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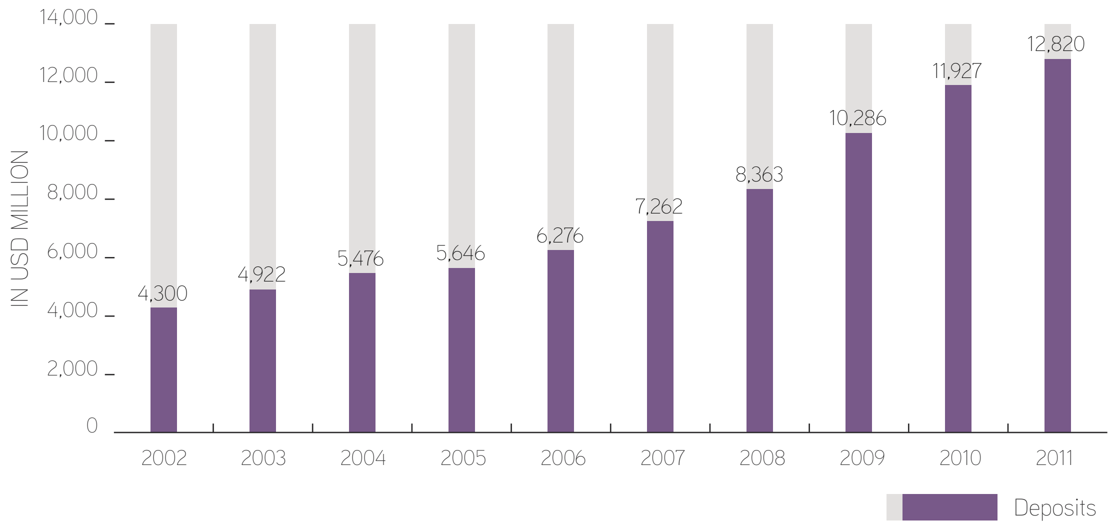

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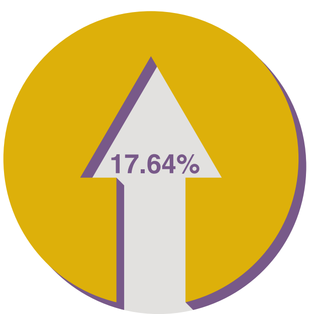

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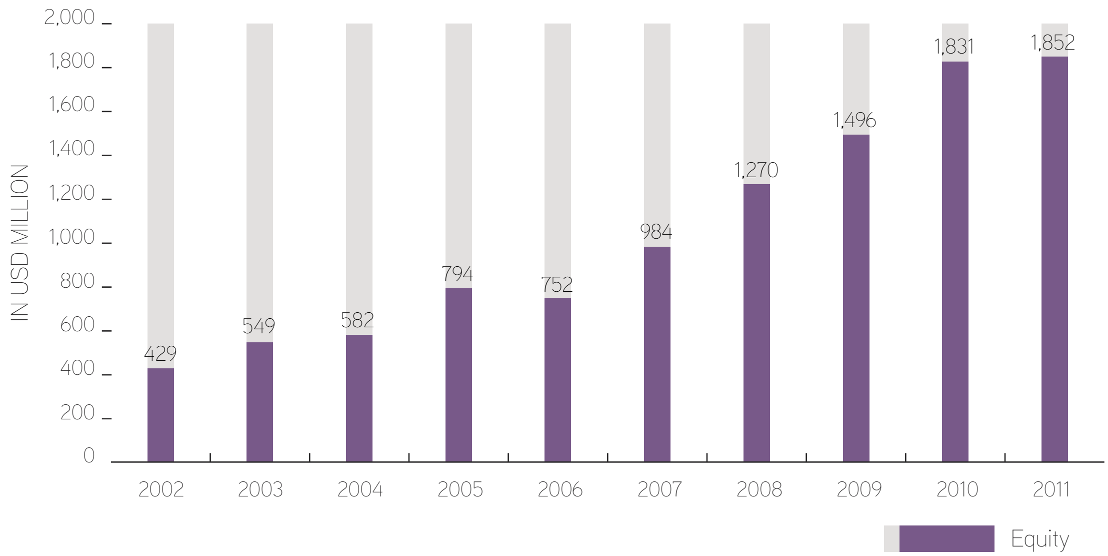

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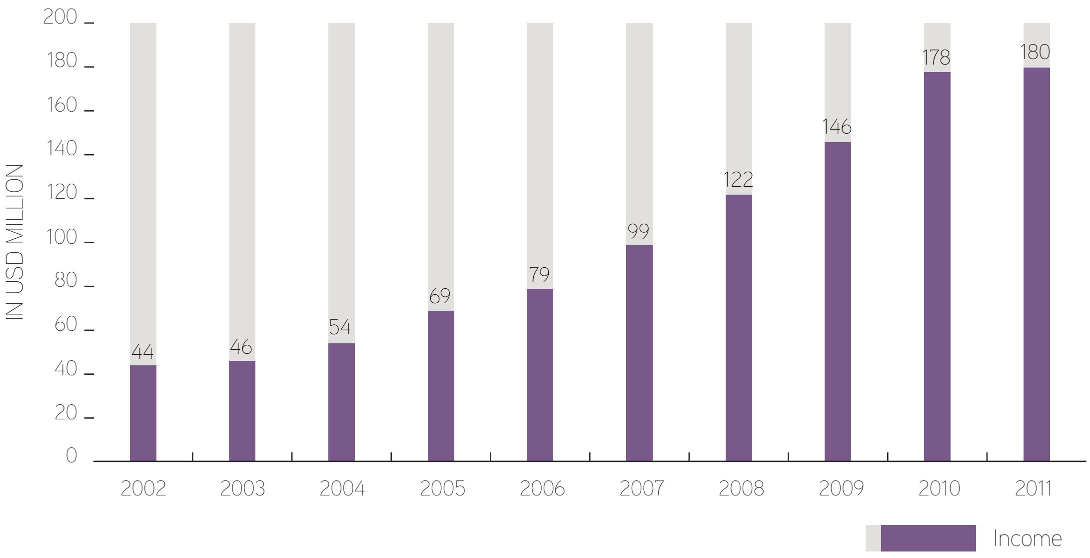

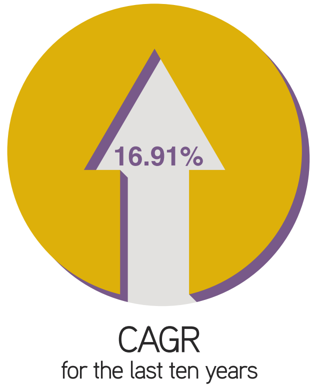

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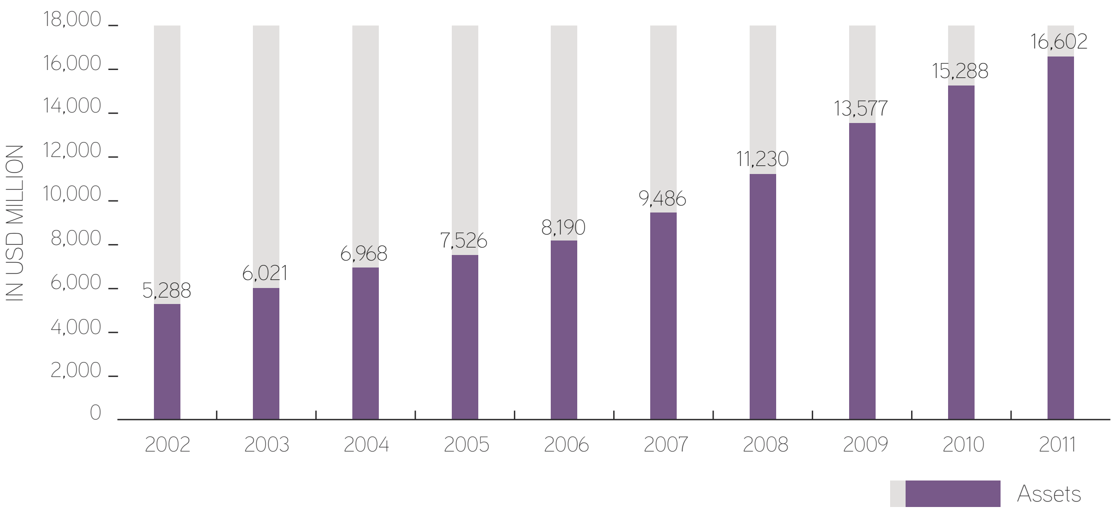

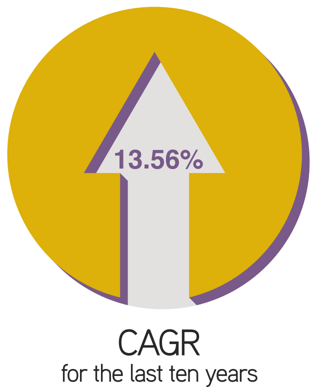

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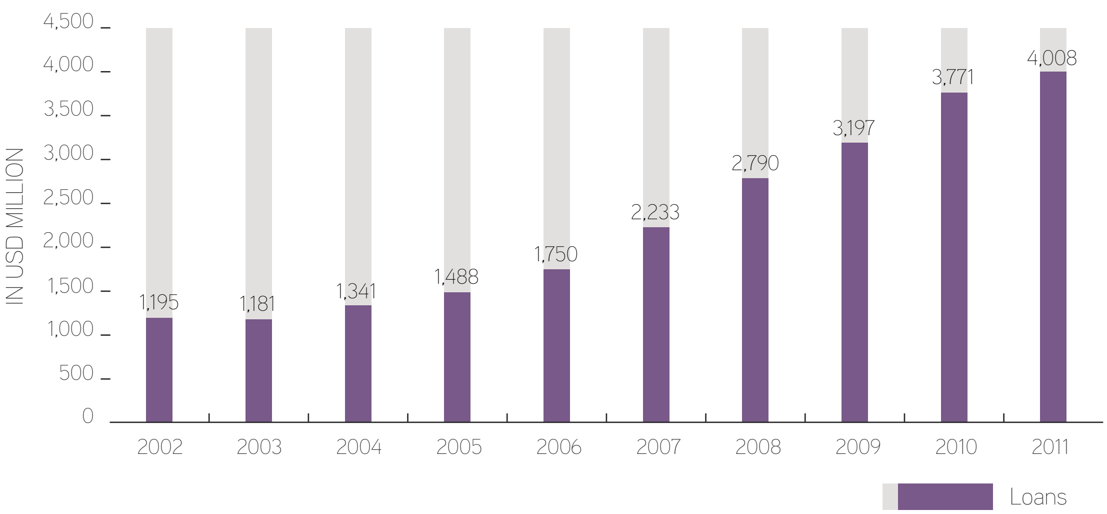

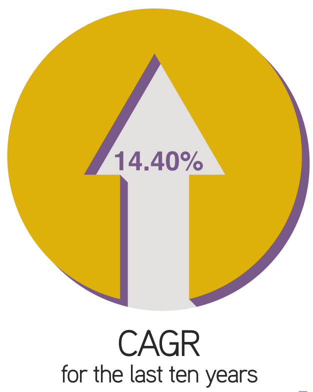

A MESSAGE FROM THE CHAIRMAN

DEAR STAKEHOLDERS,

It is with great satisfaction that I introduce the Byblos Bank Group's Annual Report 2011, not least because its contents demonstrate both the resilience of our business model and the versatility of the hard-working professionals who implement it.

The past year carried a full load of challenges, including the continuing predicament in global financial markets and political instability in much of the Middle East region, both of which contributed to considerable uncertainty in Lebanon and several other markets in which we operate. Nonetheless, Byblos Bank was able to post more than respectable results, including an actual increase in profits, while simultaneously taking measures to insulate the Group and all its stakeholders against future volatility.

The Bank posted net profits of USD 179.7 million for 2011, an increase of 1.2% from USD 177.7 million in 2010. Total assets rose by 8.6% to USD 16.6 billion as at 31 December 2011, as compared to USD 15.3 billion at the end of 2010. Customers' deposits increased by 7.5% to USD 12.8 billion as at end-December 2011, while net customers' loans increased by 6.3% to USD 4.0 billion as of the same date. The Bank's cost-to-income ratio improved considerably to 43.39% in 2011, as compared to 45.54% in 2010. Total capital (Tier 1 and Tier 2) amounted based on Basel II calculation and requirement to USD 1,458 million as at 31 December 2011, and our Basel II capital adequacy ratio stood at a solid 13.61%.

As ever, our overall mission remains what I call the "humanization of capital": the tethering of financial resources to those elements of the private sector most likely to generate sustainable growth, well-paying jobs and other opportunities with real and lasting benefits for both society at large and its constituent members. In practice, this means increasing our involvement – and that of other private sector actors – in the kind of socioeconomic development that allows more people to earn their livelihoods and raise their families without having to leave their home towns or even homelands.

Accordingly, Byblos Bank has always been a keen partner for the business community, including the small- and medium-sized enterprises (SMEs) that generate most new jobs. This ambition is manifest on several levels, including our leading role in the Lebanese government's Kafalat program, which has improved access to credit for small businesses. In addition, we plan in the near future to launch new in-house products tailored to the specific needs of middle-market clients, i.e. those too large to qualify as SMEs but too small to benefit from traditional corporate banking products. By these and other means, Byblos Bank hopes to increase its investment – and thereby to encourage the same by others – in areas crucial to the domestic economy, including agriculture and related industries, manufacturing, and the exciting environmental sector.

The other side of this coin is to spare the state the need to keep borrowing new funds from the markets, which distracts it from its core responsibilities, causes it to take on more debt, and drives up the cost of funds for all other actors. Instead, Byblos Bank wants to shift more of the cost and risk onto the private sector by financing a larger role for the latter in things like infrastructure development.

This perspective is informed by a cautious and comprehensive approach that has long served Byblos Bank and its stakeholders well, and 2012 promises more of the same. Barring unforeseen changes, there will again be headwinds caused by outside factors ranging from the European debt crisis to the highly unfortunate events in Syria. Once again, however, we will be prepared: the Bank has set aside maximum provisions against various forms of risk and is very liquid. This limits profitability and may shrink our balance sheet, but it protects the long-term interests of the Bank and its stakeholders, and will position us well to respond quickly and decisively when conditions improve.

We will not, however, simply stand pat. While holding the line against additional exposure in some markets, we will continue to actively pursue new business in others, using the proceeds to offset the higher cost of funds engendered by uncertainty and the need to maintain high liquidity. Our strong relationships with our customers, especially the SMEs among them, provide ample prospects to expand this aspect of our activities. The Bank will endeavor, too, to help the Lebanese government take advantage of privatization opportunities in such a way as to reduce its debt, improve the quality and reliability of services delivered to the public, and help stimulate stronger economic growth.

In addition to political and economic hurdles, 2011 also focused a spotlight on all Lebanese banks when it comes to the measures they take to combat money laundering, as well as other areas of international concern. Byblos Bank's philosophy on this subject is simple: our aim is to ensure full compliance, all the time, with all relevant guidelines. This, we believe, is the only responsible policy if we are to protect the Bank's reputation and maintain our access to international markets, and thereby to further the interests of our stakeholders.

In closing, I take the liberty of repeating my respect and admiration for those who allowed the Bank to weather the adverse conditions encountered in 2011 – the employees who redoubled their efforts, the shareholders who had the foresight to stand by the Bank, and the clients whose trust we have worked so hard to earn. Thank you all.

Sincerely,

François S. Bassil
Chairman and General Manager

THE ECONOMY IN 2011

LEBANESE ECONOMY

Lebanon's economic activity was characterized by two stages in 2011. The first stage spanned the first half of the year and saw domestic political shocks, security breaches, and regional turmoil severely affect economic activity. The collapse of the Hariri Cabinet of national unity in January 2011, the prolonged period of political vacuum prior to the formation of a new Cabinet, and uncertain domestic security conditions, along with the changes taking place across the Arab world, especially the start of the Syrian crisis, led to significant decreases in consumer confidence and investor sentiment, bringing economic activity to a near halt in the first half of 2011.

The second stage covered the second half the year and saw the formation of a new Cabinet, the activation of state institutions, and a semblance of political normality after nearly five months of vacuum. This helped economic activity somewhat, but it was hardly enough to make up for the economic stagnation of the first half of the year, especially with the sharp domestic political tensions and the ongoing Syrian crisis. Therefore, there was no reversal of economic trends in the second half, as all indicators continued to point to the slowdown in activity and capital inflows, as well as to the deterioration of public finances.

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

REAL SECTORS

Economic growth in Lebanon reached 2% in the second half of 2011 compared to about 0.8% for the first half of the year, with full-year real GDP growth estimated at 1.5% compared to the official figure of 7% in 2010. The Central Bank's Coincident Indicator, a proxy for overall economic activity in Lebanon, rose by 2.5% year-on-year on average.

The Byblos Bank/AUB Consumer Confidence Index averaged 51.7 in 2011 compared to 72.8 in 2010 and 96.7 in 2009. The Index averaged 54.6 in the first quarter of 2011, with a low of 47.5 in March. The first month of 2011 was a microcosm of political events that affect consumer confidence in Lebanon. The collapse of the Hariri Cabinet of national unity on 12 January, the ensuing street protests, the threat of a power vacuum, and the sudden rise in political uncertainties combined to severely affect the outlook and, therefore, appeared to further impact confidence. But the designation of MP Najib Mikati as prime minister on 25 January helped the level of confidence to recover somewhat, with the Index improving to 60.7 in January from its low in the preceding month. However, the confidence level deteriorated again in February with the delays in the Cabinet's formation, especially in view of earlier expectations that the Cabinet's one-sided composition would speed its birth. These delays resulted in a transitional period of extended power vacuum and government paralysis.

The Index declined further in March to reach an all-time low of 47.5, as this time the start of street protests in Syria worsened the prevailing level of uncertainties and clearly took its toll on confidence. The protests in Syria were highly unexpected, therefore creating an external shock with domestic implications, and added a new dimension to consumers' anxieties.

Consumer confidence improved somewhat in the second quarter, as the Index averaged 57, driven by a jump to 67.4 in June upon the formation of the Cabinet after a delay of nearly five months. But the level of confidence in the third quarter readjusted downward as the positive impact of the government's formation was brief and gave way to renewed consumer skepticism in light of domestic and regional uncertainties. Indeed, the Index averaged 54.2 during the third quarter and reached a new all-time low of 46.4 in August on consumer fears of potential domestic repercussions from the issuance by the Special Tribunal for Lebanon of four arrest warrants at the end of June and the renewed political rhetoric about this issue, as well as from the unabated turmoil in Syria.

The fourth quarter also saw a drop in consumer confidence, as the Index averaged 41 during the last three months of the year and reached yet another all-time low of 33 in December. Increasing tensions within the Cabinet and the resulting paralysis of decision-making within the government, in addition to the protracted crisis in Syria, combined to reduce confidence to its lowest level on both a quarterly and a yearly basis.

EXTERNAL SECTOR

Lebanon is a predominantly importing country characterized by large trade deficits; however, these deficits are mostly offset by capital account inflows and inflows from remittances, income earnings, tourism and other services. The trade deficit reached USD 15.9 billion in 2011, up 16% year-on-year from USD 13.7 billion in 2010, as the value of imports increased by 12.2% to USD 20.2 billion in 2011, while the value of exports rose marginally by 0.3% to USD 4.3 billion. Also, the volume of imports amounted to 15 million tons in 2011, constituting a marginal increase of 0.3% from 2010, while exports posted a 12.6% drop to 2.7 million tons in the covered period, leading to a trade deficit of 12.3 million tons, up 3.7% year-on-year. The trade balance constituted the highest deficit in five years in both value and volume terms, and was prompted by a rise of USD 2.2 billion in imports as the value of exports was almost unchanged in 2011. The coverage ratio reached 21.2% in 2011 compared to 23.7% in 2010. In parallel, the balance of payments posted a deficit of USD 2 billion in 2011 compared to a surplus of USD 3.3 billion in 2010 and an average surplus of USD 3.6 billion over the previous five years.

Foreign direct investment (FDI) in Lebanon was estimated at USD 3.96 billion in 2011, constituting a decline of 20.5% from USD 4.98 billion in 2010. FDI in Lebanon was equivalent to 10.1% of the country's GDP in 2011, compared to 13.4% of GDP in 2010, and compared to FDI in the Middle East and North Africa (MENA) region of 2.1% of GDP in 2011 and 3.8% of GDP in 2010.

TOURISM SECTOR

The tourism sector, a main driver of economic activity in the country, suffered from the combination of domestic political shocks and uncertainties, regional turmoil, and the inability of Lebanese authorities to capitalize on this turmoil to attract Western visitors who had been targeting North African destinations in the first quarter of the year. As a result, the number of incoming tourists to Lebanon totaled 1.65 million in 2011, constituting a decrease of 23.7% from about 2.17 million in 2010 and compared to an increase of 17% in 2010. Also, the average occupancy rate at hotels in Beirut was 57% in 2011, decreasing from 68% in the preceding year. The average rate per room at Beirut hotels was USD 220 in 2011, decreasing by 13.6% year-on-year, while revenues per available room (RevPAR) were USD 126, down 27.5% from USD 174 in 2010.

A total of about 739,000 persons used hotels and furnished apartments in Lebanon, and spent 1.74 million nights in such facilities in 2011, constituting decreases of 15.8% and 17.3%, respectively, from 2010 figures. As a result, clients stayed an average of 2.36 nights per person in 2011 compared to 2.4 nights in 2010. The 2011 figures constitute the first annual contraction in the number of persons using hotels and furnished apartments and in the number of nights spent since 2007, when the total number of clients decreased by 5.8% and the total nights spent declined by 14.4% from 2006 figures. Visitors

THE ECONOMY IN 2011

came from 165 countries and spent a total of USD 104.5 million on lodging in hotels and furnished apartments in 2011, a decline of 17.3% from USD 126.4 million in 2010. Overall, the travel and tourism industry is estimated to have directly contributed about 9.5% of GDP in 2011, while its direct and indirect contribution is estimated at nearly 33.8% of overall economic activity.

FISCAL SITUATION

The political uncertainty and delay in the formation of the government prevented the passage of the 2011 draft budget, which resulted in the sixth consecutive year that the country's public finances were run without a budget. The fiscal deficit is estimated to have narrowed to 5.6% of GDP in 2011 compared to 7.7% of GDP in 2010.

The fiscal deficit reached USD 2.34 billion in 2011, down 19% from USD 2.9 billion in the previous year. The deficit was equivalent to 20% of total budget and Treasury expenditures compared to 25.6% of overall spending in 2010. Overall government expenditures reached USD 11.7 billion, up 3.2% year-on-year, while total revenues increased by 11% to USD 9.3 billion. Budgetary expenditures rose by 5.5% to USD 10.6 billion, while budget revenues rose by 11% to USD 8.86 billion. The narrowing of the deficit and the increase in revenues are due to the inclusion of USD 1.5 billion in telecommunications receipts in budget revenues for 2011, of which USD 1.3 billion was transferred at the end of 2011 and USD 200 million in January 2012 to the Finance Ministry's account at the Central Bank.

Debt servicing decreased by 4% year-on-year to USD 3.75 billion, accounting for 32% of total expenditures and for 35.3% of budgetary spending. It absorbed 40.2% of overall revenues and 42.3% of budgetary receipts. The overall primary balance posted a surplus of USD 1.66 billion, or 14.2% of spending, relative to a surplus of USD 1.23 billion or 11% of total expenditures in 2010.

In parallel, Lebanon's gross public debt reached USD 53.6 billion at the end of 2011, constituting an increase of 2% from end-2010. Domestic debt increased by 2.2% to USD 32.7 billion at the end of 2011, while external debt rose by 1.7% annually to USD 20.9 billion. Net public debt, which excludes the public sector's deposits at the Central Bank and at commercial banks from overall debt figures, increased by 3% year-on-year to USD 46.4 billion at the end of 2011. Local currency debt accounted for 61% of gross public debt at end-2011 compared to 60.9% a year earlier, while foreign currency-denominated debt represented 39% of the total at the end of 2011 relative to 39.1% a year earlier. The debt-to-GDP ratio at end-2011 is estimated at 136.2% of GDP relative to 141.7% of GDP a year earlier. Commercial banks accounted for 51% of the local public debt at the end of 2011.

CAPITAL MARKETS

The Beirut stock market continues to suffer from low liquidity and a lack of interest from privately held firms in listing their shares. It under-performed its regional peers in 2011, as it was the third worst performer in the region, with the stock market index declining by 20.3% in 2011 compared to a 13.6% drop for Arab markets. Further, its market capitalization was equivalent to 26.3% of GDP, fifth lowest in the region and compared to 45.4% of GDP for the combined Arab equity markets. Lebanon's market capitalization accounted for about 1.2% of the aggregate market capitalization of Arab equity markets. Total trading volume on the Beirut Stock Exchange reached 77.5 million shares in 2011, constituting a decrease of 53% from 2010, while aggregate turnover amounted to USD 515.3 million, down 72.4% from a turnover of USD 1.87 billion in the previous year. Market capitalization decreased by 19% from end-December 2010 to USD 10.3 billion, of which 72.8% was in banking stocks and 23.1% in real estate stocks. The market liquidity ratio was 5% compared to 14.7% in 2010.

