

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 Rmaneh, 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 Amiryran, 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

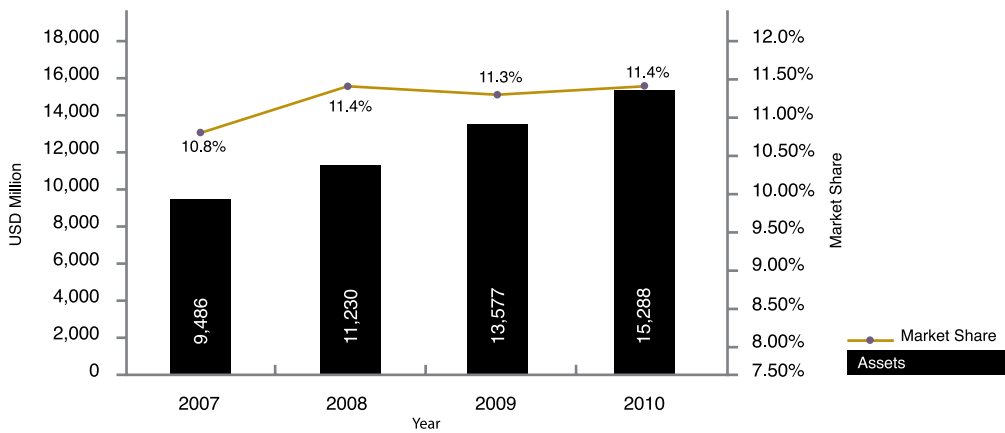
TOTAL ASSETS

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



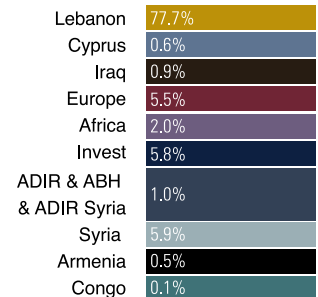
ASSET SPLIT IN THE GROUP

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.

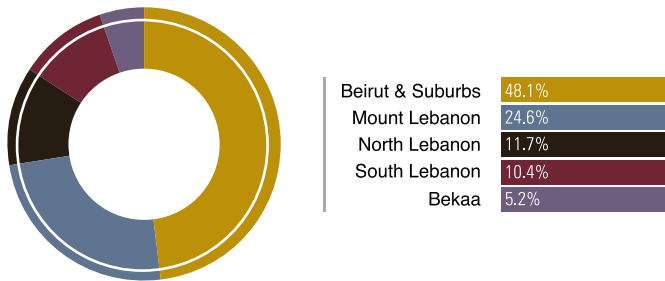
GEOGRAPHICAL DISTRIBUTION OF BRANCHES

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.

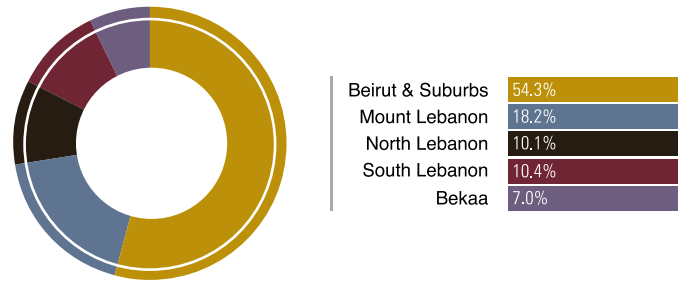
The nine branches located in the North of Lebanon represented 11.7% of total Byblos Bank branches compared to 10.1% in the Lebanese banking sector, and represented 9.8% of total branches of the Lebanese banking sector operating in North Lebanon. In South Lebanon (eight branches) and the Bekaa Valley (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

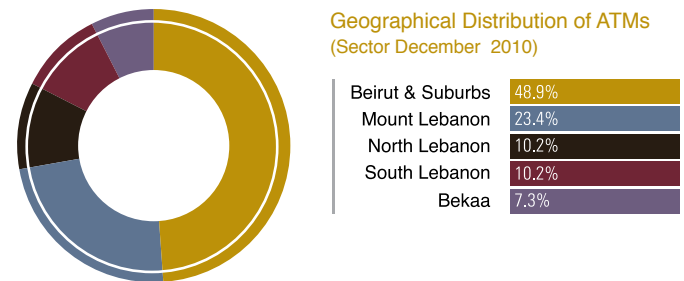
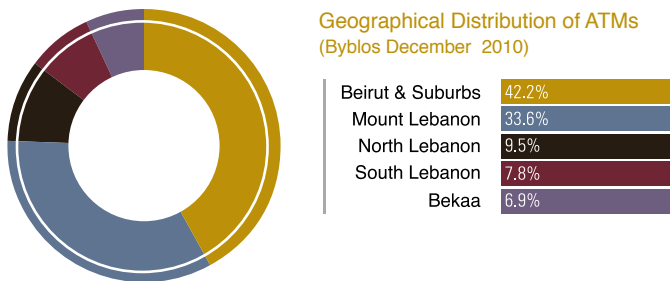


Sector December 2010



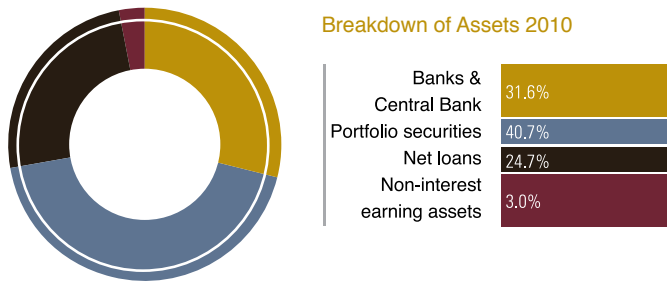
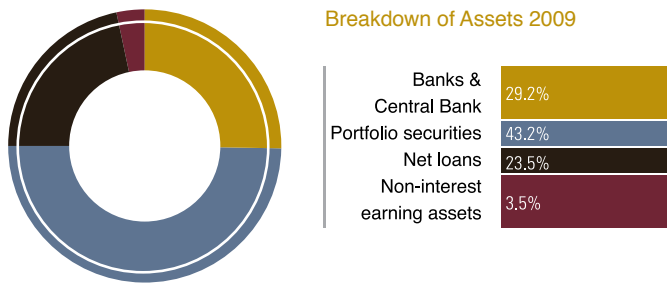
At the end of 2010, the Byblos Bank Group's presence abroad consisted of Cyprus; Erbil and Baghdad in Iraq (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum (two branches) and Bahri through our subsidiary Byblos Bank Africa (Sudan); 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)



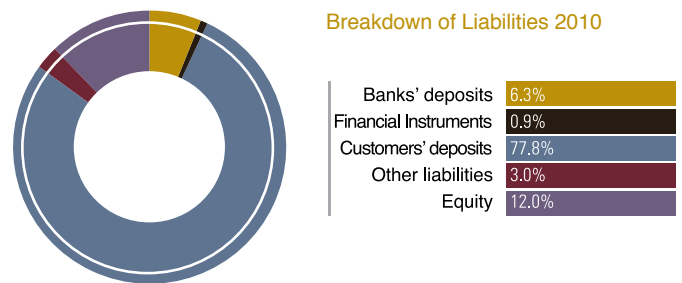
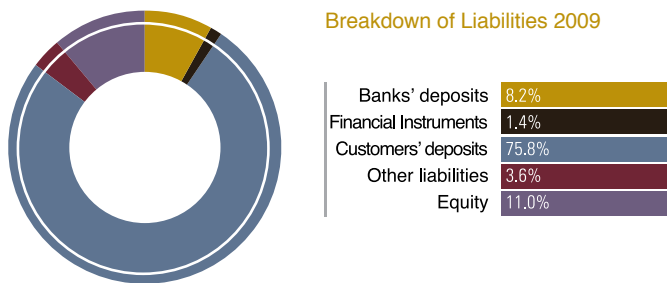
BREAKDOWN OF ASSETS

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 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.



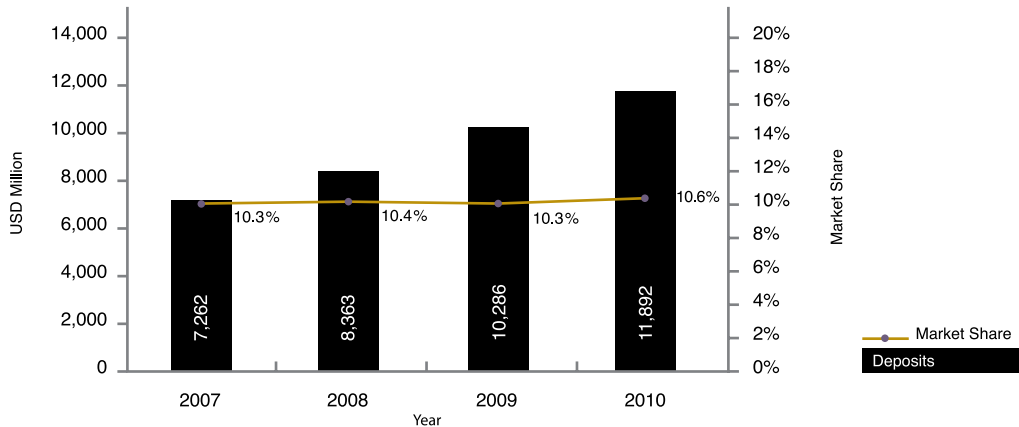
CUSTOMERS' DEPOSITS

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.

