

# 2008 Performance Review

Financial  
Highlights

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

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

(1) Excludes subordinated loans.

(2) Includes 3 branches in Europe (Paris, Brussels, London), 1 branch in Africa, 6 branches in Syria, 3 branches in Armenia, 1 branch in Erbil and 1 branch in Cyprus

(3) Based on the number of shares outstanding at the end of the period.

(4) Net of income tax (5%).

(5) Representing annual distribution for priority shares calculated at 4% of the nominal value in addition to the dividend declared for common shares.

(6) Includes specific and general provisions, as well as reserved interest.

# Group Results at a Glance

# Group Results at a Glance

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## OVERVIEW OF THE BANK

Byblos Bank is one of the leading banks in Lebanon, providing a full range of banking services through the country's third largest branch network. Through its overseas subsidiaries, the Bank also conducts a wide range of commercial banking and other financial activities in Europe and the MENA region. As at 31 December 2008, the Bank had 2,362 employees, 404,000 active accounts, 76 branches in Lebanon, one branch in Cyprus and one in Erbil, Iraq. As at the same date, Byblos Bank Europe S.A., the Bank's 99.95 percent owned subsidiary, had its main branch in Brussels, one branch in London and one branch in Paris; Byblos Bank Africa S.A., the Bank's 56.9 percent owned subsidiary, had one branch in Khartoum, Sudan, and in April 2009 it opened a new branch in Bahri; Byblos Bank Syria S.A., the Bank's 41.5 percent owned subsidiary, had six branches in Abu Remaneh, El Mazzeh, Homs, Aleppo, Lattakia and Tartous and in February 2009, it opened a new branch in Hama. In 2007, the Bank acquired

a 100 percent stake in International Trade Bank C.J.S.C. (ITB), a bank incorporated in Armenia with its main branch in Yerevan and two other branches in Malatia and Vanadzor. ITB has been renamed Byblos Bank Armenia C.J.S.C. In June 2008, the European Bank for Reconstruction and Development (EBRD) and the OPEC Fund for International Development (OFID) also acquired interests in the capital of Byblos Bank Armenia of 25 percent and 10 percent, respectively. Since 2005, the Bank had a representative office in Abu Dhabi, United Arab Emirates, and the Bank opened a new representative office in Lagos Nigeria aiming at better servicing of the Lebanese diaspora abroad.

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

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

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

## Growth

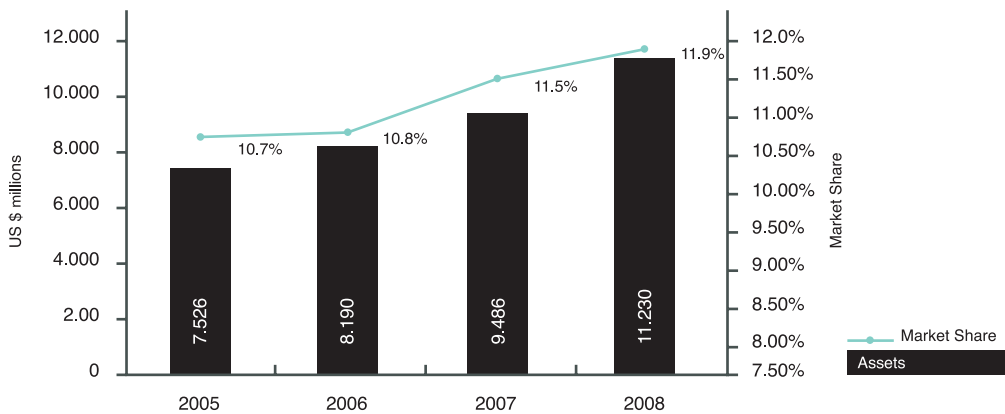
### TOTAL ASSETS

Total assets of the Bank recorded an increase of 18.4 percent during the year 2008 to reach LBP 16,929 billion (USD 11,230 million) at the end of December 2008 compared to an increase of 15.8 percent during the year 2007, and compared to an increase of 14.6 percent in the Lebanese banking sector. Consequently, the Bank's market share of total assets stood at 11.9 percent at the end of 31 December, 2008 compared to 11.5 percent at the end of 31 December, 2007.

During the period between 31 December 2005 and 31 December 2008, total assets of the Bank grew at an average annual compounded rate of 14.3 percent compared to a growth of 11.2 percent in the Lebanese banking sector, and which was reflected in the Bank's market share of total assets, which grew from 10.7 percent at the end of 31 December 2005 to reach 11.9 percent at the end of 31 December 2008.