Bank stocks accounted for 81.8% of aggregate trading volume in 2011, followed by real estate stocks with 17%. In terms of the value of shares traded, banking stocks accounted for 54% of aggregate value, followed by real estate stocks with 44%. The average daily traded volume for 2011 was 320,234 shares for an average daily value of USD 2.1 million. The figures reflect decreases of 52.5% in volume and 72.2% in value year-on-year.

In the fixed-income market, Lebanon's external debt posted returns of 7.31% in 2011, constituting the fourth highest return among 28 markets in the Eastern Europe, Middle East and Africa (EMEA) region, as well as the 16th best return among the 51 emerging markets. Lebanon outperformed the EMEA region's returns of 1.74%, as well the overall emerging markets' returns of 6.76% during the year. Also, Lebanon's external debt outperformed the 4.63% returns posted by similarly rated sovereigns, while it posted returns of 7.3%, coming in fourth place in the EMEA region and in 17th place among emerging markets in US dollar terms. Further, Lebanon's external debt posted the third highest returns among 12 countries in the MENA region in 2011.

The Lebanese Republic executed three transactions in 2011 to refinance maturing debt in 2011 and 2012. The first transaction was a USD 1 billion dual-tranche Eurobond in May to refinance debt that matured in the same month. The first tranche consisted of an eight-year USD 650 million bond that matures in May 2019 and carries a coupon rate of 6%, while the second tranche consisted of an 11-year USD 350 million bond that matures in October 2022 and carries a coupon rate of 6.1%. The second transaction was a USD 1.2 billion dual-tranche Eurobond in July to refinance USD 943 million in bonds maturing in August 2011. The first series consisted of a five-year USD 500 million issue that matures in November 2016 and carries a coupon rate of 4.75%, and the second series was a USD 700 million re-opening of the 6.1% coupon Eurobond due in October 2022, with the new series carrying a coupon rate of 6.2%. Further, the government issued three dual-tranche Eurobond series in December 2011 to refinance USD 1.2 billion and EUR 535.6 million in Eurobonds maturing in 2012. The first USD 500 million dual-tranche Eurobond series consisted of eight-year USD 433.2 million and USD 66.8 million issues that mature in November 2019, with each carrying a coupon rate of 5.45%, while the second USD 375 million dual-tranche series consisted of 15-year USD 235.5 million and USD 139.5 million issues that mature in November 2026, with each carrying a coupon rate of 6.6%. Both dual-tranche Eurobond series will be used to refinance a USD 600 million bond that matures in September 2012, with a coupon rate of 7.75%, and a USD 600 million bond that matures in March 2012, with a coupon rate of 7.50%. The third EUR 445 million dual-tranche Eurobond series consisted of seven-year EUR 420.9 million and EUR 24 million issues that mature in November 2018, each with a coupon rate of 5.35%. Both dual-tranche Eurobond series will be used to refinance EUR 535.6 million in Eurobonds maturing in April 2012 and carrying a coupon rate of 5.875%.

RISK METRICS

Spreads on five-year credit default swaps (CDSs) for Lebanon ended 2011 at 447.5 basis points, widening by 17.8bps from 429.7bps at the end of the third quarter. Overall, Lebanon's five-year CDS spreads widened by 149.4 bps in 2011 compared to 28.5bps in 2010. Lebanon's CDS spreads widened particularly during the first and second quarter of 2011 due to the deterioration of political conditions in the country as well as to the turmoil across the Middle East and North Africa. Further, Lebanon ended 2011 with a cumulative probability of default (CPD) of 27.6%, deteriorating from 19.2% at the end of 2010.

During the year, rating agencies maintained their view on the sovereign. Fitch Ratings affirmed Lebanon's long-term foreign and local currency Issuer Default Ratings (IDR) at 'B' and its short-term foreign currency IDR at 'B' with a 'stable' outlook. It also affirmed the Country Ceiling at 'B'. The agency attributed its decision to the fact that Lebanon's substantial foreign exchange reserves,

THE ECONOMY IN 2011

lower debt levels and reduced interest costs partially offset the risks of political instability, growth deceleration and worsening public finances in 2011. It added that the already low ratings incorporate a measure of tolerance for political volatility. Fitch considered that the primary risk to Lebanon's ratings is a sustained outflow of deposits prompted by political instability. Further, Moody's Investors Service maintained Lebanon's foreign- and local-currency government bond ratings at 'B1' with a 'stable' outlook. It also kept the Senior Unsecured foreign currency ratings at 'B1' and the Short Term foreign currency ratings at 'NP'. It said that these sub-investment grade ratings reflect Lebanon's significant political and economic challenges that include wide fiscal and current deficits and the second highest government debt-to-revenues ratio among rated sovereigns.

MONETARY SITUATION

Lebanon's monetary authorities have continuously proven to be highly adept at maintaining stability in times of crisis. Following the collapse of the government in January, the currency peg came under pressure in the first quarter of 2011 due to deposit outflows and currency conversions. As a result, the Central Bank had to defend the pound, losing in the process about half of its net foreign exchange holdings, according to the International Monetary Fund. But gross reserves remained unchanged because the Central Bank issued foreign currency-denominated Certificates of Deposit and reverted to buying foreign currency in the market when market pressures subsided and deposit inflows resumed.

The Central Bank's gross foreign currency reserves increased by 7.8% from the end of 2010 to reach USD 30.82 billion at the end of 2011, equivalent to about 79.2% of money supply (M2) and reflecting the continuing ability of the Central Bank to meet foreign currency demand. Also, foreign reserves were equivalent to 10.3 months of the following year's imports of goods and services, well above the four-month reference and a high level by emerging market standards. The value of the Central Bank's gold reserves increased by 10.7% year-on-year to USD 14.4 billion, after reaching an all-time high of USD 16.75 billion at end-August due to the rise in global gold prices. The Central Bank's assets in gold and foreign currencies at the end of the year were equivalent to about 116% of GDP.

INFLATION

Inflation averaged 5.4% in 2011 compared to 4.5% in 2010. Inflation has been under control during the previous 15 years due to the authorities' monetary policy of maintaining a stable exchange rate and low inflation. Lebanon has an import-based economy and imports most of its energy needs, as the value of imports historically has been equivalent to about five times that of exports. As such, imported inflation accounts for about 70% of inflation in the country.

BANKING SECTOR

The banking sector was affected by the combination of domestic political instability and regional uncertainties, which led to a slowdown in deposit growth and the contraction of profit margins during the year. The aggregate assets of banks operating in Lebanon were equivalent to 360% of GDP and deposits were equivalent to 296% of GDP at the end of 2011, among the highest such ratios in the world.

Commercial bank assets reached USD 140.6 billion at the end of 2011, constituting an increase of 9% from end-2010, with overall foreign assets decreasing by 0.9% year-on-year to USD 25.5 billion. Deposits of the private non-financial sector totaled USD 115.7 billion, increasing by 8% from end-2010. Deposits in Lebanese pounds reached USD 39.4 billion, unchanged from end-2010, while deposits in foreign currencies totaled USD 76.3 billion, rising by 12.6% from end-2010. Non-resident foreign currency deposits totaled USD 18.6 billion at end-2011, increasing by 19.2% from end-2010. In parallel, deposits of non-resident banks reached USD 5.8 billion, an increase of 29.2% from end-2010. The dollarization rate of deposits reached 65.9% at end-2011, up from 63.2% a year earlier.

Broad money supply (M3) grew by 5.5% in 2011 compared to 12.3% in 2010. Loans to the private sector totaled USD 39.4 billion at the end of 2011, constituting an increase of 12.7% from end-2010. The dollarization rate in private sector lending reached 78.4% at end-2011, down from 80.3% a year earlier. The average lending rate in Lebanese pounds was 7.38% in December 2011 compared to 7.91% a year earlier, while the same average in US dollars was 7.02% compared to 6.74% in December 2010. Claims on the public sector stood at USD 29.2 billion, down 0.3% year-on-year, and accounted for 42.6% of the banking sector's total claims. Rating agencies continued to restrain banks' ratings to the sovereign ceiling, citing their high direct exposure to the sovereign as their most important risk factor.

The banks' capital base stood at USD 10.7 billion, up by 16.3% from end-2010, with core capital rising by 17.3% to USD 10.2 billion. The sector's capital adequacy ratio based on Basel II risk weights is estimated at 13.2% in 2011. The ratio of private sector loans to deposits in foreign currencies stood at 40.5%, well below the Central Bank's limit of 70%, and below the ratio of 41.4% a year earlier. In parallel, the same ratio in Lebanese pounds was 21.6%, up from 17.4% a year earlier. The ratio of total private sector loans to deposits was 34% compared to 32.6% a year earlier. In parallel, the aggregate net income of the top 12 banks operating in Lebanon increased by 1.2% year-on-year to USD 1.5 billion. Also, the top banks' return on average assets was 1.16% and their return on average equity reached 13.12% in 2011. Furthermore, the top banks' cost-to-income ratio reached 47.42% in 2011 compared to 47.17% in 2010.

GLOBAL AND REGIONAL ECONOMIES

The world economy's ongoing recovery from the global financial crisis was disrupted during the year by several factors that included the worsening of the Eurozone crisis, persistently soft activity in the United States, a decline in investor sentiment due to renewed financial instability, the disruption of activity in Japan from the earthquake and tsunami, the unrest in several countries of the MENA region, and the surge in global oil prices. The world experienced a two-speed economic performance in 2011, with emerging and developing economies continuing to drive global growth as developed economies lagged behind. As such, the global economy expanded by 3.9% in 2011 compared to growth of 5.3% in 2010, with advanced economies growing by 1.6% and emerging and developing economies expanding by 6.2%.

Economic activity in most developing countries was supported by strong domestic demand, the resurgence of international and domestic financial flows, and higher commodity prices. In parallel, advanced economies experienced a much slower-than-anticipated recovery, and many of them faced increasing fiscal and financial uncertainties. Emerging market economies have coped much better with the global downturn due to improved fundamentals, strong growth, and avoidance of financial excess during the boom years that preceded the crisis. However, activity in these economies remains dependent on demand in advanced economies.

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

The unprecedented political changes that took place across the MENA region in 2011 affected economic activity in most countries, with widely diverging outcomes. The political transitions in a number of countries created uncertainty that had a negative impact on capital inflows, foreign direct investment, tourism, and overall economic activity during 2011. In addition, oil-importing economies had to manage higher commodity prices, lower global growth, and an adverse external environment, as well as negative spillovers from both the regional changes and the Eurozone crisis. In parallel, oil-exporting economies, especially those of the Gulf Cooperation Council (GCC) countries, benefited from the increase in energy prices and domestic stability, as their fiscal and external account balances improved. In turn, this provided them with additional fiscal space to stimulate non-hydrocarbon activity through public investments. As a result, the MENA economies posted a real GDP growth rate of 3.5% in 2011 relative to 4.9% in 2010, as GCC economies grew by 8% from 5.2% in the preceding year, Maghreb economies contracted by 1.7%, and Mashreq economies grew by 1.8%. Further, activity in the region's oil importers slowed to 2% in 2011 relative to 4.5% in the preceding year.

Economic growth in Sub-Saharan Africa maintained its pace in 2011 despite several shocks that included uncertainty and slowdown in the global economy, volatile and elevated commodity prices, and the drought in the Horn of Africa. Continuing its post-crisis recovery path, real GDP in Sub-Saharan Africa is estimated to have expanded by 5.2% in 2011, slightly slower than the 5.4% recorded a year earlier. The pace of growth was varied, with many economies in the region expanding at or near their highest rates of growth in many years. The region's 26 low-income countries grew by an average of 5%, middle-income economies expanded by 4.6% and oil exporters posted real GDP growth of around 6% in 2011. The region's growth was mainly driven by domestic demand, stronger exports supported by higher commodity prices, increased tourism activity, higher FDI, and government public investment projects.

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PROFILE OF THE GROUP

PROFILE OF THE GROUP

Our History

Established in Jbeil (Byblos), Lebanon, in 1950, the Byblos Bank Group is a leading financial institution focused on the domestic and selected overseas markets. After nearly six decades of consistent growth, Byblos Bank now has an extensive branch network of 77 branches spread evenly across Lebanon. The Group also has expanded to several other countries, including Armenia, Belgium, Cyprus, the Democratic Republic of the Congo, France, Iraq, Nigeria, Sudan, Syria, the United Arab Emirates, and the United Kingdom.

Our Strategic Goals

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

Our Major Lines of Business

- Consumer Banking
- Commercial Banking
- Correspondent Banking
- Financial Markets

Our Values

- Integrity
- Customer Focus
- Teamwork
- Performance

Our Mission

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

KEY DATES

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

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

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

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

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

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

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

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

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

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

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

Our Subsidiaries

Adonis Insurance and Reinsurance Co. S.A.L. (ADIR) Partnership with Natixis Assurances – France

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

Byblos Bank Europe S.A.

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

Byblos Bank Africa

After three decades of prosperous business in Sudan via local banks and a selected customer base, the Group established Byblos Bank Africa in 2003. Operating under Islamic Sharia'a, Byblos Bank Africa's main lines of business are commercial banking and correspondent banking. Following an injection of new capital in 2008, Byblos Bank S.A.L. remains the largest shareholder in Byblos Bank Africa (56.9%), followed by the OPEC Fund for International Development (17.5%) and the Islamic Corporation for the Development of the Private Sector (8.75%).

2003	Opening of Byblos Bank Africa in Khartoum, Sudan.
2004	The Islamic Corporation for the Development of the Private Sector takes a 10% stake in Byblos Bank Africa, joining the OPEC Fund for International Development (20%) as a minority shareholder.
2005	Opening of a Representative Office in Abu Dhabi, UAE. Opening of Byblos Bank Syria S.A. with Byblos Bank S.A.L. holding 41.5% of shares, the OPEC Fund 7.5% and Syrian investors 51%.
2006	Commencement of Byblos Bank S.A.L. operations in Erbil, Iraq.
2007	Acquisition of 100% stake in Armenia's International Trade Bank, renamed Byblos Bank Armenia in 2008.
2008	Opening of 75th branch of Byblos Bank S.A.L. in Lebanon. Issuance of USD 200 million in Series 2008 Preferred Shares. Acquisition of Unicredit Banca Di Roma's Lebanon branch.
2009	Listing on the London Stock Exchange. Issuance of USD 200 million in Series 2009 Preferred Shares. Opening of a Representative Office in Lagos, Nigeria.
2010	Acquisition of 66.7% stake in Solidaire Banque Internationale, a bank incorporated in the Democratic Republic of the Congo, now renamed as Byblos Bank RDC S.A.R.L.
2011	Issuance of USD 300 million in Byblos Bank ten-year Eurobonds.

PROFILE OF THE GROUP

Byblos Invest Bank S.A.L.

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

Byblos Bank Syria S.A.

Founded in 2005, Byblos Bank Syria has developed a wide range of commercial, corporate and retail banking services to meet the needs of clients in the Syrian market. During 2011, Byblos Bank Syria successfully completed a capital increase to 6.12 billion Syrian Pounds, equivalent to 12,240,000 shares. Byblos Bank S.A.L. increased its share in Byblos Bank Syria from 41.5% to 52.37% while the OPEC Fund for International Development share remained at 7.5% and the one of Syrian investors stood at 40.13%.

Adonis Insurance Company Syria S.A. (ADIR Syria)

In 2007, the Byblos Bank Group established Adonis Insurance Company Syria S.A. (ADIR Syria), a Syrian insurer with paid-up capital of USD 25 million. The main shareholders are Byblos Invest Bank S.A.L., Byblos Bank Syria, and Adonis Insurance and Reinsurance Co. S.A.L. (ADIR), together with approximately 20 prominent Syrian businesspeople. The Company operates from its Head Office in Damascus, through offices in Aleppo and Homs, and through the branch network of Byblos Bank Syria. ADIR Syria provides a broad range of insurance products underwritten in a conservative and prudent way.

Byblos Bank Armenia C.J.S.C.

Following the 2007 acquisition of a 100% stake in International Trade Bank, the institution was renamed Byblos Bank Armenia and commenced operations in 2008 as the Group's fourth overseas subsidiary. Byblos Bank Armenia is currently expanding its lines of business to address local banking needs.

Byblos Bank RDC S.A.R.L.

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

OPERATIONS AND GOVERNANCE

YEAR IN REVIEW

TAKING CARE OF BUSINESS – ON EVERY LEVEL

Byblos Bank followed a multi-pronged strategy in 2011, continuing to reinforce both our strong position in Lebanon and our presence in select emerging markets, and to further refine and improve the products and services we offer to our customers. In so doing, the Bank strove to maintain a fair and healthy balance among the interests of all its stakeholders, from clients and employees to investors and the communities in which we operate.

CUSTOMERS

New and Better Ways to Deliver Quality

Byblos Bank customers come from countless countries, backgrounds and walks of life, but they all have at least one thing in common: they are the primary focus of everything we do. This single-mindedness plays itself out at every level of the Bank, from the way we greet visitors to our branches to the process by which we design our products.

Even the best can always get better, so in 2011 the Bank retained the Boston Consulting Group, a world-renowned advisor on business strategy, to help in the reorganization of our Consumer Banking Division. All the while, we continued to increase customer satisfaction by improving various procedures and practices, launching new products and services, and enhancing the features of existing ones. Great emphasis was placed on the Bank's Cards Loyalty Program, which has proved a highly effective means of communicating appreciation to our customers.

Our branch network in Lebanon, already one of the country's largest, grew even more comprehensive with the opening of a new branch in the Beirut suburb of Mansourieh. We also blazed another new trail for Lebanese banks with the establishment in the heart of Beirut of e-Branch, which gives our customers unparalleled flexibility to carry out physical transactions at any time, day or night. More e-branches will be opening soon at select locations in other parts of the country. In addition, some of our busier branches were refurbished and equipped with electronic queuing systems designed to provide ultimate customer experience. The Bank also provided specialized behavioral and technical training for members of branch staff, sessions designed to optimize their performance, both as individuals and as team members.

The month of November marked the first anniversary of 24/7 operations at the Byblos Bank Call Center, an ambitious expansion of service that has significantly improved customer satisfaction. In addition, we have developed a dedicated Customer Care Unit, a specialized team responsible for follow-up of customer experience reports, complaint management, and ensuring proper coaching of employees.

On the technical level, 2011 saw the Bank finalize the migration from its former Maestro ATM Card to a new Visa Debit Card with designs and features tailored by segment, and increased security thanks to chips that are fully EMV-compliant. We also have completed the in-sourcing of both our Debit Card Management System and our ATM Switch, increasing the Bank's control over these crucial functions and therefore our independence from suppliers.

A Trusted Partner for the Private Sector

Byblos Bank strives to differentiate itself in many ways, but nowhere has our input been more valuable than as a partner to business, providing not only world-class products and services but also indispensable advice. We operate in many sectors of the economy, and our teams of experts cover many areas of finance, including syndication, project finance, real estate finance, contracting finance, and agriculture finance. Our core competencies, expertise and focus, however, remain with the financing of commercial activities – namely the manufacturing and trade and services sectors – and the financing of all types of contracting activities, fields in which we hold dominant positions.

We are proud to have an efficient commercial team, one that is close to its market base and features top engineers who carry extensive lending and engineering experience, and are very customer-oriented. We understand both large enterprises and SMEs, and our value as a partner is not limited to regular corporate banking services: we also offer our assistance in helping our clients to take strategic decisions, plan and implement restructurings, and build and monitor their cash-flow projections.

Despite the slowdown of domestic growth, negative fallout from regional political and economical woes, and the financial crises in Europe and the United States, we improved our performance by several measures in 2011, including profitability and asset quality. Maintaining such growth will not be easy, but we are confident that we can meet the challenge thanks to our sustained pursuit of forward-looking strategies aimed at mitigating risks, diversifying revenue sources locally and abroad, and improving customer relationships.

Helping Investors Find the Right Spots

Byblos Bank also provided valuable assistance to investors in 2011, combining personalized service and extensive knowhow with some of the industry's most respected research and analysis. Our team of Capital Markets experts helped clients expand and protect their portfolios by using dedicated, experienced professionals to help them access local and international opportunities, from Equities and Fixed Income to Foreign Exchange and Precious Metals.

The Bank tapped the markets for its own ends in 2011, issuing a ten-year, USD 300 million bond at a coupon rate of 7% and with payments to be made semi-annually. The notes, net proceeds from which will be used for general corporate purposes, were listed on the London Stock Exchange.

We also earned praise from mtn-i, widely regarded as the financial community's most trusted source of information on the world's USD 3.5 trillion medium-term note market, for our role as Sole Lead Manager in December 2010's historic issue of LBP 1.5 trillion in seven-year Lebanese Government bonds. In February 2011, mtn-i named the transaction its "European Landmark Deal of the Year", commending Byblos Bank for bringing a new issuer to this segment of the market, successfully structuring and marketing the longest-maturing notes ever denominated in LBP, broadening the investor pool for Republic of Lebanon debt, and presiding over the largest-ever non-syndicated issue of medium-term notes.

Reaching New Customers in New Markets

At the international level, 2011 was a challenging year around the globe, and the 12 countries where Byblos Bank operates were no exceptions. Our priority on this front was to fully integrate our newest subsidiary, in the Democratic Republic of the Congo, by ensuring it operates according to Group standards. Interaction among the different parts of the Group increased during the year, as did the cross-selling of products and services provided by various entities. In addition, we improved processes and controls for Representative Offices, which led to increased productivity and enhanced traceability of data. We also determined the relationships between Byblos Bank Group divisions and our foreign entities, clearly defining roles and responsibilities in an updated Group Function Charter. On another front, we planned and managed, in coordination with our team in Iraq, the opening of a new branch in Basra. In parallel, Byblos Bank Armenia C.J.S.C. relocated its Vanadzor branch and opened a new branch in the Komitas area of the capital, Yerevan.

In 2012, managing the relationships between Group headquarters and foreign entities will be even more important in light of the developments that have been taking place in many countries. In addition, we will focus on enhancing the quality of service and support provided by Byblos Bank S.A.L.

As for our online presence, Byblos Bank took home top honors as "Most Improved Website" in the Financial Services Category at Internet Awards Middle East 2011. Judges were particularly impressed with the new site's incorporation of the latest technologies and innovations, as well as the ease of navigation provided to visitors, all part of efforts to ensure maximum use of the Internet in servicing our customers and providing them with accurate and reliable information.

YEAR IN REVIEW

EMPLOYEES

Byblos Bank's record of setting and achieving lofty goals would have been impossible without a superior workforce, and 2011 saw us reach several key milestones in the never-ending quest to make our team even better and maintain our status as an employer of choice. These included becoming the first recipient in the Middle East of an onsite license from Leadership Management International, an essential tool in developing employees, improving leadership skills, and enhancing productivity. We also made great strides in deriving more value from our use of PeopleSoft, particularly with regard to the Internship Application, and to the Recruitment and Performance Management Modules.

In support of these and other endeavors, we undertook an extensive project aimed at helping all employees better understand both the core values that Byblos Bank espouses and what these mean on a daily basis. Titled "Principles of Action", the project's findings – many of them gleaned from training sessions and group exercises – are scheduled for distribution in 2012.

Another major advance in 2011 was the introduction of Purple, the new Intranet platform that combines numerous communication and information functions for Byblos Bank employees. Purple is designed to provide countless benefits, from reducing paper use and redundant emails to accessing in-house job vacancies and product information. Employees can even tailor Purple to fit their interests and job functions, accelerating workflow and making teamwork more efficient.

We also were among the first banks in Lebanon to implement within HR processes the Job Model that was requested under the 2008-2009 Collective Labor Agreement with the Association of Banks in Lebanon. The Job Model consists of a modern and systematic approach regarding the job value, the grading system and the salary scale.

COMMUNITIES

At Byblos Bank, we've been building a record for sponsorship and other forms of community involvement for as long as we've been in business. Before anyone came up with the term "Corporate Social Responsibility" (CSR), we were looking out for the Lebanese citizen and his or her surroundings, reasoning that what was good for our neighborhood was almost certainly good for us, too. It's part of an approach built on "humanizing capital": the art and science of putting money to use in ways that benefit everyday people in everyday ways. More than 60 years later, we're still at it – in all 12 of the countries where the Byblos Bank Group operates.

Our strategy on this front has evolved over time and now focuses on three main areas: Education, Culture and the Environment. History demonstrates that Education is a key catalyst for myriad other aspects of an individual's life – and his or her value as a member of society; Culture and the preservation of heritage support all manner of human development goals by strengthening the bonds within and between societies; and safeguarding the Environment makes everything else possible, not just for the current generation but for our descendants as well.