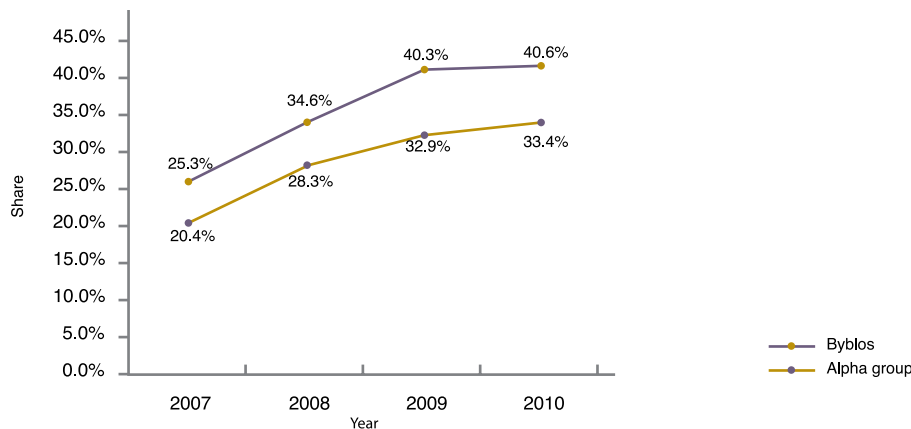
The graph below shows the evolution of customers' deposits over the past four years:

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:

As at 31 December	2008		2009		2010	
	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:

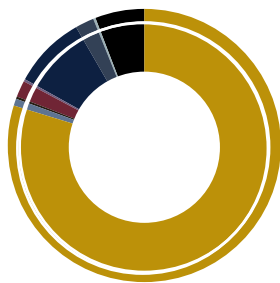
As at 31 December	2008		2009		2010	
	LBP million	% of total	LBP million	% of total	LBP million	% of total
Less than 3 months	10,429,354	82.7	12,982,058	83.7	14,700,150	82.0
3 months to 1 year	1,762,893	14.0	1,932,889	12.5	2,642,482	14.8
1 year to 5 years	343,257	2.7	587,753	3.8	581,580	3.2
Over 5 years	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

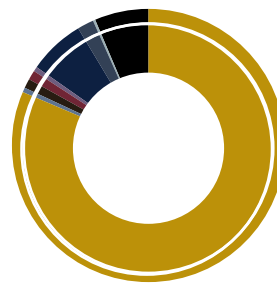
The pie charts below show the split of customers' deposits in the Byblos Bank Group:

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%

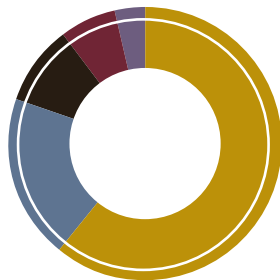
Deposits Split within the Group 2010



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.

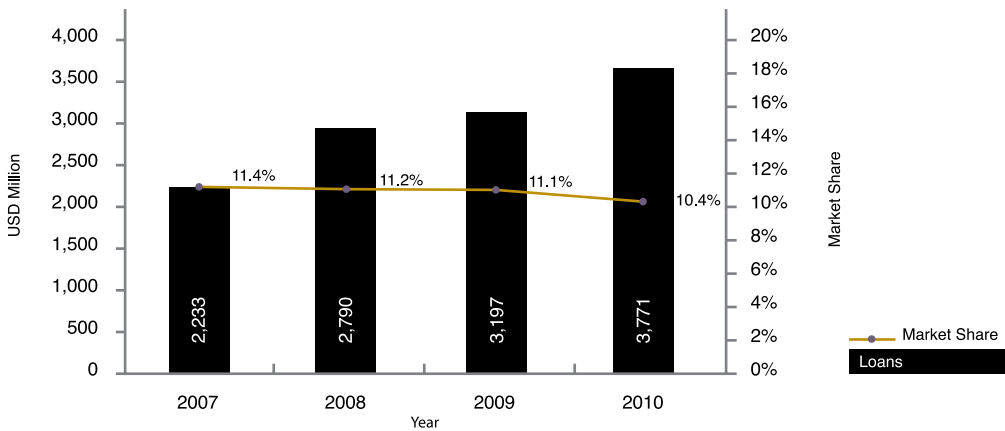
CUSTOMERS' LOANS

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.

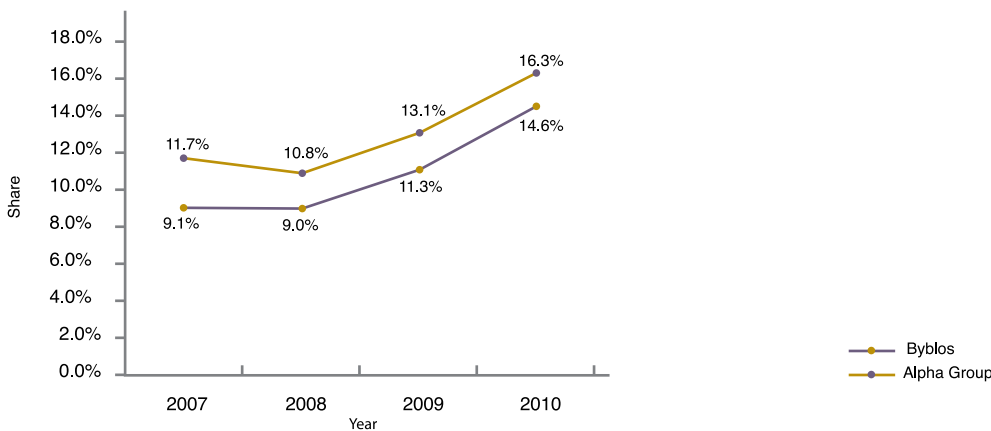
During the period between 31 December 2007 and 31 December 2010, net customers' loans increased at an average annual compounded rate of 19.1% compared to growth of 22.9% in the Lebanese Alpha Group banks. Consequently, the Bank's market share of net customers' advances dropped from 11.4% at the end of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

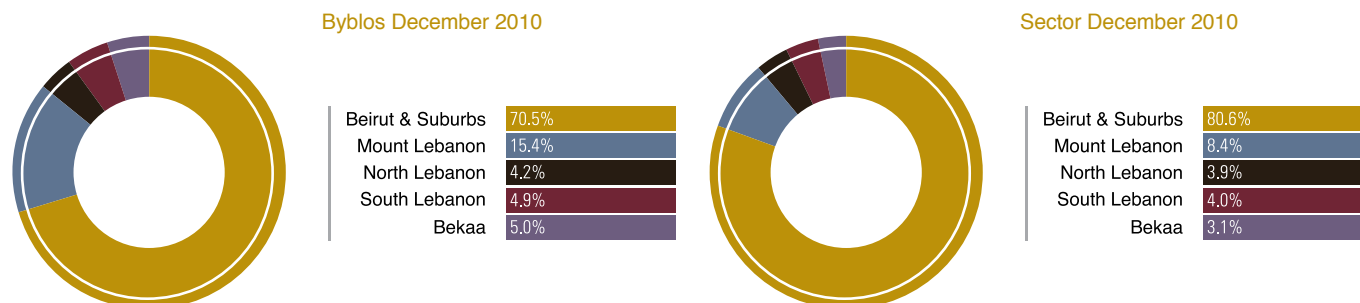
Evolution of Customers' Loans During Last Four Years



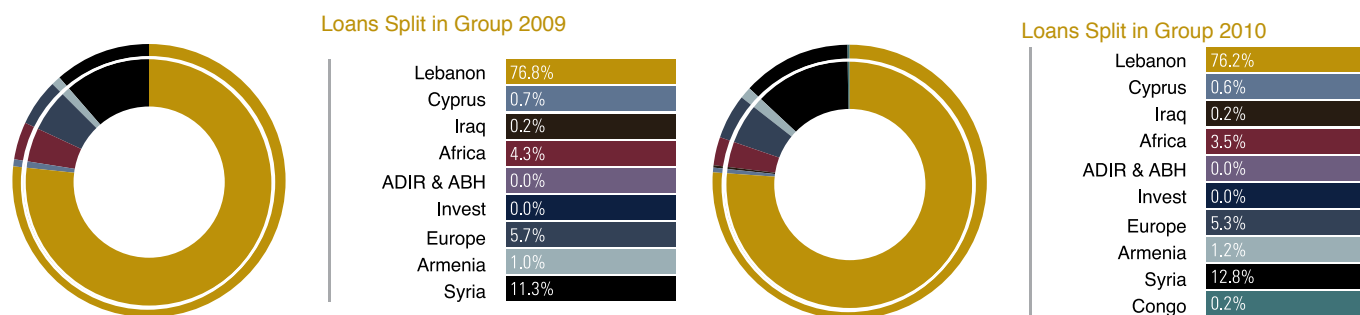
LBP Customers' Loans (Byblos vs. Sector)



GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS' LOANS



CUSTOMERS' LOANS SPLIT WITHIN BYBLOS BANK GROUP



LOAN BREAKDOWN BY NATURE OF BORROWER

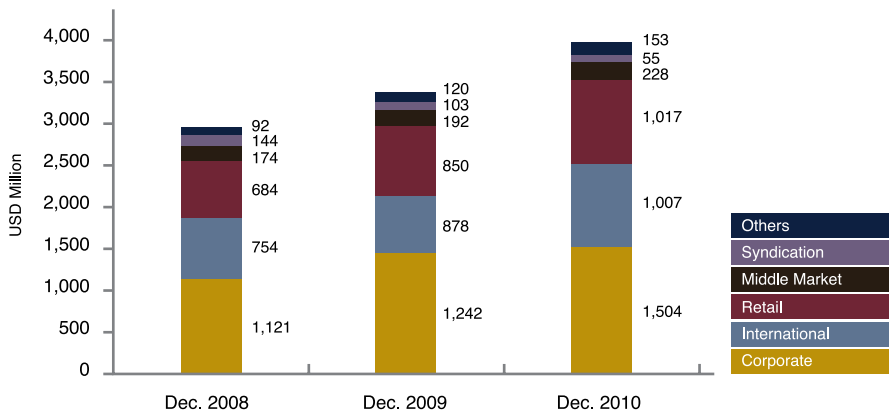
Loan Portfolio by Nature of Borrower	December 2008			December 2009			December 2010		
	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total	LBP Million	USD 000's	% of total
Corporate	1,689,895	1,120,992	37.8%	1,872,506	1,242,127	36.7%	2,267,135	1,503,904	37.9%
International	1,136,445	753,861	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:

