income statement***	***Equity***
Fair value gains and losses which would otherwise have been recorded after reclassification, during the current period	6,448	84,883	2,759	117,995
Net interest income which would otherwise have been recorded after reclassification, during the current period	6,083	-	5,239	-
Total income or expense which would otherwise have been recorded during the year since reclassification	**12,531**	**84,883**	**7,998**	**117,995**

The following table shows the net profit or loss actually recorded on assets reclassified to loans and receivables subsequent to reclassification:

	2010		2009	
LBP Million	***Debt securities held for trading***	***Debt securities available for sale***	***Debt securities held for trading***	***Debt securities available for sale***
Net interest income	4,451	78,765	5,825	113,564

52 RISK MANAGEMENT

Group risk management was established as a function handling the measurement and management of the risks.
The Group's risk management process involves identification, measurement, monitoring and controlling risks to ensure that:
- The individuals who take or manage risks clearly understand it;
- The organization's risk exposure is within the limits established by the Board of Directors;
- Risk taking decisions are in line with the business strategy and objectives set by the Board of Directors;
- The expected payoffs compensate for the risks taken;
- Risk taking decisions are explicit and clear; and
- Sufficient capital is available to act as a buffer for risks taken.

RISK MANAGEMENT – BASEL PERSPECTIVE

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.

With regard to Basel II recommendations relating to best practices in risk management and its objective of capital measurement and capital adequacy, the Group adopts a phased approach to take a more sophisticated approach to credit risk and make use of internal ratings-based methodology – or "IRB Approach" – to calculate its capital requirement for credit risk. In addition to the market risk capital charge, an explicit capital charge for operational risk is being accounted for. Through addressing these three risks – credit, market, and operational risks – the Group addresses Pillar I risks.

As for addressing the capital management issue in the context of Basel II, the Group is in the process of developing a comprehensive Internal Capital Adequacy Assessment Process (ICAAP), proportionate to the Group's scope and complexity of activities so as to cover all risks to which the Group is or may be exposed, as well as risk factors from the environment in which it operates. The considered key aspects of the ICAAP are qualitative (Board oversight, policies, identification of material risk, etc.) and quantitative (Capital Adequacy Ratio, Stress Testing, Economic Capital, etc.).

GROUP RISK MANAGEMENT STRUCTURE

Risk management lies at the core of the Group's organization structure. It interfaces with all the different businesses within the Group, as well as all supporting functions. The Risk Management Organization is structured in three layers:

Strategic or supervisory level, which consists of oversight by the Board of Directors through a Board Risk and Compliance Committee, and committees of the senior management. It includes defining the institution's risk appetite, formulating strategy and policies for managing risks and establishing adequate systems and controls to ensure that aggregate risk remains within acceptable level and the rewards compensate for the risk taken.

Analytical level, which consists of the Group Risk Management (GRM) Division, with the over-arching responsibility to translate the directions of the various risk committees into policies and procedures of the Group and to identify, measure, monitor and report the risks taken by the Group in a consistent manner across all business lines and operational units.

Tactical level, which consists of the management of the risk at the source of origination of the risks, in the businesses, in treasury and in banking operations divisions. It is the responsibility of these units to decide on which risks to take and which risks to mitigate within the policies and procedures set by the GRM Division.

The GRM Division has a direct reporting line to the Chairman/Board of Directors and is independent from the business units that generate risks. The Board of Directors carries the ultimate responsibility for being aware of and understanding the risks run by the Group's business activities, ensuring that they are properly managed, approving the risk principles and determining the risk appetite. The Board plays a pivotal role in ensuring a culture and an environment of sound risk management.

After having been part of the audit committee, a distinct "Board Risk, Anti-Money-Laundering and Compliance" Committee has been established, composed of knowledgeable and independent members from the Board. This reflects the growing importance for the implementation of best risk-management practices under the guidance and supervision of the Board. The committee is responsible for implementing the risk principles, including approval of core risk policies, and for managing the risk profile of the Group.

RISK GOVERNANCE

The Group 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 ALCO has the responsibility of managing the balance sheet (assets and liabilities) in terms of the liquidity and interest rates, ensure compliance with regulatory ratios, manage market risk and manage 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.

CREDIT RISK

Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process aims to allow the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action. The classification system includes six grades, of which three grades relate to the performing portfolio (regular credit facilities: risk ratings “1” and “2”, and special mention/watch list: risk rating “3”), one grade relates to substandard loans (risk rating “4”) and two grades relate to non-performing loans (risk ratings “5” and “6”).

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 Group 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. 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.

In measuring credit risk at a counterparty level the Group reflects three components – the “probability of default” (PD) by the client or counterparty on its contractual obligations; the Group’s current exposure to the counterparty and its likely future development, from which the Group derives the “exposure at default” (EAD); and the likely recovery ratio on the defaulted obligations to give the “loss given default” (LGD). These components are also important parameters in determining portfolio risk, not only for internal credit risk measures but also for future regulatory capital calculations, since they are the basis of the Basel II Advanced Internal Rating Based approach, which the Group intends to adopt.

The Group uses the above internal grading system for the classification of all financial assets portfolio.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded on the statement of financial position. In the case of credit derivatives, the Group is also exposed to or protected from the risk of default of the underlying entity referenced by the derivative.

With gross-settled derivatives, the Group is also exposed to a settlement risk, being the risk that the Group honors its obligation but the counterparty fails to deliver the counter-value.

Credit-related commitments risks

The Group makes available to its customers guarantees which may require that the Group makes payments on their behalf and enters into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

Risk concentrations: maximum exposure to credit risk without taking account of any collateral and other credit enhancements

The Group concentrations of risk are managed by client/counterparty, by geographical region and by industry sector. The maximum credit exposure to any client or counterparty as of 31 December 2010 was LBP 197,975 million (2009: LBP 140,530 million) before taking account of collateral or other credit enhancements and nil (2009: LBP 8,926 million) net of such protection.

52 - RISK MANAGEMENT (continued)
CREDIT RISK (continued)

The following table shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives, by geography of counterparty and by industry before the effect of mitigation through the use of master netting and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

GEOGRAPHIC ANALYSIS

			2010	
		Domestic	**International**	**Total**
LBP Million	Balances with central banks	2,130,818	479,147	2,609,965
	Due from banks and financial institutions	60,507	3,838,504	3,899,011
	Financial assets given as collateral and reverse repurchase agreements	8,918	-	8,918
	Derivative financial instruments	1,056	406	1,462
	Financial assets held for trading	130,475	49,018	179,493
	Net loans and advances to customers and related parties	3,848,263	1,836,977	5,685,240
	Available-for-sale financial instruments	1,359,876	431,611	1,791,487
	Other financial assets classified as loans and receivables	6,837,785	653,071	7,490,856
	Held-to-maturity financial instruments	310,714	117,984	428,698
		14,688,412	**7,406,718**	**22,095,130**

			2009	
		Domestic	**International**	**Total**
LBP Million	Balances with central banks	2,107,935	310,100	2,418,035
	Due from banks and financial institutions	81,193	3,061,290	3,142,483
	Financial assets given as collateral and reverse repurchase agreements	-	1,193	1,193
	Derivative financial instruments	2,744	9,480	12,224
	Financial assets held for trading	164,199	15,011	179,210
	Net loans and advances to customers and related parties	3,320,194	1,498,954	4,819,148
	Available-for-sale financial instruments	1,506,729	213,143	1,719,872
	Other financial assets classified as loans and receivables	6,320,836	361,053	6,681,889
	Held-to-maturity financial instruments	418,740	144,864	563,604
		13,922,570	**5,615,088**	**19,537,658**

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

LBP Million

	2010	2009
Industry Sector:		
Commercial	1,627,730	1,321,361
Industrial	565,960	947,759
Agriculture	70,282	73,553
Services	780,780	594,056
Banks and other financial institutions	5,654,460	3,891,581
Construction	577,584	592,590
Retail	1,409,368	1,162,054
Government	11,286,462	10,826,928
Other	122,504	127,776
	22,095,130	**19,537,658**

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities
- For commercial lending, charges over real estate properties, inventory and trade receivables
- For retail lending, mortgages over residential properties

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use.

52 - RISK MANAGEMENT (continued)
CREDIT RISK (continued)

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 shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Group's internal credit rating system. The amounts presented are gross of impairment allowances.

2010

LBP Million	Neither past due nor impaired				
	High grade	*Standard grade*	*Past due but not impaired*	*Past due and impaired*	*Total*
Balances with central banks	2,557,909	52,056	-	-	2,609,965
Due from banks and financial institutions	3,508,376	390,635	-	12,986	3,911,997
Financial assets given as collateral and reverse repurchase agreements	8,918	-	-	-	8,918
Derivative financial instruments	1,462	-	-	-	1,462
Financial assets held for trading	154,028	12,647	-	12,818	179,493
Loans and advances to customers and related parties					
- Commercial loans	4,098,055	164,111	58,234	124,255	4,444,655
- Consumer loans	1,306,200	6,063	114,193	20,330	1,446,786
Available-for-sale financial instruments	1,695,424	96,063	-	-	1,791,487
Other financial assets classified as loans and receivables	6,856,898	646,917	-	-	7,503,815
Held-to-maturity financial instruments	403,640	28,780	-	-	432,420
	20,590,910	**1,397,272**	**172,427**	**170,389**	**22,330,998**

2009

LBP Million	Neither past due nor impaired				
	High grade	*Standard grade*	*Past due but not impaired*	*Past due and impaired*	*Total*
Cash and balances with central banks	2,533,372	-	-	-	2,533,372
Due from banks and financial institutions	2,874,611	267,872	-	8,442	3,150,925
Financial assets given as collateral and reverse repurchase agreements	1,193	-	-	-	1,193
Derivative financial instruments	12,224	-	-	-	12,224
Financial assets held for trading	168,428	10,782	-	-	179,210
Loans and advances to customers and related parties					
- Commercial loans	3,444,895	198,519	37,503	131,838	3,812,755
- Consumer loans	1,080,304	7,252	91,040	13,754	1,192,350
Available-for-sale financial instruments	1,671,380	48,492	-	-	1,719,872
Other financial assets classified as loans and receivables	6,542,462	143,276	-	-	6,685,738
Held-to-maturity financial instruments	549,120	19,393	-	-	568,513
	18,877,989	**695,586**	**128,543**	**154,034**	**19,856,152**

Standards & Poors agency rated the Lebanese Government risks "B-" as at 31 December 2010 and 2009.

Aging analysis of past due but not impaired loans per class of financial assets

2010

LBP 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	28,714	18,172	6,414	4,934	-	58,234
- Consumer loans	89,374	9,638	6,944	3,775	4,462	114,193
	118,088	**27,810**	**13,358**	**8,709**	**4,462**	**172,427**

2009

LBP 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	24,849	7,153	5,044	457	-	37,503
- Consumer loans	65,202	8,385	5,371	5,897	6,185	91,040
	90,051	**15,538**	**10,415**	**6,354**	**6,185**	**128,543**

The fair value of the collateral held against past due but not impaired facilities as at 31 December 2010 amounted to LBP 62,931 million (2009: LBP 100,790 million).

See note 22 for more detailed information on the allowance for impairment losses on loans and advances to customers.

At 31 December 2010 the fair value of collateral that the Group holds relating to loans individually determined to be impaired amounts to LBP 77,860 million (2009: LBP 54,287 million). The collateral consists of cash, securities, letters of guarantee and properties.

Collateral repossessed

During the year, the Group took possession of real-estate properties with a carrying value of LBP 5,389 million at the statement of financial position date, which the Group is in the process of selling.