In 2011, we continued to extend vital support to a wide variety of events, projects, and organizations, all of which serve to enrich the lives of the communities we serve. The following examples offer a representative sampling of the ways in which the Bank engages with society, on multiple levels, in its home market of Lebanon.

Keeping Heritage Alive

- In July, Byblos Bank sponsored Classic Car Show 2011, an exhibition that used the evolution of the automobile to recount a colorful slice of Lebanon's history in the 20th century.
- In December, we helped the Association for the Protection of National Sites and Old Buildings in Lebanon (APSAD) to celebrate its 50th anniversary with the first concert ever held at the National Museum. The event aimed as well to raise awareness about the importance of the museum itself. Our assistance also helped APSAD spread awareness about the importance of historical buildings with a concert at Lady Cochrane Palace in May.
- We also continued to sponsor "Hayda Lebnen", a daily program carried by LBCI Television that highlights all that Lebanon has to offer for both tourists and its own inhabitants. Among the subjects covered in 2011 were some of the country's ancient homes and palaces, its historic churches, monasteries and mosques, and the rivers that water its verdant landscapes.

All for Education – and Education for All

- Byblos Bank teamed up with the Agence Française de Développement (AFD) to help finance, as at 31 December 2011, the studies of some 582 students at nine private universities in Lebanon. The loans – worth a total of EUR 9 million, disbursed in Lebanese Pounds and carrying highly favorable terms and interest rates – were issued under the framework of the University Loans Program. The program was launched in late 2010 in partnership with AFD, which has provided a line of credit worth EUR 25 million to fund an initial three-year mandate to grant university loans under optimum conditions.
- August saw Byblos Bank sponsor a mini-marathon in Faqra to support MyschoolPulse, which helps finance the education of sick children who cannot attend regular classes.
- For the 26th consecutive year, we took part in Child's Week, an annual event organized by the Association for the Protection of Lebanese Children, aimed at encouraging youngsters to develop their abilities in many artistic, cultural and educational activities.
- Throughout the year, we maintained our partnerships with several schools and universities, with special focus on education for youth and securing their access to new ideas.

Promoting Culture

- Byblos Bank organized exhibitions featuring the works of artists Choucrallah Fattouh and Charbel Samuel Aoun, part of a program aimed at promoting the work of talented Lebanese who live from their art.
- Once again, the Bank sponsored the Sourat Festival, an annual event that pays homage to the Batroun village's rich history and stately oaks.

The Written Word

- Byblos Bank's support helped bring about "Au coeur de nos forêts", a book of beautiful photography and informative content that underlines the need to protect Lebanon's wooded areas.
- We also sponsored "Beirut Splendor", a volume of striking images featuring some of Lebanon's most exceptional homes and palaces.
- Another beneficiary of the Bank's support was "Jbeil, Angle d'Art", a book of aquarelles, pastels, and drawings – all featuring the beautiful landmarks and landscapes of Jbeil. Both the book and the paintings are the work of renowned artist Antoine Matar.
- The Bank also sponsored "Le Liban aux sources de l'humanisme", a book by Dr. Hareth Boustany tracing Lebanon's contribution to humanism.

YEAR IN REVIEW

The Environment: Practicing What We Preach

- The year 2011 saw the completion of an informal environmental assessment of Byblos Bank's headquarters in Ashrafieh. Carried out under the ARZ system developed by the Lebanon Green Building Council and the International Finance Corporation, the assessment showed how we could improve by taking several measures, including more recycling, reducing energy waste, encouraging employees to carpool, and enhancing ventilation. The Bank is fully committed to implementing these recommendations ahead of a formal assessment scheduled for 2013.
- We also improved our own ecosystems on the human level in 2011 by implementing a ban on smoking in all of the Bank's premises.

Other Activities

- A very special day at Jounieh Christmas Festival for youngsters from four different schools.
- Participation in fundraising events for a variety of non-governmental organizations (NGOs) to help them carry out their various functions in the community.
- Joint regional seminars with Kafalat aimed at helping entrepreneurs develop their ideas by qualifying for special small-business loans via the Kafalat program.

Far from being content with our existing record of partnering with the communities we serve, Byblos Bank has secured the services of a consultant specialized in CSR as this pertains to banks in the MENA region. The goal is to expand our impact by supplementing our charitable donations and other activities by more fully integrating our social role in all aspects of our business.

ADVOCACY

Byblos Bank has become increasingly active as an advocate for responsible economic management by the Lebanese State. In 2011, the Bank laid much of its emphasis on two key areas: the need for structural reforms in the Lebanese economy and the need for greater private-sector involvement in running and managing public companies. Byblos Bank's Chairman and General Manager, Dr. François S. Bassil, warned throughout the year that the Lebanese government "has its work cut out for it on the economic and financial levels." He repeatedly highlighted the importance of mustering the necessary political will to make a priority of economic and financial issues, regaining consumer and investor confidence, and restoring normalcy to the budget process.

The Bank also played an active role in promoting the image of Lebanon's banking industry and its positive role in the markets it serves. These activities included participation in Lebanese Banks Day, which was held alongside the IMF meetings in Washington, the "Le Liban en France" event hosted by Paris, and Lebanon's own Investment in Sudan Day.

CORPORATE GOVERNANCE

Byblos Bank strives to meet the highest possible standards of corporate governance, with emphasis on maximum transparency. Our internal policies and procedures are designed not just to keep the Bank in full compliance with the regulatory requirements of the markets in which we operate, but also to be in keeping with international guidelines and best practices. Management and staff at all levels are expected to instinctively respect and consistently follow these policies and procedures.

Clear and effective communication is a major component of such policies, so the Bank strives at all times to ensure maximum transparency and reliability in any information provided to its stakeholders. This reassures said stakeholders about the care being taken with their interests, but it also reinforces broader public confidence in Byblos Bank's solidity, with all the benefits this entails.

Strong governance provides a solid foundation for one of the Bank's core functions, that of risk management. Proper risk management and control are integral parts of providing the consistent, high-quality returns that Byblos Bank shareholders expect and deserve. The overall objective of risk management is to protect the Group's financial strength, and our approach is based on a set of key principles. These principles include controlling risks at the level of individual exposures, at a portfolio level and in aggregate, across all risk types and businesses; protecting the Group's reputation and safeguarding the integrity and confidentiality of our client information, and striving to maintain the highest ethical standards in all of our business dealings; ensuring comprehensive, transparent and objective risk disclosure to the Board of Directors, to our senior management, regulators, rating agencies and other stakeholders; and the maintenance of an independent risk control process through an independent risk management structure.

All of these principles – and several others – are well-served by well-defined roles and responsibilities distributed among the Board of Directors, various Board Committees, and Management Committees in Lebanon and abroad. In addition, the clear structures of our Group and Organizational Charts help ensure the right amounts of coordination and independence as and when these are required.

BOARDS OF DIRECTORS

BYBLOS BANK S.A.L.

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

BYBLOS BANK EUROPE S.A.

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

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

H.E. Mr. Sami F. Haddad	Chairman and General Manager
Mr. René A. Klat	Managing Director and CEO
Mr. Jean H. Hleiss	Director and AGM
Mr. Semaan F. Bassil	Director
Natixis Assurances–France represented by Mrs. Nathalie Broutèle	Director
Mr. Marcel J. Pizzini	Director
Mrs. Pascale J. Asmar	Director
Mrs. Joumana F. Chelala	Director
Mr. Alain F. Wanna	Director
Mr. Fady N. Nassar	Director

BYBLOS BANK RDC S.A.R.L.

Mr. Daniel L. Ribant	Chairman
Mr. Akram R. Mourad	Vice-Chairman
H.E. Mr. Sami F. Haddad	Director
Mr. Alain C. Tohmé	Director
Mr. Alain F. Wanna	Director
Mr. Walid J. Kazan	Director
Dr. Mohammad A. Cheaib	Director
Mr. Riad M. Roumieh	Director
Mr. Jean M. Lengo Dia Ndinga	Director

* *As per the resolution of the General Assembly held on 10 April 2012, these directors were replaced by: Baron Guy L. Quaden, Mr. Henri T. Azzam and Proparco, represented by Mrs. Marie-Hélène Loison.*

** *Assigned on 23 April 2012.*

*** *European Bank for Reconstruction and Development.*

BYBLOS BANK SYRIA S.A.

Mr. Semaan F. Bassil	Chairman
Mr. Alain C. Tohmé	Vice-Chairman
Dr. François S. Bassil	Director
OPEC Fund for International Development (OFID)	Director
Mr. Moutazz W. Al Sawwaf	Director
Mr. André S. Abou Hamad	Director
Mr. Mohammad Al Mourtada Al Dandashi	Director
Mr. Nader M. Al Kalai	Director
Mr. Mohamad M. Al Hakim **	Director

BYBLOS BANK ARMENIA C.J.S.C.

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

BYBLOS INVEST BANK S.A.L.

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

BYBLOS BANK AFRICA

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

ADONIS BROKERAGE HOUSE S.A.L.

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

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

Mr. René A. Klat	Chairman
Byblos Invest Bank S.A.L. represented by H.E Mr. Sami F. Haddad	Director
Mrs. Pascale J. Asmar	Director
Mr. André G. Abou Hamad	Director
Byblos Bank Syria represented by Mr. Georges B. Sfeir	Director
Mr. Assem S. Suleiman	Director
Mr. Khouloud S. Halabi	Director

BOARDS OF DIRECTORS COMMITTEES

BYBLOS BANK S.A.L.

Audit Committee

Chairman	Mr. Bassam A. Nassar
Member	H.E. Dr. Samir K. Makdessi*
Member	Mr. Abdulhadi A. Shayif
Member	Mr. Ahmad T. Tabbara

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

Chairman	H.E. Dr. Nasser H. Saidi**
Member	Mr. Bassam A. Nassar***
Member	H.E. Mr. Arthur G. Nazarian

BYBLOS BANK AFRICA

Audit Committee

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

Risk Committee

Chairman	Mr. Semaan F. Bassil
Member	Mr. Philippe A. Saleh
Member	Mr. Marwan C. Moharram

BYBLOS BANK ARMENIA C.J.S.C.

Audit Committee

Chairman	Mr. Alain C. Tohmé
Member	Mr. Alain F. Wanna
Member	Mrs. Sabina S. Dziurman (representing EBRD)

BYBLOS INVEST BANK S.A.L.

Audit Committee

Chairman	Mr. Bassam A. Nassar
Member	H.E. Dr. Samir K. Makdessi*
Member	Mr. Abdulhadi A. Shayif
Member	Mr. Ahmad T. Tabbara

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

Chairman	H.E. Dr. Nasser H. Saidi**
Member	Mr. Bassam A. Nassar***
Member	Mr. Arthur G. Nazarian

BYBLOS BANK EUROPE S.A.

Audit Committee

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

BYBLOS BANK SYRIA S.A.

Audit Committee

Chairman	Mr. Mohamad M. Al Hakim****
Member	Dr. François S. Bassil
Member	Mr. Moutazz W. Al Sawwaf****

Corporate Governance Committee

Chairman	Mr. Semaan F. Bassil
Member	Mr. Alain C. Tohmé ****
Member	Mr. Mohamad M. Al Hakim ****

Nomination and Compensation Committee

Chairman	Mr. André S. Abou Hamad ****
Member	Dr. François S. Bassil
Member	Mr. Moutazz W. Al Sawwaf ****

Risk Committee

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

* *As per the resolution of the General Assembly held on 10 April 2012, H.E. Dr. Samir K. Makdessi left the Committee.*

** *As per the resolution of the General Assembly held on 10 April 2012, H.E. Dr. Nasser H. Saidi was replaced by Mr. Abdulhadi A. Shayif.*

*** *As per the resolution of the General Assembly held on 10 April 2012, Mr. Bassam A. Nassar was replaced by Mr. Alain C. Tohmé.*

**** *Assigned on 23 April 2012.*

MANAGEMENT COMMITTEES

BYBLOS BANK S.A.L.

Executive Committee

President	François S. Bassil	Chairman and General Manager
Vice President	Semaan Bassil	Vice-Chairman and General Manager
Members	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Alain Wanna	DGM, Head of Group Financial Markets Division
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
Secretary	Sami Haddad	General Manager, International Banking and Investment

Central and International Credit Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
Members	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
	Félix Tohmé	Head of Group Financial Institutions Department
Secretary	Zeina Khaled	Head of Credit Administration Department

Internal Audit Management Committee

President	Fadi Hayek	Head of Group Internal Audit Division
Vice President	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
Secretary	Fadi Hayek	Head of Group Internal Audit Division

Assets and Liabilities Committee

President	Alain Wanna	DGM, Head of Group Financial Markets Division
Vice President	Fadi Nassar	AGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Sami Haddad	General Manager, International Banking and Investment
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
Secretary	Sharif Hachem	Head of Middle Office Unit

Banking Technology Committee

President	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Vice President	Ziad El Zoghbi	Head of Group Finance and Administration Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Walid Kazan	AGM, Head of International Network Division
	Elie Bassil	Head of Group Banking Technology Division
Secretary	Rabih Rémy	Head of PPO and Change Request Unit

Human Resources Committee

President	Semaan Bassil	Vice-Chairman and General Manager
Vice President	Joumana Chelala	DGM, Head of Group Human Resources Division
Members	Alain Wanna	DGM, Head of Group Financial Markets Division
	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Secretary	Jinane Nader	Head of Performance and Career Management Unit

Risk Committee

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Alain Wanna	DGM, Head of Group Financial Markets Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
	Marwan Moharram	AGM, Head of Group Credit Risk Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
Secretary	Nada Yamout	Head of Operational Risk Management Department

International Committee

President	Sami Haddad	General Manager, International Banking and Investment
Vice President	Alain Wanna	DGM, Head of Group Financial Markets Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Fadi Nassar	AGM, Head of Group Commercial Banking Division
	Philippe Saleh	AGM, Head of Group Risk Management Division
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
	Walid Kazan	AGM, Head of International Network Division
	Gilbert Zouein	AGM, Head of Group Products, Segments and Marketing Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
Secretary	Layla Tohmé	Head of International Coordination Unit

Compliance and Anti-Money-Laundering Committee

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Joumana Chelala	DGM, Head of Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Walid Kazan	AGM, Head of International Network Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Fadi Hayek	Head of Group Internal Audit Division
	Paul Chammas	Head of Group Operations Division
Secretary	Antoine Dagher	Head of Group AML and Compliance Department

Loan Recovery Committee

President	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
Vice President	Fadi Nassar	AGM, Head of Group Commercial Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
Member/Secretary	Samir Hélou	Head of Loan Recovery Department

Operational Risk and Information Security Committee

President	Philippe Saleh	AGM, Head of Group Risk Management Division
Vice President	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	DGM, Head of Group Consumer Banking Division
	Joseph Nasr	AGM, Head of Distribution Network Division
	Marwan Moharram	AGM, Head of Group Credit Risk Management Division
	Ziad El Zoghbi	Head of Group Finance and Administration Division
	Paul Chammas	Head of Group Operations Division
Secretary	Nada Yamout	Head of Operational Risk Management Department

Purchasing Committee

President	Ziad El Zoghbi	Head of Group Finance and Administration Division
Vice President	Joumana Chelala	DGM, Head of Group Consumer Banking Division
Members	Semaan Bassil	Vice-Chairman and General Manager
	Raffoul Raffoul	AGM, Head of Group Organization Development, Information Systems and Operational Support Division
Secretary	Antoine Keldany	Head of Administration Department

MANAGEMENT COMMITTEES

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

Management Committee

President	Sami Haddad	Chairman and General Manager
Vice President	René Klat	Managing Director and CEO
Members	Semaan Bassil	Vice-Chairman and General Manager
	Joumana Chelala	AGM, Head of Consumer Banking Division
	Gilbert Zouein	AGM, Head of Group Products, Segments and Marketing
	Pascale Asmar	Natixis Assurances Representative, International Affairs
	Jean Hleiss	Director and Assistant General Manager
General Secretary	Roger Noujaim	Finance and Administration Manager

Management

	Sami Haddad	Chairman and General Manager
	René Klat	Managing Director and CEO
	Jean Hleiss	Director and Assistant General Manager
	Carla Abdo	AGM, Head of Life, Planning, and Development
	Roger Noujaim	Finance and Administration Manager

Reinsurers

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

BYBLOS BANK EUROPE S.A.

Management Committee

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

Credit Committee

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

Assets and Liabilities Committee

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

Human Resources Committee

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

ANTI-MONEY-LAUNDERING COMPLIANCE COMMITTEE

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

BYBLOS BANK SYRIA S.A.

Management Committee

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

Credit Committee

President	Georges Sfeir	General Manager
Members	Jean Bassil	AGM, Head of Commercial Banking
	Karam Bechara*	Deputy Head of Commercial Banking
	Ziad Hajjar	Credit Administration Senior Officer
	Sareen Khajarian	Senior Credit Risk Analyst

BYBLOS BANK AFRICA

Management Committee

President	Gaby Ammar	General Manager
Vice President	Fouad Negga	DGM, Head of Business Functions
Members	Labib Sammour	AGM, Head of Support Functions
	Samer Assaf Bou Saba	Head of Corporate Banking
Secretary	Ahmed Mousa	Compliance Officer

Credit Committee

President	Gaby Ammar	General Manager
Vice President	Fouad Negga	DGM, Head of Business Functions
Members	Samer Assaf Bou Saba	Head of Corporate Banking
	Ahmed Mousa	Compliance Officer
Secretary	Abdulilah Ghali	Head of Credit Administration

Assets and Liabilities Committee

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

Purchasing Committee

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

* *Assigned on 23 April 2012.*

MANAGEMENT COMMITTEES

BYBLOS BANK ARMENIA C.J.S.C.

Management Committee

President	Ararat Ghukasyan	Chief Executive Officer
Members	Aram Artinian	Head of Commercial Banking
	Haroutioun Bouldoukian	Head of Consumer Banking
	Hayk Stepanyan	Head of Finance and Administration
Secretary	Ani Hayrapetyan	Executive Secretary

Assets and Liabilities Committee

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

BYBLOS BANK S.A.L. – IRAQ

Management Committee

President	Atira Abdel Kader	Iraq Country Manager and Baghdad Branch Manager
Members	Joseph Wehbe	Head of Finance and Administration
	Chaalan El Bitar	Head of Operations
	Alexi Azouri	Erbil Branch Manager

BYBLOS BANK RDC S.A.R.L.

Management Committee

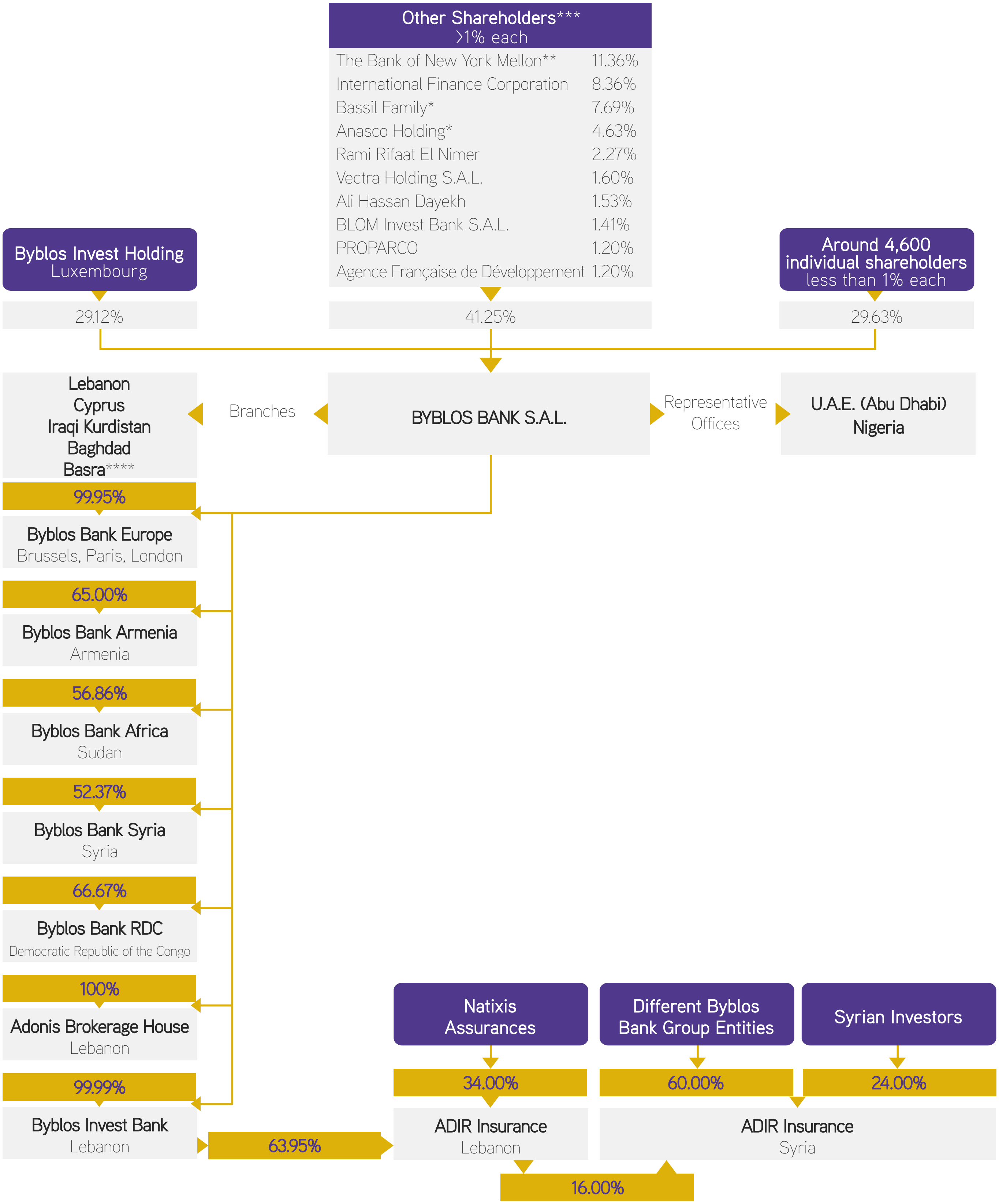
President	Boutros Abi Aad	General Manager
Members	Hassan Obeid	Head of Finance and Administration
	Mohamad Wehbe	Head of Operations

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

Management Committee

President	René Klat	Chairman
Vice President	Abdel Aziz Al-Soukhni	Member
Members	Sleiman Abi Nader	Member
	Sami Haddad	Member
	Georges Sfeir	Member

GROUP CHART



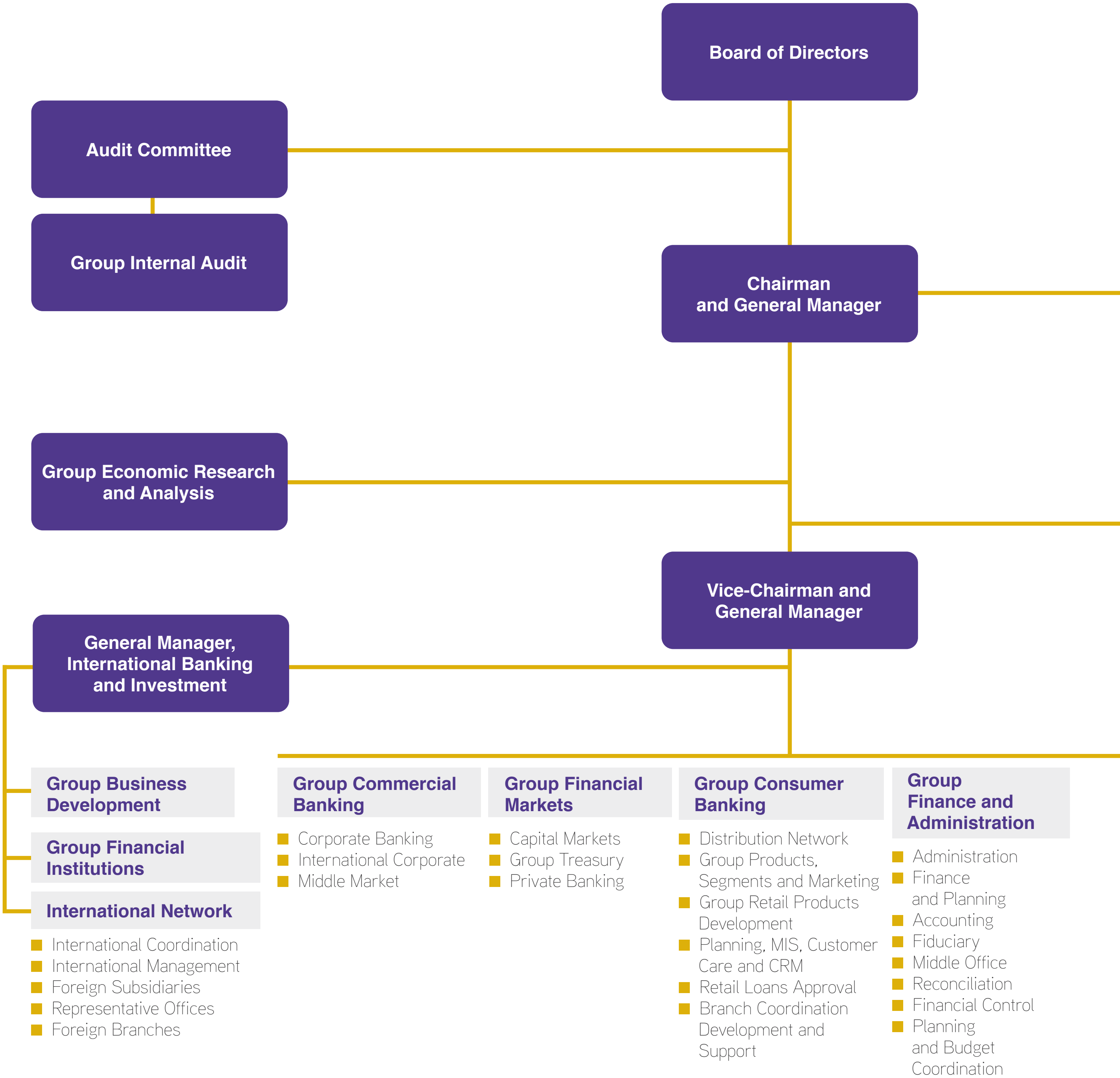
* *Major shareholders in Byblos Invest Holding.*