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

Evolution of Total Assets During Last Four Years



**ASSET SPLIT WITHIN THE GROUP**

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

Asset Split within the Group 2007



Asset Split within the Group 2008



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

# Group Results at a Glance

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## GEOGRAPHICAL DISTRIBUTION OF BRANCHES

Byblos Bank's branch network reached 76 branches inside Lebanon at the end of 2008, representing 8.8 percent of total branches in the Lebanese banking sector. Byblos Bank's branch presence is more concentrated in rural areas as compared to the distribution in the Lebanese banking sector. The 19 branches located in Mount Lebanon represented 25.0 percent of total Byblos branches at the end of December 2008 compared to just 17.9 percent in the Lebanese banking sector, and represented 12.3 percent of total branches in the Lebanese banking sector operating in Mount Lebanon. On the other hand, the 38 branches located in Beirut and its suburbs represented 50.0 percent of total Byblos branches at the end of December 2008 compared to 54.4 percent for the Lebanese banking sector, and it represented 8.1 percent of total branches operating in Beirut and its suburbs.

The nine branches located in North Lebanon represented 11.8 percent of total Byblos branches compared to 10.0 percent for the Lebanese banking sector, and represented 10.5 percent of total branches of the sector operating in that region.

In South Lebanon (seven branches) and the Bekaa (three branches) Byblos Bank's presence was less concentrated than the Lebanese banking sector, where Byblos branches located in the South and the Bekaa represented 9.3 percent and 3.9 percent of total Byblos branches respectively compared to 10.6 percent and 7.1 percent respectively for the entire sector.

At the end of 2008, Byblos Bank Group's presence abroad covers Cyprus, Erbil (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum and Bahri through our subsidiary Byblos Bank Africa Ltd.; Abu Remaneh, Aleppo, Homs, Lattakia, Mazzeh and Tartous through our subsidiary Byblos Bank Syria S.A.; and Vanadzor, Malatia, and Yerevan through our subsidiary Byblos Bank Armenia.

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

Byblos December 2008



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

Sector December 2008



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

## GEOGRAPHICAL DISTRIBUTION OF AUTOMATED TELLER MACHINES (ATM)

Geographical Distribution of ATMs  
(Byblos Dec - 2008)



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

Geographical Distribution of ATMs  
(Sector Dec - 2008)



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

### CUSTOMER DEPOSITS

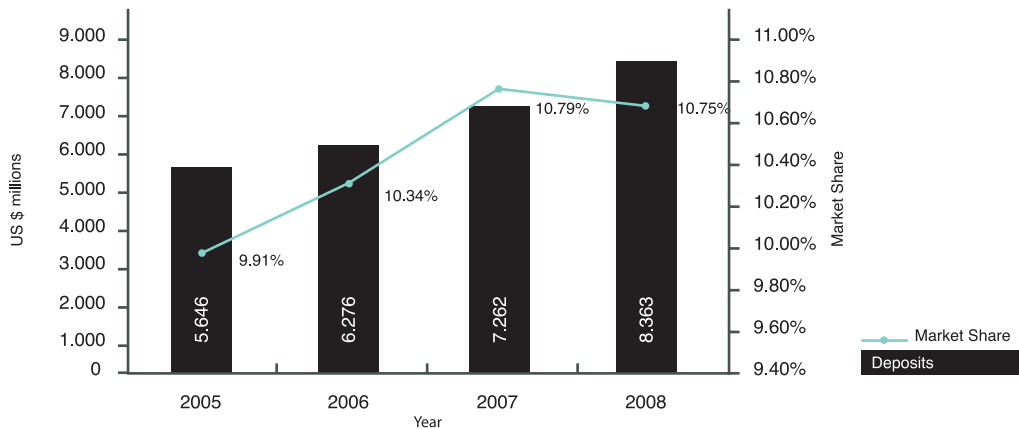
Customer deposits recorded an increase of 15.2 percent during 2008 to reach LBP 12,607 billion (USD 8,363 million) at the end of 31 December 2008 compared to an increase of 15.7 percent during 2007, and compared to an increase of 15.6 percent in the Lebanese banking sector. Consequently, the Bank's market share of total customer deposits in the Lebanese banking sector

stood at 10.75 percent at the end of 31 December 2008 compared to 10.79 percent at the end of 31 December 2007. During the period between 31 December 2005 and 31 December 2008, the Bank's customer deposits grew at an annual average compounded growth rate of 14 percent compared to growth of 10.93 percent in the Lebanese banking

sector. Consequently, the Bank's market share stood at 10.75 percent at the end of 31 December 2008, up from 9.91 percent at the end of 31 December 2005.

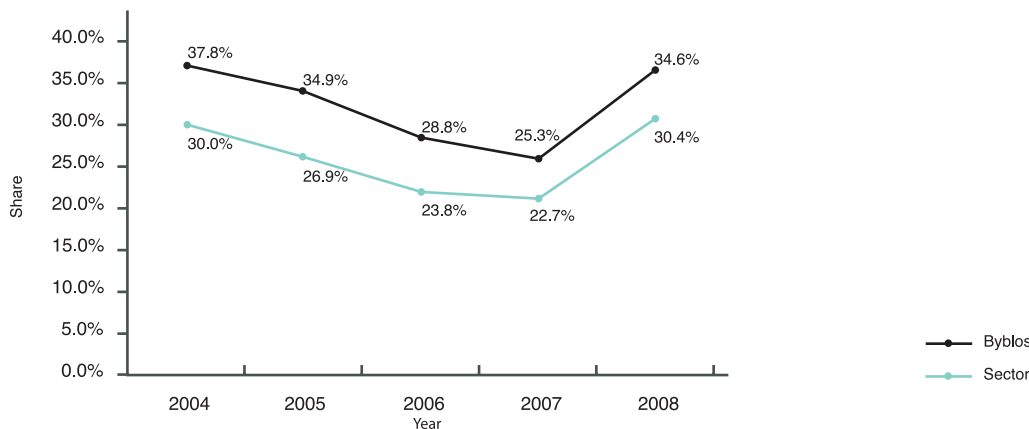
The below graph shows the evolution of customer deposits over the last four years:

Evolution of Customers' Deposits During Last Four Years



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

LBP Customers' Deposits (Byblos vs. Sector)



**CUSTOMER DEPOSITS BY TYPE OF ACCOUNT**

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

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

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

**MATURITY PROFILE OF CUSTOMER DEPOSITS**

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

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

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

### CUSTOMER DEPOSIT SPLIT WITHIN BYBLOS BANK GROUP

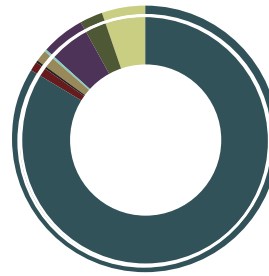
The below pie charts show the split of customers' deposits within Byblos Bank Group:

Deposits split within the Group 2007



Lebanon	87.2%
Cyprus	1.5%
Iraq	0.1%
Africa	1.7%
ADIR	0.1%
Invest	1.4%
Europe	4.0%
Armenia	0.1%
Syria	3.9%

Deposits split within the Group 2008



Lebanon	83.1%
Cyprus	1.4%
Iraq	0.3%
Africa	1.3%
ADIR	0.4%
Invest	5.5%
Europe	2.6%
Armenia	0.1%
Syria	5.3%

### GEOGRAPHICAL DISTRIBUTION OF CUSTOMER DEPOSITS

Byblos Dec - 2008



Beirut & Suburbs	60.0%
Mount Lebanon	19.5%
North Lebanon	9.3%
South Lebanon	8.1%
Bekaa	3.1%

Sector Dec - 2008



Beirut & Suburbs	67.6%
Mount Lebanon	12.8%
North Lebanon	6.5%
South Lebanon	7.7%
Bekaa	5.4%

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

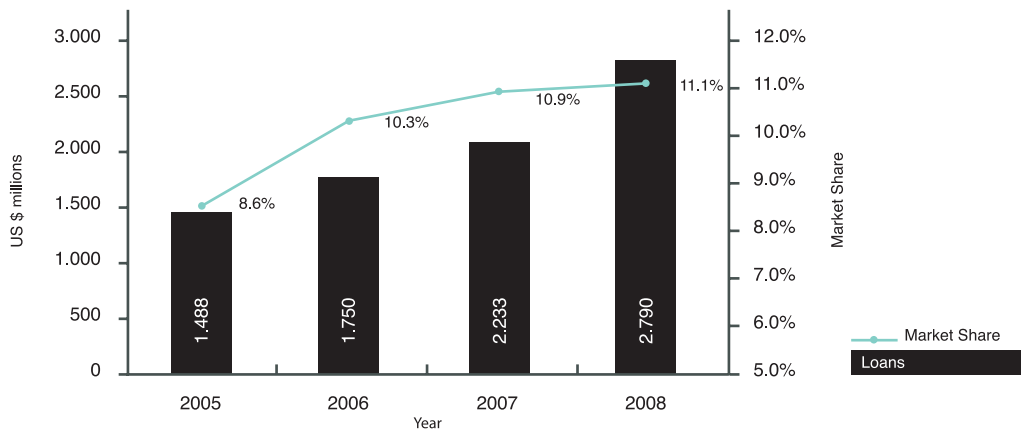
## CUSTOMER LOANS

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

During the period between 31 December 2005 and 31 December 2008, net customer loans increased at an average annual compounded rate of 23.3 percent compared to growth of just 17.3 percent in the Lebanese banking sector. Consequently, the Bank's market share of net customer advances rose from 8.6 percent at the end of 31 December 2005 to reach 11.1 percent at the end of 31 December 2008.

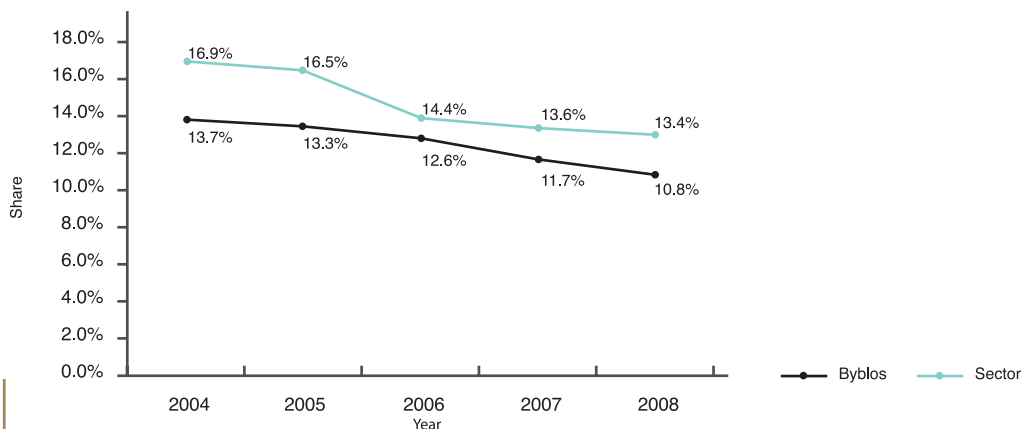
The chart below shows the evolution of net customer loans and their market shares over the last four years:

Evolution of Customers' Loans During Last Four Years



## CURRENCY STRUCTURE OF CUSTOMER LOANS

LBP Customers' Loans (Byblos vs. Sector)



## CUSTOMER LOANS GEOGRAPHICAL DISTRIBUTION

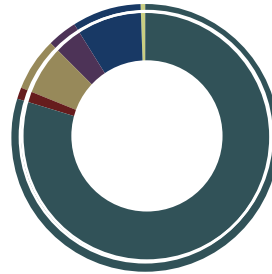
## CUSTOMERS' LOANS SPLIT WITHIN GROUP

Byblos December 2008



Beirut & Suburbs	72.5%
Mount Lebanon	13.8%
North Lebanon	4.4%
South Lebanon	4.2%
Bekaa	5.1%

Loans Split within Group 2008



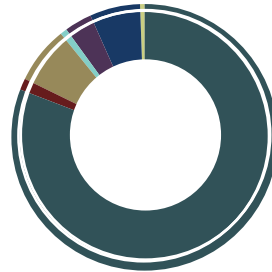
Lebanon	79.5%
Cyprus	1.2%
Europe	6.5%
Invest	0.0%
Africa	3.6%
Syria	8.3%
Armenia	0.9%

Sector December 2008



Beirut & Suburbs	82.3%
Mount Lebanon	7.7%
North Lebanon	3.5%
South Lebanon	3.4%
Bekaa	3.1%

Loans Split within Group 2007



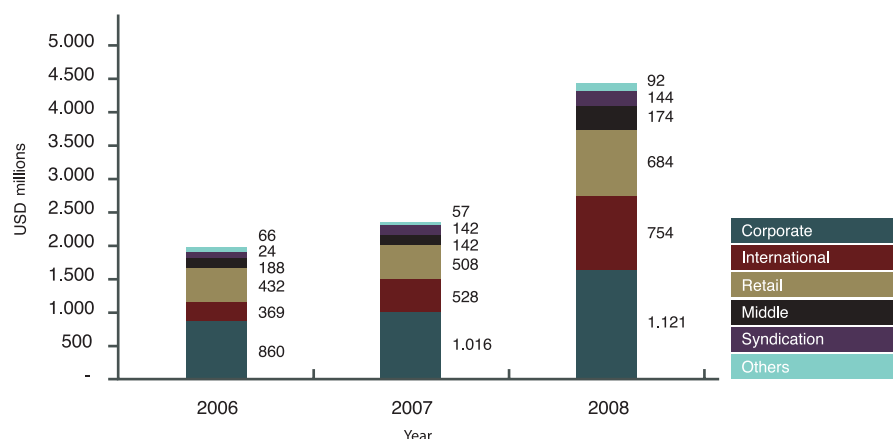
Lebanon	80.9%
Cyprus	1.5%
Europe	7.0%
Invest	0.7%
Africa	3.4%
Syria	6.2%
Armenia	0.3%

## LOAN BREAKDOWN BY NATURE OF BORROWER

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

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

Breakdown of Loan Portfolio by Type of Borrower



### COMMERCIAL LOAN PORTFOLIO

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

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

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

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

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

### RETAIL LOAN PORTFOLIO

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

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

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

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

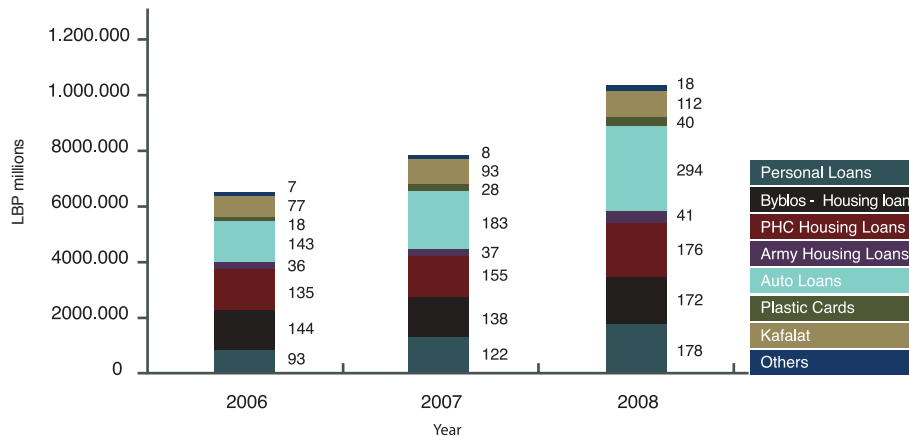
Consequently, the share of personal loans out of the total retail portfolio increased from 15.9 percent at the end of 31 December 2007 to reach 17.3 percent at the end of 31 December 2008. Housing loans increased by 17.5 percent (LBP 57.9 billion or USD 38.4 million) during the year 2008 to reach LBP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