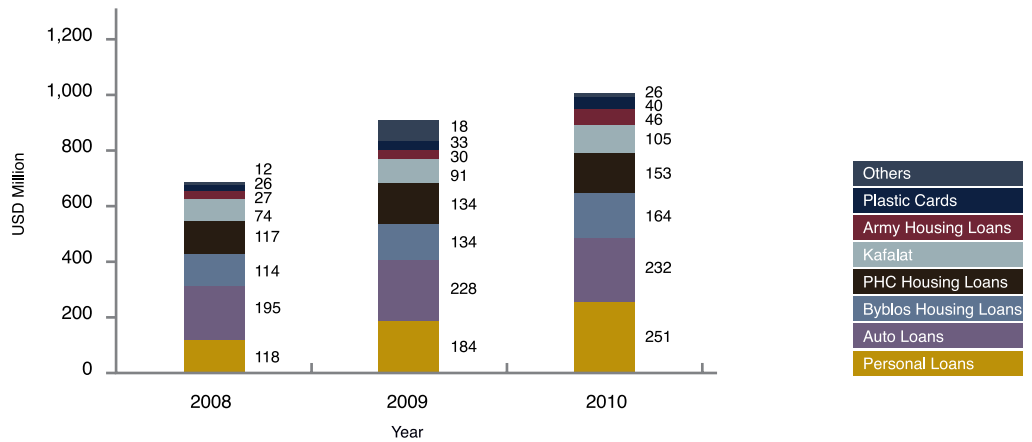


RETAIL LOAN PORTFOLIO

	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%

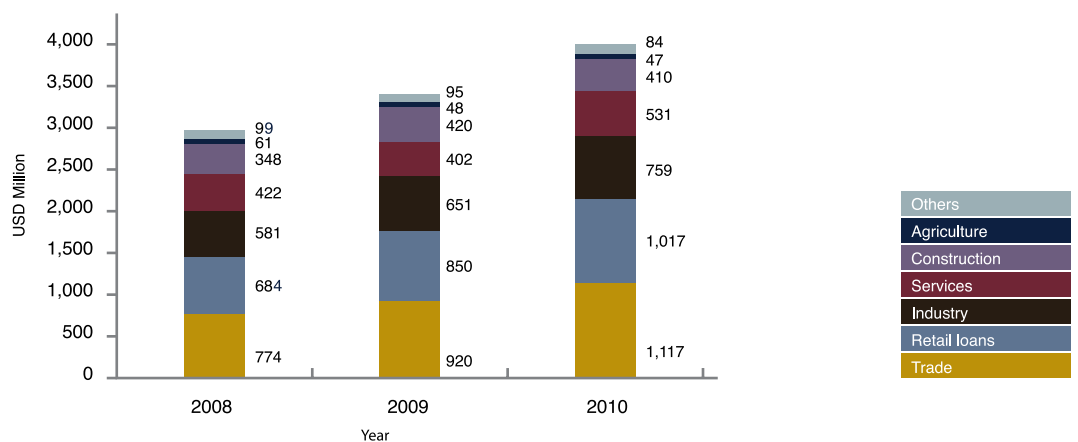
In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from LBP 1,032 billion (USD 684 million) as at 31 December 2008 to LBP 1,281 billion (USD 850 million) as at 31 December 2009, and to LBP 1,534 billion (USD 1,017 million) as at 31 December 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:

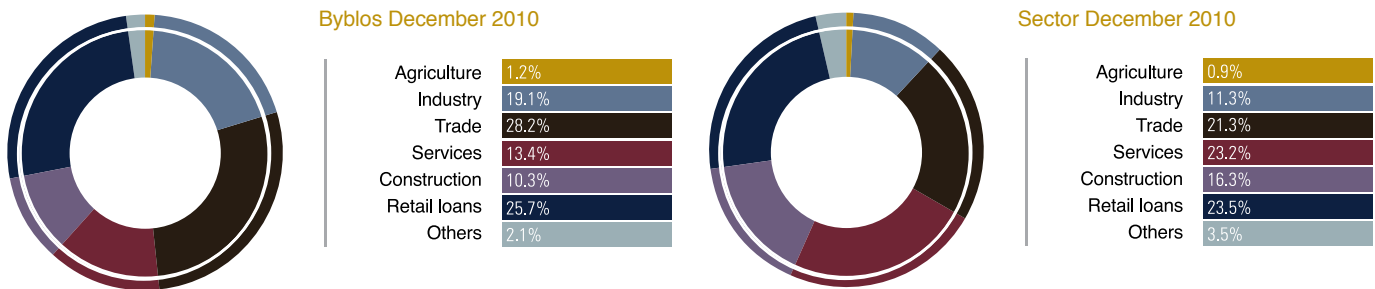


LOAN PORTFOLIO BY ECONOMIC SECTOR

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

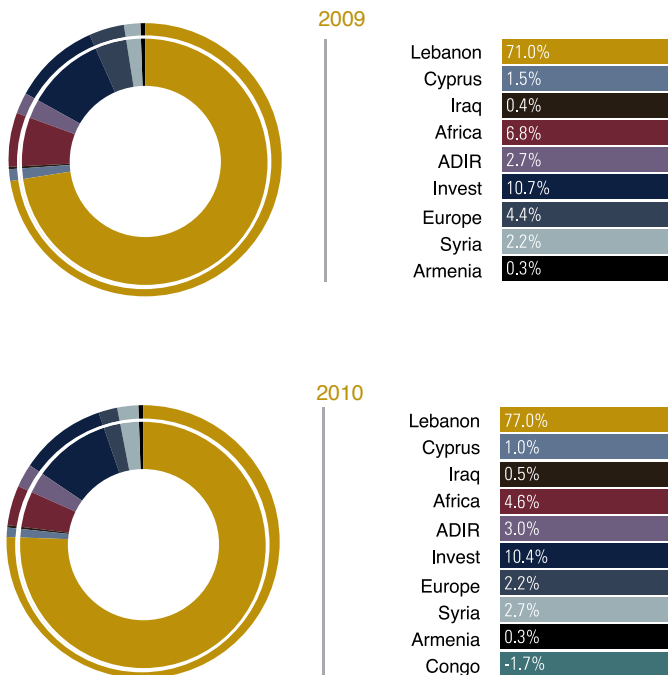
Key profitability ratios	December 2008	December 2009	December 2010
Return on average assets	1.18%	1.17%	1.23%
Return on average common equity	14.56%	15.00%	14.03%
Net interest margin	2.39%	2.17%	2.04%
Cost-to-income	47.38%	46.28%	46.60%

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	Interest earned	Average rate	Average balance	Interest earned	Average rate
	LBP Million	LBP Million	%	LBP Million	LBP Million	%
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.

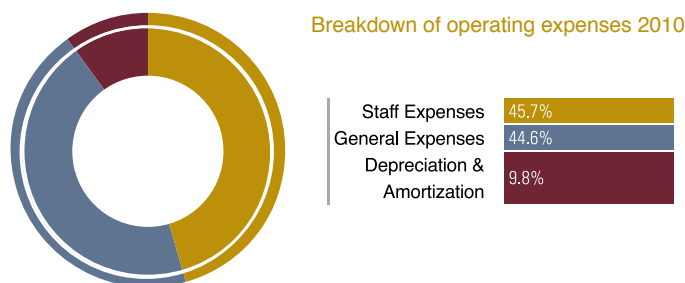
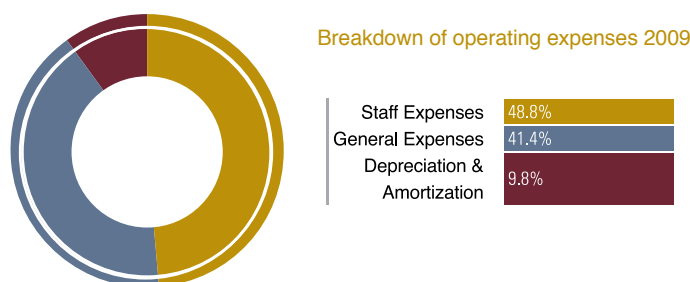
- Realized and unrealized gain on the securities portfolio for the year 2010 amounted to LBP 100,938 million (USD 67.0 million), recording a huge increase of 173.2% as compared to a gain of LBP 36,940 million (USD 24.5 million) in 2009 due as mentioned previously to the sale of foreign currency governmental 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

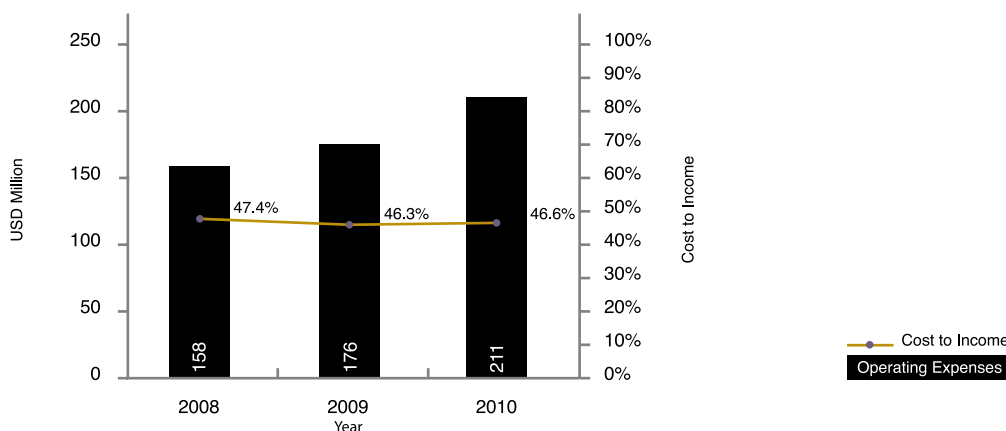
LBP Million	2008	2009	2010	Growth (Vol.)	Growth (%)
Staff expenses	123,143	129,339	145,552	16,213	12.5%
General expenses	98,208	109,513	142,144	32,631	29.8%
Depreciation and amortization	17,530	25,925	31,126	5,201	20.1%
Total operating expenses	238,881	264,777	318,822	54,045	20.4%

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.