** *The Bank of New York Mellon is the depositary bank for the GDR program.*

*** *Including preferred shares.*

**** *Operations in Basra began in March 2012.*

ORGANIZATIONAL CHART



Advisor to the Chairman and Secretary of the Board

Group Legal Support

Group Risk Management

Group Credit Risk Management

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

Group Organization Development, Info Systems and Operational Support

- Group Banking Technology
- Group Operations
- Group Organization Support and Procedures

Group Communication

- Marketing Communication
- Corporate Communication
- Branch Communication
- Communication Planning

Group Human Resources

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

PERFORMANCE REVIEW

KEY FINANCIAL DATA

	2002	2003
TOTAL ASSETS	5,288	6,021
Customers' deposits	4,300	4,922
Net advances to customers	1,195	1,181
Cash and due from banks	1,648	3,146
Total equity	429	549
Net book value (1)	323	444
Net income	44.1	46.4
Number of domestic branches	69	70
Number of foreign branches and subsidiaries (2)	4	5
Number of ATMs	62	62
Number of employees	1,456	1,399
MARKET SHARES (3)		
Market share in assets	9.23%	9.18%
Market share in customers' loans	7.18%	7.11%
Market share in customers' deposits	9.50%	9.55%
SHARE DATA		
Book value per share (4)	1.58	1.68
Earnings per common share in USD (4)	0.21	0.17
Earnings per priority share in USD (4)		
Net dividend per common share in USD (5)	0.15	0.10
Net dividend per priority share in USD (5) (6)		
Dividend payout ratio	73.12%	72.31%
PROFITABILITY		
Return on average assets	0.89%	0.82%
Return on average common equity	13.90%	10.33%
Leverage multiplier	16.36	13.56
Interest on earning assets	7.92%	7.65%
Funding cost	5.99%	5.79%
Spread	1.93%	1.86%
Net interest margin	2.27%	2.22%
Cost-to-income	56.63%	53.18%
CAPITAL ADEQUACY		
Capital to assets	8.11%	9.11%
Capital adequacy (7)	18.95%	26.83%
LIQUIDITY		
Net advances/assets	22.59%	19.62%
Net advances/customers' deposits	27.78%	24.00%
Customers' deposits/total resources	81.32%	81.75%
Liquid assets	73.30%	76.77%
ASSETS QUALITY		
Loan loss provisions (8)/customers' loans	12.59%	13.25%
Non-performing loans/customers' loans	12.63%	13.29%
Loan loss provisions (8)/non-performing loans	78.46%	92.12%
1 USD =	LBP 1,507.5	LBP 1,507.5

(1) Excludes subordinated loans.
(2) Includes Byblos Bank Europe, Byblos Bank Africa, Byblos Bank Syria, Byblos Bank Armenia, and branches of Byblos Bank S.A.L. in Iraq and Cyprus.
(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.

Year Ended 31 December (In USD Million, except for per share data)

2004	2005	2006	2007	2008	2009	2010	2011
6,968	7,526	8,190	9,486	11,230	13,576	15,288	16,602
5,476	5,646	6,276	7,262	8,363	10,286	11,927	12,820
1,341	1,488	1,750	2,233	2,790	3,197	3,771	4,008
3,452	3,194	3,234	3,884	4,708	6,179	7,802	9,001
582	794	752	984	1,270	1,494	1,831	1,852
479	690	718	762	1,071	1,294	1,627	1,646
53.7	69.4	78.7	99.2	122.0	145.6	177.7	179.7
72	73	73	73	76	75	77	78
5	6	9	16	17	19	23	24
79	84	85	109	114	133	149	165
1,397	1,520	1,766	2,101	2,362	2,433	2,719	2,716
9.04%	9.17%	9.30%	9.67%	9.88%	9.80%	9.99%	10.26%
7.22%	7.18%	8.35%	8.78%	8.71%	8.51%	8.13%	8.06%
9.39%	9.32%	9.42%	9.55%	9.48%	9.41%	9.69%	9.88%
1.85	1.44	1.50	1.61	1.82	2.16	2.21	2.24
0.20	0.25	0.14	0.18	0.21	0.26	0.27	0.25
	0.29	0.17	0.22	0.24	0.29	0.30	
0.10	0.10	0.10	0.10	0.10	0.13	0.13	0.13
	0.01	0.13	0.13	0.13	0.16	0.16	
62.47%	50.63%	78.32%	62.17%	57.10%	58.71%	63.80%	59.63%
0.83%	0.96%	1.00%	1.12%	1.18%	1.17%	1.23%	1.13%
11.49%	12.03%	11.37%	13.84%	14.56%	15.00%	14.03%	12.29%
14.53	10.91	11.41	12.45	10.48	10.49	9.40	10.09
6.26%	6.32%	7.16%	7.29%	6.97%	6.38%	5.84%	5.52%
5.00%	5.02%	5.66%	5.64%	4.99%	4.65%	4.21%	4.00%
1.25%	1.30%	1.49%	1.65%	1.98%	1.73%	1.63%	1.51%
1.60%	1.70%	2.00%	2.10%	2.39%	2.17%	2.04%	1.90%
56.49%	49.56%	53.41%	51.81%	47.38%	46.28%	45.54%	43.39%
8.36%	10.55%	9.18%	10.37%	11.31%	11.01%	11.97%	11.16%
19.86%	25.04%	20.17%	11.23%	12.61%	12.62%	14.75%	13.61%
19.24%	19.77%	21.36%	23.54%	24.85%	23.55%	24.67%	24.14%
24.48%	26.36%	27.88%	30.75%	33.37%	31.08%	31.62%	31.26%
78.58%	75.02%	76.63%	76.56%	74.47%	75.77%	78.01%	77.22%
76.16%	76.20%	74.00%	71.63%	70.69%	72.42%	71.85%	72.48%
11.86%	10.24%	8.73%	5.40%	4.19%	3.64%	3.45%	4.04%
12.19%	10.47%	8.14%	4.66%	3.36%	2.63%	2.38%	3.02%
89.74%	91.30%	100.88%	107.51%	115.64%	134.10%	144.46%	132.77%
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

(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. Note that as of May 2011, priority shares were converted into common shares.

(7) Capital adequacy is calculated based on Basel II starting December 2007.

(8) Includes specific and collective provisions, as well as reserved interest.

MANAGEMENT DISCUSSION AND ANALYSIS

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 and the Middle East and North Africa (MENA) region. As at 31 December 2011, the Bank had 2,716 employees, 78 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 56.86% owned subsidiary, had two branches in Khartoum and one branch in Bahri; Byblos Bank Syria, the Bank's 52.37% owned subsidiary, had two branches in Aleppo and one in each of Abu Remaneh, Mazzeh, Homs, Lattakia, Tartous, Hama, Abbasiyin, Hosh Blass and Sweidaa. Byblos Bank Armenia C.J.S.C., the Bank's 65% owned subsidiary, had three branches in Amiryan, Vanadzor and Malatia. Byblos Bank RDC, the bank's 66.67% owned subsidiary, had one branch in Kinshasa-Gombe, Congo. 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 February 2012, Byblos Bank Armenia opened a new branch in Komitas, Armenia, and in March 2012, Byblos Bank S.A.L. opened a new branch in Basra, Iraq.

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 May 5, 2011, upon the expiration of the priority rights period on the date of the Ordinary General Meeting 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.

The effectiveness of Byblos Bank's steady management has been recognized by yet another independent evaluation. The latest high marks came in March 2011 when New York-based research firm Alembic Global Advisors (AGA) released a study about major banks in the MENA region. The study found that Byblos Bank's long-term liquidity position was not just far and away the best of any institution in the MENA region, but also that it surpassed industry averages in Europe, the United States and Asia and by a wide margin. In addition, Byblos Bank's short-term liquidity funding was several times higher than the required ratio for large banks around the world, by far the highest in Lebanon, and second highest among MENA banks. Specifically, the Bank's Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR) were measured at sky-high levels of 710% and 619%, respectively. Both the NSFR and the LCR are part of the Basel III regulations issued in response to the global financial crisis, and Byblos Bank's scores indicate that its risk-averse approach is putting the Bank years ahead of global deadlines to implement new rules and regulations.

In 2011, Byblos Bank issued a 10-year, a USD 300 million bond at a coupon rate of 7% and with payments made semi-annually. The notes, net proceeds from which will be used for general corporate purposes, were listed on the London Stock Exchange. The bonds also trade on the secondary market, which will provide bondholders the option to sell the bonds on short notice and at market rates.

The Byblos Bank Group and the American University of Beirut have launched the Byblos Bank/AUB Consumer Confidence Index for Lebanon, the first cooperation of its kind between the private sector and an academic institution in Lebanon as well as the first consumer confidence index produced by a banking and financial institution in the MENA region. The index increases the transparency of the Lebanese economy and constitutes an analytical tool for individuals, companies, retailers, investors, business researchers, analysts, academic institutions, policymakers, governments, multilateral organizations, media outlets, and other stakeholders with an interest in the Lebanese economy.

Byblos Bank Syria, the Syrian affiliate of the Byblos Bank Group, increased its capital by SYP 2 billion through the issuance of 4,000,000 shares at a par value of SYP 500 per share after the Syrian authorities decided to raise the capital of conventional banks operating in Syria to SYP 10 billion, and to increase the maximum foreign ownership in Syrian banks from 49% to 60%. Following the increase, the Bank's capital reached SYP 6.12 billion, with Byblos Bank S.A.L. increasing its stake to 52.37% from 41.5%, while the OPEC Fund for International Development maintained its share at 7.5%.

Byblos Bank S.A.L. launched Lebanon's first electronic banking branch in 2011. The e-Branch aims to fill a gap in the provision of banking services in Lebanon, as the evolution of lifestyles in the country has required flexible and round-the-clock access to bank services. Byblos Bank plans to expand its e-Branch network across Lebanon in 2012.

According to Bankdata, as at and for the year ended 31 December 2011, the Bank ranked third among all banks operating in Lebanon in terms of net profit of LBP 270.9 billion (USD 179.8 million), in terms of total assets of LBP 25,026 billion (USD 16,601 million) and in terms of customers' deposits of LBP 19,326 billion (USD 12,820 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 72.5% of total assets as at 31 December 2011. As at and for the year ended 31 December 2011, the Bank's capital adequacy ratio (Basel II) was 13.61%, while its return on average assets was 1.13% and its return on average common equity was 12.29%.

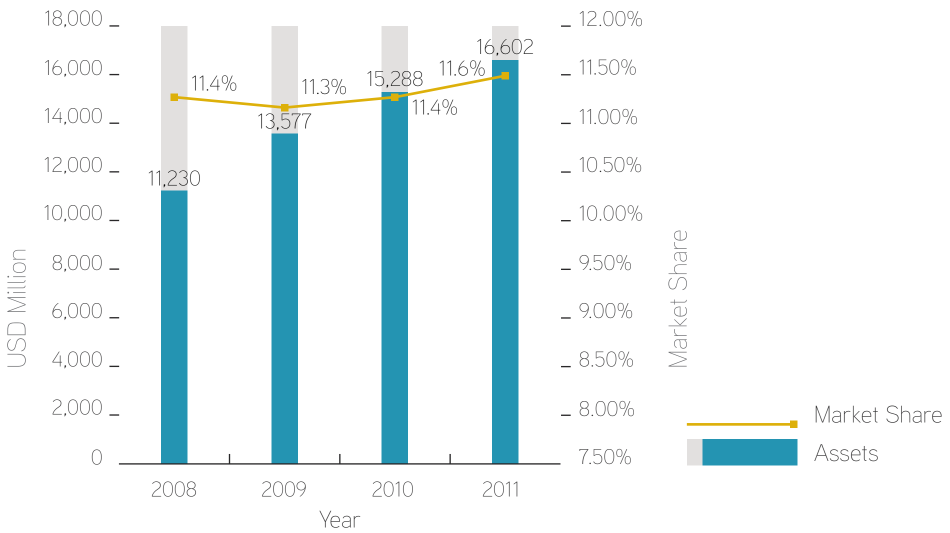
MANAGEMENT DISCUSSION AND ANALYSIS

ASSETS

Total assets of the Bank recorded an increase of 8.6% during the year 2011 to reach LBP 25,027 billion (USD 16,602 million) at the end of December 2011 compared to an increase of 12.6% during the year 2010, and compared to an increase of 6.8% in the Alpha Group of Lebanese banks. Consequently, the Bank's market share in the Alpha Group, by total assets, stood at 11.6% at the end of 31 December 2011 compared to 11.4% at the end of 31 December 2010.

During the period between 31 December 2008 and 31 December 2011, total assets of the Bank grew at an average annual compounded rate of 13.9% compared to growth of 13.2% in the Alpha Group, which was reflected in the Bank's market share by total assets, which grew from 11.4% at the end of 31 December 2008 to reach 11.6% at the end of 31 December 2011.

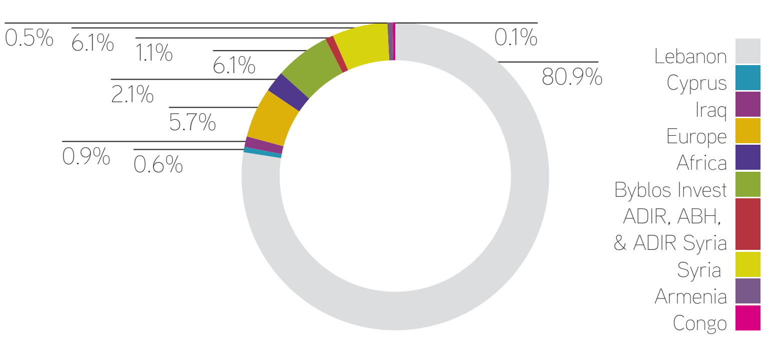
The graph below shows the evolution of total assets and market share during the last four years:



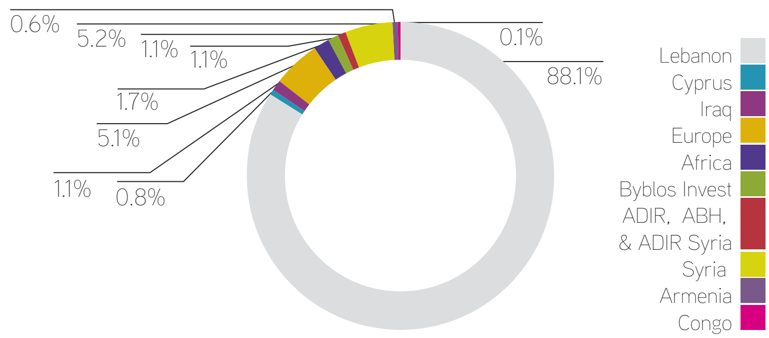
ASSET SPLIT IN THE GROUP

The following graph shows the breakdown of assets in the Byblos Bank Group as at 31 December 2010 and 31 December 2011.

Asset Split in the Group 2010



Asset Split in the Group 2011



As shown above, total assets of international subsidiary banks and branches represented 14.6% of total assets at the end of 31 December 2011, lower than 16.1% at the end of the previous year.

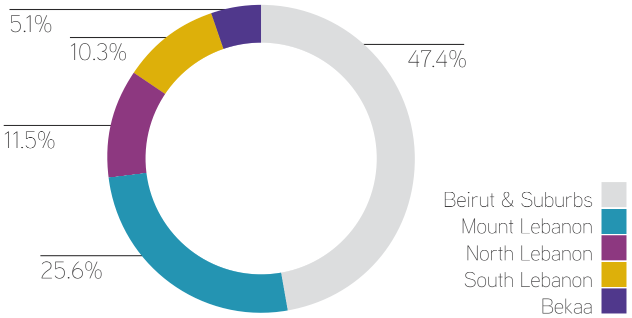
GEOGRAPHICAL DISTRIBUTION OF BRANCHES

Byblos Bank's branch network reached 77 branches inside Lebanon at the end of 2011, representing 8.2% 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, 20 branches, represented 25.6% of total Byblos Bank branches at the end of December 2011 compared to just 18.8% in the Lebanese banking sector, and represented 11.2% 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 47.4% of total Byblos Bank branches at the end of December 2011 compared to 53.5% in the Lebanese banking sector, and represented 7.3% of total branches operating in Beirut and its suburbs.

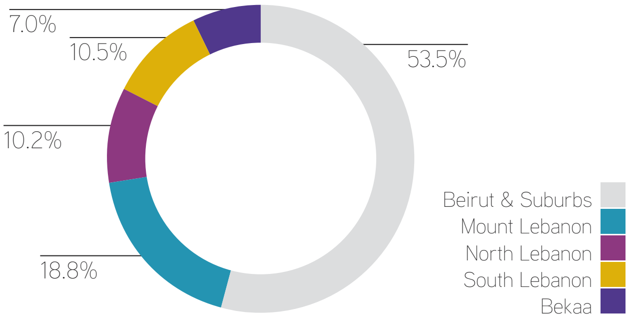
The nine branches located in the North of Lebanon represented 11.5% of total Byblos Bank branches compared to 10.2% in the Lebanese banking sector, and represented 9.3% of total branches of the Lebanese banking sector operating in North Lebanon. In South Lebanon (eight branches) and the Bekaa Valley (four branches), Byblos Bank's presence was similar to the Lebanese banking sector, where Byblos Bank branches located in the South and Bekaa represented 10.3% and 5.1% of total Byblos Bank branches respectively compared to 10.5% and 7.0% respectively in the Lebanese banking sector.

The graphs below show the geographical distribution of Byblos Bank branches in Lebanon as compared to the Lebanese banking sector as at 31 December 2011.

Byblos Bank December 2011



Sector December 2011

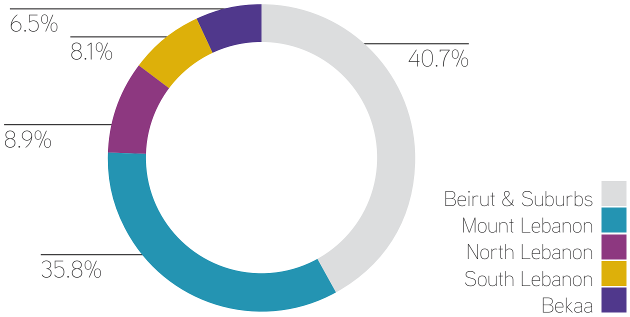


At the end of 2011, the Byblos Bank Group's presence abroad consisted of Cyprus; Erbil and Baghdad in Iraq (branches of Byblos Bank S.A.L.); Brussels, London, and Paris through our subsidiary Byblos Bank Europe S.A.; Khartoum, Amarat and Bahri through our subsidiary Byblos Bank Africa (Sudan); Abu Remaneh, Aleppo (two branches), Homs, Lattakia, Mazzeh, Tartous, Hama, Abbasiyin, Hosh Blass and Sweidaa through our subsidiary Byblos Bank Syria S.A.; Vanadzor, Malatia, and Amirian through our subsidiary Byblos Bank Armenia; and Kinshasa-Gombo through our subsidiary Byblos Bank RDC. It is to be noted that in February 2012, a new branch of Byblos Bank Armenia was opened in Komitas, and in March 2012, a new branch of Byblos Bank S.A.L. was opened in Basra, Iraq.

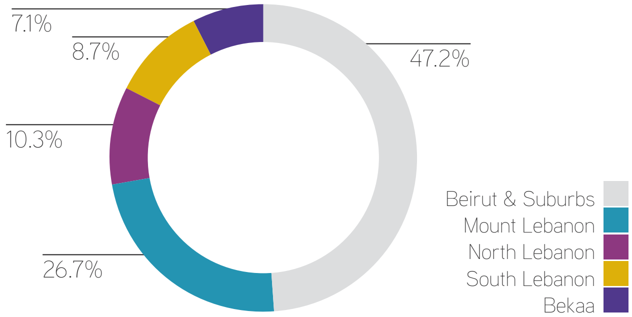
MANAGEMENT DISCUSSION AND ANALYSIS

GEOGRAPHICAL DISTRIBUTION OF AUTOMATED TELLER MACHINES (ATMS)

Geographical Distribution of ATMs (Byblos December 2011)



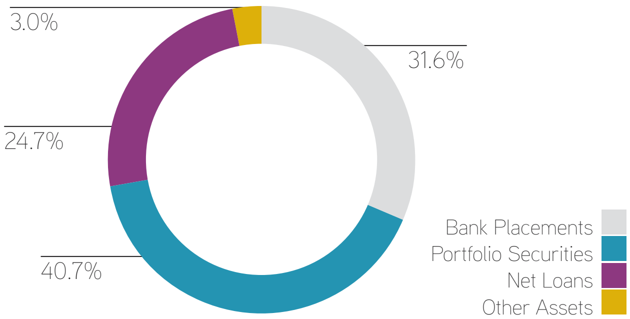
Geographical Distribution of ATMs (Sector December 2011)



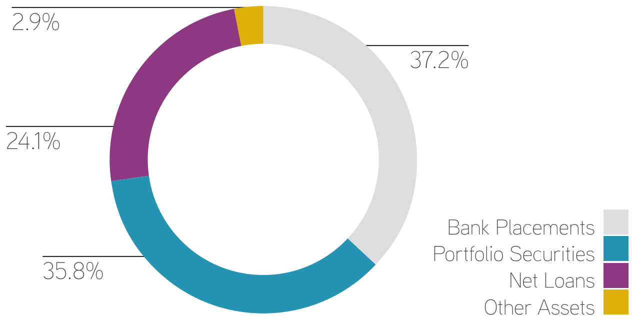
BREAKDOWN OF ASSETS

The below graphs show the composition of the Bank's assets at the end of 31 December 2010 and 2011.

Breakdown of Assets 2010



Breakdown of Assets 2011



FINANCIAL INSTRUMENT 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 2009, 2010 and 2011:

As at 31 December	2009		2010		2011	
	LBP Million	% of Total	LBP Million	% of Total	LBP Million	% of Total
Lebanese and other governmental treasury bills and bonds						
Lebanese Treasury Bills in LBP	2,865,576	32.0	2,668,930	28.5	1,963,161	21.9
Lebanese and other governmental bonds in foreign currency	2,218,661	24.8	1,588,567	16.9	1,690,243	18.9
Bonds and financial assets with fixed income						
Corporate bonds	431,197	4.8	557,490	5.9	705,314	7.9
Corporate certificates of deposit in foreign currency	42,904	0.5	22,669	0.2	240,084	2.7
Central Bank certificates of deposits in LBP and foreign currency	3,293,987	36.9	4,448,481	47.5	4,271,040	47.7
Shares, securities and financial assets with variable income in LBP and foreign currency	99,703	1.1	110,771	1.2	103,571	1.2
Collective Provisions	(8,758)	-0.1	(16,680)	-0.2	(25,015)	-0.3
Total	8,943,271	100	9,380,228	100	8,948,398	100

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

INVESTMENTS BY CLASSIFICATION

In compliance with Circular 265 of the Lebanese Banking Control Commission issued on 23 September 2010, the Group adopted, effective 1 January 2011, Phase I of IFRS 9 as issued in November 2009 and reissued in October 2010 and related consequential amendments to other International Financial Reporting Standards. The effective application date stipulated by the standard is annual periods beginning on or after 1 January 2015. The initial application date of this standard with respect to the Group is 1 January 2011 in accordance with the transitional provisions of the standard.

IFRS 9 introduced new classification and measurement requirements for financial assets and financial liabilities that are within the scope of IAS 39. It also cancelled all previous categories under IAS 39, namely financial assets held for trading, available-for-sale financial instruments, financial assets classified as loans and receivables and financial instruments held to maturity.