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

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

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

Retail Loan Portfolio Breakdown

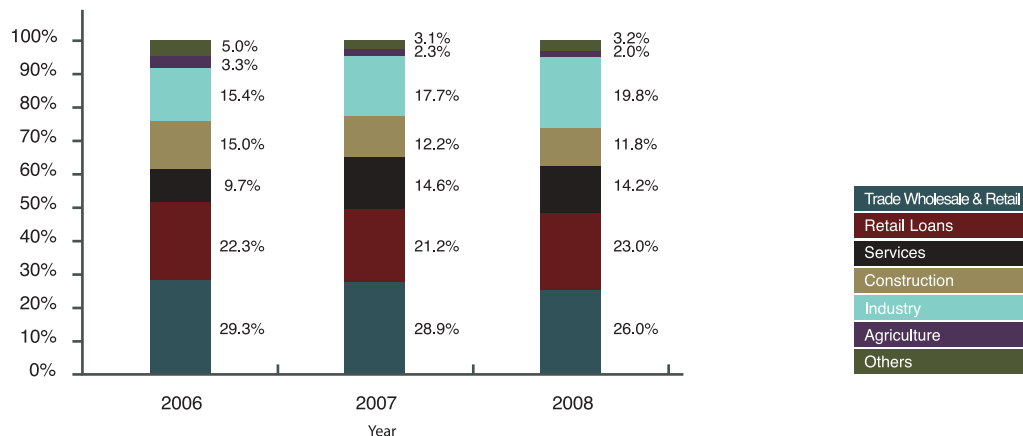


## LOAN PORTFOLIO BY ECONOMIC SECTOR

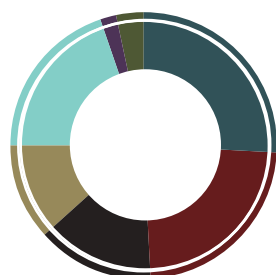
In recent years, the Bank has focused its lending activities, to the extent possible, on sectors considered by Management to be least affected by economic slowdowns. Loans to the trade sector (both wholesale and retail) continued to represent the major part of outstanding loans, constituting 26.1 percent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

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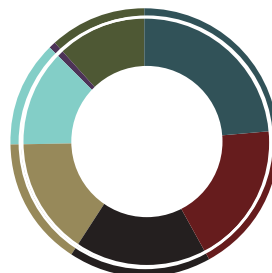


The pie charts below show the breakdown of the loan portfolio by economic sector as at 31 December 2008 in comparison with the Lebanese banking sector.



Byblos December 2008

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



Sector December 2008

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

## LONG-TERM SOURCES OF FUNDS

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

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

## PROFITABILITY

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

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

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

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

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

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

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

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

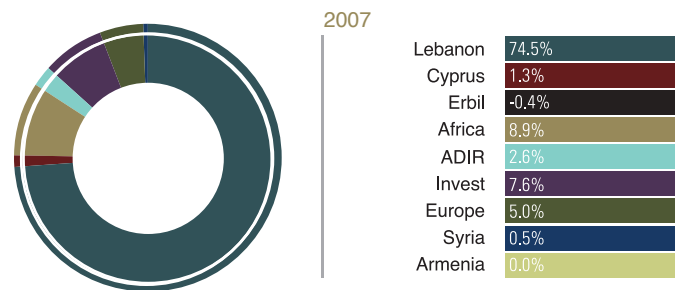
--- Byblos Bank Europe's net income for the year 2008 amounted to LBP 12,445 million (USD 8.3 million) compared to LBP 8,371 million (USD 5.6 million) for the year 2007.