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:

As at 31 December	2008		2009		2010	
	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

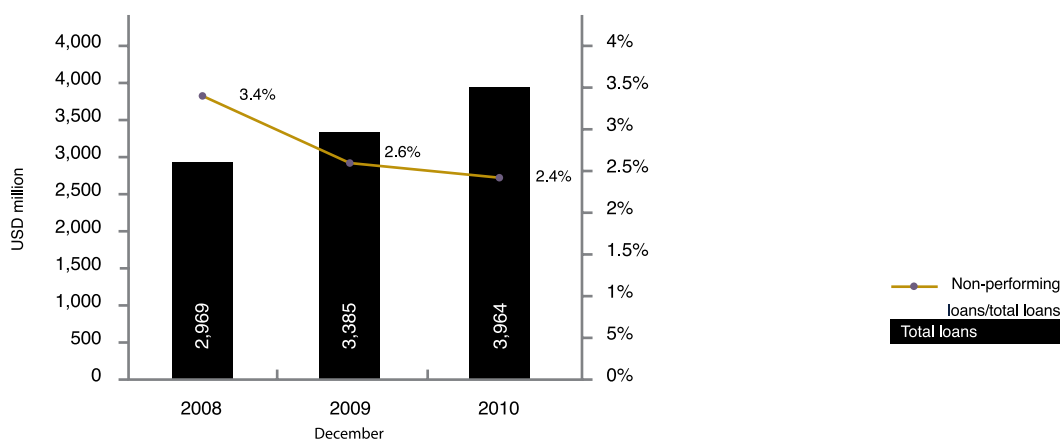
As at 31 December	2008		2009		2010	
	LBP Million	% of total	LBP Million	% of total	LBP Million	% of total
Net balances:						
Good loans	4,049,822	93.5	4,730,021	94.9	5,641,404	96.4
Watch loans	248,987	5.7	227,746	4.6	190,380	3.3
Substandard loans	13,573	0.3	5,456	0.1	1,640	0.0
Doubtful loans	23,607	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

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 Classified 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

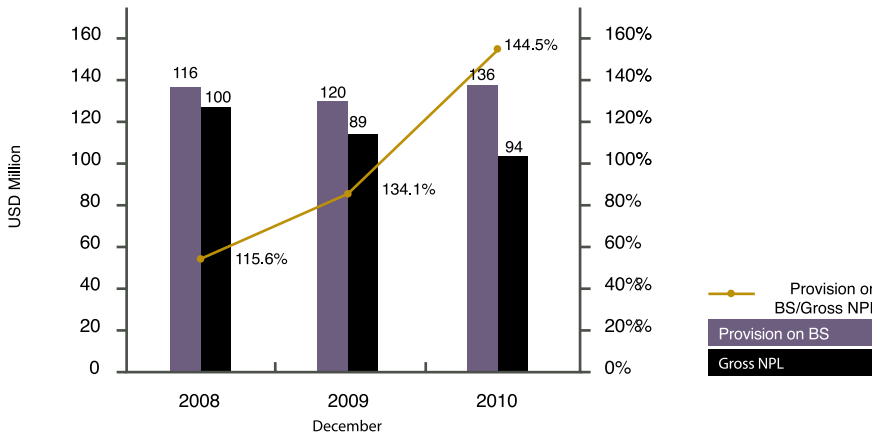
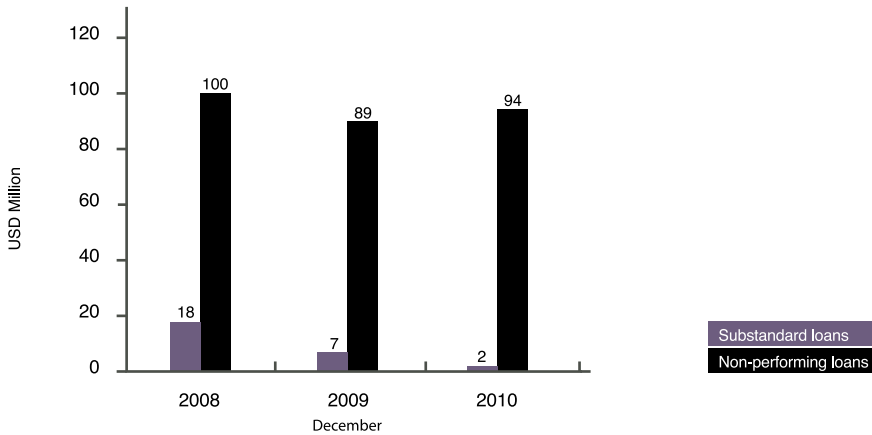
(**) Excluding general provisions for retail loans



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:

As at 31 December	2008		2009		2010	
	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 Depository 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 depository bank of the issue. The Bank aimed through the listing to increase liquidity through the listing of Global Depository 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.

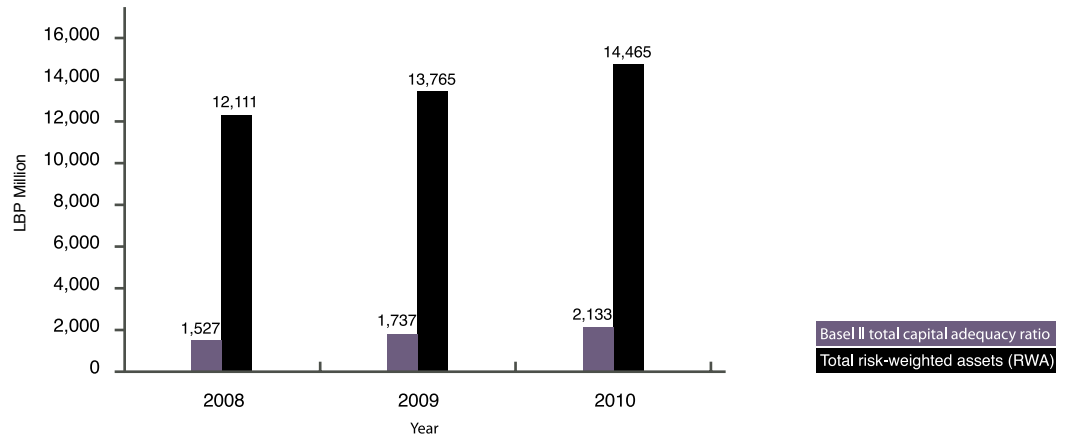
	2008	2009	2010	As at 31 December
Basel II total capital adequacy ratio (Pillar 1 risks)	12.61%	12.62%	14.75%	(LBP Million except ratios)
Common equity ratio	7.02%	6.87%	9.66%	
Tier 1 capital ratio	10.93%	10.46%	14.07%	
Tier 2 capital ratio	1.69%	2.15%	0.68%	
Common equity	849,739	945,599	1,398,012	
Tier 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:

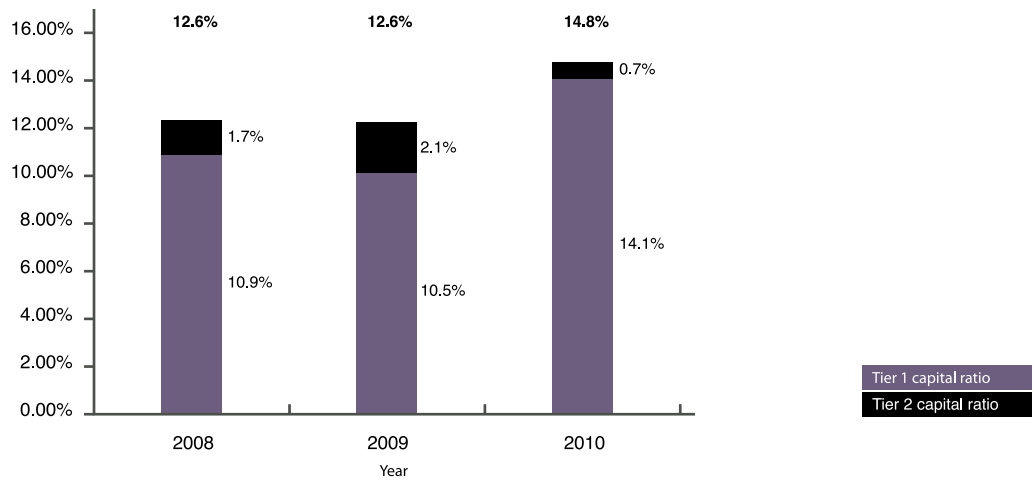
- Unrealized losses on available-for-sale portfolio
- Investment in unconsolidated companies banks where the bank's share exceeds 10%
- Investment in insurance companies

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	Low	Common share dividend ⁽¹⁾	
	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
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	Low	Common share dividend ⁽¹⁾	
	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
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%