The Group did not restate comparative information, as permitted by the transitional provisions of IFRS 9, and has recognized impact of early adoption of IFRS 9 as at 1 January 2011, in the opening retained earnings and other components of equity as of that date.

■ DEBT INSTRUMENTS AT AMORTIZED COST

Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

1. The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
2. The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

■ DEBT INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Included in this category are those debt instruments that do not meet the conditions in "Debt instruments at amortized cost" above, and debt instruments designated at fair value through profit or loss upon initial recognition.

MANAGEMENT DISCUSSION AND ANALYSIS

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments in equity instruments are classified at fair value through profit or loss, unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

The following tables set forth a breakdown of the Bank's investment securities portfolio, by classification, as at 31 December 2009, 2010 and 2011:

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 deposit				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	431,197
Shares, securities and financial instruments with variable income	24,918		74,786			99,704
Corporate certificates of deposit				42,178	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 deposit				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

As at 31 December 2011 LBP Million	Equity instruments at fair value through P&L	Debt instruments at fair value through P&L	Debt instruments at amortized cost	Equity instruments at fair value through OCI	Accrued interest	Total
Central Bank certificates of deposit		10,916	4,187,123		83,916	4,281,955
Lebanese and other governmental treasury bills and bonds		195,145	3,392,929		65,330	3,653,405
Bonds and financial assets with fixed income		19,637	675,105		10,572	705,314
Shares, securities and financial instruments with variable income	26,604			76,967		103,571
Corporate certificates of deposit			228,568		600	229,168
Collective Provisions			-25,015			(25,015)
Total by category	26,604	225,699	8,458,710	76,967	160,418	8,948,398

Some 96.2% of the financial instruments are classified under debt instruments at amortized cost.

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 40.8% as at 31 December 2011, from 45.4% as at 31 December 2010 and 56.8% as at 31 December 2009.

Investments in Central Bank certificates of deposit (in both LBP and foreign currencies) represented 47.7% of the Bank's portfolio as at 31 December 2011, as compared to 47.4% as at 31 December 2010 and 36.8% as at 31 December 2009.

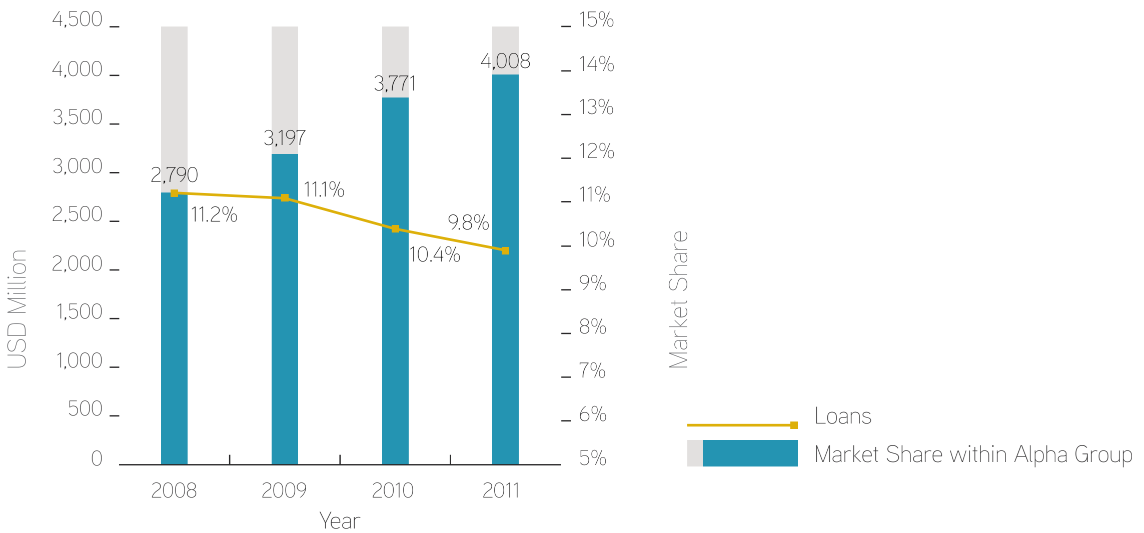
Corporate bonds represented 7.9% of the total portfolio as at 31 December 2011, as compared to 5.9% as at 31 December 2010 and 4.8% as at 31 December 2009.

CUSTOMERS' LOANS

Customers' loans net of provisions (specific and collective) on doubtful loans and reserved interest on substandard and doubtful loans grew by 6.3% during the year 2011 to reach LBP 6,042 billion (USD 4,008 million) at the end of 31 December 2011 compared to growth of 18.0% in 2010, and compared to growth of 12.8% in the Alpha Group of Lebanese banks. The lower growth in the Bank's net customers' loans in comparison with the Alpha Group led to a decrease in the Bank's market share of net customers' loans to 9.8% at the end of 31 December 2011, down from 10.4% at the end of 31 December 2010.

During the period between 31 December 2008 and 31 December 2011, net customers' loans increased at an average annual compounded rate of 12.8% compared to growth of 18.0% in the Alpha Group. Consequently, the Bank's market share of net customers' advances dropped from 11.2% at the end of 31 December 2008 to 9.8% at the end of 31 December 2011.

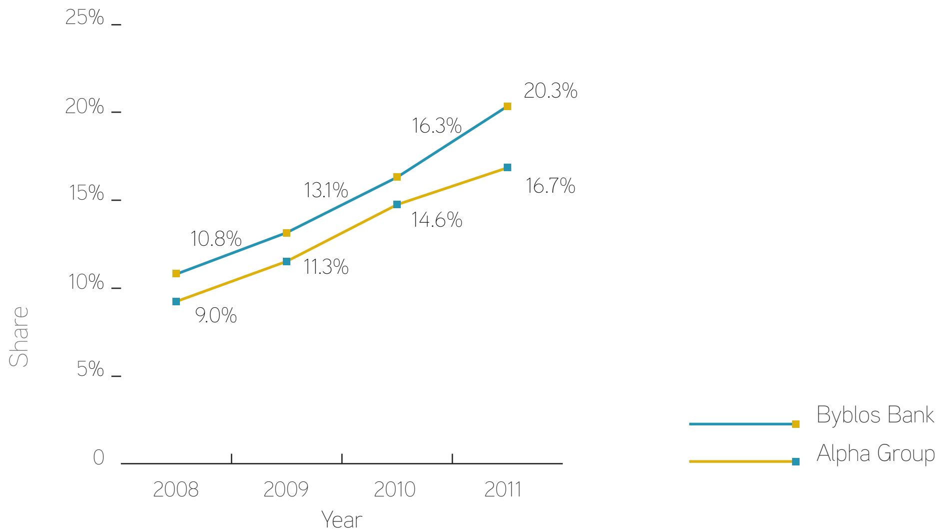
The chart below shows the evolution of net customers' loans and their market shares over the last four years:



MANAGEMENT DISCUSSION AND ANALYSIS

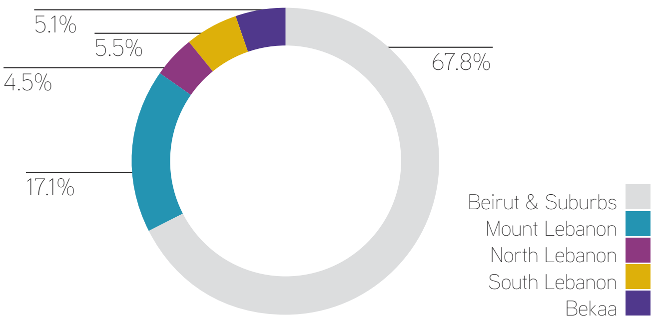
CUSTOMERS' LOANS CURRENCY STRUCTURE

LBP Customers' Loans/Total Loans (Byblos Bank vs. Alpha Group)

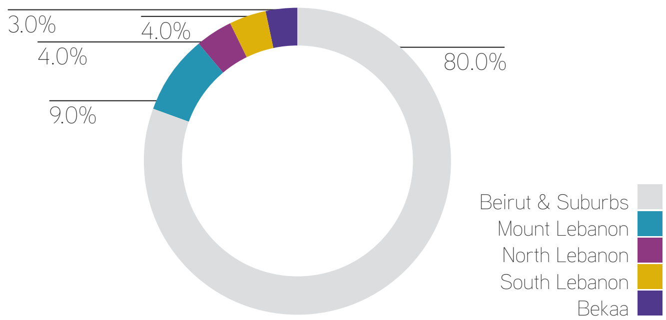


CUSTOMERS' LOANS GEOGRAPHICAL DISTRIBUTION

Byblos Bank December 2011

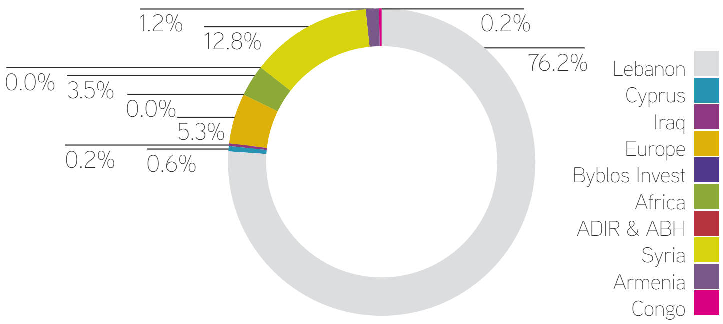


Sector December 2011

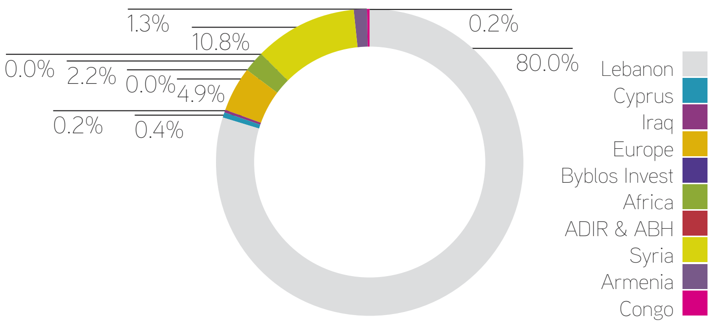


CUSTOMERS' LOANS SPLIT IN BYBLOS BANK GROUP

Loans Split in Group 2010



Loans Split in Group 2011



LOANS BREAKDOWN BY NATURE OF BORROWER

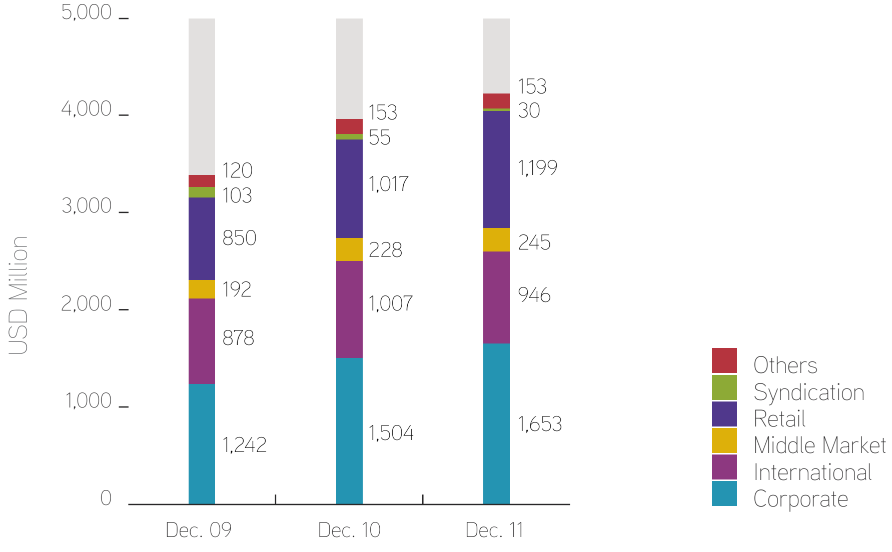
	December 2009			December 2010			December 2011		
	LBP Million	USD 000's	% of Total	LBP Million	USD 000's	% of Total	LBP Million	USD 000's	% of Total
Corporate	1,872,506	1,242,127	36.7%	2,267,135	1,503,904	37.9%	2,491,253	1,652,572	39.1%
International	1,324,027	878,293	25.9%	1,517,830	1,006,853	25.4%	1,425,607	945,676	22.4%
Middle Market	289,804	192,241	5.7%	344,109	228,265	5.8%	370,046	245,470	5.8%
Retail	1,280,772	849,600	25.1%	1,533,561	1,017,287	25.7%	1,806,979	1,198,659	28.4%
Syndication	155,913	103,425	3.1%	83,572	55,437	1.4%	45,560	30,222	0.7%
Others	180,337	119,627	3.5%	230,391	152,830	3.9%	230,020	152,583	3.6%
Total	5,103,359	3,385,313	100.0%	5,976,597	3,964,575	100.0%	6,369,464	4,225,184	100.0%

During 2011, Byblos Bank's gross loan portfolio increased by 6.6% (+LBP 393 billion) to reach LBP 6,369 billion (USD 4,225 million) at the end of 31 December 2011 compared to an increase of 17.1% in 2010.

COMMERCIAL LOAN PORTFOLIO

- The corporate loan portfolio increased by 9.9% (+LBP 224 billion or USD 149 million) during the year 2011 to reach LBP 2,491 billion (USD 1,653 million) at the end of 31 December 2011 compared to an increase of 21.1% (+LBP 395 billion or USD 262 million) in 2010. Corporate loans represented 39.1% of the gross loan portfolio at the end of December 2011, compared to 37.9% at the end of 31 December 2010.
- The international loan portfolio decreased by 6.1% (-LBP 92 billion or USD 61 million) during the year 2011 to reach LBP 1,426 billion (USD 946 million) at the end of 31 December 2011 compared to an increase of 14.6% (LBP 194 billion or USD 129 million) in 2010. International loans represented 22.4% of the gross loan portfolio compared to 25.4% at the end of December 2010.
- The middle market loan portfolio increased by 7.5% (+LBP 26 billion or USD 17 million) during the year 2011 to reach LBP 370 billion (USD 245 million) at the end of 31 December 2011 representing 5.8% of the gross loan portfolio.
- Total exposure to syndicated loans at the end of 2011 amounted to LBP 46 billion (USD 30 million) compared to LBP 84 billion (USD 55 million) at the end of December 2010, representing 0.7% of the gross loan portfolio compared to 1.4% at the end of December 2010.

The chart below shows the breakdown of the loan portfolio by nature of borrower for the years 2009, 2010 and 2011:



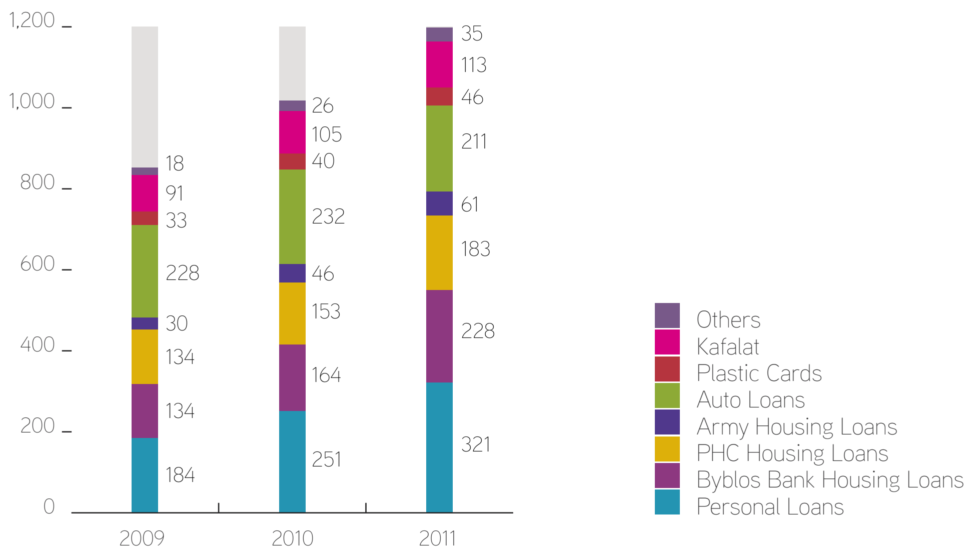
MANAGEMENT DISCUSSION AND ANALYSIS

RETAIL LOAN PORTFOLIO

	December 2009			December 2010			December 2011		
	LBP Million	USD 000's	% of Total	LBP Million	USD 000's	% of Total	LBP Million	USD 000's	% of Total
Personal Loans	276,940	183,708	21.6%	378,707	251,215	24.7%	483,696	320,860	26.8%
Byblos Housing Loans	201,473	133,647	15.7%	246,729	163,668	16.1%	343,359	227,767	19.0%
PHC Housing Loans	201,335	133,556	15.7%	230,478	152,888	15.0%	275,982	183,073	15.3%
Army Housing Loans	44,579	29,571	3.5%	68,976	45,755	4.5%	92,675	61,476	5.1%
Auto Loans	343,066	227,573	26.8%	350,153	232,274	22.8%	318,495	211,273	17.6%
Plastic Cards	49,694	32,964	3.9%	60,257	39,971	3.9%	69,292	45,965	3.8%
Kafalat	136,604	90,616	10.7%	158,794	105,336	10.4%	170,282	112,957	9.4%
Others	27,082	17,965	2.1%	39,466	26,180	2.6%	53,199	35,289	2.9%
Total Retail	1,280,772	849,600	100.0%	1,533,561	1,017,287	100.0%	1,806,979	1,198,659	100.0%

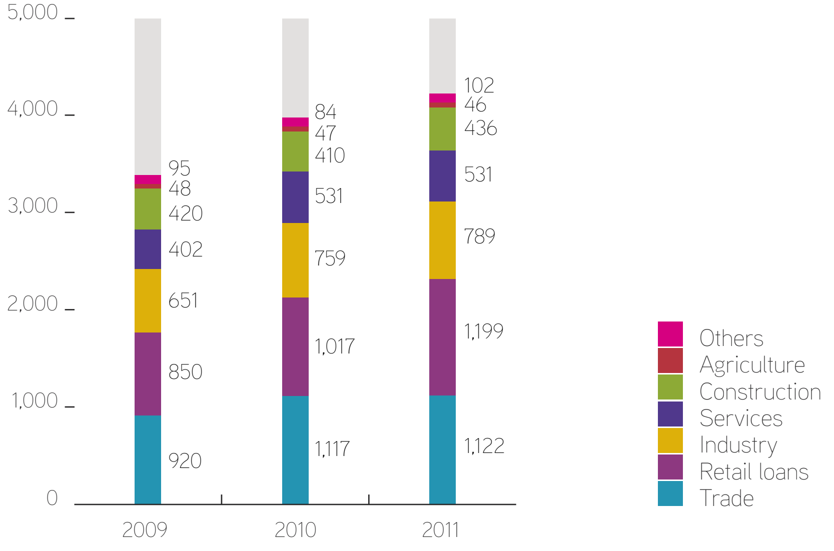
In line with the Bank's strategy to maintain Byblos Bank's leadership in retail, the retail loan portfolio increased from LBP 1,534 billion (USD 1,017 million) as of December 2010 to LBP 1,807 billion (USD 1,199 million) as of December 31 2011, recording growth of 17.8%. The main increase in retail loans was the result of the increase in personal loans and housing loans, whose outstanding portfolios increased between 2010 and 2011 from USD 251 million to USD 321 million, an increase of 27.7% for personal loans, and from USD 362 million to USD 472 million, an increase of 30.4%, for housing loans.

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



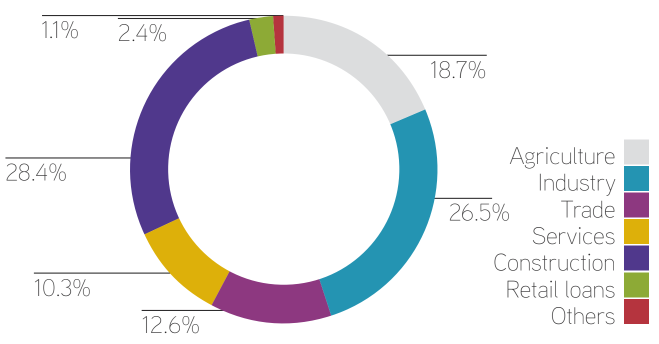
LOAN PORTFOLIO BY ECONOMIC SECTOR

In recent years, the Bank has focused its lending activities, to the extent possible, in sectors considered by management to be least affected by economic slowdowns. Loans to the trade sector (both wholesale and retail), which used to represent the major part of outstanding loans, decreased to the second position and constituted 26.5% of outstanding loans as at 31 December 2011, as compared to 28.2% as at 31 December 2010 and 27.2% as at 31 December 2009. Loans to the manufacturing sector decreased to 18.7% as at 31 December 2011, as compared to 19.1% as at 31 December 2010 and 19.2% as at 31 December 2009. Loans to the construction sector remained stable at 10.3% as at 31 December 2011, as compared to 2010, but lower than 12.4% as at 31 December 2009. Meanwhile, retail loans increased to 28.4% at the end of December 2011, up from 25.7% and 25.1% as at 31 December 2010 and 2009, respectively, and therefore represented the highest share of the loan portfolio.

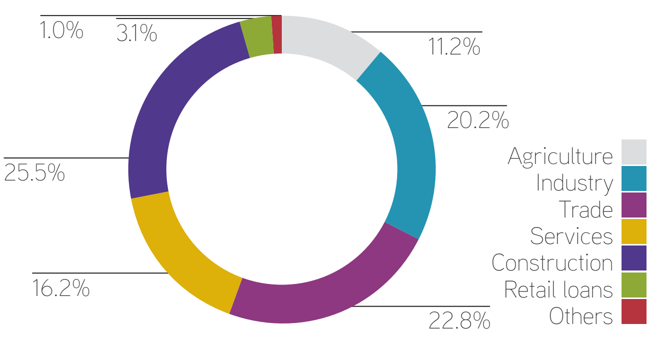


The pie charts below show the breakdown of the loan portfolio by economic sector as at 31 December 2011 in comparison with the Lebanese banking sector.

Byblos



Sector



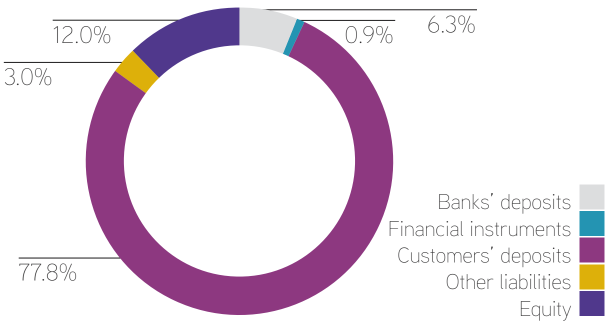
MANAGEMENT DISCUSSION AND ANALYSIS

LIABILITIES

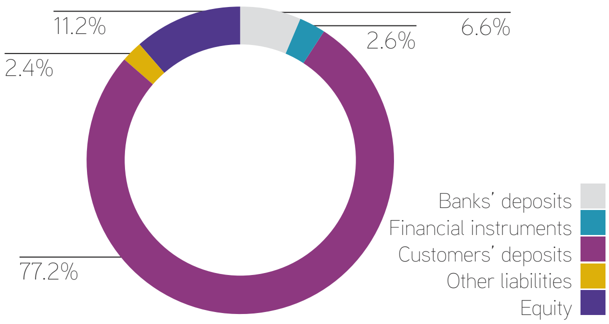
LIABILITIES BREAKDOWN

Customers' deposits represent the major source of funds with a share of 77.2% at the end of 2011 compared to a share of 77.8% at the end of 2010

Breakdown of Liabilities 2010



Breakdown of Liabilities 2011

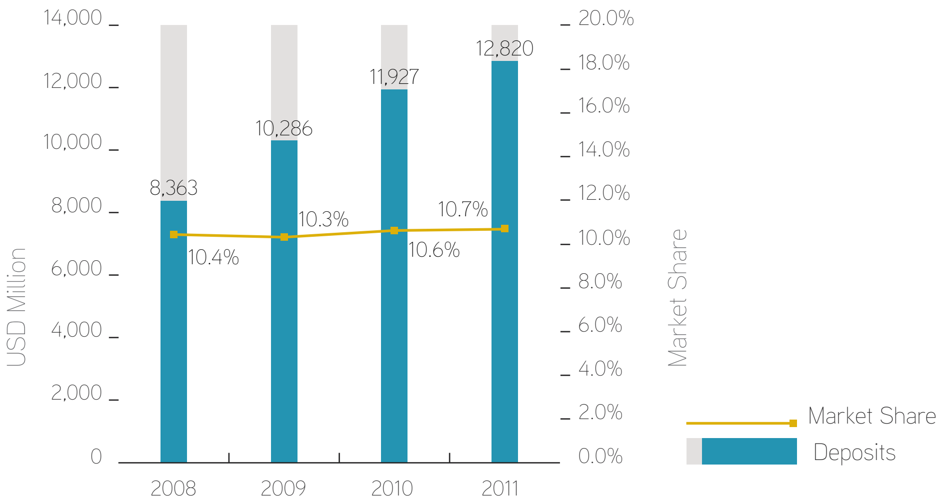


CUSTOMERS' DEPOSITS

Customers' deposits recorded an increase of 7.5% during 2011 to reach LBP 19,326 billion (USD 12,820 million) at the end of 31 December 2011 compared to an increase of 16.0% during 2010, and compared to an increase of 6.9% in the Alpha Group of Lebanese banks. Consequently, the Bank's market share of total customers' deposits in the Alpha Group stood at 10.7% at the end of 31 December 2011, slightly higher than 10.6% at the end of the previous year.
During the period between 31 December 2008 and 31 December 2011, the Bank's customers' deposits grew at an annual average compounded rate of 15.3% compared to growth of 14.1% in the Alpha Group. Consequently, the Bank's market share stood at 10.7% at the end of 31 December 2011, higher than the 10.4% at the end of 31 December 2008.