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

		2010	2009
LBP Million	Loans and advances to customers – corporate lending	4,893	61,475

52 - RISK MANAGEMENT (continued)
CREDIT RISK (continued)

Impairment assessment
For accounting purposes, the Group uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognized when objective evidence of a specific loss event has been observed. Triggering events include the following:

- Significant financial difficulty of the customer.
- A breach of contract such as a default of payment.
- Where the Group grants the customer a concession due to the customer experiencing financial difficulty.
- It becomes probable that the customer will enter bankruptcy or other financial reorganization.
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans.

This approach differs from the expected loss model used for regulatory capital purposes in accordance with Basel II.

Individually assessed allowances
The Group determines the allowances appropriate for each individually significant loan or advance on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realizable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances
Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances that have been assessed individually and found not to be impaired.

The Group generally bases its analyses on historical experience. However, when there are significant market developments, regional and/or global, the Group would include macroeconomic factors within its assessments. These factors include, depending on the characteristics of the individual or collective assessment: unemployment rates, current levels of bad debts, changes in laws, changes in regulations, bankruptcy trends, and other consumer data. The Group may use the aforementioned factors as appropriate to adjust the impairment allowances.

Allowances are evaluated separately at each reporting date with each portfolio. The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired). The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Local management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group overall policy.

Financial guarantees and letters of credit are assessed and provisions are made in a similar manner as for loans.

Commitments and guarantees
To meet the financial needs of customers, the Group enters into various irrevocable commitments and contingent liabilities. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

The table below shows the Group maximum credit risk exposure for commitments and guarantees. The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Group could have to pay if the guarantee is called upon. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognized as a liability in the statement of financial position.

LBP Million	2010	2009
Financing commitments given to banks and financial institutions	933,859	803,564
Guarantees given to banks and financial institutions	401,244	360,485
Guarantees given to customers	1,001,997	885,543
Undrawn commitments to lend	1,514,547	812,871
	3,851,647	**2,862,463**

LIQUIDITY RISK AND FUNDING MANAGEMENT

Liquidity risk is defined as the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk arises because of the possibility that the Group might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and of monitoring future cash flows and liquidity on a daily basis. The Group has developed internal control processes and contingency plans for managing liquidity risk. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Group maintains statutory deposits with central banks. As per Lebanese banking regulations, the Bank must retain reserves with the Central Bank of Lebanon equivalent to 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds. As for foreign currencies, the Bank must retain with the Central Bank of Lebanon interest-bearing statutory investments equivalent to 15% of all deposits regardless of their nature.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Group. The Group maintains a solid ratio of highly liquid net assets in foreign currencies to deposits and commitments in foreign currencies, taking market conditions into consideration. In accordance with Central Bank of Lebanon circulars, the ratio of net liquid assets to deposits and commitments in foreign currencies and Lebanese Pounds should not be less than 10% and 40%, respectively. The highly liquid net assets consist of cash and balances with central banks, deposits with banks and financial institutions less deposits from banks and financial institutions and deposits that mature within one year. Deposits and commitments are composed of total customer deposits in addition to acceptances and loans that mature within one year.

ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table on the following page summarizes the maturity profile of the Group's financial assets and liabilities at 31 December 2010 and 2009 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.

52 - RISK MANAGEMENT (continued)
LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

2010

LBP Million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial assets						
Cash and balances with central banks	2,032,669	-	6,410	726,221	12,989	2,778,289
Due from banks and financial institutions	3,214,661	364,934	273,997	49,905	165	3,903,662
Financial assets given as collateral and reverse repurchase agreements	-	-	702	10,362	-	11,064
Derivative financial instruments	938	363	161	-	-	1,462
Financial assets held for trading	12,889	9,108	13,494	136,396	83,614	255,501
Net loans and advances to customers and related parties	2,159,496	521,794	1,122,429	1,706,860	471,991	5,982,570
Debtors by acceptances	96,867	104,320	80,656	9,991	-	291,834
Available-for-sale financial instruments	23,075	311,960	733,627	693,050	332,459	2,094,171
Held-to-maturity financial instruments	8,004	192,780	70,718	90,407	174,133	536,042
Other financial assets classified as loans and receivables	162,976	400,406	1,318,267	5,425,185	2,243,749	9,550,583
Total undiscounted financial assets	**7,711,575**	**1,905,665**	**3,620,461**	**8,848,377**	**3,319,100**	**25,405,178**
Financial liabilities						
Due to central banks	8,486	99	1,152	9,279	1,601	20,617
Due to banks and financial institutions	751,445	120,623	152,270	277,587	228,585	1,530,510
Derivative financial instruments	3,717	448	185	-	-	4,350
Deposits from customers and related parties	12,517,985	2,228,393	2,704,442	657,333	19,126	18,127,279
Debt issued and other borrowed funds	-	3,622	10,749	225,887	-	240,258
Engagements by acceptances	96,867	104,320	80,656	9,991	-	291,834
Liabilities linked to held-for-sale assets	-	-	1,312	-	-	1,312
Subordinated notes	-	12	11,428	306,269	-	317,709
Total undiscounted financial liabilities	**13,378,500**	**2,457,517**	**2,962,194**	**1,486,346**	**249,312**	**20,533,869**
Net undiscounted financial assets/(liabilities)	**(5,666,925)**	**(551,852)**	**658,267**	**7,362,031**	**3,069,788**	**4,871,309**

2009

LBP Million	*Up to 1 month*	*1 to 3 months*	*3 months to 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Financial assets						
Cash and balances with central banks	1,419,469	393,135	2,531	743,342	572	2,559,049
Due from banks and financial institutions	1,870,525	980,786	119,224	180,558	188	3,151,281
Financial assets given as collateral and reverse repurchase agreements	1,193	-	-	-	-	1,193
Derivative financial instruments	1,453	1,281	9,490	-	-	12,224
Financial assets held for trading	1,313	5,612	33,392	128,875	82,979	252,171
Net loans and advances to customers and related parties	1,814,301	404,773	806,169	1,345,981	663,666	5,034,890
Debtors by acceptances	89,747	155,700	69,629	20,828	-	335,904
Available-for-sale financial instruments	18,485	59,244	127,638	1,490,410	449,804	2,145,581
Held-to-maturity financial instruments	289	48,543	213,110	243,846	175,530	681,318
Other financial assets classified as loans and receivables	200,481	599,014	1,008,117	5,217,102	1,879,047	8,903,761
Total undiscounted financial assets	**5,417,256**	**2,648,088**	**2,389,300**	**9,370,942**	**3,251,786**	**23,077,372**
Financial liabilities						
Due to central banks	10,564	1	8	1,404	-	11,977
Due to banks and financial institutions	764,172	392,672	81,289	246,127	310,877	1,795,137
Cash collateral on securities lent and repurchase agreements	1,193	-	-	-	-	1,193
Derivative financial instruments	1,262	404	124	-	-	1,790
Deposits from customers and related parties	11,188,490	1,779,117	2,007,028	675,340	5,844	15,655,819
Debt issued and other borrowed funds	-	3,534	88,261	240,210	-	332,005
Engagements by acceptances	89,747	155,700	69,629	20,828	-	335,904
Liabilities linked to held-for-sale assets	-	-	1,995	-	-	1,995
Subordinated notes	-	-	21,181	346,572	-	367,753
Total undiscounted financial liabilities	**12,055,428**	**2,331,428**	**2,269,515**	**1,530,481**	**316,721**	**18,503,573**
Net undiscounted financial assets/(liabilities)	**(6,638,172)**	**316,660**	**119,785**	**7,840,461**	**2,935,065**	**4,573,799**

52 - RISK MANAGEMENT (continued)
LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

The tables below summarize the maturity profile of the Group's commitments and contingencies:

2010

LBP Million	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Financing commitments and guarantees	80,374	324,207	1,432,742	499,569	208	2,337,100
Undrawn commitments to lend	839,403	52,310	556,912	65,660	262	1,514,547
	919,777	**376,517**	**1,989,654**	**565,229**	**470**	**3,851,647**

2009

LBP Million	*On demand*	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Financing commitments and guarantees	36,442	749,383	729,845	508,709	25,213	2,049,592
Undrawn commitments to lend	609,370	6	123,298	80,031	166	812,871
	645,812	**749,389**	**853,143**	**588,740**	**25,379**	**2,862,463**

The Group expects that not all of the contingent liability or commitments will be demanded before maturity.

INTEREST RATE RISK AND MARKET RISK

Market risk is the risk of loss arising from movements in market variables, including interest rates, exchange rates and equity market indices. Market risk is incurred primarily through the Group's trading and foreign exchange activities.

The market risk unit is responsible for the independent control of market risk. It ensures that all market risks are identified, establishes the necessary controls and limits, monitors positions and exposures, and ensures compliance with regulatory and internal limits as set in the market risk policy and the securities portfolio investment policy.

Interest rate risk arises from the possibility that changes in interest rates will affect the fair values of the 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 year end, 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 year end 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.

		LBP Million	2010		2009
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%		(19,920)	77,567	(19,048)	66,853
Other currencies	+0.5%		(5,987)	43,757	(5,061)	68,874
			(25,907)	**121,324**	**(24,109)**	**135,727**

		LBP Million	2010		2009	
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%		19,920	77,567	19,048	(66,853)
Other currencies	-0.5%		5,987	43,757	5,061	(68,874)
			25,907	**121,324**	**24,109**	**(135,727)**

52 - RISK MANAGEMENT (continued)
INTEREST RATE RISK AND MARKET RISK (continued)

The Group's interest sensitivity position based on the earlier of contractual repricing or maturity date at 31 December 2010 was as follows:

2010

LBP 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	1,002,813	-	-	716,063	-	1,042,234	2,761,110
Due from banks and financial institutions	3,361,014	362,423	165,995	3,241	2,761	3,577	3,899,011
Financial assets given as collateral and reverse repurchase agreements	-	-	-	8,814	-	104	8,918
Derivative financial instruments	-	-	-	-	-	1,462	1,462
Financial assets held for trading	11,538	4,733	4,666	108,964	55,861	20,178	205,940
Net loans and advances to customers and related parties	2,402,081	533,039	1,515,105	1,086,303	196,557	(47,845)	5,685,240
Debtors by acceptances	-	-	-	-	-	291,834	291,834
Available-for-sale financial instruments	11,171	268,206	703,724	489,909	275,870	126,931	1,875,811
Other financial assets classified as loans and receivables	177,706	348,904	777,143	4,214,930	1,860,489	111,684	7,490,856
Held-to-maturity financial instruments	22,872	192,087	59,138	41,444	110,598	2,559	428,698
Property and equipment	-	-	-	-	2,569	278,734	281,303
Intangible assets	-	-	-	-	-	1,039	1,039
Non-current assets held for sale	-	-	-	-	-	39,092	39,092
Other assets	30	274	79	41	-	76,654	77,078
Total assets	**6,989,225**	**1,709,666**	**3,225,850**	**6,669,709**	**2,504,705**	**1,948,237**	**23,047,392**
LIABILITIES							
Due to central banks	4,184	4,303	9,909	1,053	-	43	19,492
Due to banks and financial institutions	968,075	215,509	221,039	26,750	378	9,595	1,441,346
Cash collateral on securities lent and repurchase agreements	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	4,350	4,350
Deposits from customers and related parties	12,421,873	2,207,698	2,635,408	575,968	3,465	83,266	17,927,678
Debt issued and other borrowed funds	-	-	-	213,462	-	39	213,501
Engagement by acceptances	-	-	-	-	-	291,834	291,834
Current tax liability	-	-	2,598	-	-	41,928	44,526
Deferred tax liability	-	-	-	-	-	11,445	11,445
Other liabilities	274	77	46	9	33	211,822	212,261
Liabilities linked to held-for-sale assets	-	-	-	-	-	1,312	1,312
Provision for risks and charges	-	-	-	-	-	88,983	88,983
End-of-service benefits	-	-	-	-	-	30,922	30,922
Subordinated notes	-	-	1,410	299,972	-	1,942	303,324
Total liabilities	**13,394,406**	**2,427,587**	**2,870,410**	**1,117,214**	**3,876**	**777,481**	**20,590,974**
Total interest rate sensitivity gap	**(6,405,181)**	**(717,921)**	**355,440**	**5,552,495**	**2,500,829**	**1,170,756**	**2,456,418**