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

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

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

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



## NET INTEREST INCOME

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

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

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

## PROVISIONS ALLOCATED

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

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

## NON-INTEREST INCOME

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

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

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

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

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

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

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

**OPERATING EXPENSES**

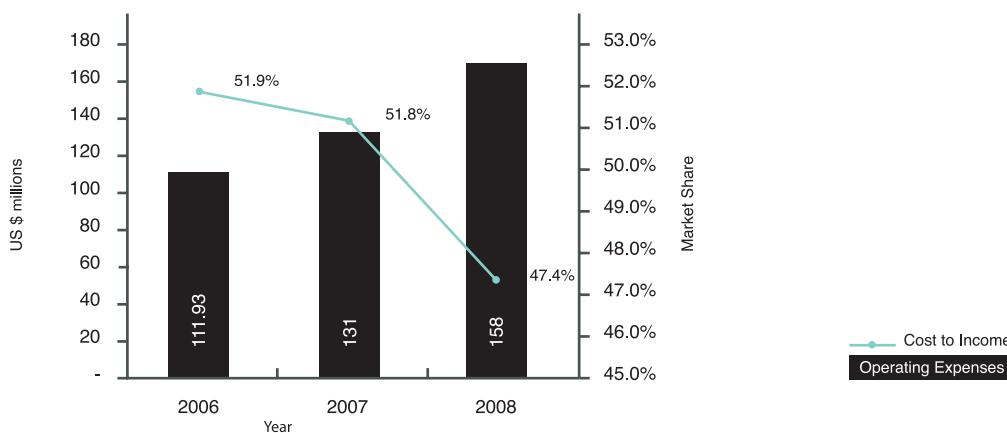
In LBP millions	2007	2008	Growth (Vol.)	Growth (%)
Staff expenses	98,366	123,143	24,777	25.2%
General expenses	87,234	98,208	10,974	12.6%
Depreciation and amortization	18,536	17,530	(1,006)	-5.4%
<b>Total operating expenses</b>	<b>204,136</b>	<b>238,881</b>	<b>34,745</b>	<b>17.0%</b>

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

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



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



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## Loan portfolio

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

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

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

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

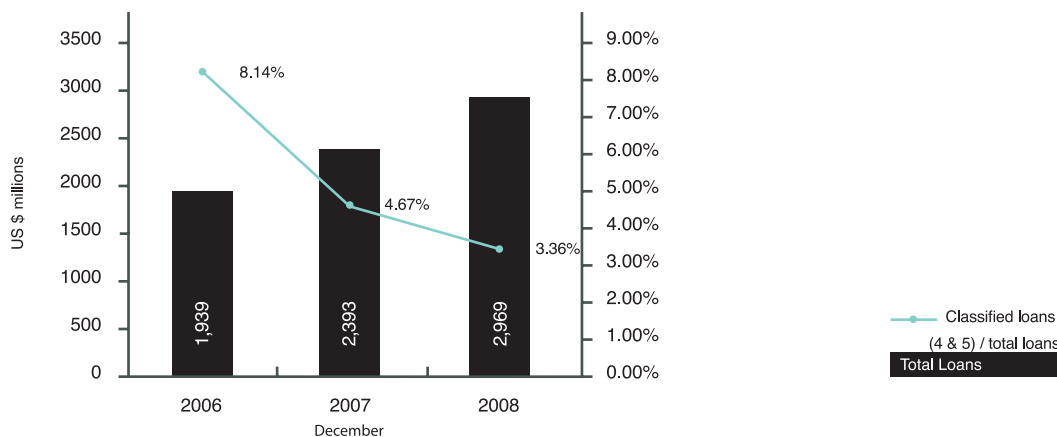
As at 31 December	2006		2007		2008	
	LBP millions	% of total	LBP millions	% of total	LBP millions	% of total
<b>Net balances:</b>						
Good loans	2,387,049	88.1	3,122,415	90.4	4,049,822	93.5
Watch loans	251,075	9.3	281,679	8.2	248,987	5.7
Substandard loans	31,931	1.2	21,381	0.6	13,573	0.3
Doubtful loans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

## PROVISIONING AND COVERAGE RATIOS

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

(\*) Includes specific and general provisions, reserved interest

(\*\*) Excluding general provisions for retail loans

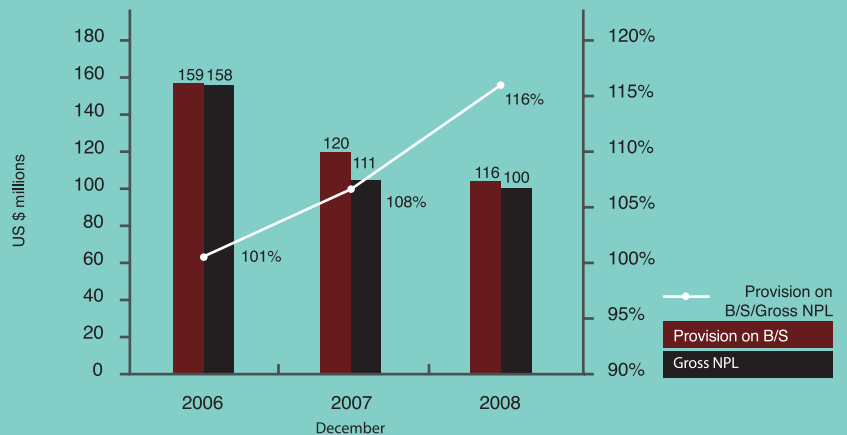
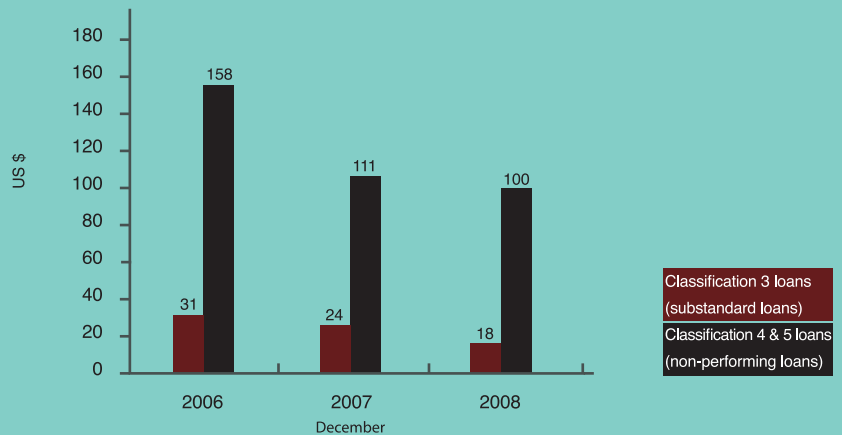