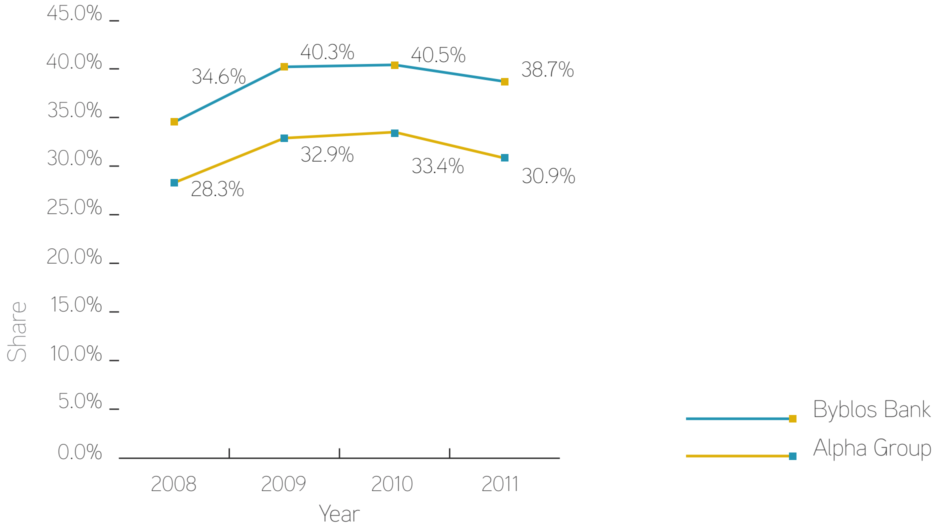
The graph below shows the evolution of customers' deposits over the last four years:

Evolution of Customers' Deposits During Last Four Years



CUSTOMERS' DEPOSITS CURRENCY STRUCTURE

LBP Customers' Deposits/Total Deposits (Byblos Bank vs. Alpha Group)



Influenced by the sound financial strength of the Lebanese banking sector and by 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 40.5% of total customers' deposits at the end of 31 December 2010 after having reached a five-year low of 25.3% at the end of 2007. The decreasing trend in LBP customers' deposits between 2010 and 2011, where these stood at 38.7%, was largely the result of economic and political tension between different parties in Lebanon before the formation of the new cabinet. However, Byblos Bank has a higher deposit base denominated in LBP as compared to 30.9% in the Alpha Group of banks.

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 2009, 2010 and 2011:

As at 31 December	2009		2010		2011	
	LBP Million	% of Total	LBP Million	% of Total	LBP Million	% of Total
Current accounts	1,916,710	12.36	3,082,780	17.15	3,196,618	16.54
Term deposits	12,740,833	82.17	13,856,849	77.07	15,002,062	77.62
Blocked accounts	639,064	4.12	845,463	4.70	888,878	4.60
Related parties' accounts	138,073	0.89	111,595	0.62	149,951	0.78
Accrued interest	71,487	0.46	83,339	0.46	88,898	0.46
Total	15,506,168	100	17,980,026	100	19,326,407	100

MANAGEMENT DISCUSSION AND ANALYSIS

The composition of customers' deposits remained almost unchanged over the last three years, during which time they were comprised mostly of term deposits, which consisted of 77.6% of total customers' deposits at the end of December 2011, as compared to 77.1% as at 31 December 2010, and to 82.2% as at 31 December 2009.

MATURITY PROFILE OF CUSTOMERS' DEPOSITS

The following table shows the distribution of the Bank's customers' deposits by maturity profile as at 31 December 2009, 2010 and 2011:

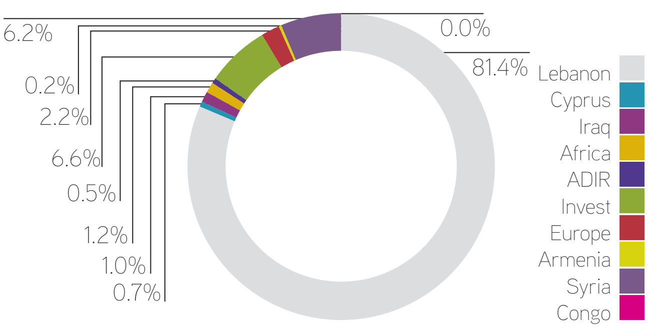
As at 31 December	2009		2010		2011	
	LBP Million	% of Total	LBP Million	% of Total	LBP Million	% of Total
Less than 3 months	12,982,058	83.7	14,752,498	82.1	15,534,118	80.4
3 months to 1 year	1,932,889	12.5	2,642,482	14.7	2,984,528	15.4
1 year to 5 years	587,753	3.8	581,580	3.2	797,650	4.1
Over 5 years	3,466	0.0	3,466	0.0	10,111	0.1
Total	15,506,168	100	17,980,026	100	19,326,407	100

Almost all of the Bank's customers' deposits are short-term, with deposits having a remaining maturity of less than one year representing 95.8% and 96.8% of total customers' deposits as at 31 December 2011 and 31 December 2010, respectively.

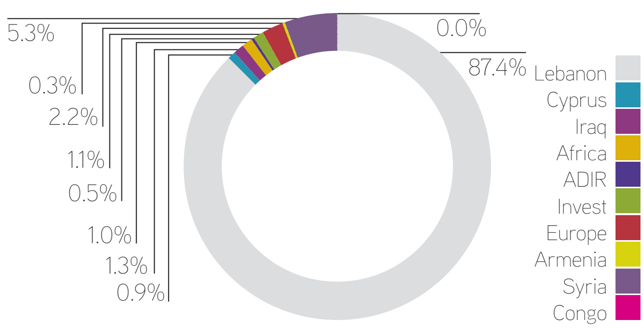
CUSTOMERS' DEPOSITS SPLIT IN THE BYBLOS BANK GROUP

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

Deposits by Group 2010

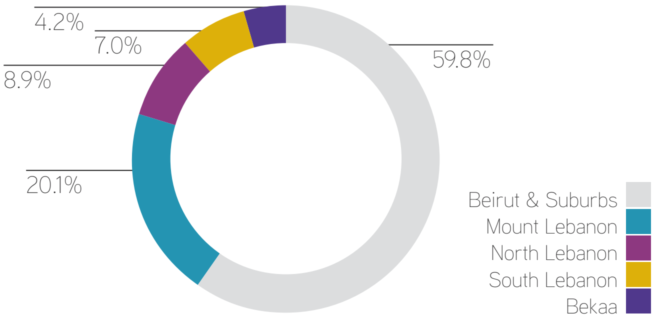


Deposits by Group 2011

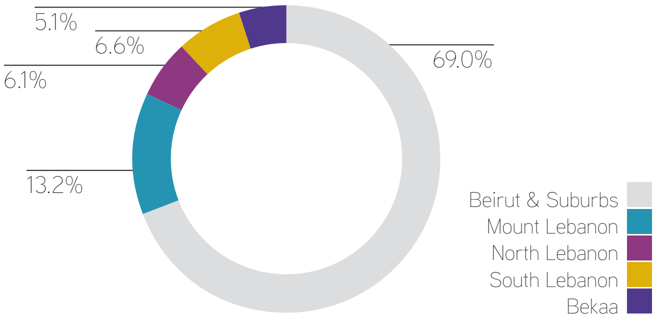


GEOGRAPHICAL DISTRIBUTION OF CUSTOMERS' DEPOSITS

Byblos Bank December 2011



Sector December 2011



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 (47.4% of total branches) representing 59.7% of total customers' deposits in the Bank compared to 69.0% in the Lebanese banking sector. On the other hand, customers' deposits in branches located in Mount Lebanon (25.6% of total branches) represented 20.1% of the Bank's customers' deposits, compared to 13.2% in the Lebanese banking sector; customers' deposits in branches located in North Lebanon (11.5% of total branches) represented 8.9% of the Bank's customers' deposits, higher than the 6.1% in the Lebanese banking sector. In the South (10.3% of total branches), Byblos Bank's customers' deposit concentration was 7.0% compared to 6.6% in the Lebanese banking sector. In the Bekaa Valley, the Bank's customers' deposits are less concentrated than in the Lebanese banking sector, with 4.2% of the Bank's total customers' deposit located in the Bekaa (5.1% of total branches) compared to 5.1% in the Lebanese banking sector.

LONG-TERM SOURCES OF FUNDS

As a part of the Bank's strategy to match its longer-term loan portfolio with longer-term funding sources, the Bank has 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 2009, 2010 and 2011, respectively:

In USD 000's	Dec. 2009	Dec. 2010	Dec. 2011
Central Bank of Lebanon		5,847	5,847
Arab Trade Finance Program	9,594	9,101	23,491
Certificates of deposit	141,600	141,600	141,600
PROPARCO	9,864	7,198	4,941
OPEC Fund for International Development		10,000	14,000
European Investment Bank	182,012	168,961	155,674
FMO Loan	1,071		
Govco Incorporated NY	74,179	70,357	64,714
Agence Française de Développement	34,194	37,614	41,203
European Bank for Reconstruction and Development			5,000
Citibank	9,750	8,667	6,833
Equity-linked notes	49,414		
9% Subordinated participating notes	31,169	31,169	31,169
Convertible subordinated loans	173,000	173,000	173,000
Byblos Bank Eurobond			300,000
Total Long-Term Sources of Funds	715,847	663,514	967,472

MANAGEMENT DISCUSSION AND ANALYSIS

PROFITABILITY

LBP Million	2009	2010	2011	Growth (Vol.)	Growth (%)
Net interest income	388,780	427,263	440,591	13,328	3.1%
Net allocation to provisions	(26,245)	(29,272)	(42,770)	(13,498)	46.1%
Net commission income	114,949	125,659	144,795	19,136	15.2%
Net profits on financial operations	52,153	123,123	113,740	(9,383)	-7.6%
Impairment losses on financial investments	(15,279)	(8,863)	(23,575)	(14,712)	166.0%
Other Operating Income	16,251	8,118	13,191	5,073	62.5%
Total operating income (before provisions and impairment)	572,133	684,162	712,317	28,155	4.1%
Total operating income (after provisions and impairment)	530,609	646,027	645,972	(56)	0.0%
Operating expenses	(238,852)	(280,413)	(277,423)	2,989	-1.1%
Depreciation and amortization	(25,925)	(31,126)	(31,624)	(499)	1.6%
Taxes	(46,410)	(66,670)	(65,987)	683	-1.0%
Net income	219,422	267,819	270,937	3,118	1.2%
Bank's share	206,628	255,770	259,894		
Dividend on preferred shares (series 2008)	(24,032)	(24,032)	(24,160)		
Dividend on preferred shares (series 2009)	(10,063)	(24,032)	(24,160)		
Priority distribution of 4% on priority shares	(9,972)	(9,972)			
Net income related to common and priority shares	162,561	197,734	211,574		
Weighted average number of common shares during the period	216,721,108	288,838,287	561,806,168		
Weighted average number of priority shares during the period	205,915,830	205,982,021			
Earnings per common share	384.63	399.61	376.60		
Earnings per priority share	433.06	448.01			

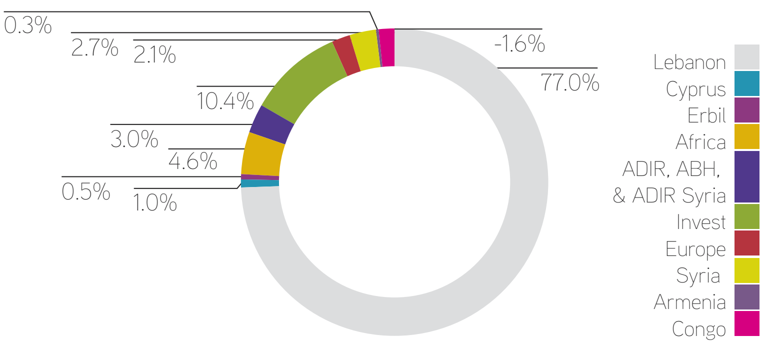
Net income for the year 2011 amounted to LBP 270,937 million (USD 180 million), recording an increase of 1.2% (+LBP 3,118 million or USD 2 million) compared to LBP 267,819 million (USD 178 million) in the year 2010.
Return on average assets (ROA) stood at 1.13% at the end of December 2011 compared to 1.23% at the end of December 2010. Moreover, return on average common equity (ROCE) stood at 12.3% compared to 14.0% at the end of December 2010. Earnings per common share based on the weighted average number of shares stood at LBP 376.6 (USD 0.250) in 2011 compared to LBP 399.6 (USD 0.265) in 2010. It is to be noted that in May 2011, priority shares were converted into common shares.

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

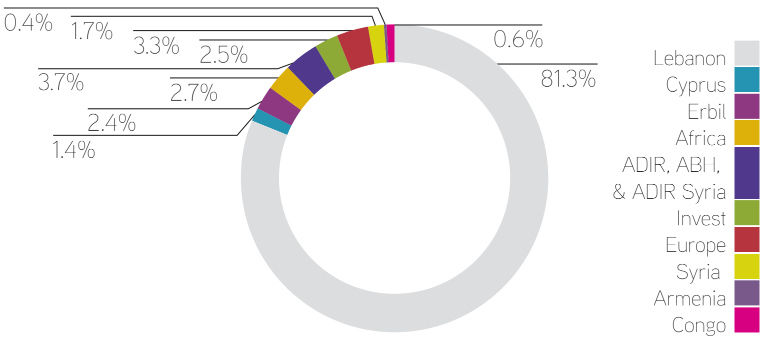
- Byblos Bank Africa's net income for the year 2011 amounted to LBP 8,434 million (USD 5.6 million) compared to LBP 13,773 million (USD 9.1 million) for the year 2010.
- Byblos Bank Europe's net income for the year 2011 amounted to LBP 10,281 million (USD 6.8 million) compared to LBP 6,210 million (USD 4.1 million) for the year 2010.
- Byblos Bank Syria's net income stood at LBP 5,278 million (USD 3.5 million) at the end of 2011 compared to LBP 7,940 million (USD 5.3 million) for the year 2010.
- Byblos Invest Bank's net income stood at LBP 7,792 million (USD 5.2 million) at the end of 2011 compared to a net income of LBP 30,956 million (USD 20.5 million) for the year 2010.
- Byblos Bank Armenia's net income stood at LBP 1,186 million (USD 0.8 million) at the end of 2011 compared to a net income of LBP 1,001 million (USD 0.7 million) for the year 2010.
- Net income of the insurance companies – Adonis Insurance and Reinsurance Co. S.A.L. (ADIR), Adonis Insurance and Reinsurance Syria S.A., and Adonis Brokerage House – for the year 2011 amounted to LBP 11,422 million (USD 7.6 million) compared to LBP 8,960 million (USD 5.9 million) for the year 2010.

The pie chart below shows the contributions of the Bank's subsidiaries to consolidated income between the years 2010 and 2011:

2010



2011



NET INTEREST INCOME

Net interest income before provisions for the year 2011 amounted to LBP 440,591 million (USD 292.3 million), recording an increase of 3.1% (+LBP 13,328 million or USD 8.8 million) compared to LBP 427,263 million (USD 283.4 million) for the year 2010. However, net interest margin stood at 1.90% at the end of 2011 compared to 2.04% at the end of 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

	2010 Average balance LBP Million	2010 Interest earned	2010 Average rate %	2011 Average balance LBP Million	2011 Interest earned	2011 Average rate %
Assets						
Interest-bearing deposits in other banks	10,538,107	424,396	4.03%	12,665,473	488,430	3.86%
Securities	487,522	25,099	5.15%	743,296	33,013	4.44%
Loans	5,252,194	404,113	7.69%	5,863,781	454,173	7.75%
Treasury Bills	4,665,286	370,406	7.94%	3,942,752	305,348	7.74%
Total interest-earning assets	20,943,109	1,224,014	5.84%	23,215,301	1,280,964	5.52%
Premises and equipment	312,850	0	0.00%	328,456	0	0.00%
Other non-interest-bearing assets	500,331	0	0.00%	493,596	0	0.00%
Total average assets	21,756,290	1,224,014	5.63%	24,037,352	1,280,964	5.33%
Liabilities						
Customers' deposits	16,743,097	718,171	4.29%	18,653,217	743,087	3.98%
Subordinated loans	301,479	27,662	9.18%	305,294	27,942	9.15%
Certificates of deposit	213,501	14,667	6.87%	437,896	31,389	7.17%
Index- and equity-linked instruments	38,731	2,483	6.41%	0		0.00%
Interest-bearing deposits due to banks	1,609,894	33,767	2.10%	1,591,714	37,956	2.38%
Total interest-bearing liabilities	18,906,702	796,751	4.21%	20,988,120	840,373	4.00%
Other liabilities	644,912	0	0.00%	578,635	0	0.00%
Shareholders' equity	2,204,675	0	0.00%	2,470,598	0	0.00%
Total Average Liabilities and Equity	21,756,290	796,751	3.66%	24,037,352	840,373	3.50%
Spread (a)			1.63%			1.51%
Spread (b)			1.96%			1.83%
Interest-earning assets/Interest-bearing liabilities			1.11			1.11

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

PROVISIONS ALLOCATED

Net provisions (specific and collective) allocated for doubtful loans increased by 46.1% (+LBP 13,498 million), reaching LBP 42,770 million (USD 28.4 million) for the year 2011, as compared to LBP 29,272 million (USD 19.4 million) for the year 2010. This increase was mainly due to the rise in provisions (specific and collective) on doubtful debts by LBP 16.6 billion (USD 11.0 million) in 2011, noting that specific and collective provisions allocated against the loan portfolio in Byblos Bank Syria amounted to USD 16.7 million.

Coverage of non-performing loans by specific and collective provisions and reserved interest stood at 132.8% as at 31 December 2011, as compared to 144.5% as at 31 December 2010. Additional details on coverage of non-performing loans will be discussed in the section on asset quality.

LBP Million	2009	2010	2011
Specific and collective provisions set up during the year			
- Doubtful debts	30,529	40,275	56,843
- Doubtful banks and financial institutions accounts	3,870	5,682	
- Write-offs	217	269	145
Total provisions allocated	34,616	46,226	56,988
Specific and collective provision written back during the year:			
- Loans recovered or upgraded	(8,371)	(16,954)	(7,625)
- Doubtful banks and financial institutions accounts			(6,593)
Total provisions recoveries	(8,371)	(16,954)	(14,218)
Net provisions allocated	26,245	29,272	42,770

NON-INTEREST INCOME

LBP Million	2009	2010	2011	Growth (Vol.)	Growth (%)
Commissions on documentary credits and acceptances	47,561	48,828	49,595	767	1.57%
out of which in Byblos Bank Lebanon*	20,785	22,402	20,707	(1,695)	-7.57%
out of which in Byblos Bank Europe	19,167	16,055	20,701	4,646	28.94%
out of which in Byblos Bank Africa	6,085	7,797	3,601	(4,195)	-53.81%
out of which in Byblos Bank Syria	1,524	2,573	4,586	2,013	78.24%
out of which in Byblos Bank RDC	0	1	0	(1)	-100.00%
Commissions on letters of guarantee	13,736	14,534	15,588	1,053	7.25%
out of which in Byblos Bank Lebanon*	9,429	10,475	12,282	1,808	17.26%
out of which in Byblos Bank Europe	831	1,025	640	(384)	-37.50%
out of which in Byblos Bank Africa	349	393	334	(59)	-14.96%
out of which in Byblos Bank Syria	3,083	2,561	2,228	(333)	-13.01%
out of which in Byblos Bank Armenia	44	70	63	(7)	-9.36%
out of which in Byblos Bank RDC		11	40	29	253.03%
Securities income (realized and unrealized)	30,641	95,951	63,713	(32,237)	-33.60%
Dividends received	6,299	4,987	5,214	227	4.55%
Foreign exchange income	15,213	22,185	44,813	22,628	101.99%
Other commissions on banking services	53,653	62,296	79,612	17,316	27.80%
Total Non-Interest Income (Net)**	167,102	248,782	258,535	9,753	3.92%

* Byblos Bank Lebanon includes Cyprus and Iraq entities.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Non-interest income for the year 2011 amounted to LBP 258,535 million (USD 171.5 million), recording an increase of 3.9% (+LBP 9,753 million) as compared to LBP 248,782 million (USD 165.0 million) in the same period of last year.

- Commissions on documentary credits and acceptances for the year 2011 amounted to LBP 49,595 million (USD 32.9 million), recording an increase of 1.6% as compared to LBP 48,828 million (USD 32.4 million) in 2010. Trade finance activities in 2011 represented 19.2% of total non-interest income in 2011, compared to 19.6% in 2010.
- Commissions on letters of guarantee for the year 2011 amounted to LBP 15,588 (USD 10.3 million), recording an increase of 7.3% as compared to LBP 14,534 million (USD 9.6 million) in 2010.
- Realized and unrealized gains on the securities portfolio for the year 2011 amounted to LBP 63,713 million (USD 42.3 million), recording a decrease of 33.6% as compared to a gain of LBP 95,951 million (USD 63.6 million) in 2010.
- Gains on foreign exchange trading for the year 2011 amounted to LBP 44,813 million (USD 29.7 million), as compared to LBP 22,185 million (USD 14.7 million) in 2010.

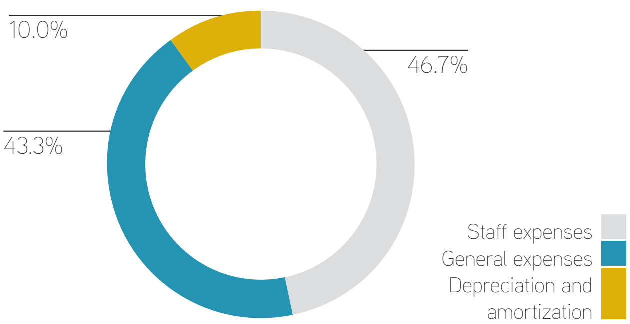
OPERATING EXPENSES

LBP Million	2009	2010	2011	Growth (Vol.)	Growth (%)
Staff expenses	129,339	145,552	161,287	15,734	10.8%
General expenses	109,513	134,860	116,137	(18,723)	-13.9%
Depreciation and amortization	25,925	31,126	31,624	499	1.6%
Total operating expenses	264,777	311,538	309,048	(2,490)	-0.8%

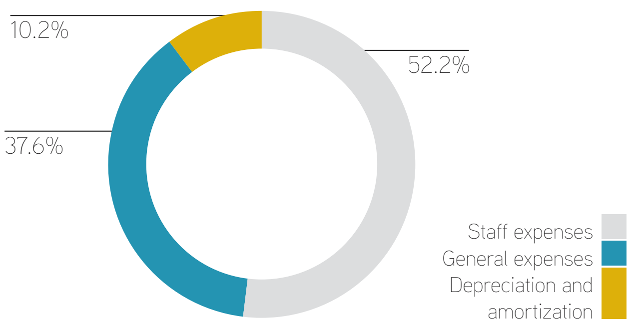
Operating expenses for the year 2011 amounted to LBP 309,048 million (USD 205.0 million), recording a decrease of 0.8% (-LBP 2,491 million) as compared to LBP 311,538 million (USD 206.7 million) in 2010. Consequently, the cost-to-income ratio decreased to 43.4% in 2011 compared to 45.2% in 2010.

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

Breakdown of Operating Expenses 2010



Breakdown of Operating Expenses 2011



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

ASSET 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 six categories of risk: (i) ordinary/regular accounts; (ii) watch list accounts; (iii) watch list accounts for remedial; (iv) sub-standard accounts; (v) doubtful accounts; and (vi) bad accounts.