The Group's interest sensitivity position based on the earlier of contractual repricing or maturity date at 31 December 2009 was as follows:

2009

LBP 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	1,220,938	391,978	2,531	716,063	-	201,862	2,533,372
Due from banks and financial institutions	1,868,524	978,231	115,762	173,363	-	6,603	3,142,483
Financial assets given as collateral and reverse repurchase agreements	1,193	-	-	-	-	-	1,193
Derivative financial instruments	-	-	-	-	-	12,224	12,224
Financial assets held for trading	-	647	24,224	101,947	48,141	29,169	204,128
Net loans and advances to customers and related parties	2,161,557	746,281	1,132,774	710,263	64,868	3,405	4,819,148
Debtors by acceptances	-	-	-	-	-	335,904	335,904
Available-for-sale financial instruments	1,715	4,324	24,036	1,323,344	324,820	116,418	1,794,657
Other financial assets classified as loans and receivables	117,740	511,018	582,276	3,903,362	1,451,525	115,968	6,681,889
Held-to-maturity financial instruments	182	37,726	185,049	207,131	127,219	6,297	563,604
Property and equipment	-	-	-	-	44,899	221,839	266,738
Intangible assets	-	-	-	-	-	734	734
Non-current assets held for sale	-	-	-	-	-	38,567	38,567
Other assets	1,117	85	90	105	-	69,148	70,545
Total assets	**5,372,966**	**2,670,290**	**2,066,742**	**7,135,578**	**2,061,472**	**1,158,138**	**20,465,186**
LIABILITIES							
Due to central banks	1,814	1	7	1,133	-	8,749	11,704
Due to banks and financial institutions	1,016,433	396,561	90,913	73,531	88,309	10,060	1,675,807
Cash collateral on securities lent and repurchase agreements	1,193	-	-	-	-	-	1,193
Derivative financial instruments	-	-	-	-	-	1,790	1,790
Deposits from customers and related parties	11,139,094	1,746,735	1,916,324	581,758	3,465	118,792	15,506,168
Debt issued and other borrowed funds	-	-	68,108	213,462	-	9,393	290,963
Engagement by acceptances	-	-	-	-	-	335,904	335,904
Current tax liability	982	-	2,957	-	-	36,273	40,212
Deferred tax liability	-	-	-	-	-	15,485	15,485
Other liabilities	136,649	-	22,497	-	-	77,023	236,169
Liabilities linked to held for sale assets	-	-	-	-	-	1,995	1,995
Provision for risks and charges	-	-	2,193	-	-	64,761	66,954
End-of-service benefits	-	-	-	-	583	27,693	28,276
Subordinated notes	-	-	-	296,335	-	3,299	299,634
Total liabilities	**12,296,165**	**2,143,297**	**2,102,999**	**1,166,219**	**92,357**	**711,217**	**18,512,254**
Total interest rate sensitivity gap	**(6,923,199)**	**526,993**	**(36,257)**	**5,969,359**	**1,969,115**	**446,921**	**1,952,932**

52 - RISK MANAGEMENT (continued)
INTEREST RATE RISK AND MARKET RISK (continued)

Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group 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 Group 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 No. 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 analysis calculates the effect of a reasonably possible movement of the currency rate against the Lebanese Pound, 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.

		2009		2008	
Currency	*Change in currency rate %*	LBP Million *Effect on profit before tax*	*Effect on equity*	*Effect on profit before tax*	*Effect on equity*
US Dollar	+5	107	551	2,664	320
Euro	+5	461	5,009	26	5,259
GBP	+5	-	-	(8)	1
Other currencies	+5	594	8,223	(2,130)	7,232

Equity price risk
Equity price risk is the risk that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available for sale. A 5 per cent increase in the value of the Group's available-for-sale equities at 31 December 2010 would have increased equity by LBP 2,493 million (2009: LBP 3,824 million). An equivalent decrease would have resulted in an equivalent but opposite impact.

Prepayment risk
Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties 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.

OPERATIONAL RISK

Operational risk is the risk of loss arising from 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's approach to operational risk is not designed to eliminate risk per se but, rather, to contain it within acceptable levels, as determined by senior management, and to ensure that the Group has sufficient information to make informed decisions about additional controls, adjustments to controls, or other risk responses. The Head of the GRM division is responsible for ensuring the independence, objectivity and effectiveness of the operational risk framework as prepared by the Operational Risk Management (ORM) unit for identification, assessment and measurement of operational risk across the Group. The roles and responsibilities of the ORM unit encompass the development of ORM policies, the assistance and facilitation of ORM programs and tools, the analysis of new products, activities and systems from an operational risk perspective. It is also responsible for promoting of the ORM culture across the Group through awareness sessions and coaching.

The business line managers are directly responsible for managing and mitigating operational risks in their areas of responsibility. Each business line/support function is assigned a "Risk Champion" who will have a dotted line reporting to the ORM unit. This structure is set to confirm the effective implementation of the operational risk framework in the business lines and to ensure transparent assessment and reporting of operational risks. Aside from the Risk Champion, all staff in the Group should play a role in the identification and management of Operational Risk.

53 CAPITAL

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the rules and ratios established by the Bank of Lebanon and the Banking Control Commission.

The primary objectives of the Group's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Groups should maintain a required capital adequacy ratio (not less than 8%) based on their capital funds over the total risk weighted assets. The Group complies in full with all its externally imposed capital requirements (2009: the same).

The Group 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 Group 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 the from previous years, however, it is under constant scrutiny of the Board.

53 - CAPITAL (continued)

Regulatory capital

At 31 December 2010 and 2009, the capital consists of the following:

LBP Million		2010	2009
	Tier 1 capital	2,203,688	1,740,128
	Tier 2 capital	359,295	367,638
	Total capital	**2,562,983**	**2,107,766**
	Risk-weighted assets	**14,743,346**	**13,764,908**

The capital adequacy ratio as of 31 December (including profit for the year less proposed dividends) is as follows:

LBP Million		2010	2009
	Tier 1 capital ratio	14.94%	12.64%
	Total capital ratio	**17.38%**	**15.31%**

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.

54 DIVIDENDS PAID AND PROPOSED

LBP Million		2010	2009
	Declared and paid during the year		
	Equity dividends on ordinary shares: Dividends for 2010: LBP 200 (2009: LBP 157.9)	43,422	34,282
	Equity dividends on priority shares: Dividends for 2010: LBP 200 (2009: LBP 157.9)	41,205	32,531
	Distributions to preferred shares – 2003 series: Distributions for 2010: USD nil (2009: USD 12.00)	-	18,168
	Distributions to preferred shares – 2008 series: Distributions for 2010: USD 8.00 (2009: USD 3.35)	24,032	10,143
	Distributions to preferred shares – 2009 series: Distributions for 2010: USD 3.53 (2009: USD nil)	10,063	-
	Distributions to priority shares Interest paid at 4% of share's nominal value: LBP 48 for 2010 (2009: LBP 48))	9,972	9,889
		128,694	**105,013**

	2010	2009
Proposed for approval at Annual General Assembly (not recognized as a liability as at 31 December)		
Equity dividends on ordinary shares: Dividends for 2010: LBP 200 (2009: LBP 200)	71,898	43,422
Equity dividends on priority shares: Dividends for 2010: LBP 200 (2009: LBP 200)	41,205	41,205
Distributions to preferred shares – 2008 series: Distributions for 2010: USD 8.00 (2009: USD 8.00)	24,120	24,032
Distributions to preferred shares – 2009 series: Distributions for 2010: USD 8.00 (2009: 3.35)	24,120	10,063
Distributions to priority shares: Interest paid at 4% of share's nominal value: LBP 48.40 for 2010 (2009: LBP 48.40)	9,972	9,972
	171,315	**128,694**

LBP Million

Dividends paid by the subsidiaries during the year were as follows:

	2010		2009	
LBP Million	**Dividends paid**	**Non-controlling interest share**	**Dividends paid**	**Non-controlling interest share**
Byblos Bank Africa	4,543	1,960	5,945	2,564
Byblos Invest Bank S.A.L.	23,000	2	22,000	2
Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	2,750	992	2,750	992
Byblos Bank Syria S.A.	5,149	3,012	-	-
	35,442	**5,966**	**30,695**	**3,558**

55 COMPARATIVE INFORMATION

Commissions were reclassified from “interest and similar expense” to “Fee and commission expense”. Comparative figures amounting to LBP 1,719 million were reclassified accordingly.

Loss on foreign exchange was reclassified from “Net trading income” to “Net gain on financial assets”. Comparative figures amounting to LBP 453 million were reclassified accordingly.

Accrual for liability related to equity-linked notes was reclassified from “Derivative financial instruments” to “Debt issued and other borrowed funds”. Comparative figures amounting to LBP 9,354 million were reclassified accordingly.

Other reserves were reclassified from “Other reserves” to “Capital reserves”. Comparative figures amounting to LBP 6,958 million were reclassified accordingly.

These changes did not affect the previously reported results and have been made to improve the quality of information presented.

HELD ON 5 MAY 2011

Resolutions of the Annual Ordinary General Assembly

FIRST RESOLUTION

The General Assembly 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 2010.

SECOND RESOLUTION

The General Assembly decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2010 as follows:

2010 Non-Consolidated Net Income	232,499
Legal Reserves	(23,250)
Special Reserve for Capital Increase	(3,913)
Reserves for General Banking Risk 2010	(25,000)
Reserves for Foreclosed Properties	(1,388)
Reconstitution of Discounts for Preferred Shares Series 2009	(2,412)
Profits Carried Forward from Previous Years	3,896
Net Income Available for Distribution	180,432
Dividends Preferred Shares Series 2008	24,224
Dividends Preferred Shares Series 2009	24,224
Dividends Common Shares	71,898
Dividends Priority Shares	41,205
Interest on Priority Shares (*)	9,518
Profit Carried Forward for 2010	9,363

(*) Annual distribution of interest calculated at 4% of the nominal value of the share, adjusted for the period extending from 1 January 2010 to 10 December 2010.

THIRD RESOLUTION

The General Assembly decides to grant discharge to the Board of Directors and to the Statutory Auditors with respect to the operations of the fiscal year 2010.

FOURTH RESOLUTION

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

- To approve the credits effectively used during the year 2010 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 General Assembly 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, which are attached to these minutes as an integral part thereof;
- In particular, to grant Byblos Bank the right to purchase from Byblos Invest Bank its shareholding in Jordan Ahli Bank, which stood at 11,418,750 shares, at the market price on the Amman Stock Exchange on the date of the trade, provided that the trade takes place after Central Bank of Lebanon approval;
- 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 considered as an integral part of these minutes during fiscal year 2011;
- 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 Assembly decides to fix the fees of the members of the Board of Directors at an annual gross sum of 480 million Lebanese Pounds for the year 2011, to be distributed equally among the members in four equal payments at the end of each quarter.

SIXTH RESOLUTION

The General Assembly decides to fix the fees of the external auditors, Messrs. Semaan Gholam & Co. and Messrs. Ernst & Young, at 500 million Lebanese Pounds for the fiscal year 2011.

SEVENTH RESOLUTION

The General Assembly approves the terms of the contracts of the Chairman and General Manager Dr. François Bassil and the Vice-Chairman and General Manager Mr. Semaan Bassil, 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 Article 158 of the Code of Commerce to carry through their duties in 2011 with the same terms specified in the special report.