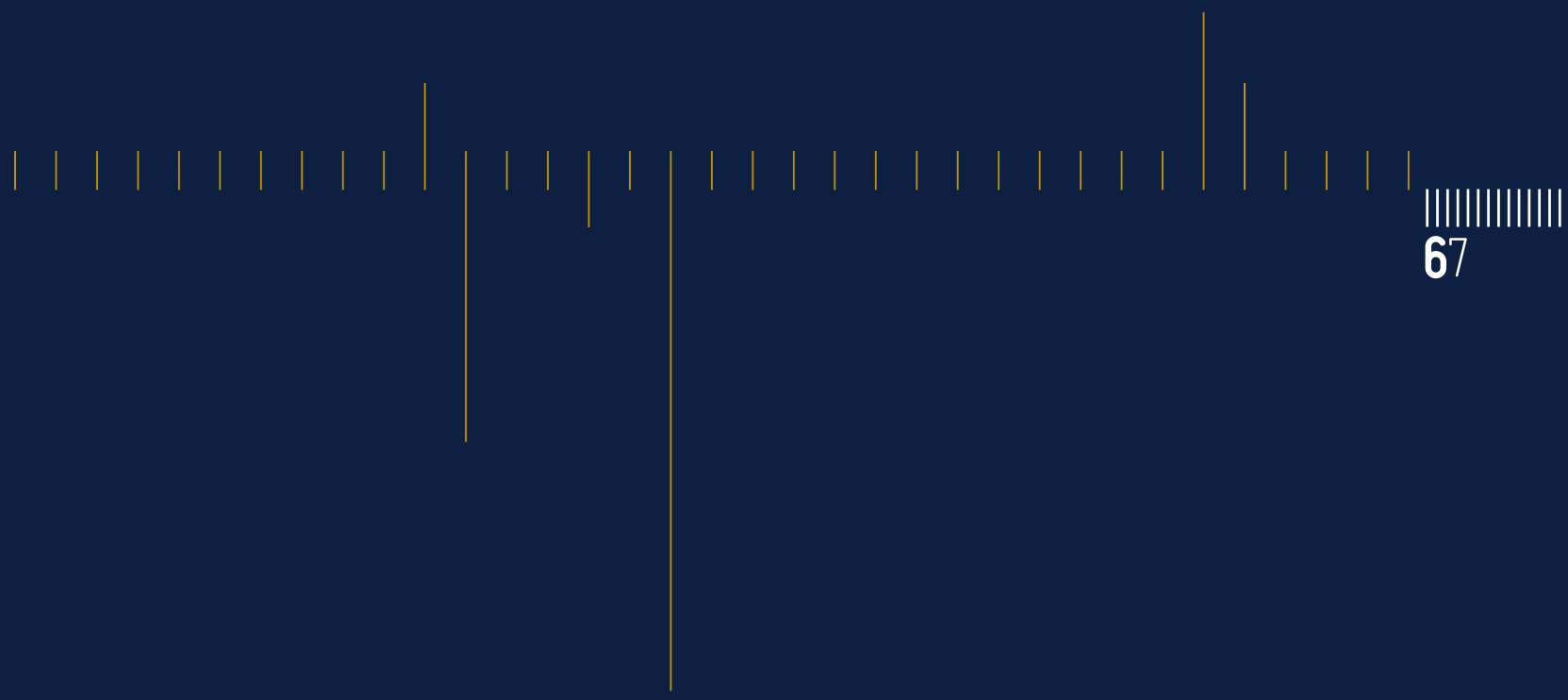
(2) Dividends include distribution of 4% on nominal value of priority shares

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.



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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

16 April 2011
 Beirut, Lebanon


 Semaan, Gholam & Co.



YEAR ENDED
31 DECEMBER 2010

Consolidated Income Statement

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	Notes	2010	2009
LBP Million			
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

Consolidated Statement of Comprehensive Income

YEAR ENDED
31 DECEMBER 2010

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	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	

Consolidated Statement
of Comprehensive Income

31 DECEMBER 2010

Consolidated Statement
of Financial Position

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	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



YEAR ENDED
31 DECEMBER 2010Consolidated Statement
of Changes in Equity

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Attributable to equity holders of the parent

LBP Million

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

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	Notes	2010	2009
LBP Million			
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	
FINANCING ACTIVITIES				LBP Million
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	

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		Principal activity	Country of incorporation
	2010 %	2009 %		
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.

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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.

31 DECEMBER 2010

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 contract.

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.

Notes to the Consolidated
Financial Statements

31 DECEMBER 2010

2 - ACCOUNTING POLICIES (continued)

2.4 ~ Summary of significant accounting policies (continued)

Financial instruments – initial recognition and subsequent measurement (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.

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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 substance 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.

Notes to the Consolidated
Financial Statements

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2 - ACCOUNTING POLICIES (continued)

2.4 ~ Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

(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.

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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.

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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 or 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
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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.

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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:

- I 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.
- I 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 determine 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.

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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.

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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.

LBP Million	Domestic		International		Total	
	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

	2010	2009	
Cash and balances with central banks	15,116	19,158	LBP Million
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	

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6 INTEREST AND SIMILAR EXPENSE

		2010	2009
LBP Million	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

		2010	2009
LBP Million	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	LBP Million
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	

“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	LBP Million
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	

10 OTHER OPERATING INCOME

	2010	2009	
Net gain on sale of assets acquired in settlement of debt	3,914	11,275	LBP Million
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	

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11 CREDIT LOSS
EXPENSE

		2010	2009
LBP Million			
	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

		2010	2009
LBP Million			
	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

		2010	2009
LBP Million	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

		2010	2009
LBP Million	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:

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

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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:

		2010	2009
LBP Million	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

		2010	2009
LBP Million	Deferred tax liability		
	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:

		2010	2009
LBP Million	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	LBP Million
(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	

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	LBP Million
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	

	2010	2009	
Net profit attributable to ordinary shares (common and priority) of the parent	207,706	172,533	LBP Million
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	

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16 - EARNINGS PER SHARE (continued)

		2010	2009
LBP Million	(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

		2010	2009
LBP Million	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	



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19 FINANCIAL ASSETS GIVEN AS COLLATERAL AND REVERSE REPURCHASE AGREEMENTS

		2010	2009
LBP Million	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.

LBP Million	2010			2009		
	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

	2010	2009	
Treasury bills and other governmental bills	142,007	152,988	LBP Million
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	

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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	<i>Gross balance</i>	<i>Unrealized interest</i>	<i>Provisions</i>	<i>Net balance</i>
- 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:

	2010	2009	
Balance at 1 January	63,840	80,777	LBP Million
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	

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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:

LBP Million	2010			2009		
	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
	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

	2010	2009	
Letters of credit payable by the Group on behalf of its customers:			LBP Million
- 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

	2010	2009	
Lebanese Treasury bills and other governmental bills	1,433,865	1,516,505	LBP Million
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

	2010	2009	
Certificates of deposit	4,389,114	3,267,756	LBP Million
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	



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

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

		2010	2009
LBP Million	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

		2010	2009
LBP Million	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:

		2010	2009
LBP Million	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	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Furniture and equipment</i>	<i>Deposits</i>	<i>Advance payments</i>	<i>Total</i>
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 Transfers	-	73	1,177	-	-	1,250
	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	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Furniture and equipment</i>	<i>Deposits</i>	<i>Advance payments</i>	<i>Total</i>
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).

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27 - PROPERTY AND EQUIPMENT (continued)

28 INTANGIBLE
ASSETS

		2010	2009
LBP Million	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:

		2010	2009
LBP Million	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	

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31 DUE TO CENTRAL
BANKS

		2010	2009
LBP Million	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:

		Amount	Interest rate	Maturity
LBP Million	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

		2010	2009
LBP Million	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

	2010	2009	
Current accounts	2,514,441	1,916,710	LBP Million
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

	2010	2009	
Certificates of deposit			LBP Million
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	

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34 - DEBT ISSUED AND OTHER
BORROWED FUNDS (continued)**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	

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38 END-OF-SERVICE
BENEFITS

		2010	2009
LBP Million	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

		2010	2009
LBP Million	^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:

	<i>LBP Million</i>	<i>USD (000)</i>
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	
	<i>LBP Million</i>	<i>USD (000)</i>	<i>LBP Million</i>	<i>USD (000)</i>
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	
	<i>LBP Million</i>	<i>USD (000)</i>	<i>LBP Million</i>	<i>USD (000)</i>
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.

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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.

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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

	2010	2009	
Revaluation reserve accepted in Tier II capital	1,978	1,978	LBP Million
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:

	2010	2009	
Balance at 1 January	66,026	(30,517)	LBP Million
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

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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:

		2010	2009
LBP Million	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

	2010	2009	
Premium on capital increase of Byblos Bank Armenia C.J.S.C.	1,263	1,263	LBP Million
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).

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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.

LBP Million	2010							
	Less than 12 months			Total	Over than 12 months			Total
	Up to 1 month	1 to 3 months	3 months to 1 year		1 to 5 years	Over 5 years	Total	
ASSETS								
Cash and balances with central banks	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

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47 - MATURITY ANALYSIS
OF ASSETS AND LIABILITIES (continued)

LBP Million	2009				2009			
	Less than 12 months				Over than 12 months			
	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

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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:

		2010	2009
LBP Million	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	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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

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

LBP Million	2009			
	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.

LBP Million	2010		2009	
	<i>Fair value</i>	<i>Carrying value</i>	<i>Fair value</i>	<i>Carrying value</i>
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

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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.

LBP Million	Available for sale			
	2010		2009	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
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.

LBP Million	Held for trading			
	2010		2009	
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
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

	2010	2009	
Expected undiscounted cash recoveries, as assessed at the date of reclassification	2,848,483	2,848,483	LBP Million
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.

LBP Million	Debt securities			
	2010		2009	
	<i>Income statement</i>	<i>Equity</i>	<i>Income statement</i>	<i>Equity</i>
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:

LBP Million	2010		2009	
	<i>Debt securities held for trading</i>	<i>Debt securities available for sale</i>	<i>Debt securities held for trading</i>	<i>Debt securities available for sale</i>
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.

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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:

	2010	2009	
Industry Sector:			LBP Million
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.

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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		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
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		Past due but not impaired	Past due and impaired	Total
	High grade	Standard grade			
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	<i>Less than 90 days</i>	<i>91 to 180 days</i>	<i>181 to 365 days</i>	<i>366 to 720 days</i>	<i>More than 720 days</i>	<i>Total</i>
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	<i>Less than 90 days</i>	<i>91 to 180 days</i>	<i>181 to 365 days</i>	<i>366 to 720 days</i>	<i>More than 720 days</i>	<i>Total</i>
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:

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

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

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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.

		2010	2009
LBP Million	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.



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

2010

LBP Million	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
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	<i>Up to 1 month</i>	<i>1 to 3 months</i>	<i>3 months to 1 year</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
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

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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	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
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	<i>On demand</i>	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>More than 5 years</i>	<i>Total</i>
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.

Currency	Increase in interest rate	LBP Million		2010		2009	
		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		

Currency	Increase in interest rate	LBP Million		2010		2009	
		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)		

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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

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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.