Byblos Bank adopts the regulatory classification grading and applies as well an internal rating system that incorporates and refines the requirements set out in Decision No. 7159. The Bank believes that, as at 31 December 2011, it was in compliance with all related requirements. Reports to the Central Bank and the Banking Control Commission are made in accordance with the Central Bank classifications. The new classification was applied by the end of 2011 and for comparative purposes, the Bank used the old classification which groups (i) ordinary/regular accounts; (ii) watch list accounts under good loans and (iii) watch list accounts for remedial under watch loans.

The frequency of the Bank's review of problem loans is quarterly or more frequently if warranted.
The tables below show the breakdown of the Bank's loan portfolio (gross and net) over the last three years:

As at 31 December	2009		2010		2011	
Gross balances:	LBP Million	% of Total	LBP Million	% of Total	LBP Million	% of Total
Good loans	4,730,021	92.7	5,629,692	94.4	5,807,474	91.4
Watch loans	227,746	4.5	190,380	3.2	346,205	5.4
Substandard loans	11,204	0.2	2,317	0.0	10,214	0.2
Doubtful loans	61,066	1.2	35,857	0.6	72,525	1.1
Bad loans	73,322	1.4	106,411	1.8	119,640	1.9
Total	5,103,359	100.0	5,964,657	100.0	6,356,058	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

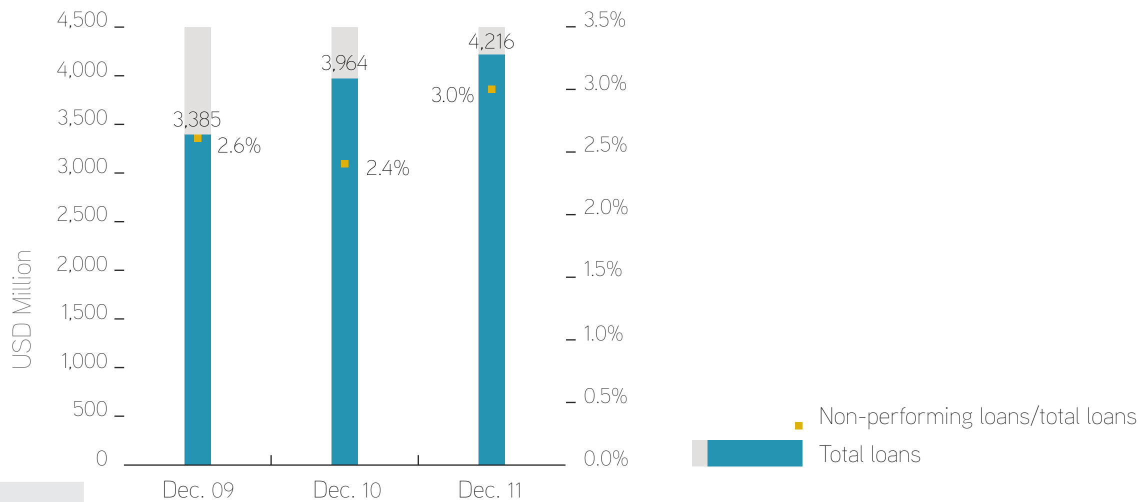
As at 31 December	2009		2010		2011	
Net balances*:	LBP Million	% of Total	LBP Million	% of Total	LBP Million	% of Total
Good loans	4,730,020	94.9	5,629,691	96.4	5,807,474	93.6
Watch loans	227,746	4.6	190,380	3.3	346,205	5.6
Substandard loans	5,456	0.1	1,640	0.0	8,814	0.1
Doubtful loans	19,498	0.4	16,260	0.3	40,760	0.7
Bad loans	0	0.0	0	0.0	0	0.0
Total	4,982,720	100.0	5,837,971	100.0	6,203,253	100.0

* Net of specific provisions and reserved interest

PROVISIONING AND COVERAGE RATIOS

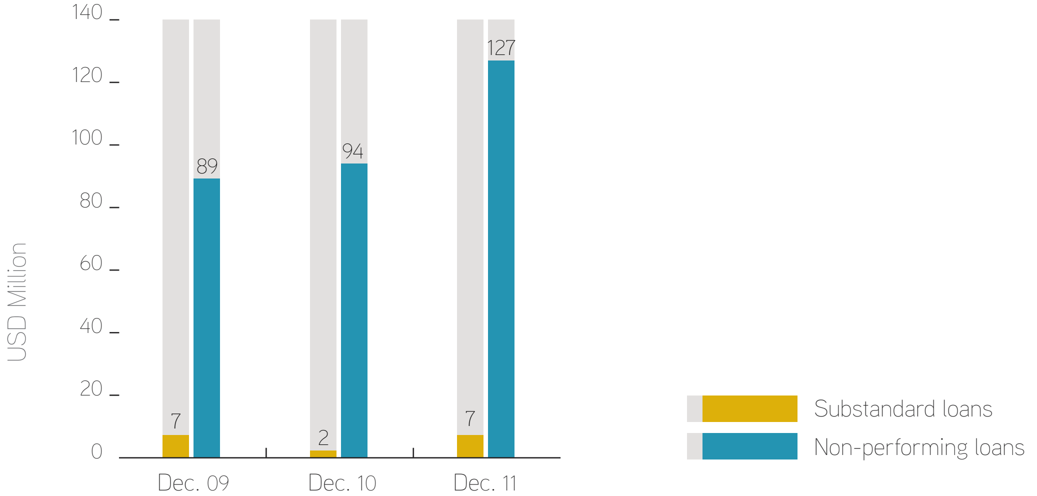
LBP Million	Dec. 09	Dec. 2010	Dec. 2011
Substandard loans	11,204	2,317	10,214
Non-performing loans	134,388	142,268	192,165
Total classfied loans	145,592	144,585	202,379
Specific provisions for loan losses	56,800	67,018	90,206
General provisions and collective provisions	65,317	79,516	103,728
out of which general and collective provisions for retail	20,832	21,925	28,155
Reserved interest (sub-standard loans)	5,749	677	1,400
Reserved interest (non-performing loans)	58,091	58,990	61,198
Total provisions and cash collateral	185,956	206,202	256,532
Substandard loans/total loans	0.22%	0.04%	0.16%
Non-performing loans/total loans	2.63%	2.38%	3.02%
Total classified/total loans	2.85%	2.42%	3.18%
Total provisions/total loans	3.64%	3.45%	4.04%
NPL provisions/non-performing loans*	134.09%	144.46%	132.77%
NPL provisions/non-performing loans**	118.59%	129.05%	118.12%
Total provisions/total classified loans*	127.72%	142.62%	126.76%
Specific provisions and reserved interest/NPL	85.49%	88.57%	78.79%

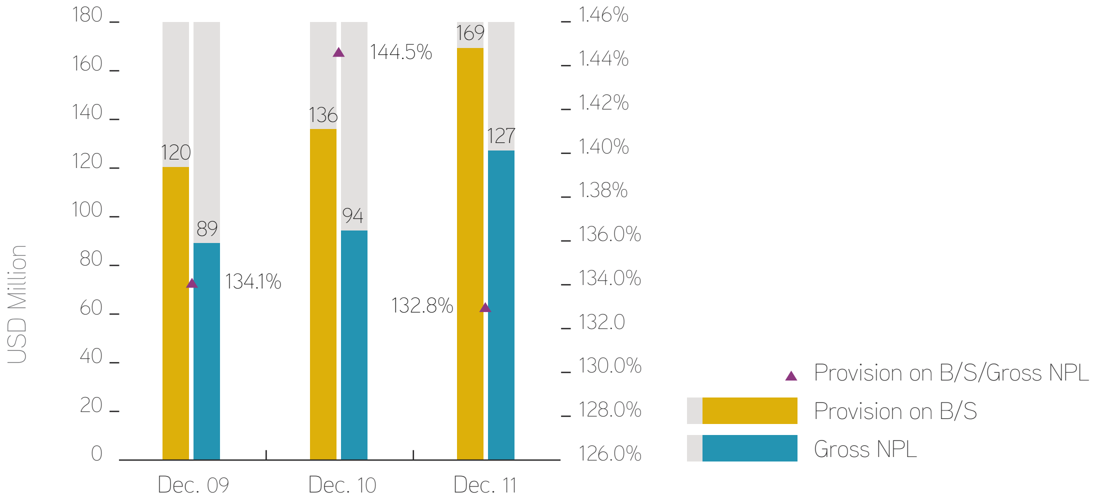
* Includes specific, general and collective provisions, reserved interest.
** Excluding general provisions for retail loans.



Total classified loans (substandard, doubtful, and loss) amounted to LBP 202,379 million (USD 134.2 million) at the end of 31 December 2011, representing 3.2% of the total loan portfolio compared to LBP 144,585 million (USD 95.9 million) at the end of December 2010, representing 2.4% of the total loan portfolio. The increase in classified loans is largely attributable to the situation in Syria, noting that classification rules are very strict in Syria, where they start considering as classified loans those due and unpaid for 60 days and above. Total non-performing loans (doubtful and bad) amounted to LBP 192,165 million (USD 127.5 million) as at 31 December 2011, representing 3.0% of the total loan portfolio, up from 2.4% at the end of 31 December 2010. 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 226,978 million (USD 150.6 million), covering up to 118.1% of total non-performing loans as at 31 December 2011, compared to 128.5% at the end of 31 December 2010.

Substandard loans amounted to LBP 10,214 million (USD 6.8 million) at the end of 31 December 2011, representing 0.16% of the total loan portfolio compared to LBP 2,317 million (USD 1.5 million) and 0.04% respectively at the end of 31 December 2010. Substandard loans are covered up to 13.7% by reserved interest at the end of 31 December 2011, compared to 29.2% as at 31 December 2011.





MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY

Liquid Assets to Total Assets	Dec. 2009	Dec. 2010	Dec. 2011
Cash and Central Bank	28.90%	31.28%	34.25%
out of which certificates of deposit	16.10%	19.30%	17.07%
Lebanese and other governmental securities	24.84%	18.42%	14.54%
Bonds and fixed-income securities	2.07%	2.39%	3.73%
Banks and financial institutions	16.61%	19.75%	19.97%
Total Liquidity	72.43%	71.85%	72.49%

Liquid Assets to Customers' Deposits	Dec. 2009	Dec. 2010	Dec. 2011
Cash and Central Bank	38.15%	40.10%	44.35%
out of which certificates of deposit	21.24%	24.74%	22.10%
Lebanese and other governmental securities	32.79%	23.62%	18.83%
Bonds and fixed-income securities	2.73%	3.07%	4.84%
Banks and financial institutions	21.92%	25.32%	25.86%
Total Liquidity	95.59%	92.10%	93.88%

As shown above, liquidity increased compared to previous years, as the Bank maintained a high level of liquid assets to meet foreseeable liability maturity requirements. As at 31 December 2011, liquid assets (comprised of cash, reserves and placements with central banks, Lebanese Government securities, placements with banks, and other fixed-income securities) represented 72.5% of total assets and 93.9% of customers' deposits, compared to 71.9% and 92.1%, respectively, as at 31 December 2010.

CAPITAL

As of 31 December, 2011 the Bank's share capital was LBP 689,113 million, 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 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. On May 5, 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.

On 19 February 2009, the Bank listed Global Depositary Shares on the London Stock Exchange representing 26 per cent of the Bank's common shares. The Bank of New York Mellon acts as the depositary bank of the issue. The Bank aimed through the listing to increase liquidity and to promote further transparency for investors. According to the London Stock Exchange, Byblos Bank was 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.

CAPITAL ADEQUACY RATIO

Byblos Bank is measuring the capital adequacy ratio (CAR) based on the Standardized Approach rules of Basel II according to Banque du Liban (BDL) Circular 104 issued in April 2006. The Banque du Liban has amended in December 2011 the circular relating to regulatory capital definition for CAR measurement to comply with Basel III requirements. In fact, BDL has clarified the eligible capital items that would fall under Common Equity Tier 1 (CET1), the Additional Tier 1 Capital, and Tier 2 Capital, and where Total Capital is formed of Tier 1 plus Tier 2. BDL has also introduced new Basel III CAR minima that are higher than those imposed by the Basel Committee (BCBS) along a stricter timetable for compliance where full implementation is required to take place in December 2015 in Lebanon against January 2019 for the BCBS. The table below shows the BDL timetable for Basel III CAR ratios.

Timetable to Comply with Basel III CAR Ratios in Lebanon Compared with BCBS' Target Ratios and Deadline

Basel III minimum CAR ratios/Deadline	Lebanon timetable 31/12/2012	31/12/2013	31/12/2014	31/12/2015*	BCBS 1/1/2019*
CET1 ratio	5%	6%	7%	8%	7%
Tier 1 ratio	8%	8.5%	9.5%	10%	8.5%
Total Capital Ratio	10%	10.5%	11.5%	12%	10.5%

* Target ratios include a 2.5% capital conservation buffer

The Byblos Bank consolidated CAR as at 31 December 2011 meets Basel III minimum ratios with comfortable cushions of 1.64% (percentage point), 3.29%, and 1.61% respectively for CET1 ratio, Tier 1 ratio, and Total Capital Ratio, as shown in the table below

Byblos Bank Consolidated CAR Ratios as at 31 December 2011 Compared with Regulatory Minima

	31/12/2012	Lebanese Basel III ratios	BCBS Basel III ratios
CET1 ratio	9.64%	8%	7%
Tier 1 ratio	13.29%	10%	8.5%
Total Capital Ratio	13.61%	12%	10.5%

The Lebanese supervisor – the Banking Control Commission of Lebanon (BCCL) – supports CAR calculation through issuing clear instructions in the form of Memoranda twice a year prior to each CAR report. The instructions are updated continuously to remain in line with the Basel Committee's recommendations. The last BCCL Memorandum, dated 31 March 2012, has aligned the treatment of the minority interests to Basel III. Byblos Bank consolidated CAR ratios as of 31 December 2011 following the minority interest treatment would read 9.01%, 12.82%, and 13.30% respectively for CET1 ratio, Tier1 ratio, and Total Capital Ratio slightly lower than the ratios disclosed prior to accounting for the minority interests rule (table above), yet they remain above regulatory minima.

In addition to measuring the capital requirements under Pillar 1, Byblos Bank has undertaken to estimate the supplementary capital charge that would be needed to cover the liquidity risk, the interest rate risk in the banking book, and the credit concentration risk, falling under Pillar 2. To perform these measurements the bank used stress test scenarios and other classical tools to estimate risk concentrations. During 2011, Byblos Bank prepared its first comprehensive ICAAP (Internal Capital Adequacy Assessment Process) document for the Group based on 31 December 2011 figures. ICAAP embedded all of the risk measurement and management efforts and their impact on capital, and constituted a good opportunity to discuss internally how the different risks relate to the Bank's operations and strategy. The first ICAAP was pushed forward by the BCCL. Byblos Bank has set for itself an objective to release a yearly ICAAP.

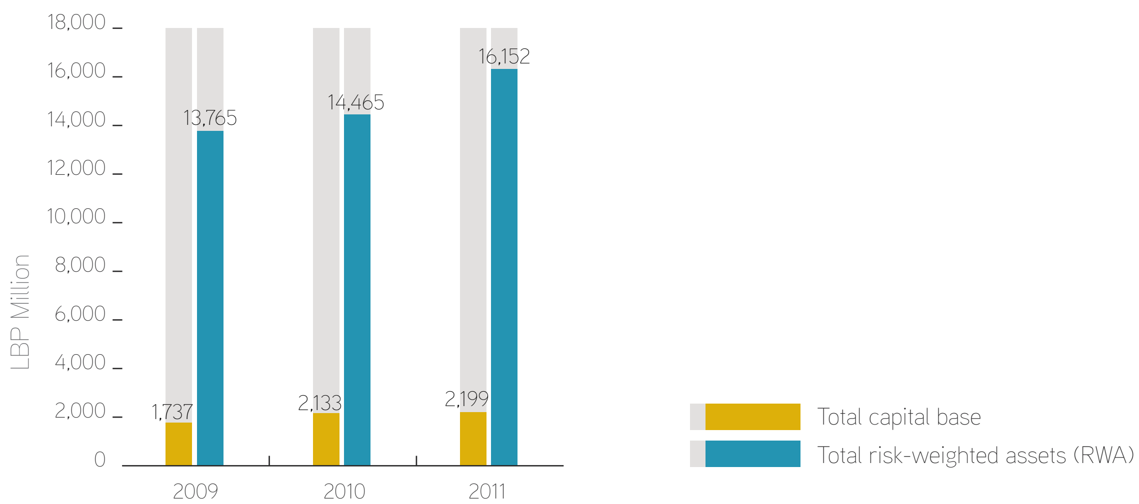
MANAGEMENT DISCUSSION AND ANALYSIS

We present in the table below how Byblos Bank's CAR has evolved over the past three years.

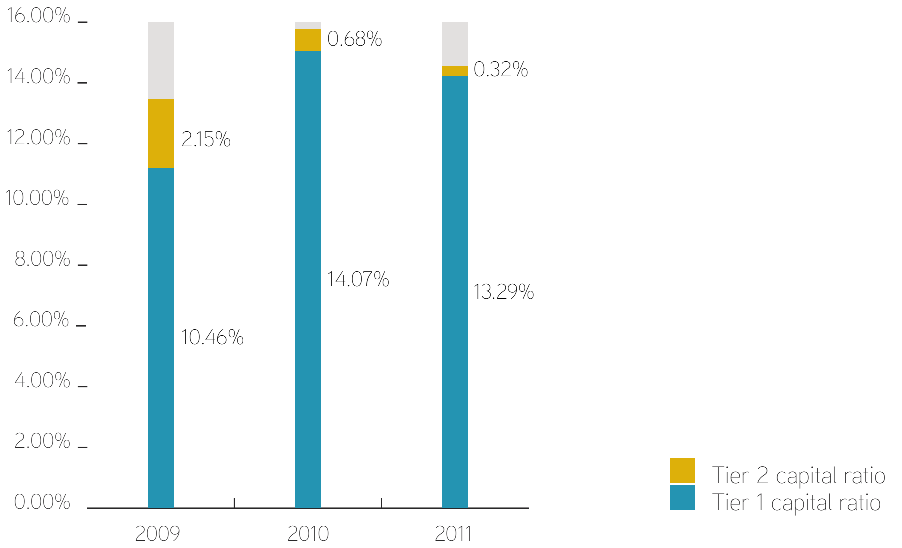
LBP Million except ratios	2009	2010	2011
Common equity ratio	6.87%	9.66%	9.64%
Tier 1 capital ratio	10.46%	14.07%	13.29%
Common equity	945,599	1,398,012	1,557,589
Tier 1 capital	1,440,085	2,035,254	2,146,287
Tier 2 capital	296,490	97,869	52,345
Total capital base	1,736,575	2,133,123	2,198,632
Total risk-weighted assets (RWA)	13,764,908	14,464,964	16,151,534
Credit risk RWA	12,600,294	13,221,731	14,793,897
Market risk RWA	307,835	258,573	339,551
Operational risk RWA	856,778	984,660	1,018,086

In 2011 the balance sheet of the Bank grew by about 9% (circa LBP 2,000 billion) reflected in higher placements with BDL, higher placements with international banks, and growth in loans, specifically in SMEs, consumer lending and housing loans. On the other side, the Bank has decreased its holding of LBP denominated treasury bills. The overall outcome resulted in higher risk-weighted assets (+12%) whereas equity has only increased by the profit appropriated after dividend distribution and after netting the unrealized losses on AFS portfolio, leading to lower CAR ratios for 2011 compared with 2010.

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



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



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 Common Shares with respect to the periods indicated.

Period	High USD	Low USD	Priority share Dividend(1) LBP	USD
2000	2.3750	1.6250	250.00	0.1658
2001	1.7500	1.0625	250.00	0.1658
2002	1.7813	1.0625	236.84	0.1571
2003	2.0625	1.2500	157.89	0.1047
2004	1.8100	1.4500	157.89	0.1047
2005	2.7800	1.4500	157.89	0.1047
2006	4.0000	1.4500	157.89	0.1047
2007	2.6000	1.6500	157.89	0.1047
2008	3.2300	1.5800	157.89	0.1047
2009	2.1900	1.5800	200.00	0.1327
2010	2.3000	1.7000	200.00	0.1327
2011	2.0100	1.5500	200.00	0.1327

Period	High USD	Low USD	Priority share Dividend(1) LBP	USD
2005	2.5100	2.1600	11.84	0.0079
2006	4.0000	1.6000	205.89	0.1366
2007	2.5900	1.6900	205.89	0.1366
2008	3.1000	1.5400	205.89	0.1366
2009	2.2000	1.6000	248.40	0.1648
2010	2.4600	1.7100	248.00	0.1645

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

At its Annual General Meeting held on 10 April 2012, the Bank's shareholders approved the distribution of dividends out of the Bank's net income for the year ended 31 December 2011 (before taxes of 5%) of LBP 200 (USD 0.1327) per Common Share and USD 8 per Series 2008 and 2009 Preferred Share. Total dividends paid in respect of 2011 represented 59.6% of net income for that year.

BYBLOS BANK S.A.L.
FINANCIAL STATEMENTS

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AUDITORS' REPORT

ERNST & YOUNG

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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 2011 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 consolidated 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 consolidated 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 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

Semaan, Gholam & Co.

16 March 2012
Beirut, Lebanon

CONSOLIDATED INCOME STATEMENT

Year Ended 31 December 2011

LBP Million	Notes	2011	2010
Interest and similar income	5	1,264,737	1,224,014
Interest and similar expense	6	(840,373)	(796,751)
NET INTEREST INCOME		424,364	427,263
Fee and commission income	7	158,184	140,221
Fee and commission expense	7	(13,389)	(14,563)
NET FEE AND COMMISSION INCOME		144,795	125,658
Net gain from financial instruments at fair value through profit or loss	8	61,601	-
Net trading income	9	-	22,158
Net gain on financial assets	10	4,200	100,965
Net gain from sale of financial assets at amortized cost	11	64,165	-
Other operating income	12	13,191	8,118
TOTAL OPERATING INCOME		712,316	684,162
Credit loss expense	13	(42,770)	(29,272)
Impairment losses on other financial assets	14	(23,575)	(8,863)
NET OPERATING INCOME		645,971	646,027
Personnel expenses	15	(161,286)	(145,552)
Depreciation and impairment of property and equipment	34	(31,466)	(31,014)
Amortization of intangible assets	35	(159)	(112)
Administrative and other operating expenses	16	(116,136)	(134,860)
TOTAL OPERATING EXPENSES		(309,047)	(311,538)
PROFIT BEFORE TAX		336,924	334,489
Income tax expense	17	(65,987)	(66,670)
PROFIT FOR THE YEAR		270,937	267,819
Attributable to:			
Equity holders of the parent		259,894	255,770
Non-controlling interest		11,043	12,049
		270,937	267,819
Earnings per share			
Equity shareholders of the parent for the year:			
Basic earnings per share – common shares	18	376.60	399.61
Basic earnings per share – priority shares	18	-	448.01
Diluted earnings per share – common shares	18	356.91	374.78
Diluted earnings per share – priority shares	18	-	423.18

The attached notes 1 to 59 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME Year Ended 31 December 2011

	2011	2010	LBP Million
Profit for the year	270,937	267,819	
Elements of other comprehensive income (loss):			
Net unrealized loss from financial instruments at fair value through other comprehensive income	(3,863)	-	
Net loss on available-for-sale financial assets	-	(15,968)	
Exchange differences on translation of foreign operations	(37,348)	(36,090)	
Income tax effect on components of other comprehensive income	1,379	4,225	
Other comprehensive loss for the year, net of tax	(39,832)	(47,833)	
Total comprehensive income for the year, net of tax	231,105	219,986	
Attributable to:			
Equity holders of the parent	235,654	220,770	
Non-controlling interest	(4,549)	(784)	
	231,105	219,986	

The attached notes 1 to 59 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

LBP Million	Notes	2011	2010
ASSETS			
Cash and balances with central banks	19	4,282,468	2,748,642
Due from banks and financial institutions	20	4,330,842	3,899,011
Loans to banks and financial institutions and reverse repurchase agreements	21	667,488	-
Financial assets given as collateral	22	8,920	8,918
Derivative financial instruments	23	5,356	1,462
Financial assets held for trading	24	-	205,940
Equity instruments at fair value through profit or loss	25	26,603	-
Debt instruments and other financial assets at fair value through profit or loss	26	228,606	-
Net loans and advances to customers at amortized cost	27	6,028,914	5,673,300
Net loans and advances to related parties at amortized cost	53	13,406	11,940
Debtors by acceptances	28	331,821	291,834
Debt instruments at amortized cost	29	8,607,301	-
Equity instruments at fair value through other comprehensive income	30	76,967	-
Available-for-sale financial instruments	31	-	1,875,811
Other financial assets classified as loans and receivables	32	-	7,490,856
Held-to-maturity financial instruments	33	-	428,698
Property and equipment	34	301,066	281,303
Intangible assets	35	1,129	1,039
Assets taken in settlement of debt	36	35,452	39,092
Other assets	37	80,974	89,546
TOTAL ASSETS		25,027,313	23,047,392
LIABILITIES AND EQUITY			
Due to central banks	38	15,670	19,492
Due to banks and financial institutions	39	1,635,480	1,512,785
Derivative financial instruments	23	7,347	4,350
Customers' deposits at amortized cost	40	19,174,417	17,867,630
Related parties' deposits at amortized cost	53	151,991	112,396
Debt issued and other borrowed funds	41	662,290	213,501
Engagements by acceptances	28	331,821	291,834
Other liabilities	42	126,267	145,757
Provisions for risks and charges	43	129,989	119,905
Subordinated notes	44	307,263	303,324
TOTAL LIABILITIES		22,542,535	20,590,974
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	45	684,273	434,984
Share capital – priority shares	45	-	249,289
Share capital – preferred shares	45	4,840	4,840
Share premium – common shares	45	229,014	229,014
Share premium – preferred shares	45	583,858	581,456
Non-distributable reserves (legal and obligatory)	46	469,072	396,526
Distributable free reserves	47	79,127	79,127
Other equity instruments	48	14,979	14,979
Treasury shares	49	(25,476)	(16,189)
Retained earnings		65,214	16,484
Revaluation reserve of real estate	50	5,689	5,689
Change in fair value of financial instruments at fair value through other comprehensive income	51	(20,556)	53,993
Net results of the financial period – profit		259,894	255,770
Foreign currency translation reserve		(31,329)	(9,573)
		2,318,599	2,296,389
NON-CONTROLLING INTEREST		166,179	160,029
TOTAL EQUITY		2,484,778	2,456,418
TOTAL LIABILITIES AND EQUITY		25,027,313	23,047,392

The consolidated financial statements were authorized for issue in accordance with the resolution of the Board of Directors on 16 March 2012.