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

EIGHTH RESOLUTION

The General Assembly approves the issue of bonds based on the following terms:

a- Issue size	Three hundred million United States Dollars
b- Nominal value of the bond	One thousand United States Dollars
c- Number of bonds issued	Three hundred thousand bonds
d- Type	Registered
e- Interest rate p.a	7%
f- Payment of interest	semi-annually
g- Maturity of bonds	10 years from the issue date. However, Byblos Bank S.A.L. may repay all the bonds issued before maturity, in the event of any amendment to the Lebanese rules and regulations or to their interpretation, that would impose on Byblos Bank a tax of 10% or more on interest earned on these bonds.
h- Listing	to be listed on the London Stock Exchange (or on any other international stock markets) and Beirut Stock Exchange

The General Assembly approves the resolution of issuing bonds based on the terms above, and gives power to the Board of Directors or its Chairman to carry out, before all public or non-public authorities, all arrangements and formalities necessary for the implementation of this resolution, including the determination of the other final terms of the bonds, approval of the prospectus, the subscription agreement, and all other documents in connection with the issue stated in the present minutes.

This resolution is subject to the approval of the Central Bank of Lebanon in accordance with the provisions of Article 9 of Statute No. 308 dated 3 April 2001.

NINTH RESOLUTION

The General Assembly decides to elect Mr. Alain C. Tohmé as Board member in Byblos Bank after the resignation of Mr. Moussa Maksoud for personal reasons. Mr. Tohmé is elected to serve for the remaining tenure of Mr. Maksoud or until the annual Ordinary General Meeting to be held in 2012 to approve the financial statements of the Bank as at and for the year ending 31 December 2011.

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Byblos Bank Europe S.A.

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Turning Crisis into Opportunity

Byblos Bank Europe overcame challenging conditions in 2010, including a debt crisis that affected some parts of the Continent and slowdowns in certain emerging markets. Nonetheless, the robustness of our business model was clearly in evidence as the Bank achieved year-on-year increases in assets (+3.4%), loans (+19%), and customers' deposits (+34%). Alongside our traditional commission income, net interest revenues were reinforced, and profit before taxes and provisions held steady at EUR 7 million. Net profits after taxes, country risk and securities provisions amounted to EUR 3.1 million in 2010, reflecting the Bank's very conservative approach to its eligible European bond holdings. Similarly, Byblos Bank Europe remained in full compliance with the capital adequacy requirements prevailing in Belgium, where the Bank is headquartered.

The Bank continued to develop its Correspondent Banking business with African and Arab institutions throughout the year. Our Brussels Head Office took advantage of more trade finance opportunities in East Africa, and the Paris Branch achieved higher volumes in the Maghreb area, both of which compensated for a relative slowdown in West Africa that affected the London Branch. These results were made possible by a strategy that focuses on shoring up positions in existing markets while seeking out opportunities for additional growth in new ones. While we continue to benefit from the stability of our European base, we are also well-positioned to profit from the dynamic growth prospects of emerging markets in Africa. Individuals and companies with interests in sub-Saharan countries have become an important part of the Bank's clientele in recent years, with Middle Eastern customers particularly attentive to lower European nominal interest and increasingly eager to venture with Byblos Bank Europe into new markets in Africa and the Levant.

General economic conditions in Europe are expected to remain challenging in 2011, but the Bank's market position gives every reason to expect that its results will continue to outperform those of its peers. The Bank expects to build further on its trade finance platform and to keep helping both new and existing customers to identify and exploit commercial and private opportunities in a variety of markets. We also plan to improve our Human Resources position, providing our personnel with more of the skills they need to provide world-class service and therefore to help achieve the Bank's goal of developing new markets in Africa and the Middle East and attract new counterparties interested in correspondent, commercial, and private banking.

31 DECEMBER 2010

Balance Sheet after Appropriation

ASSETS		2010	2009
EUR Thousand	**I. Cash in hand, balances with central banks and post office banks**	**8,993**	**28,912**
	II. Treasury bills eligible for refinancing with central banks	**0**	**0**
	III. Loans and advances to credit institutions	**453,324**	**422,815**
	A. Repayable on demand	12,302	4,133
	B. Other loans and advances (with agreed maturity dates or periods of notice)	441,022	418,682
	IV. Loans and advances to customers	**149,608**	**125,715**
	V. Debt securities and other fixed-income securities	**25,647**	**18,380**
	A. Issued by public bodies	19,242	12,107
	B. Issues by other borrowers	6,405	6,273
	VI. Shares and other variable-yield securities	**0**	**0**
	VII. Financial fixed assets	0	0
	A. Participating interests in affiliated enterprises		
	B. Participating interests in other enterprises linked by participating interests		
	C. Other shares held as financial fixed assets		
	D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests		
	VIII. Formation expenses and intangible fixed assets	**34**	**54**
	IX. Tangible fixed assets	**290**	**250**
	X. Own shares	**0**	**0**
	XI. Other assets	**380**	**1,884**
	XII. Deferred charges and accrued income	**2,050**	**1,405**
	TOTAL ASSETS	**640,326**	**599,415**

LIABILITIES

EUR Thousand

	2010	2009
THIRD PARTIES	**589,215**	**551,426**
I. Amounts owed to credit institutions	**351,949**	**368,698**
A. Repayable on demand	40,384	40,104
B. Amounts owed as a result of the rediscounting of trade bills		
C. Other debts with agreed maturity dates or periods of notice	311,565	328,594
II. Amounts owed to customers	**199,146**	**149,087**
A. Savings deposits	0	0
B. Other debts	199,146	149,087
1. repayable on demand	33,808	34,324
2. with agreed maturity dates or periods of notice	165,338	114,763
3. as a result of the rediscounting of trade bills		
III. Debts evidenced by certificates	**0**	**0**
A. Debt securities and other fixed-income securities in circulation		
B. Other		
IV. Other liabilities	**6,991**	**2,541**
V. Accrued charges and deferred income	**1,129**	**607**
VI. Provisions and deferred taxes	**0**	**493**
A. Provisions for liabilities and charges	0	493
1. Pensions and similar obligations		
2. Taxation		
3. Other liabilities and charges		493
B. Deferred taxes	0	0
VII. Fund for general banking risks	**0**	**0**
VIII. Subordinated liabilities	**30,000**	**30,000**
CAPITAL AND RESERVES	**51,111**	**47,989**
IX. Capital	**20,000**	**20,000**
A. Subscribed capital	20,000	20,000
B. Uncalled capital (-)		
X. Share premium surpluses	**0**	**0**
XI. Revaluation surpluses	**0**	**0**
XII. Reserves	**31,101**	**27,984**
A. Legal reserve	2,086	1,929
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	28,949	25,989
XIII. Profits (losses) brought forward (+)/(-)	**10**	**5**
TOTAL LIABILITIES	**640,326**	**599,415**

Bassam A. Nassar
Chairman

Fouad N. Trad
Managing Director and CEO

31 DECEMBER 2010

Off-Balance-Sheet Items

EUR Thousand		2010	2009
	I. Contingent liabilities	**268,185**	**264,165**
	A. Non-negotiated acceptances	23,169	40,960
	B. Guarantees serving as direct credit substitutes	2,465	1,805
	C. Other guarantees	31,528	35,068
	D. Documentary credits	211,023	186,332
	E. Assets charged as collateral security on behalf of third parties		
	II. Commitments which could give rise to a risk	**250,299**	**53,888**
	A. Firm credit commitments	39	174
	B. Commitments as a result of spot purchases of transferable or other securities	0	0
	C. Undrawn margin on confirmed credit lines	250,260	53,714
	D. Underwriting and placing commitments		
	E. Commitments as a result of open-ended sale and repurchase agreements	0	0
	III. Assets lodged with the credit institutions	**202,481**	**148,766**
	A. Assets held by the credit institution for fiduciary purposes		
	B. Safe custody and equivalent items	202,481	148,766
	IV. Uncalled amounts of share capital	**0**	**00**

CHARGES

EUR Thousand

	2010	2009
II. Interest payable and similar charges	**3,677**	**5,647**
V. Commissions payable	**560**	**607**
VI. Losses on financial transactions	**0**	**0**
A. On trading of securities and other financial instruments		
B. On disposal of investment securities		
VII. General administrative expenses	**8,174**	**8,487**
A. Remuneration, social security costs and pensions	5,399	5,692
B. Other administrative expenses	2,775	2,795
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	**239**	**201**
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"	**226**	**224**
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	**2,117**	**0**
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"	**0**	**493**
XIII. Transfer to the fund for general banking risks	**0**	**0**
XV. Other operating charges	**1,493**	**1,553**
XVIII. Extraordinary charges	**8**	**21**
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	8	21
XIX bis. A. Transfer to deferred taxes	**0**	**0**
XX. A. Income taxes	**2,444**	**1,748**
XXI. Profits for the period	**3,122**	**5,501**
XXII. Transfer to untaxed reserves	**0**	**0**
XXIII. Profits for the period available for appropriation	**3,122**	**5,501**

Income Statement

INCOME

EUR Thousand

	2010	2009
I. Interest receivable and similar income	**10,572**	**11,278**
A. of which: from fixed-yield income	1,545	1,161
III. Income from variable-yield securities	**0**	**0**
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	**9,598**	**10,632**
A. Commissions and brokerage	8,183	9,504
B. Remuneration for management services and safekeeping	29	53
C. Other commission received	1,386	1,075
VI. Profit on financial transactions	**392**	**255**
A. On trading of securities and other financial instruments	392	255
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**	**493**
X. Decrease in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	**0**	**0**
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"	**0**	**0**
XIII. Transfer from the fund for general banking risks	**0**	**0**
XIV. Other operating income	**899**	**811**
XVII. Extraordinary income	**106**	**1,009**
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 charges		
D. Gain on disposal of fixed assets		
E. Other extraordinary income	106	1,009
XIX bis. B. Transfer from deferred taxes	**0**	**0**
XX. B. Adjustment of income and taxes and write-back of tax provisions	**493**	**3**
XXI. Losses for the period	**0**	**0**
XXII. Transfer form untaxed reserves	**0**	**0**
XXIII. Losses for the period available for appropriation	**0**	**0**

APPROPRIATION ACCOUNT

EUR Thousand

	2010	2009
A. Profit (Losses) to be appropriated	**3,127**	**5,579**
1. Profits (Losses) for the period available for appropriation	3,122	5,501
2. Profits (Losses) brought forward	5	78
B. Transfers from capital and reserves	**0**	**0**
1. From capital and share premium account		
2. From reserves		
C. Appropriations to capital and reserves	**(3,117)**	**(5,575)**
1. To capital and share premium account		
2. To legal reserve	157	275
3. To other reserves	2,960	5,300
D. Result to be carried forward	**(10)**	**(5)**
E. Shareholders’ contribution in respect of losses	**0**	**0**
F. Distribution of profits	**0**	**0**
1. Dividends		
2. Directors’ entitlements		
3. Other allocations		

Byblos Bank Africa

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Overcoming Adversity

Sudan experienced significant challenges on both the economic and political fronts in 2010, but Byblos Bank Africa surmounted all hurdles to maintain its leading position among local and international competitors. The key success factor was the Bank's ability, thanks to close support extended by Byblos Bank S.A.L., to offer world-class services in this challenging and still-developing market.

Despite the adverse conditions, Byblos Bank Africa's financial results remained strong, with net profit holding steady and again making a considerable contribution to the Group's consolidated profits. The Bank also retained its healthy market share in the face of new competitors. We are now operating through three branches and have finalized preparations to upgrade our premises by moving into a new Head Office in Khartoum Center. In addition, intensive training and constant evaluation were carried out in order to expand the skill-sets of new and existing employees alike, further strengthening their ability to deliver the outstanding personalized service for which Byblos Bank is known.