Currency	Change in currency rate %	2009		2008		
		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.

31 DECEMBER 2010

53 - CAPITAL (continued)

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Regulatory capital

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

		2010	2009
LBP Million	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:

		2010	2009
LBP Million	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

		2010	2009
LBP Million	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:

LBP Million	2010		2009	
	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

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

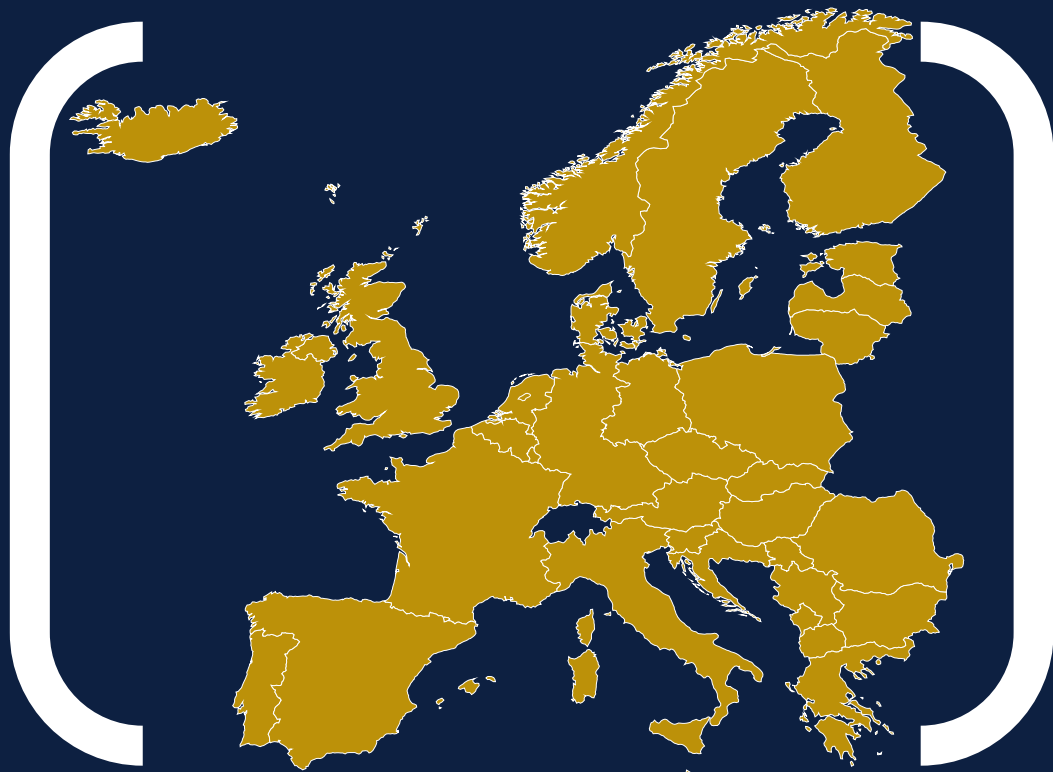
The General Assembly approves the resolution of issuing bonds based on the terms above, and gives power to the Board of Directors or its Chairman to carry out, before all public or non-public authorities, all arrangements and formalities necessary for the implementation of this resolution, including 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

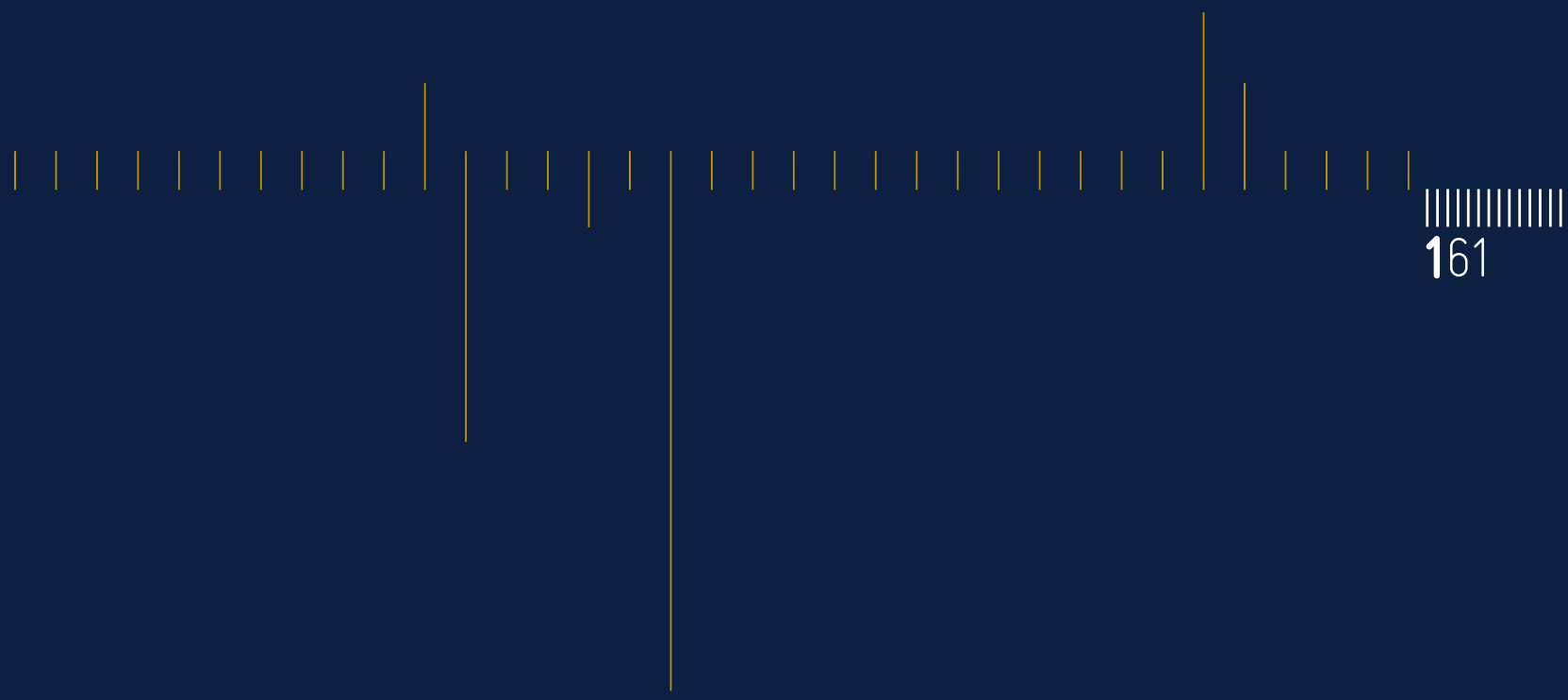
The General Assembly decides to elect Mr. Alain C. Tohmé as Board member in Byblos Bank after the resignation of Mr. Moussa Maksoud for personal reasons. Mr. Tohmé is elected to serve for the remaining tenure of Mr. Maksoud or until the annual Ordinary General Meeting to be held in 2012 to approve the 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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Income Statement for the Year Ended 31 December 2010



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.

Balance Sheet
after Appropriation

31 DECEMBER 2010

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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





	2010	2009	LIABILITIES
THIRD PARTIES	589,215	551,426	EUR Thousand
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



Off-Balance-
Sheet Items

31 DECEMBER 2010

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	2010	2009
EUR Thousand		
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

Income Statement

YEAR ENDED
31 DECEMBER 2010

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	2010	2009	CHARGES
II. Interest payable and similar charges	3,677	5,647	EUR Thousand
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

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INCOME

2010

2009

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



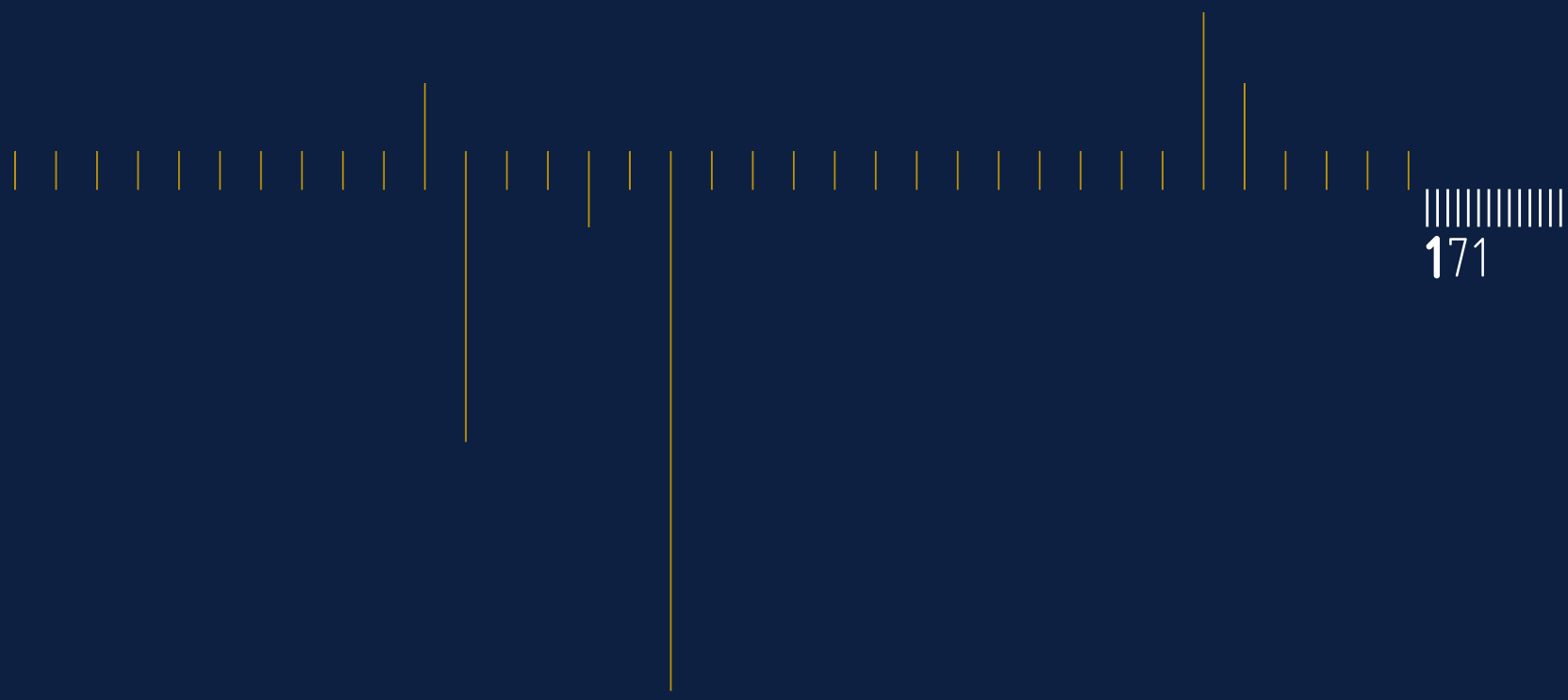
	2010	2009	APPROPRIATION ACCOUNT
A. Profit (Losses) to be appropriated	3,127	5,579	EUR Thousand
1. Profits (Losses) for the period available for appropriation	3,122	5,501	
2. Profits (Losses) brought forward	5	78	
B. Transfers from capital and reserves	0	0	
1. From capital and share premium account			
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			





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Byblos Bank Africa



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Statement of Financial Position as at 31 December 2010



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.