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Total classified loans (substandard, doubtful, and loss) amounted to LBP 177,653 million (USD 118 million) at the end of 31 December 2008, representing 4.0 percent of the total loan portfolio compared to LBP 203,474 million (USD 135 million) at the end of December 2007, representing 5.6 percent of the total loan portfolio. Total non-performing loans (doubtful and loss) amounted to LBP 150,626 million (USD 100 million) as at 31 December 2008, representing 3.4 percent of the total loan portfolio, down from 4.7 percent at the end of 31 December 2007. Specific and general provisions (excluding general provisions for the retail loan portfolio) as well as reserved interest on non-

performing loans amounted to LBP 152,615 million (USD 101.2 million), covering up to 101.3 percent of total non-performing loans as at 31 December 2008 compared to 95.2 percent at the end of 31 December 2007. Substandard loans amounted to LBP 27,027 million (USD 18 million) at the end of 31 December 2008, representing 0.60 percent of the total loan portfolio, compared to LBP 35,495 million (USD 24 million) and 0.98 percent respectively at the end of 31 December 2007. Substandard loans are covered up to 49.8 percent by reserved interest at the end of 31 December 2008, compared to 39.8 percent as at 31 December 2007.



## Investment and trading portfolio

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

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

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

### LEBANESE AND OTHER GOVERNMENTAL TREASURY BILLS AND BONDS

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

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

#### *Investments by classification*

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

#### *Trading investments*

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

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*Non-trading investments and financial assets*

Pursuant to IAS 39, financial assets are classified as follows:

--- **Held-to-maturity investments** – non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Bank has the positive intention and ability to hold these investments to maturity. Investments intended to be held for an undefined period, however, are not included in this classification;

--- **Investments carried at fair value through profit and loss account** – investments are classified as fair value through profit and loss account if the fair value of the investment can be reliably measured and the classification as fair value through profit and loss account is in accordance with the documented strategy of the Bank;

--- **Investments carried at amortized cost (loans and receivables)** –

loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market; and

--- **Available-for-sale investments** – available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified to any of the three preceding categories.

Financial assets are initially measured at fair value, plus, in the case of investment not carried at fair value through profit or loss, directly attributable transaction costs. The Bank classifies its financial assets at the time of initial recognition and, where allowed and appropriate, re-evaluates its classifications at each financial year-end.

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

As at 31 December 31, 2006	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
<b>Central Bank certificates of deposit</b>				1,020,267	35,957	1,056,224
Lebanese and other governmental treasury bills and bonds	1,097,240	1,799,441	1,171,204		106,923	4,174,808
Bonds and financial assets with fixed incomes	1,477	302	82,747		1,857	86,383
Shares, securities and financial instruments with variable incomes	24,372		14,276			38,648
Corporate certificates of deposit				46,482	943	47,425
<b>Total by category</b>	<b>1,123,089</b>	<b>1,799,743</b>	<b>1,268,227</b>	<b>1,066,749</b>	<b>145,680</b>	<b>5,403,488</b>
As at 31 December 31, 2007	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit			33,164	759,666	31,354	824,184
Lebanese and other governmental treasury bills and bonds	787,967	1,646,219	1,729,875		100,975	4,265,036
Bonds and financial assets with fixed incomes	148	611	118,301		3,256	122,316
Shares, securities and financial instruments with variable incomes	28,547		89,320			117,867
Corporate certificates of deposit			21,625	15,685	1,297	38,607
<b>Total by category</b>	<b>816,662</b>	<b>1,646,830</b>	<b>1,992,285</b>	<b>775,351</b>	<b>136,882</b>	<b>5,368,010</b>
As at 31 December 31, 2008	Held for trading	Held to maturity	Available for sale	Loans and receivables	Accrued interest	Total
Central Bank certificates of deposit				2,157,271	66,493	2,223,764
Lebanese and other governmental treasury bills and bonds	169,115	1,232,442	1,078,948	1,907,264	96,982	4,484,751
Bonds and financial assets with fixed incomes	7,866	71,322	116,782	178,775	10,581	385,326
Shares, securities and financial instruments with variable incomes	29,954		59,346			89,300
Corporate certificates of deposit				24,652	839	25,491
<b>Total by category</b>	<b>206,935</b>	<b>1,303,764</b>	<b>1,255,076</b>	<b>4,267,962</b>	<b>174,895</b>	<b>7,208,632</b>