Looking ahead, the Bank's plan for 2011 includes strong emphasis on increasing our customer base, and therefore diversifying our sources of revenue. Accordingly, the Bank will focus on several key areas in which it enjoys unique expertise, including financing import and export businesses, as well as financing the capital expenditures of new local factories. In addition, Byblos Africa will continue to enlarge its foreign-currency inflows by using its sterling reputation to attract the accounts of investors, non-governmental organizations, and foreign embassies.

YEAR ENDED 31 DECEMBER 2010

Income Statement

SDG	2010	2009
Income from deferred sales	33,257,921	23,661,071
Income from investments	18,312,625	25,460,580
	51,570,546	49,121,651
Less: return on unrestricted investment deposits	(15,086,461)	(15,123,869)
Less: interest paid to correspondents	(760,068)	(1,013,119)
BANK'S SHARE ON INVESTMENT INCOME	**35,724,017**	**32,984,663**
Banking services	18,369,467	18,709,156
Other operating income	7,350,103	8,701,514
TOTAL OPERATING INCOME	**61,443,587**	**60,395,333**
Staff expenses	8,216,231	5,956,256
Depreciation and amortization	6,106,191	4,668,337
General and administration expenses	5,908,497	4,622,574
Provision for investment risks	6,000,000	6,000,000
Management agreement fees	6,019,923	6,364,706
Provision for contingent liability	1,388,178	1,297,337
TOTAL EXPENSES	**33,639,020**	**28,909,210**
PROFIT BEFORE TAXATION AND ZAKAT	**27,804,567**	**31,486,123**
Zakat	(500,000)	(450,000)
Taxation	(4,194,087)	(4,147,111)
NET PROFIT FOR THE YEAR	**23,110,480**	**26,889,012**

Statement of Financial Position

31 DECEMBER 2010

SDG

	2010	2009
ASSETS		
Cash and cash equivalents	251,759,800	162,358,188
Deferred sales receivables	369,492,388	275,701,425
Short-term investments	152,534,742	200,041,932
Long-term investments	93,750	93,750
Fixed assets — net	91,399,434	66,197,026
Establishment expenses — net	107,127	187,088
Other assets	1,186,150	952,248
TOTAL ASSETS	**866,573,391**	**705,531,657**
LIABILITIES AND SHAREHOLDERS' EQUITY		
LIABILITIES		
Customers' current accounts	389,080,890	327,833,940
Banks and correspondents	15,239,480	9,750,682
Other liabilities	7,912,101	14,238,697
Provisions	15,892,639	15,995,542
	428,125,110	367,818,861
Unrestricted investment accounts holders	**262,986,849**	**176,023,844**
SHAREHOLDERS' EQUITY		
Share capital	93,380,000	93,380,000
Share premium	10,621,200	10,621,200
General reserve	36,030,620	21,030,620
Legal reserves	14,482,189	12,171,141
Retained earnings	20,947,423	24,485,991
TOTAL SHAREHOLDERS' EQUITY	**175,461,432**	**161,688,952**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**866,573,391**	**705,531,657**
Contra accounts	**105,185,388**	**106,943,846**

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Nicolas Salibi
General Manager

Byblos Bank Syria S.A.

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Growing from Strength to Strength

Byblos Bank Syria recorded another set of impressive results in 2010, continuing an ambitious plan to strengthen its position in the Syrian market. The Bank's strategy for the year involved virtually all aspects of its operations, including strong growth in customers' deposits and loans, expansion of its branch network, and a significant increase in share capital.

As at 31 December 2010, customers' deposits stood at SYP 35.3 billion (USD 753.5 million) and net customers' loans reached SYP 22.5 billion (USD 481.1 million), recording year-on-year increases of 26.8% and 37.8% respectively. Total assets at year-end stood at SYP 43.9 billion (USD 937.1 million), an increase of 30.9% over the same date in 2009. The Bank's market share in total assets – among all commercial and Islamic banks operating in Syria – rose from 6.46% as at the end of December 2009 to 6.55% at the end of 2010.

Byblos Bank Syria increased its share capital to SYP 4 billion (USD 85.6 million) as of June 2010 in order to comply with the minimum capital adequacy ratio of 8% set by the Central Bank of Syria. Another capital increase is planned for 2011 to reach SYP 5 billion (USD 107 million) in anticipation of a new law that will be issued by the Syrian government.

In addition, as part of Byblos Bank Syria's network expansion, a second branch was opened in Aleppo in mid-August 2010, and construction began on another in Sweida.

The Bank's main goal for 2011 is to achieve growth of 30% in total assets, a target that will be sustained by several mutually supporting objectives. We plan to open four new branches during the year, providing a broader platform to generate new business.

Regarding retail banking, new products will be rolled out, including Small Business Loans, Professional Loans, Seasonal Loans, and Educational Loans. Housing Loans are expected to increase by 300%, a goal made possible by the parallel penetration of our commercial banking department in the construction industry.

Simultaneously, the cost of deposits is expected to steadily decrease as we will focus on reducing the concentration of large depositors (more than USD 3 million), increasing long-term (six months and longer) deposits, and encouraging the opening of current accounts by offering special bouquet products.

Byblos Bank Syria also expects to start offering Bancassurance and Online Banking services in 2011, as well as some tailor-made products designed for special events such as auto, construction, and medical conferences.

Commercial lending will focus on selected opportunities in the construction industry, including Project Finance and mega-projects, particularly those backed by the state. We also plan to enter new industries such as oil and gas, and the contracting sector. In addition, we will work on increasing our commercial utilizations in foreign currencies. Middle Market lending will be our major priority due to its higher income and strong collaterals.

YEAR ENDED 31 DECEMBER 2010

Income Statement and Other Comprehensive Income

SYP	2010	2009
Interest income	1,784,810,456	1,541,382,694
Interest expense	-1,035,572,414	-851,254,381
Net interest income	**749,238,042**	**690,128,313**
Fee and commission income	218,591,855	186,260,019
Fee and commission expenses	-5,945,388	-6,496,158
Net fee and commission income	**212,646,467**	**179,763,861**
Net interest, fee and commission income	**961,884,509**	**869,892,174**
Gain less losses arising from dealing in foreign currencies	52,324,284	36,035,194
Unrealized net foreign exchange difference on structural position	41,907,591	-14,945,066
Profit from financial investments — loans and receivables	39,763,509	36,138,198
Provision for the decrease in the value of other financial instruments and investments	-26,306,163	
Total operating income	**1,069,573,730**	**927,120,500**
Personnel expenses	-342,700,195	-291,692,150
Depreciation of fixed assets	-127,550,594	-109,585,868
Amortization of intangible assets	-3,023,397	-2,851,443
Credit loss expense	-24,091,574	-60,466,023
Miscellaneous provisions	-400,207	1,184,658
Other operating expenses	-248,800,160	-199,731,656
Total operating expenses	**-746,566,127**	**-663,142,482**
PROFIT BEFORE TAX	**323,007,603**	**263,978,018**
Income tax expense	-91,884,221	-87,170,000
PROFIT FOR THE YEAR	**231,123,382**	**176,808,018**
Basic earnings per share	**37.46**	**44.2**

Statement of Financial Position

	2010	2009	
ASSETS			SYP
Cash and balances with central banks	7,535,973,009	4,485,421,922	
Balances due from banks	3,372,517,046	3,653,223,757	
Placements due from banks	4,705,789,641	3,904,890,840	
Loans and advances to customers	22,389,618,764	16,285,005,596	
Financial investments — loans and receivables	1,298,494,833	2,499,698,770	
Financial investments — available for sale	1,208,972,216	62,500,000	
Premises, equipment and projects under construction	1,267,053,059	1,300,518,862	
Intangible assets	7,472,649	7,017,155	
Other assets	403,398,080	318,268,878	
Statutory blocked funds	387,430,938	183,240,179	
TOTAL ASSETS	**42,576,720,235**	**32,699,785,959**	
LIABILITIES AND EQUITY			
LIABILITIES AND EQUITY			
Due to banks	2,603,548,657	2,339,780,330	
Due to customers	33,611,647,347	26,857,908,557	
Margin accounts	1,217,283,629	679,410,630	
Current tax liabilities	91,884,221	87,170,000	
Miscellaneous provisions	24,361,811	1,294,481	
Other liabilities	639,431,985	432,597,921	
TOTAL LIABILITIES	**38,188,157,650**	**30,398,161,919**	
EQUITY			
Share capital	4,000,000,000	2,000,000,000	
Statutory reserve	93,013,352	64,903,351	
Special reserve	93,013,352	64,903,351	
General reserves for financing risks	147,461,067		
Available-for-sale reserve	16,712,606	897,443	
Retained earnings	164,052,826	338,518,104	
Accumulated losses related to unrealized net foreign exchange losses on structural position	-125,690,618	-167,598,209	
TOTAL EQUITY	**4,388,562,585**	**2,301,624,040**	
TOTAL LIABILITIES AND EQUITY	**42,576,720,235**	**32,699,785,959**	

These accounts have been approved by the Board of Directors.

Semaan F. Bassil
Chairman

Georges Sfeir
General Manager

Byblos Bank Armenia C.J.S.C.

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Living up to Our Promise

Byblos Bank Armenia continued to expand its domestic presence in 2010, following a strategy that addresses local banking needs. Commercial Banking made progress toward its goal of achieving a decisive market share by offering competitive financial solutions to large companies in the manufacturing, trade, food processing, transport, infrastructure, telecommunications, and service sectors. Consumer Banking also attracted more customers with a varied line of products and services built around mortgage, auto and personal loans, as well as deposit and other accounts. In addition, the Bank was actively engaged in the local interbank market and took pride in implementing the Group's high standards for Corporate Social Responsibility by supporting cultural and sporting events, as well as community development.

Coupled with investments in training our employees and upgrading our branch network, these and other activities were rewarded by stronger performance indicators, an enviable public image, and improved overall financial results, all of which helped to position Byblos Bank Armenia for strong organic growth going forward.

One of the Bank's most important accomplishments in 2010 was its securing of long-term funding from both the European Bank for Reconstruction and Development (EBRD) and the OPEC Fund for International Development (OFID). These funds are now being used to finance small- and medium-size enterprises (SMEs). Aiming to diversify its client base and risk profile, the Bank entered into an agreement with the Central Bank of Armenia and the German Armenian Fund to participate in hydro and renewable energy projects, which have strategic importance to the Armenian economy.

The Bank also has been shortlisted for accreditation under the World Bank's SME funding project, a process expected to be completed in 2011. The branch network's status as primary platform for future growth was enhanced by the renovation and upgrading of the Bank's second branch in Yerevan, and by the acquisition of new premises in Vanadzor. Recruitment and training of a new team for the latter proceeded according to schedule, ensuring that the branch will be ready to provide quality service upon opening. On the technical front, Byblos Bank Armenia also took steps to cope with increasing business volumes and ameliorate its internal control environment by upgrading its core banking operating system to the latest version.

The Bank's foremost goals for 2011 include greater risk diversification in its commercial portfolio by attracting more clients in the middle-market segment, as well as smooth launches of the new branch in Yerevan and the relocated branch in Vanadzor. The introductions of Credit Cards and Online Banking are expected to help attract more high-end individual customers, as is our continuing focus on tailoring key Group products to the local market. These and other efforts are expected to have mutual synergies with another goal, namely building the Byblos Bank Armenia brand by increasing market awareness through a variety of channels.