Income
StatementYEAR ENDED
31 DECEMBER 2010

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	2010	2009
SDG		
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

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	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

SDG

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Nicolas Salibi
General Manager

Statement
of Financial Position

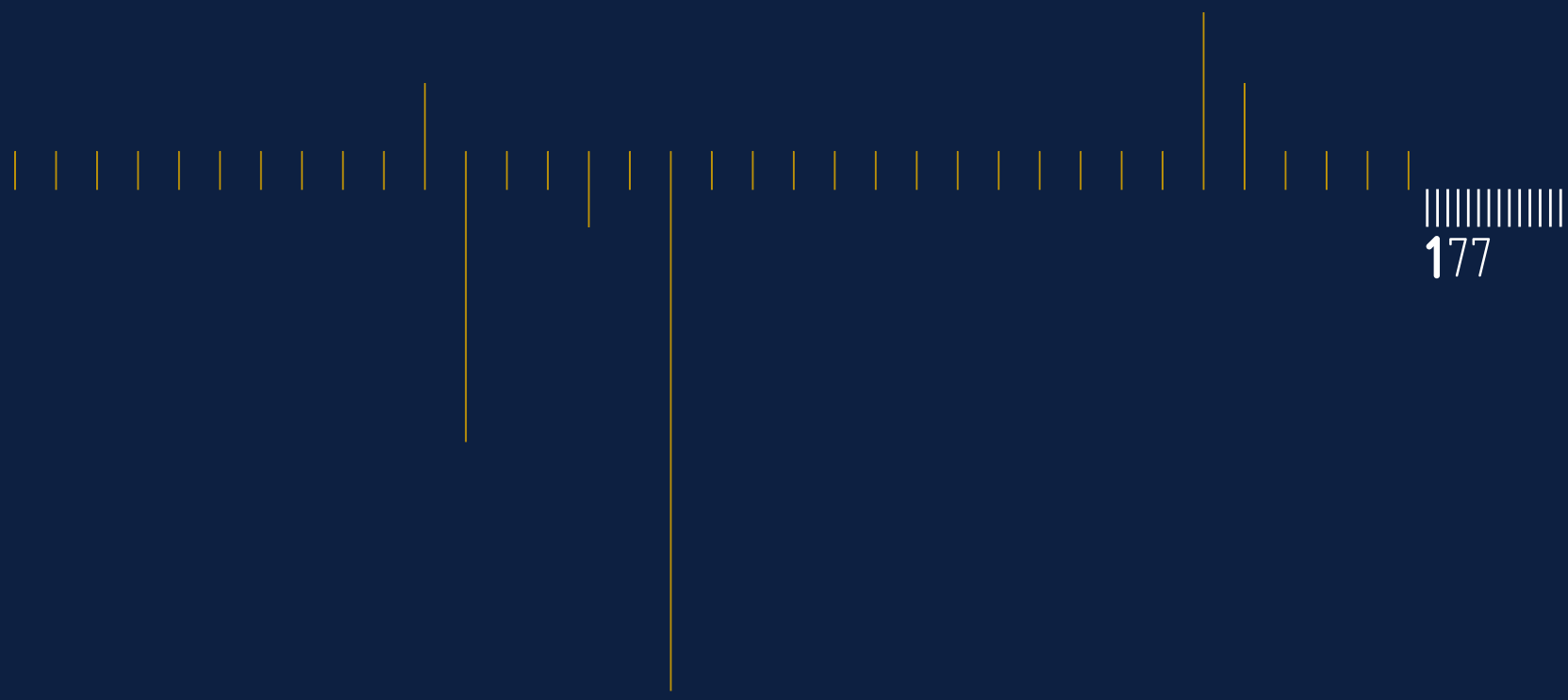
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Byblos Bank Syria S.A.



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Statement of Financial Position as at 31 December 2010



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

	2010	2009
SYP		
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		
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

SYP

These accounts have been approved by the Board of Directors.

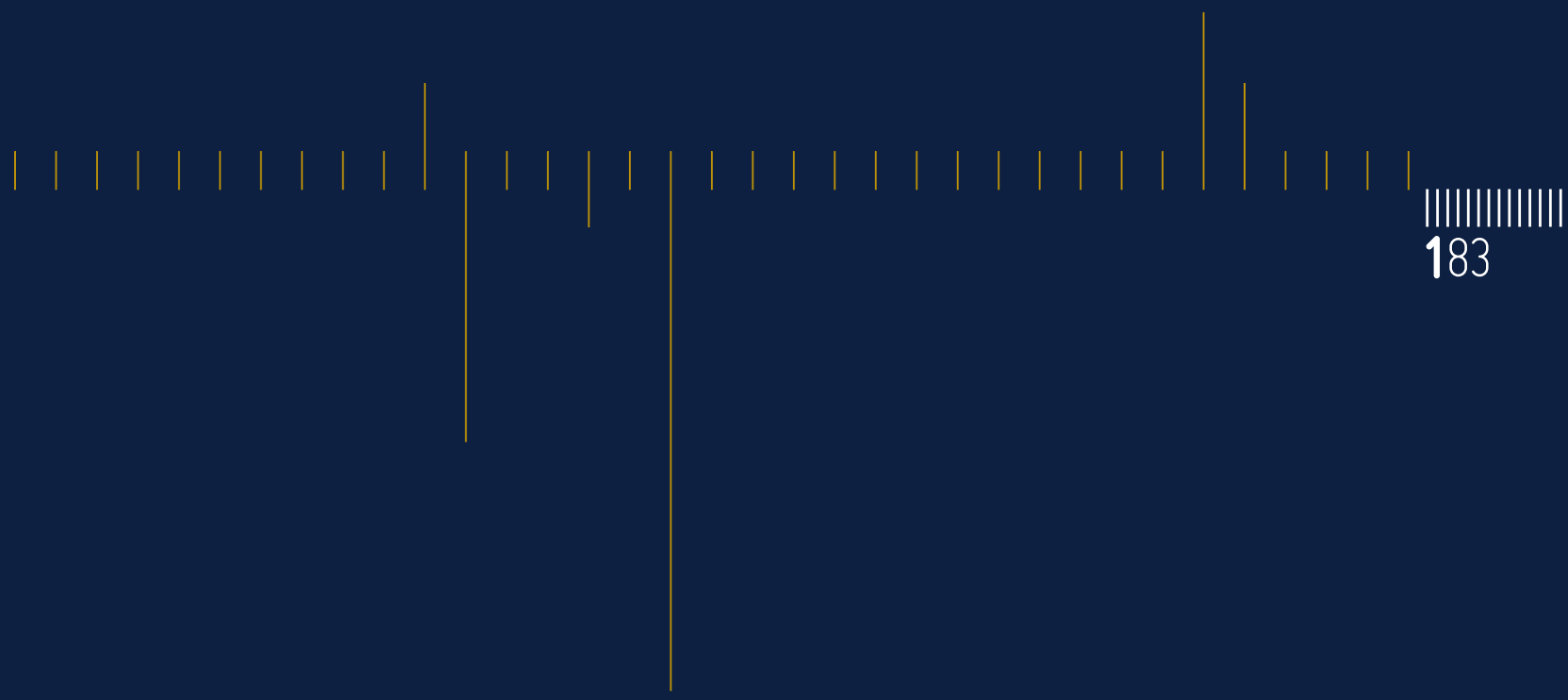
Semaan F. Bassil
Chairman

Georges Sfeir
General Manager



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Statement of Financial Position as at 31 December 2010



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.