## Liquidity

Liquid assets to total assets	Dec/06	Dec/07	Dec/08
<b>Cash and Central Bank</b>	<b>20.26%</b>	<b>18.27%</b>	<b>25.09%</b>
out of which other certificates of deposit	8.25%	5.76%	13.14%
<b>Lebanese government securities</b>	<b>33.74%</b>	<b>29.83%</b>	<b>26.49%</b>
Bonds and fixed-income securities	0.70%	0.86%	2.28%
Banks and financial institutions	19.15%	22.68%	16.83%
<b>Total liquidity</b>	<b>73.85%</b>	<b>71.63%</b>	<b>70.69%</b>
Liquid assets to customers' deposits	Dec-06	Dec-07	Dec-08
Cash and Central Bank	26.49%	23.90%	33.69%
out of which other certificates of deposits	10.78%	7.54%	17.65%
<b>Lebanese government securities</b>	<b>44.11%</b>	<b>39.02%</b>	<b>35.57%</b>
Bonds and fixed-income securities	0.91%	1.12%	3.06%
Banks and financial institutions	25.03%	29.66%	22.60%
<b>Total liquidity</b>	<b>96.54%</b>	<b>93.70%</b>	<b>94.93%</b>

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

## Capital and capital adequacy

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

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

**Notes:**

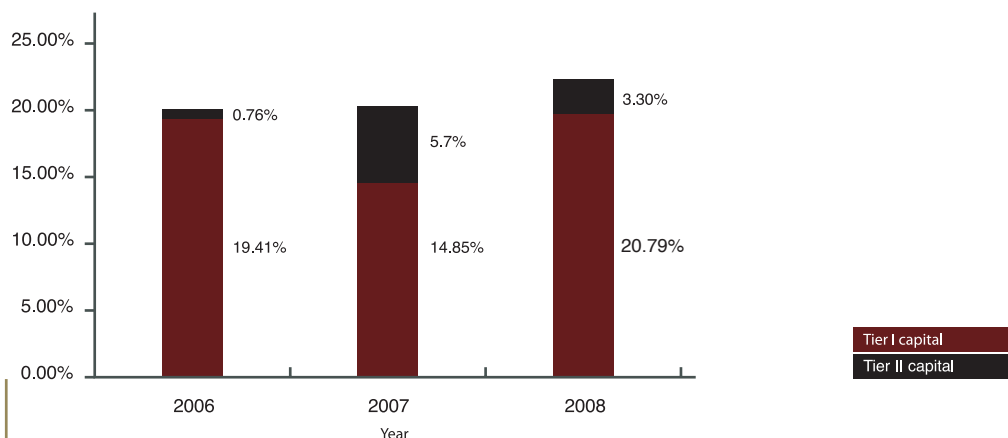
(1) Tier I capital comprises mainly paid-up share capital (excluding goodwill and intangible fixed assets), issue premium, shareholders' cash contributions to capital, reserves, retained earnings and reserves for unspecified banking risks.

(2) Tier II capital comprises subordinated loans and revaluation reserves recognized in the complementary shareholders' equity.

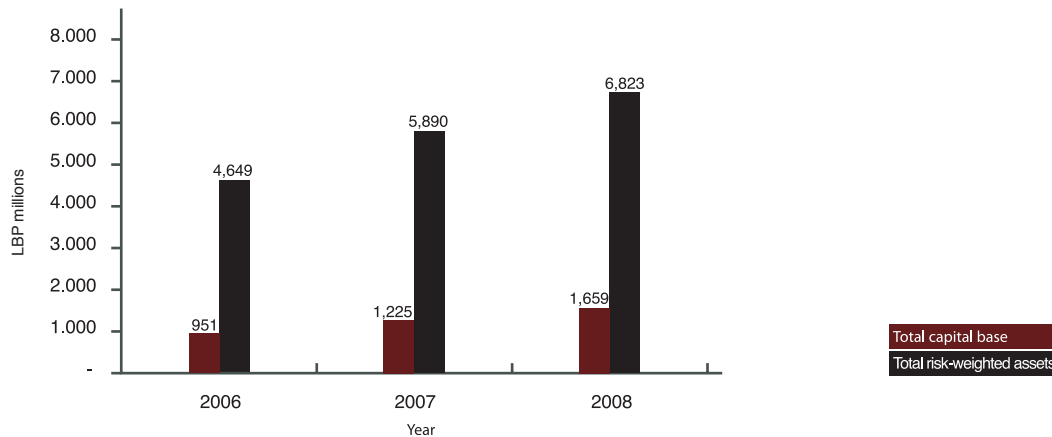
(3) Capital adequacy ratio based on total capital is calculated after the deduction of net contributions in non-subsidiary financial institutions from total capital base.

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

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



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



## DIVIDEND DISTRIBUTION

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

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

Note:

(1) Before taxes at a rate of 5 percent

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

Note:

(1) Before taxes at a rate of 5 percent

(2) Dividends include distribution of 4 percent on nominal value of priority shares

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