Income Statement and Other Comprehensive Income

AMD Thousand

	2010	2009
Interest income	2,197,036	1,674,237
Interest expense	(850,428)	(543,468)
Net interest income	**1,346,608**	**1,130,769**
Fee and commission income	69,221	47,363
Fee and commission expenses	(42,091)	(30,439)
Net fee and commission income	**27,130**	**16,924**
Net foreign exchange income	72,193	87,501
Net loss on available-for-sale financial assets	(204)	-
Other operating income	33,020	33,764
Operating income	**1,478,747**	**1,268,958**
Impairment losses	(209,713)	(283,875)
Personnel expenses	(592,093)	(438,969)
Other general administrative expenses	(332,499)	(319,574)
Profit before income tax	**344,442**	**226,540**
Income tax expense	(97,815)	(56,151)
Profit for the year	**246,627**	**170,389**
Other comprehensive income, net of income tax		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	46,374	1,414
- Net change in fair value, transferred to profit or loss	(8,388)	-
Other comprehensive income for the year, net of tax	**37,986**	**1,414**
Comprehensive income	**284,613**	**171,803**

Statement of Financial Position

AMD Thousand

31 December	2010	2009
ASSETS		
Cash and cash equivalents	5,200,846	1,532,320
Available-for-sale financial assets		
- Held by the bank	1,019,755	493,468
- Pledged under repurchase agreements	-	298,995
Loans and advances to banks	5,815,609	2,515,163
Loans to customers	15,862,069	12,048,787
Property, equipment and intangible assets	782,764	616,464
Other assets	101,030	83,722
Total assets	28,782,073	17,588,919
LIABILITIES		
Deposits and balances from banks	7,293,877	586,557
Current accounts and deposits from customers	10,686,996	8,496,388
Other borrowed funds	1,930,470	-
Other liabilities	181,249	92,557
Deferred tax liability	22,271	30,820
Total liabilities	20,114,863	9,206,322
EQUITY		
Share capital	8,125,100	8,125,100
Share premium	257,149	257,149
Revaluation reserve for available-for-sale financial assets	38,617	631
Retained earnings / (accumulated losses)	246,344	(283)
Total equity	8,667,210	8,382,597
Total liabilities and equity	28,782,073	17,588,919

Dr. François S. Bassil
Chairman

Ararat Ghukasyan
CEO

Byblos Bank RDC S.A.R.L.

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Entering a New Market in Africa

On 27 March 2010, Byblos Bank S.A.L. participated in the capital increase of Solidaire Banque Internationale S.A.R.L., a bank incorporated in the Democratic Republic of the Congo. Byblos Bank S.A.L. became the major shareholder, with 66.67 percent of the shares, and acquired management control. Renamed Byblos Bank RDC S.A.R.L., the Bank operates as an independent subsidiary of the Byblos Bank Group.

Byblos Bank RDC S.A.R.L. provides mainly commercial lending, transfers and payments, letters of credit, letters of guarantee, and documentary collection services. The Democratic Republic of the Congo was a strategic choice for the Byblos Bank Group because it allows us to serve the many Lebanese expatriates who are established there, as well as Congolese and European businesspeople seeking to work with an internationally renowned bank providing world-class services.

During 2010, Byblos Bank RDC S.A.R.L. concentrated on catering to a select group of prime corporate customers. This strategy will continue going forward, with the aim of attracting more international clientele.

YEAR ENDED
31 DECEMBER 2010

Income Statement

CDF

	2010	2009
Interest income from treasury and interbank operations	233,754,577	253,060,890
Interest income from customers	825,131,116	187,626,388
Interest paid on treasury and interbank operations	(59,124,409)	(91,865,891)
Interest paid to customers	-	-
NET INTEREST INCOME	**999,761,284**	**348,821,387**
Income from miscellaneous bank operations	930,578,571	1,780,002,312
Expenses on miscellaneous bank operations	-	(370,008,415)
NET INCOME FROM BANKING OPERATIONS	**1,930,339,855**	**1,758,815,284**
Other income	106,615,603	69,300,437
General operating expenses	(1,552,456,595)	(657,461,685)
Personnel and other related charges	(712,176,939)	(380,750,466)
Other taxes	(101,622,677)	(9,753,091)
GROSS OPERATING INCOME	**(329,300,753)**	**780,150,479**
Depreciation and amortization	(308,291,507)	(91,895,279)
NET OPERATING INCOME BEFORE TAXES AND EXTRAORDINARY TRANSACTIONS	**(637,592,260)**	**688,255,200**
Gain (Loss) from disposal of assets	(1,430,963)	-
Provisions and net credit loss expenses	(2,315,636,891)	(1,239,512,503)
Extraordinary (expense)/revenue	(9,032,665)	26,982,641
NET OPERATING INCOME BEFORE TAXES	**(2,963,692,779)**	**(524,274,662)**
Income tax expenses	(2,267,546)	-
NET INCOME OF THE PERIOD	**(2,965,960,325)**	**(524,274,662)**

Statement of Financial Position

31 DECEMBER 2010

CDF

	2010	2009
ASSETS		
Treasury and interbank operations		
Cash and balances with central bank	4,969,012,247	1,278,296,938
Correspondents' current accounts	153,274,343	1,203,664,382
Placements with banks	750,000,000	0
	5,872,286,590	**2,481,961,320**
Customers' operations		
Loans and advances to customers	8,167,327,436	2,978,951,520
Regularization and other debit balances		
Regularization accounts	75,389,264	31,730,125
Other assets	1,928,398,451	182,972,124
	2,003,787,715	**214,702,249**
Fixed assets		
Tangible and intangible fixed assets	2,569,029,765	1,253,968,193
Other fixed assets	38,248,750	27,086,400
	2,607,278,515	**1,281,054,593**
TOTAL ASSETS	**18,650,680,256**	**6,956,669,682**
Off Balance Sheet		
Commitments given	1,003,765,508	1,950,197,841
Commitments received	19,473,256,223	81,723,087
LIABILITIES		
Treasury and interbank operations		
Correspondents' current accounts	2,774,774,349	0
Customers' operations		
Customers' deposits	3,772,354,375	2,980,977,202
Regularization and other credit balances		
Regularization accounts	131,826,958	16,139,000
Other liabilities	438,337,623	96,265,982
	570,164,581	**112,404,982**
General provisions	86,630,875	2,012,102
Provisions for risk and charges	26,000,000	0
	112,630,875	**2,012,102**
Equity		
Capital	12,055,000,000	2,805,000,000
Revaluation variance	542,575,314	511,716,400
Provision for reconstitution of capital	1,789,141,087	1,695,000,000
	14,386,716,401	**5,011,716,400**
Profit/Loss		
Brought forward results	0	(626,166,342)
Net result of the financial period — Loss	(2,965,960,325)	(524,274,662)
	(2,965,960,325)	**(1,150,441,004)**
TOTAL LIABILITIES AND EQUITY	**18,650,680,256**	**6,956,669,682**

These accounts have been approved by the Board of Directors.

Daniel Ribant
Chairman

Michel El-Amm
General Manager

194 Byblos Invest Bank S.A.L.

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YEAR ENDED
31 DECEMBER 2010

Income Statement and Other Comprehensive Income

LBP Million

	2010	2009
Interest income	159,836	120,026
Interest expense	(122,126)	(96,758)
Net interest income before provisions	**37,710**	**23,268**
Fee and commission income	220	223
Fee and commission expenses	(338)	(308)
Net commissions income	**(118)**	**(85)**
Net trading income	579	8,217
Net gain or loss on financial assets	3,575	5,134
Other operating income	164	277
Total operating income	**41,910**	**36,811**
Personnel expenses	(1,062)	(1,236)
Depreciation and provision for tangible and intangible fixed assets	(52)	(53)
Other operating expenses	(11,417)	(9,799)
Total operating expenses	**(12,531)**	**(11,088)**
Operating income	**29,379**	**25,723**
Income from subsidiaries	**1,583**	**1,583**
Net loss on disposal of other assets	**(7)**	
Net income before taxes	**30,955**	**27,306**
Income taxes		
Net income	**30,955**	**27,306**
Other comprehensive income		
- Revaluation variance for available-for-sale securities	10,882	1,113
- Deferred tax (expense)/benefit	(1,632)	(1,552)
Other comprehensive income	**9,250**	**(439)**
Total net income	**40,205**	**26,867**

Statement of Financial Position

	2010	2009
ASSETS		
Cash and balances with central banks	22,537	29,152
Head office and sister companies	50,507	239,205
Derivative financial instruments		9,354
Financial Investments — trading	14,866	30,892
Financial investments — available for sale	137,654	126,769
Financial investments — loans and receivables	1,164,220	1,224,967
Investments in associates	5,870	8,582
Tangible fixed assets	89	137
Other assets	2,265	2,265
TOTAL ASSETS	**1,398,008**	**1,671,323**
LIABILITIES AND EQUITY		
Banks and financial institutions		44,435
Head office and sister companies	109,516	99,557
Derivative financial instruments		9,354
Deposits from customers	1,162,710	1,303,049
Related parties' deposits	19,201	56,694
Liabilities under financial instruments		68,920
Current tax liabilities	504	2,967
Deferred tax liabilities	3,184	1,552
Other liabilities	23,906	22,979
Provisions for risk and charges	41	39
Provision for end-of-service indemnity	49	85
TOTAL LIABILITIES	**1,319,111**	**1,609,631**
EQUITY		
Share capital – ordinary common	30,000	30,000
Capital reserve	9,720	6,209
Retained earnings	178	4,383
Cumulative changes in fair value	18,044	8,794
Net profit (loss) of the period	30,955	27,306
Proposed dividend from current year profit	(10,000)	(15,000)
TOTAL EQUITY	**78,897**	**61,692**
TOTAL LIABILITIES AND EQUITY	**1,398,008**	**1,671,323**

LBP Million

Sami Haddad
Chairman and General Manager

Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)

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Covering All Our Bases

Adonis Insurance and Reinsurance Co. S.A.L. (ADIR) improved its results in 2010, while reinforcing its institutional structures and maintaining a conservative underwriting strategy in order to ensure even greater profitability in the future.

ADIR's main objectives for the year were to optimize the administrative work-flow with Byblos Bank, improve the collection process, and strengthen all reporting functions to ensure high efficiency at both ends. The Company's plans also sought to boost Bancassurance production by enhancing the joint Animation Process with Byblos Bank and introducing packaged products. These elements of the strategy were part of ADIR's constant focus on offering a full range of products and services in order to fulfill customers' expectations of a "One-Stop Shop" at each and every branch of Byblos Bank.

For the year ended 31 December 2010, the Company posted return on equity of 20% and net declared profits of USD 4.145 million. Another achievement was a reduction in the ratio of unpaid premiums after three months from issuance to 0.3% as at end-2010.

Bancassurance production also increased in terms of total premiums, thanks largely to a loyalty program that encouraged customers to feed their investment plans with unscheduled payments. Another contributor was the introduction of ADIR's first packaged product under Byblos Bank's Easy Save Account, which now offers the practicality of a combined banking/insurance solution at very competitive pricing. These and other gains were also supported by improvements to administrative work-flow between ADIR and Byblos Bank, including the project for centralization of follow-up functions at the Bank and ongoing technical developments.

All of ADIR's goals for 2011 are aimed at furthering the long-term strategy of creating sustainable value. Specific objectives include return on equity of at least 18%; a ratio of unpaid premiums after three months from issuance of less than 1%; an increase in share of wallet through optimized cross-selling operations; an improvement of employee productivity; and continued emphasis on streamlining all processes with Byblos Bank.

To support these objectives, the Company will work hard to implement the Animation Process, focus on global training and coaching in order to boost production in terms of both number of contracts and premium amounts, and decrease the cancellation rate. ADIR also plans to develop additional packaged products to be commercialized through Byblos Bank's network.