YEAR ENDED
31 DECEMBER 2010

Income Statement and Other Comprehensive Income

		2010	2009
AMD Thousand	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

31 December	2010	2009	
ASSETS			AMD Thousand
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	

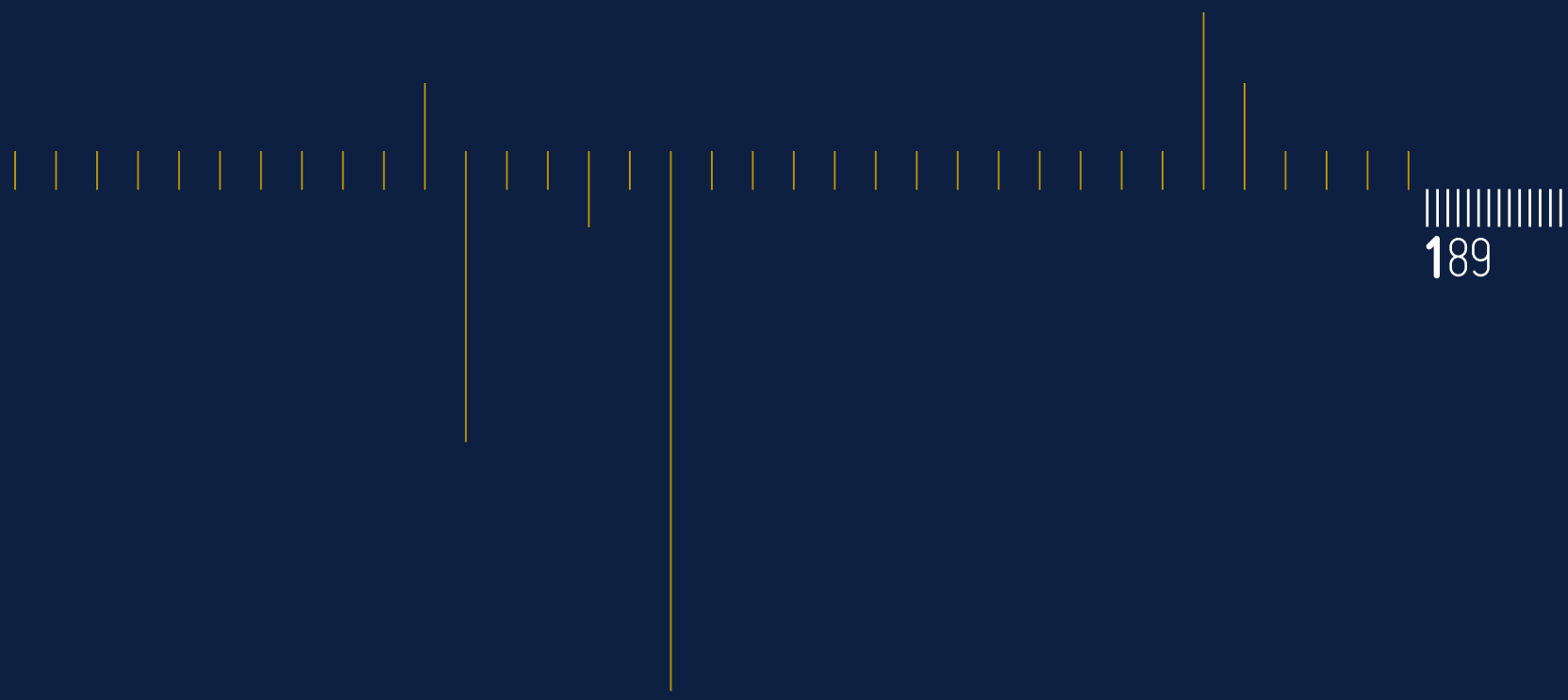
Dr. François S. Bassil
Chairman

Ararat Ghukasyan
CEO



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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.

Income
StatementYEAR ENDED
31 DECEMBER 2010

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2010 2009

CDF

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

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	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

CDF

These accounts have been approved by the Board of Directors.

Daniel Ribant
Chairman

Michel El-Amm
General Manager



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Byblos Invest Bank S.A.L.





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the Year Ended 31 December 2010

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Statement of Financial Position as at 31 December 2010

YEAR ENDED
31 DECEMBER 2010

Income Statement and Other Comprehensive Income

		2010	2009
LBP Million	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			LBP Million
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	

Sami Haddad
Chairman and General Manager



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Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)

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208	Evolution of Total Assets



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.

Statement of
Financial Position

31 DECEMBER 2010

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ASSETS

2010

2009

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

	2010	2009	LIABILITIES AND SHAREHOLDERS' EQUITY
Shareholders' equity			LBP
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

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2010 2009

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

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	2010	2009
OPERATING ACTIVITIES		
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

LBP

Gross Written Premium

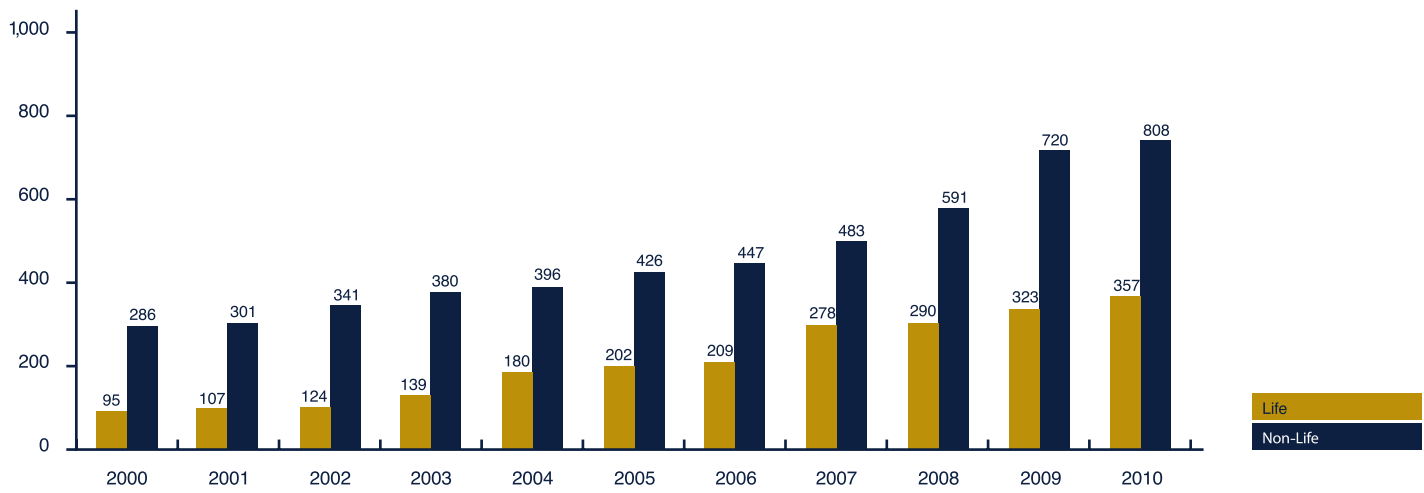
	2010	2009
USD		
Life business:		
Retirement and education	13,921,993	12,488,480
Other life business	8,384,962	6,989,169
Total life business	22,306,955	19,477,649
Non-life business:		
Fire	2,542,446	2,031,833
Marine	555,865	787,331
General accident	1,144,225	910,922
Motor	12,001,614	22,143,290
Medical	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%

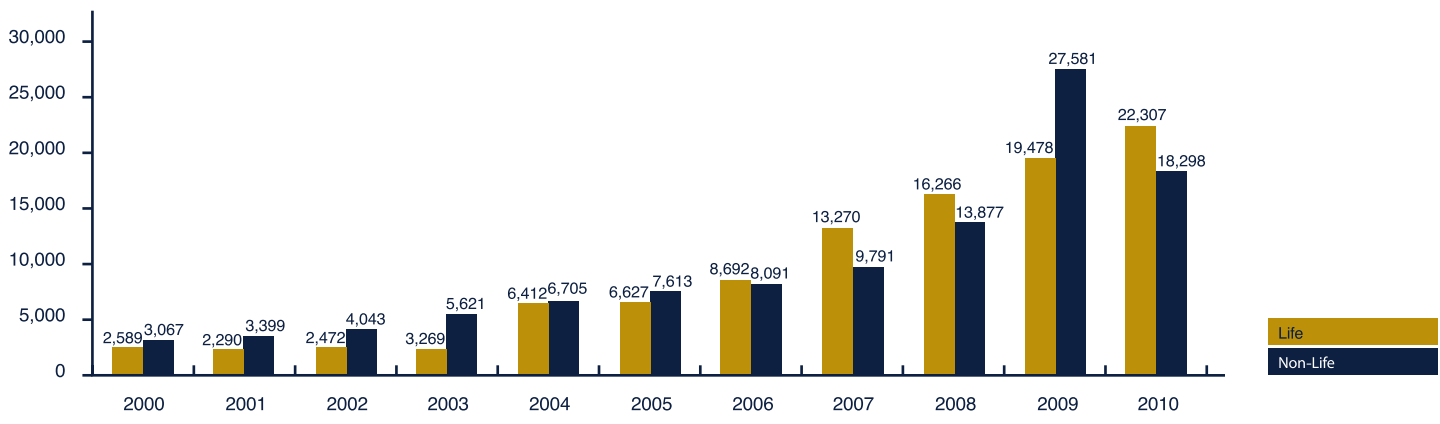
(IN USD MILLION)

Insurance Market Growth in Lebanon



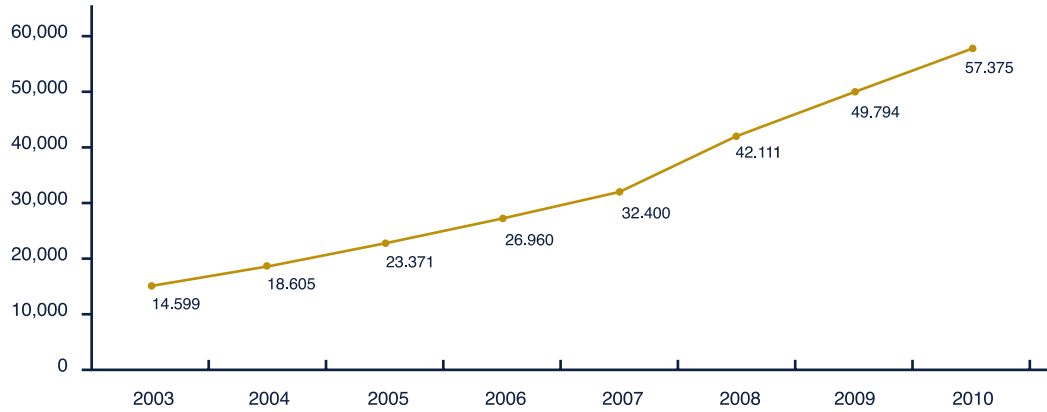
(IN USD THOUSANDS)

ADIR Premium Growth



(IN USD THOUSANDS)

Evolution of Invested Assets



(IN USD THOUSANDS)

Evolution of Total Assets