The process enhancements that were developed in 2010 between the Company and Byblos Bank will be deployed in 2011, as will the centralization of insurance follow-up at the Bank. Special focus will be placed on optimizing coordination between Byblos Bank and ADIR, in particular a vigorous extension of the review of product features and processes which began in December 2010.

Finally, the Company will maintain and continue to fine-tune its customer-oriented approach of ensuring high levels of service delivery through a dedicated team of professionals.

Adonis Insurance and Reinsurance Co. S.A.L.

31 DECEMBER 2010

Statement of Financial Position

ASSETS		2010	2009
LBP	**Intangible assets**	**79,036,306**	**49,249,319**
	Investments		
	Investment in subsidiaries and associates	8,897,995,747	8,815,901,817
	Fixed-income securities and similar investments	13,591,089,000	25,761,710,275
	Equity and similar investments	1,945,107,169	787,222,530
	Cash and demand deposits	5,917,288,965	5,156,076,721
	Blocked bank deposits with maturities of more than three months	46,528,588,959	25,056,696,236
	Bank deposits blocked in favor of Ministry of Economy and Trade guarantees	8,939,395,265	8,939,395,265
	Bank deposits blocked in favor of other parties	673,098,027	548,178,105
		86,492,563,132	**75,065,180,949**
	Unit-linked contracts investments		
	Fixed-income securities and similar investments	26,909,467,589	23,415,924,999
	Equity and similar investments	11,336,919,032	8,575,122,305
	Cash and similar investments	31,009,275,575	19,997,928,180
		69,255,662,196	**51,988,975,484**
	Reinsurance share in technical reserve – life		
	Reinsurance share in premium reserves	12,360,542,023	9,575,657,412
	Reinsurance share in claims reserves	560,700,384	330,755,392
		12,921,242,407	**9,906,412,804**
	Reinsurance share in technical reserve – non-life		
	Reinsurance share in premium reserves	1,658,955,641	1,422,258,287
	Reinsurance share in claims reserves	480,516,570	841,151,591
		2,139,472,211	**2,263,409,878**
	Receivable under insurance business	**3,156,727,543**	**2,851,113,702**
	Receivable under reinsurance contracts	**156,796,804**	**1,149,599,470**
	Other assets		
	Non-investment properties	2,168,751,268	2,398,611,148
	Operating fixed assets	1,054,502,565	1,296,755,473
		3,223,253,833	**3,695,366,621**
	Other receivables	**101,046,910**	**251,618,932**
	Deferred acquisition cost	**6,177,151,579**	**4,230,476,315**
	Total assets	**183,702,952,921**	**151,451,403,474**

LIABILITIES AND SHAREHOLDERS' EQUITY

LBP

	2010	2009
Shareholders' equity		
Authorized and paid-up capital	25,000,000,000	5,000,000,000
Legal and general reserves	1,742,000,000	19,442,000,000
Balance carried forward	3,272,038	2,459,917
Profit for the year	6,249,906,731	5,050,812,121
	32,995,178,769	**29,495,272,038**
Life technical reserves		
Mathematical reserve	7,879,417,427	6,344,612,773
Unearned premium reserve	10,982,041,697	8,389,804,943
Outstanding claims reserve	673,412,694	358,054,862
Incurred but not reported reserve – IBNR	220,702,640	144,294,723
Loss adjustment expenses reserve	26,823,460	15,070,487
Policyholders' dividend reserve	5,742,796,753	3,966,696,493
	25,525,194,671	**19,218,534,281**
Unit-linked technical reserves		
Mathematical reserve – unit-linked	**61,472,767,870**	**46,811,680,668**
Non-life technical reserves		
Unearned premium reserve	34,970,588,021	30,988,761,661
Outstanding claims reserve	3,201,522,644	3,598,039,679
Incurred but not reported reserve – IBNR	181,712,950	142,747,719
Loss adjustment expenses reserve	101,497,068	109,295,791
Premium deficiency reserve	3,970,707,000	3,146,382,000
	42,426,027,683	**37,985,226,850**
Provision for risks and charges	**500,000,000**	**450,000,000**
Debt for funds held under reinsurance treaties	**12,927,271,564**	**9,929,377,000**
Liabilities under insurance business		
Liabilities under direct business	927,243,578	1,164,925,255
Liabilities under indirect business	460,194,945	198,113,460
	1,387,438,523	**1,363,038,715**
Liabilities under reinsurance contracts	**1,015,665,766**	**1,684,741,014**
Other liabilities		
Due to personnel	46,293,150	46,291,067
Tax due	2,357,656,595	3,209,829,781
Amounts due to related parties	97,200,000	75,600,000
Other creditors	1,082,034,416	971,807,880
	3,583,184,161	**4,303,528,728**
Adjustment items		
Unearned revenues	1,675,943,066	-
Accrued expenses	194,280,848	210,004,180
	1,870,223,914	**210,004,180**
Total liabilities and shareholders' equity	**183,702,952,921**	**151,451,403,474**
Off financial position		
Letters of guarantee	21,806,250	48,986,250

Adonis Insurance and
Reinsurance Co. S.A.L.

YEAR ENDED
31 DECEMBER 2010

Income Statement

LBP

	2010	2009
NET PREMIUMS		
Premiums issued and accepted		
Life contracts	13,174,491,426	10,946,832,246
Other contracts	27,583,812,784	41,579,474,039
Mathematical reserve variation	-1,534,804,654	-1,098,594,374
Unearned premium reserve	-6,574,063,114	-23,606,637,218
	32,649,436,442	**27,821,074,693**
Ceded premiums		
Life contracts	-8,509,170,615	-6,867,171,798
Other contracts	-6,094,831,814	-5,592,986,412
Mathematical reserve variation	1,398,892,896	1,024,797,228
Unearned premium reserve	1,622,689,069	1,139,454,396
	-11,582,420,464	-10,295,906,586
Net premiums	**21,067,015,978**	**17,525,168,107**
Other revenue		
Fee and commission income	3,613,800,645	5,359,684,768
Investment income	7,915,132,176	6,590,943,021
Other revenues	265,105,437	840,257,322
Other revenue	**11,794,038,258**	**12,790,885,111**
Total revenue	**32,861,054,236**	**30,316,053,218**
Net benefits and claims		
Gross benefits and claims paid	-15,324,281,038	-12,560,624,393
Claims ceded to reinsurers	3,014,346,205	1,438,866,593
Gross change in contract liabilities	-862,493,193	-3,236,277,164
Change in contract liabilities ceded to reinsurers	-130,690,029	464,510,310
Net benefits and claims	**-13,303,118,055**	**-13,893,524,654**
Other expenses		
Other operating and administrative expenses	-6,965,357,304	-6,359,078,981
Commission paid to intermediaries	-2,943,130,860	-2,340,176,698
Finance costs	-2,729,158,073	-2,191,574,939
Taxes related to capital increase	-130,225,000	0
Other expenses	**-12,767,871,237**	**-10,890,830,618**
	-26,070,989,292	**-24,784,355,272**
Profit before tax	**6,790,064,944**	**5,531,697,946**
Income tax expense	-540,158,213	-480,885,825
Profit for the year	**6,249,906,731**	**5,050,812,121**

Statement of Cash Flows

YEAR ENDED
31 DECEMBER 2010

	2010	2009
OPERATING ACTIVITIES		LBP
Profit before taxation	6,790,064,944	5,531,697,946
Adjustments for:		
- Depreciation and amortization	719,412,066	627,348,953
- Provisions	60,500,000	31,971,296
- Write-back of provisions	-70,145,711	-309,455,050
- Gain on sale of property and equipment	-2,137,558	-14,321,250
- Change in technical reserves – net	5,087,285,803	22,540,979,968
- Fair value (gains) losses on investment for trading	-81,540,199	-94,274,525
- Deferred policy acquisition costs amortized	2,943,130,860	2,340,176,698
	15,446,570,205	**30,654,124,036**
- Investments held for trading	-1,076,344,440	-426,877,268
- Reinsurers' balances	335,347,013	6,945,133
- Premiums receivable	-247,087,725	95,621,746
- Deferred policy acquisition costs	-4,854,032,718	-4,640,701,053
- Changes in insurance contracts liabilities	993,183,222	2,771,766,854
- Investment contracts liabilities	16,437,187,463	14,708,292,363
- Other liabilities	1,287,497,527	-13,821,273,438
- Other assets	-43,979,148	-9,132,842
- Margin for guarantees	-124,919,922	-5,567,593
- Investment held to cover investment contracts liabilities	-17,266,686,712	-15,274,414,277
- Cash from operations	10,886,734,765	14,058,783,661
- Income tax paid	-704,603,000	-470,000,000
- Employees' end-of-service benefits paid	-10,500,000	-6,971,296
- Net cash from operating activities	10,171,631,765	13,581,812,365
INVESTING ACTIVITIES		
Purchase of property and equipment	-206,512,107	-2,142,527,046
Purchase of intangible assets	-80,922,600	-69,212,882
Proceeds from sale of property and equipment	12,486,000	14,321,250
Interest from loans to associates	-82,093,930	-75,228,167
Increase in investments held to maturity	-600,884,375	21,468,907
Term deposits with maturities over three months	-4,817,312,850	-10,819,252,554
Net cash (used in) from investing activities	-5,775,239,862	-13,070,430,492
FINANCING ACTIVITIES		
Dividends paid	-2,750,000,000	-2,750,000,000
Reinsurers' deposits in coverage of technical reserves	2,997,894,564	2,112,541,833
Net cash (used in) from financing activities	247,894,564	-637,458,167
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**4,644,286,467**	**-126,076,294**
Cash and cash equivalents at 1 January	5,156,076,721	5,282,153,015
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**9,800,363,188**	**5,156,076,721**

Gross Written Premium

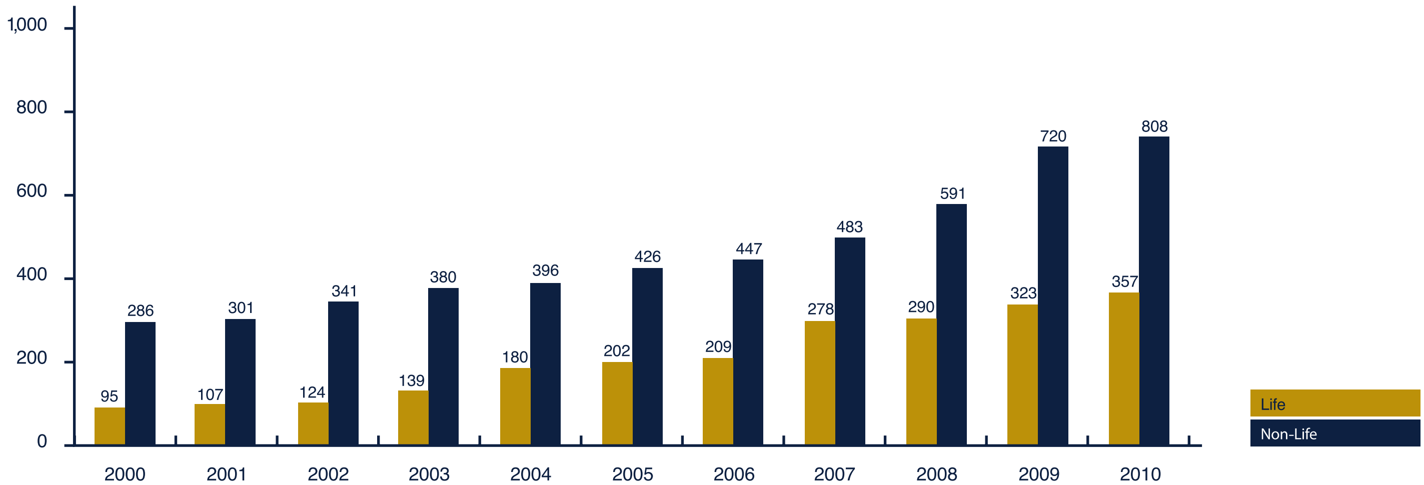
USD	2010	2009
Life business:		
Retirement and education	13,921,993	12,488,480
Other life business	8,384,962	6,989,169
Total life business	**22,306,955**	**19,477,649**
Non-life business:		
Fire	2,542,446	2,031,833
Marine	555,865	787,331
General accident	1,144,225	910,922
Motor	12,001,614	22,143,290
Medical	1,007,260	865,491
Other	1,046,310	842,873
Total non-life business	**18,297,720**	**27,581,740**
Gross written premium	**40,604,675**	**47,059,389**
Growth	**-13.72%**	**56.12%**
Number of contracts issued	**79,814**	**92,427**

Key Figures

	2010
Capital	**LBP 25,000,000,000**
Shareholders' equity	**USD 21,887,349**
Total assets	**USD 121,859,339**
Invested assets	**USD 57,374,835**
Number of clients	**85,254**
Number of policies in force	**152,390**
Net profit	**USD 4,145,875**
Solvency ratio	**49.00%**

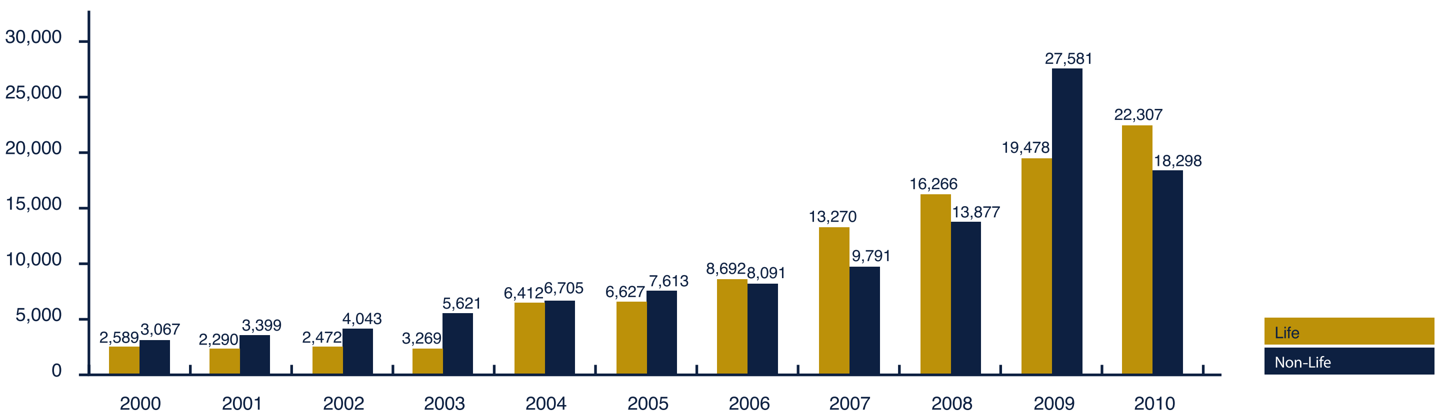
(IN USD MILLION)

Insurance Market Growth in Lebanon



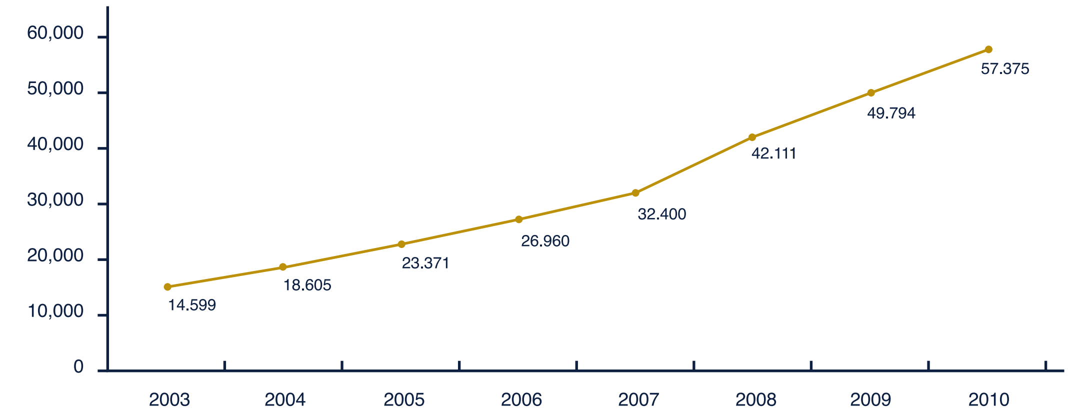
(IN USD THOUSANDS)

ADIR Premium Growth



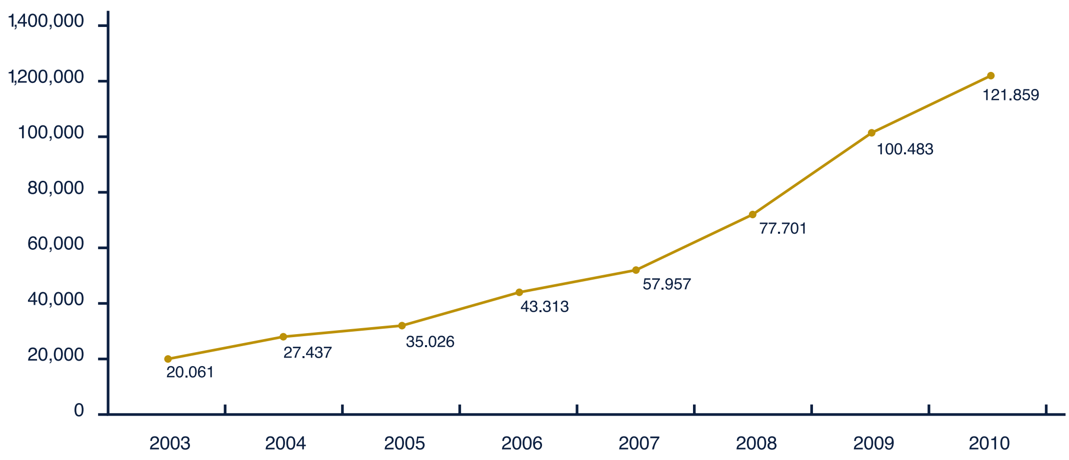
(IN USD THOUSANDS)

Evolution of Invested Assets



(IN USD THOUSANDS)

Evolution of Total Assets



Directory

Correspondent Banks

COUNTRY	CITY	BANK NAME
Algeria	Algiers	Banque de l'Agriculture et du Développement Rural (BADR) Arab Banking Corporation Algeria, Banque Nationale d'Algérie (BNA), Banque de Développement Local SPA (BDL), Crédit Populaire D'Algérie
Australia	Sydney	Westpac Banking Corporation*
Austria	Vienna	UniCredit Bank Austria AG*
Armenia	Yerevan	Byblos Bank Armenia C.J.S.C.
Bahrain	Manama	Gulf International Bank BSC
Belgium	Brussels	Byblos Bank Europe S.A.*, KBC Bank NV*
Brazil	Sao Paolo	Banco ABC Brasil SA, Deutsche Bank AG
Canada	Montréal	Royal Bank of Canada*
	Toronto	Scotiabank*
China	Shanghai	Bank of China, Agricultural Bank of China
Cyprus	Limassol	Byblos Bank S.A.L. – Limassol Branch
Czech Republic	Prague	Commerzbank AG
Denmark	Copenhagen	Danske Bank A/S*
DR Congo	Kinshasa	Byblos Bank RDC S.A.R.L.
Egypt	Cairo	National Bank of Egypt*, Export Development Bank of Egypt (EDBE), Al Watany Bank of Egypt
Ethiopia	Addis Ababa	Commercial Bank of Ethiopia*
Finland	Helsinki	Danske Bank A/S, Pohjola Bank plc
France	Paris	Byblos Bank Europe S.A. – 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	State Bank of India, MashreqBank, Standard Chartered Bank
Iraq	Baghdad	Byblos Bank S.A.L. – Baghdad Branch, Trade Bank of Iraq*
	Erbil	Byblos Bank S.A.L. – Erbil Branch
Ireland	Dublin	Citibank NA
Italy	Milan	UniCredit SpA*, Intesa Sanpaolo 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
KSA	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*
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, United Bank for Africa
Norway	Oslo	DnB NOR BANK ASA*
Philippines	Manila	Bank of the Philippine Islands*
Poland	Warsaw	Deutsche Bank AG
Qatar	Doha	Qatar National Bank SAQ*, The Commercial Bank of Qatar (QSC), Al Khaliji Bank
Republic of Korea	Seoul	Sumitomo Mitsui Banking Corporation, Union de Banques Arabes et Françaises (UBAF), The Bank of New York Mellon
Russian Federation	Moscow	ZAO Citibank, VTB Bank OJSC*
Singapore	Singapore	Sumitomo Mitsui Banking Corporation, Union de Banques Arabes et Françaises (UBAF)
Slovakia	Bratislava	Commerzbank AG
Spain	Madrid	Banco de Sabadell SA*, Banco Bilbao Vizcaya Argentaria SA (BBVA)*, Citibank NA
Sri Lanka	Colombo	Bank of Ceylon*, People’s Bank*
Sudan	Khartoum	Byblos Bank Africa*
Sultanate of Oman	Muscat	Bank Muscat SAOG
	Ruwi	Oman Arab Bank SAOC*
Sweden	Stockholm	Skandinaviska Enskilda Banken AB*, Svenska Handelsbanken AB
Switzerland	Geneva	BNP Paribas (Suisse) SA*, Banque de Commerce et de Placements SA
	Lausanne	Banque Cantonale Vaudoise
	Zurich	Crédit Suisse*, UBS AG*
Syria	Damascus	Byblos Bank Syria S.A.*
Tunisia	Tunis	Banque Internationale Arabe de Tunisie SA (BIAT), Société Tunisienne de Banque SA, Banque de Tunisie
Turkey	Istanbul	Asya Katilim Bankasi AS, Türkiye iS Bankasi AS, Yapi Ve Kredi Bankasi AS, Türkiye Vakiflar Bankasi TAO, Türk Ekonomi Bankasi AS, Türkiye Halk Bankasi AS
UAE	Abu Dhabi	Abu Dhabi Commercial Bank PJSC*, National Bank of Abu Dhabi
	Dubai	Commercial Bank of Dubai PSC, Emirates NBD PJSC*, MashreqBank PSC*
UK	London	Byblos Bank Europe S.A. – London Branch*, Barclays Bank PLC*, HSBC Bank plc*, British Arab Commercial Bank Ltd*
USA	New York	The Bank of New York Mellon*, Citibank NA*, JP Morgan Chase Bank, NA*, Standard Chartered Bank*, Wells Fargo Bank, N.A.*
Yemen	Sana’a	International Bank of Yemen, Saba Islamic Bank, Tadhamon International Islamic Bank, Cooperative and Agricultural Credit Bank

* *Byblos Bank S.A.L. maintains Nostro account(s) with this bank.*

Group Addresses

HEADQUARTERS

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Ashrafieh, ABC Shopping Mall, L3	Sassine Branch
Ashrafieh, Lebanese Hospital (Geitawi)	Geitawi Branch
Baabda, Antonine University	Baabda Branch
Baalbeck, Dar Al Amal Hospital	Bar Elias Branch
Badaro, Badaro St., Chamandi Bldg.	Badaro Branch
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Bikfaya, Misk River Center	Elyssar Branch
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CONCEPT
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DESIGN AND LAYOUT
Circle – visual communication

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Cyprus
Sudan
Syria
United Arab Emirates
Iraq
Nigeria
Democratic Republic of the Congo

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