The attached notes 1 to 59 form part of these consolidated financial statements.

31 December 2011

LBP Million

	Notes	2011	2010
OFF-FINANCIAL POSITION ITEMS			
Commitments			
Commitments to banks and financial institutions	56	552,339	933,859
Commitments to customers	56	523,392	581,876
Undrawn commitments to lend	56	1,434,194	1,514,547
Guarantees			
Guarantees given to banks and financial institutions	56	423,451	401,244
Guarantees received from banks and financial institutions		47,220	81,765
Guarantees given to customers	56	1,036,243	1,001,197
Guarantees received from customers		24,458,189	20,151,969
Foreign currency forwards	23		
Foreign currencies to receive		504,188	282,530
Foreign currencies to deliver		505,851	285,418
Claims from legal cases		41,174	34,907
Fiduciary assets		127,866	127,661
Assets under management		3,197,425	3,243,277
Bad debts fully provided for	27	91,644	98,700

Dr. Francois Bassil
Chairman and General Manager

Mr. Ziad El-Zoghbi
Head of Group Finance and Administration Division

The attached notes 1 to 59 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						
LBP Million	Common shares	Priority shares	Preferred shares	Share premium – common shares	Share premium – preferred shares	Non-distributable reserves (legal and obligatory)	Distributable free reserves
Balance at 1 January 2011 before early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127
Effect of IFRS 9 early adoption (note 2)	-	-	-	-	-	-	-
Balance at 1 January 2011 after early adoption of IFRS 9	434,984	249,289	4,840	229,014	581,456	396,526	79,127
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Transfer of priority shares (note 45)	249,289	(249,289)	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	2,412	72,266	-
Non-controlling interest share in capital increase of a subsidiary	-	-	-	-	-	-	-
Acquisition of non-controlling interest (note 3)	-	-	-	-	-	-	-
Dividends paid – subsidiaries (note 58)	-	-	-	-	-	-	-
Translation difference	-	-	-	-	(10)	-	-
Equity dividends paid (note 58)	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	280	-
Balance at 31 December 2011	684,273	-	4,840	229,014	583,858	469,072	79,127
Balance at 1 January 2010	262,706	249,289	4,840	26,425	579,035	311,946	79,127
Profit for the year	-	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-
Transfer to reserves and premiums	-	-	-	-	2,421	84,124	-
Non-controlling interest in liquidated subsidiary	-	-	-	-	-	-	-
Non-controlling interest share in capital increase of a subsidiary	-	-	-	-	-	-	-
Non-controlling interest in an acquired subsidiary (note 3)	-	-	-	-	-	-	-
Dividends paid – subsidiaries (note 58)	-	-	-	-	-	-	-
Increase in capital	172,278	-	-	202,589	-	-	-
Equity dividends paid (note 58)	-	-	-	-	-	-	-
Treasury shares	-	-	-	-	-	456	-
Other equity instruments issued	-	-	-	-	-	-	-
Balance at 31 December 2010	434,984	249,289	4,840	229,014	581,456	396,526	79,127

The attached notes 1 to 59 form part of these consolidated financial statements.

Year Ended 31 December 2011

Other equity instruments	Treasury shares	Retained earnings	Revaluation reserve of real estate	Change in fair value of financial instruments at fair value through other comprehensive income	Net results of the financial period – profit	Foreign currency translation reserve	Total	Non-controlling interest	Total
14,979	(16,189)	16,484	5,689	53,993	255,770	(9,573)	2,296,389	160,029	2,456,418
-	-	38,077	-	(72,065)	-	-	(33,988)	(307)	(34,295)
14,979	(16,189)	54,561	5,689	(18,072)	255,770	(9,573)	2,262,401	159,722	2,422,123
-	-	-	-	-	259,894	-	259,894	11,043	270,937
-	-	-	-	(2,484)	-	(21,756)	(24,240)	(15,592)	(39,832)
-	-	-	-	(2,484)	259,894	(21,756)	235,654	(4,549)	231,105
-	-	-	-	-	-	-	-	-	-
-	-	255,770	-	-	(255,770)	-	-	-	-
-	-	(74,678)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	23,473	23,473
-	-	-	-	-	-	-	-	(8,584)	(8,584)
-	-	-	-	-	-	-	-	(3,883)	(3,883)
-	-	-	-	-	-	-	(10)	-	(10)
-	-	(170,439)	-	-	-	-	(170,439)	-	(170,439)
-	(9,287)	-	-	-	-	-	(9,007)	-	(9,007)
14,979	**(25,476)**	**65,214**	**5,689**	**(20,556)**	**259,894**	**(31,329)**	**2,318,599**	**166,179**	**2,484,778**
-	**(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)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	(1,812)	(1,812)
-	-	-	-	-	-	-	-	38,037	38,037
-	-	-	-	-	-	-	-	7,505	7,505
-	-	-	-	-	-	-	-	(5,966)	(5,966)
-	-	-	-	-	-	-	374,867	-	374,867
-	-	(128,553)	-	-	-	-	(128,553)	-	(128,553)
-	(16,013)	-	-	-	-	-	(15,557)	-	(15,557)
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**

The attached notes 1 to 59 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

LBP Million	Notes	2011	2010
OPERATING ACTIVITIES			
Profit before tax		336,924	334,489
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortization	34 & 35	31,625	30,115
Provision for loans and advances and direct write-offs, net	13	49,363	24,543
(Write-back) provision for other doubtful bank accounts, net	13	(6,593)	4,729
Impairment losses on other financial assets, net	14	23,575	8,863
Loss (gain) on disposal of property and equipment		88	(900)
Gain on disposal of assets taken in settlement of debt	12	(3,877)	(3,914)
Provisions for risks and charges, net		14,300	26,485
Unrealized fair value losses (gains) on financial instruments		6,339	(14,482)
Realized gains from financial instruments		(70,052)	(102,297)
Derivative financial instruments		(897)	13,322
Impairment provision on property and equipment	34	-	1,011
Operating profit before working capital changes		380,795	321,964
Changes in operating assets and liabilities			
Due from central banks		(499,978)	(8,284)
Due from banks and financial institutions		229,110	(7,189)
Financial assets given as collateral		(2)	(7,725)
Equity instruments at fair value through profit or loss		(1,713)	-
Debt instruments and other financial assets at fair value through profit or loss		(618)	-
Due to banks and financial institutions		(153,308)	(1,971)
Cash collateral on securities lent and repurchase agreements		-	(1,193)
Financial assets held for trading		-	19,389
Net loans and advances to customers and related parties		(406,443)	(887,365)
Other assets		9,633	(6,382)
Customers' and related parties' deposits		1,346,382	2,444,386
Other liabilities		(13,437)	7,674
Cash from operations		890,421	1,873,304
Provision for risks and charges paid		(4,216)	(1,810)
Taxation paid		(62,844)	(73,066)
Net cash from operating activities		823,361	1,798,428
INVESTING ACTIVITIES			
Available-for-sale financial instruments		-	(73,091)
Financial assets classified as loans and receivables		-	(747,574)
Held-to-maturity financial instruments		-	136,092
Debt instruments at amortized cost		427,407	-
Equity instruments at fair value through other comprehensive income		(143)	-
Loans to banks and financial institutions and reserve purchase agreements		(37,491)	-
Purchase of property and equipment and intangible assets		(57,381)	(59,992)
Proceeds from sale of property and equipment		1,170	2,552
Assets taken in settlement of debt	36	(829)	(5,389)
Proceeds from sale of assets taken in settlement of debt		8,346	8,778
Acquisition of subsidiary, net of cash acquired		-	(12,557)
Acquisition of additional non-controlling interest	3	(8,584)	-
Net cash from (used in) investing activities		332,495	(751,181)

The attached notes 1 to 59 form part of these consolidated financial statements.

Year Ended 31 December 2011

	Notes	2011	2010
			LBP Million
FINANCING ACTIVITIES			
Issuance of ordinary common shares		-	374,867
Issuance of other equity instruments		-	14,979
Due to central banks		(1,265)	9,865
Debts issued and other borrowed funds		448,789	(77,462)
Subordinated notes		3,939	3,690
Treasury shares		(9,007)	(15,557)
Dividends paid to equity holders of the parent (net)		(170,439)	(128,553)
Dividends paid to non-controlling interest		(3,883)	(5,966)
Non-controlling interest share in a capital increase of a subsidiary		23,473	38,037
Non-controlling interest in a liquidated subsidiary		-	(1,812)
Net cash from financing activities		291,607	212,088
Effect of exchange rates:			
Effect of exchange rates on property and equipment		4,645	13,591
Foreign currency translation differences		(37,348)	(36,090)
Effect of exchange rates on reserves and premiums		(10)	-
Net effect of foreign exchange rates		(32,713)	(22,499)
INCREASE IN CASH AND CASH EQUIVALENTS		1,414,750	1,236,836
Cash and cash equivalents at 1 January		4,735,368	3,498,532
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	52	6,150,118	4,735,368
Operational cash flows from interest and dividends			
Interest paid		(834,902)	(787,332)
Interest received		1,249,141	1,207,341
Dividends received		5,214	4,987

The attached notes 1 to 59 form part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Byblos Bank S.A.L. (the "Bank"), a Lebanese joint stock company, was incorporated in 1961 and registered under No. 14150 at the commercial registry of Beirut and under No. 39 on the list of banks published by Lebanon's central bank, the Banque du Liban (BDL, or "the Central 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 eleven locations abroad (Cyprus, Belgium, United Kingdom, France, Syria, Sudan, Iraq, Democratic Republic of the Congo, Armenia, Nigeria and UAE), (collectively the "Group").

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 the following:

- derivative financial instruments,
- equity instruments at fair value through profit or loss,
- debt instruments and other financial assets at fair value through profit or loss,
- equity instruments at fair value through other comprehensive income,
- financial assets held for trading (applicable prior to 1 January 2011), and
- available-for-sale financial instruments (applicable prior to 1 January 2011).

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 Accounting Standards Board (IASB), and the regulations of the Central 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 the risk management note.

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.

31 December 2011

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2011.

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.

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

Subsidiary	Percentage of ownership 2011 %	2010 %	Principal activity	Country of incorporation
Byblos Bank Europe S.A.	99.95	99.95	Banking activities through its head office in Brussels (Belgium) and two branches in London and Paris	Belgium
Adonis Insurance and Reinsurance Co. S.A.L. (ADIR)	64.00	64.00	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.*	52.37	41.50	Commercial banking	Syria
Byblos Bank Armenia C.J.S.C.	65.00	65.00	Commercial banking	Armenia
Adonis Insurance and Reinsurance Syria S.A. (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	66.67	Banking activities	Democratic Republic of the Congo

* 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.2 – Changes in Accounting Policy and Disclosures

EARLY ADOPTION OF IFRS 9

In compliance with Circular 265 of the Lebanese Banking Control Commission issued on 23 September 2010, the Group adopted, effective 1 January 2011, Phase I of IFRS 9 as issued in November 2009 and reissued in October 2010 and related consequential amendments to other International Financial Reporting Standards. The effective application date stipulated by the standard is annual periods beginning on or after 1 January 2015. The initial application date of this standard with respect to the Group is 1 January 2011 in accordance with the transitional provisions of the standard.

Phase I of IFRS 9 addresses the classification and measurement of financial assets and financial liabilities. IAS 39 is still being followed for impairment of financial assets and hedge accounting, as these will be covered through Phase II and Phase III of IFRS 9, respectively, which have not yet been completed by the International Accounting Standards Board (IASB). As IASB completes these phases, it will delete the relevant portions of IAS 39 and create chapters in IFRS 9 that would replace the requirements in IAS 39.

IFRS 9 introduced new classification and measurement requirements for financial assets and financial liabilities that are within the scope of IAS 39. It also cancelled all previous categories under IAS 39, namely financial assets held for trading, available-for-sale financial instruments, financial assets classified as loans and receivables and financial instruments held to maturity (see note 2.4, Financial Instruments – Classification and Measurement from 1 January 2011).

The Group did not restate comparative information as permitted by the transitional provisions of IFRS 9 and has recognized impact of early adoption of IFRS 9 as at 1 January 2011, in the opening retained earnings and other components of equity as of that date.

Management revised the Group's financial assets and liabilities as at 1 January 2011 for reclassification and measurement purposes according to the requirements of IFRS 9 and its transitional provisions. The schedule below presents all financial assets and liabilities which did not have an impact on the Group's retained earnings or other components of equity upon reclassification as at 1 January 2011:

Financial assets	Initial classification under IAS 39	New classification under IFRS 9
Cash and balances with central banks	Loans and receivables	Amortized cost
Due from banks and financial institutions	Loans and receivables	Amortized cost
Financial assets given as collateral	Loans and receivables	Amortized cost
Derivative financial instruments	Trading	Fair value through profit or loss
Loans and advances to customers	Loans and receivables	Amortized cost
Loans and advances to related parties	Loans and receivables	Amortized cost
Financial liabilities		
Due to central banks	Loans and receivables	Amortized cost
Due to banks and financial institutions	Loans and receivables	Amortized cost
Derivative financial instruments	Trading	Fair value through profit or loss
Customers' deposits	Loans and receivables	Amortized cost
Related parties' deposits	Loans and receivables	Amortized cost
Debt issued and other borrowed funds	Loans and receivables	Amortized cost
Subordinated notes	Loans and receivables	Amortized cost

31 December 2011

The schedule below summarizes the new classification and amendments to the Group's financial instruments as at 1 January 2011 following the early adoption of IFRS 9 which resulted in adjustment to the opening retained earnings and cumulative changes in fair value of financial instruments designated at fair value through other comprehensive income as at 1 January 2011.

LBP Million	Financial assets held for trading	Available-for-sale financial instruments	Other financial assets classified as loans and receivables	Held-to-maturity financial instruments	Total
Carrying value as at 31 December 2010 according to IAS 39	**205,940**	**1,875,811**	**7,490,856**	**428,698**	**10,001,305**
Reclassification following early adoption of IFRS 9:					
Financial instruments reclassified to fair value through profit or loss:					
Debt instruments	150,639	-	72,608	-	223,247
Equity instruments	26,447	3,636	-	-	30,083
Debt instruments reclassified at amortized cost					
Loans to banks and financial institutions	-	-	629,997	-	629,997
Debt instruments	28,270	1,728,447	6,808,703	428,698	8,994,118
Equity instruments reclassified to fair value through other comprehensive income	-	80,687	-	-	80,687
Carrying value as at 1 January 2011 after early adoption of IFRS 9	**205,356**	**1,812,770**	**7,511,308**	**428,698**	**9,958,132**
Effect on opening balance of change in fair value of financial instruments through other comprehensive income	-	(100,168)	18,918	-	(81,250)
Out of which: effect of previous amendments to IAS 39 (*)	-	-	18,918	-	18,918
Less: deferred taxes	-	8,878	-	-	8,878
Effect on opening balance of change in fair value of financial instruments through other comprehensive income, net	**-**	**(91,290)**	**18,918**	**-**	**(72,372)**
Attributable to equity holders of the parent	-	(91,046)	18,981	-	(72,065)
Non-controlling interest	-	(244)	(63)	-	(307)
	-	**(91,290)**	**18,918**	**-**	**(72,372)**
Effect on opening balance of retained earnings	**(584)**	**37,127**	**1,534**	**-**	**38,077**
Attributable to equity holders of the parent	(584)	37,127	1,534	-	38,077
Non-controlling interest	-	-	-	-	-
	(584)	**37,127**	**1,534**	**-**	**38,077**

(*) The impact on the opening balance of the change in fair value of financial instruments through other comprehensive income resulted from unrealized losses relating to financial assets that were reclassified during 2008 from "available for sale" to "loans and receivables" in accordance with the amendments that occurred at the time on IAS 39 and IFRS 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)
2.2 – Changes in Accounting Policy and Disclosures (continued)

OTHER NEW AND AMENDED STANDARDS AND INTERPRETATIONS

In addition to the above, the accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2011:

- IAS 24 Related Party Disclosures (amendment) effective 1 January 2011;
- IAS 32 Financial Instruments: Presentation (amendment) effective 1 February 2010;
- IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment) effective 1 January 2011;
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments effective 1 July 2010; and
- Improvements to IFRSs (May 2010) effective either 1 July 2010 or 1 January 2011.

The adoption of the standards or interpretations is described below:

IAS 24 Related Party Transactions (amendment)

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasize a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect the related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with governments and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

IAS 32 Financial Instruments: Presentation (amendment)

The IASB issued an amendment that alters the definition of a financial liability in IAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 14 Prepayments of a Minimum Funding Requirement (amendment)

The amendment removes an unintended consequence when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover such requirements. The amendment permits a prepayment of future service cost by the entity to be recognized as a pension asset. The amendment has had no effect on the financial position or performance of the Group.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

In November 2009, the IASB issued IFRIC 19 Extinguishing Financial Liabilities with Equity. 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 cases where this cannot be reliably measured, the instruments 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 has had no effect on the financial statements of the Group.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies and to the presentation and disclosures but did not impact the financial position or performance of the Group.

IFRS 7 Financial Instruments – Disclosures:
The amendment was intended to simplify the disclosures provided, by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

Other amendments resulting from Improvements to IFRSs to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 1 Presentation of Financial Statements (Presentation of an analysis of each component of other comprehensive income)
- IFRS 3 Business Combinations (Contingent consideration arising from business combination prior to adoption of IFRS 3 (as revised in 2008))
- IFRS 3 Business Combinations (Un-replaced and voluntarily replaced share-based payment awards)
- IAS 27 Consolidated and Separate Financial Statements
- IAS 34 Interim Financial Statement
- IFRIC 13 Customer Loyalty Programmes (determining the fair value of award credits)

2.3 – 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 of standards and interpretations issued are those that the Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (OCI)
The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (amendment)
The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 27 Separate Financial Statements (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements
The amendment requires additional disclosure about financial assets that have been transferred but not derecognized to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognized assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements
IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-Controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on its financial position and performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.4 – Summary of Significant Accounting Policies

FOREIGN CURRENCY TRANSLATION
The consolidated financial statements are presented in Lebanese Pounds (LBP) which is the Group's presentation 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 prevailing 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 date of the statement of financial position. All differences are taken to "net gain from financial assets at fair value through profit or loss" in the income statement (or "Net trading income" applicable prior to 1 January 2011).

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. The gain or loss arising from retranslation of non-monetary items is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss respectively). Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from 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 – CLASSIFICATION AND 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) Classification and Measurement of Financial Instruments

A. Classification and Measurement of Financial Instruments from 1 January 2011

a. Financial Assets

The classification of financial assets depends on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs. Assets are subsequently measured at amortized cost or fair value.

An entity may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. An entity is required to disclose such financial assets separately from those mandatorily measured at fair value.

Debt instruments at amortized cost

Debt instruments are subsequently measured at amortized cost less any impairment loss (except for debt instruments that are designated at fair value through profit or loss upon initial recognition) if they meet the following two conditions:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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, these financial assets are measured at amortized cost using the effective interest rate (EIR) 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Although the objective of an entity's business model may be to hold financial assets in order to collect contractual cash flows, the entity need not hold all of those instruments until maturity. Thus, an entity's business model can be to hold financial assets to collect contractual cash flows even when sales of financial assets occur. However, if more than an infrequent number of sales are made out of a portfolio, the entity needs to assess whether and how such sales are consistent with an objective of collecting contractual cash flows. If the objective of the entity's business model for managing those financial assets changes, the entity is required to reclassify financial assets.

Gains and losses arising from the derecognition of financial assets measured at amortized cost are reflected under "Net gain (loss) from sale of financial assets at amortized cost" in the consolidated income statement.

Debt instruments and other financial assets at fair value through profit or loss
Included in this category are those debt instruments that do not meet the conditions in "Debt instruments at amortized cost" above, and debt instruments designated at fair value through profit or loss upon initial recognition.

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and interest income are recorded under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition and those mandatorily measured at fair value. Gains and losses arising from the derecognition of debt instruments and other financial assets at fair value through profit or loss are also reflected under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement, showing separately those related to financial assets designated at fair value upon initial recognition and those mandatorily measured at fair value.

Equity instruments at fair value through profit or loss
Investments in equity instruments are classified at fair value through profit or loss unless the Group designates at initial recognition an investment that is not held for trading as at fair value through other comprehensive income.

These financial assets are recorded in the consolidated statement of financial position at fair value. Changes in fair value and dividend income are recorded under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement. Gains and losses arising from the derecognition of equity instruments at fair value through profit or loss are also reflected under "Net gain (loss) from financial instruments at fair value through profit or loss" in the consolidated income statement.

Equity instruments at fair value through other comprehensive income
Investments in equity instruments designated at initial recognition as not held for trading are classified at fair value through other comprehensive income.

These financial assets are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated under equity. The cumulative gain or loss will not be reclassified to the consolidated income statement on disposal of the investments.

Dividends on these investments are recognized under "Net gain on financial assets" in the consolidated income statement when the entity's right to receive payment of dividend is established in accordance with IAS 18: "Revenue", unless the dividends clearly represent a recovery of part of the cost of the investment.

Due from banks and financial institutions, loans to banks and financial institutions and loans and advances to customers and related parties – at amortized cost

After initial measurement, amounts "Due from banks and financial institutions", "Loans to banks and financial institutions" and "Loans and advances to customers and related parties" 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 "Credit loss expense".

b. Financial Liabilities

The Group classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for:

- financial liabilities at fair value through profit or loss (including derivatives);
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
- financial guarantee contracts and commitments to provide a loan at a below-market interest rate which after initial recognition are subsequently measured at the higher of the amount determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 Revenue.

An entity may, at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss when:

- doing so results in more relevant information, because it either eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases; or
- a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel.

The amount of changes in fair value of a financial liability designated at fair value through profit or loss at initial recognition that is attributable to changes in credit risk of that liability is recognized in "Other comprehensive income", unless such recognition would create an accounting mismatch in the consolidated income statement. Changes in fair value attributable to changes in credit risk are not reclassified to consolidated income statement. Under IAS 39, the entire amount of the change in fair value of the financial liability designated at fair value through profit or loss was recognized in the income statement.

As at 31 December 2011, there are no financial liabilities designated at fair value through profit or loss by the Group. Financial liabilities consist of due to banks and financial institutions, customers' and related parties' deposits, debt issued and other borrowed funds and subordinated notes.

Debt issued and other borrowed funds and subordinated notes

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)
2.4 – Summary of Significant Accounting Policies (continued)

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.

Due to banks and financial institutions, customers' deposits and related parties' deposits
After initial measurement, due to banks and financial institutions, customers' and related parties' deposits are measured at amortized cost less amounts repaid 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 effective interest rate method.

c. 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 "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement.

An embedded derivative is separated from the host and accounted for as a derivative if, and only if:
(a) the hybrid contract contains a host that is not an asset within the scope of IFRS 9;
(b) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
(c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(d) the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

B. Classification and Measurement of Financial Instruments – Before 1 January 2011

The classification of financial instruments at initial recognition depends on the purpose and 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 instruments classified at fair value through profit or loss.

a. Financial Assets

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.

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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 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 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 under "Net gain on financial assets" in the income statement when the investments are derecognized or impaired.

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. Unrealized gains and losses are recognized directly in shareholders' equity (other comprehensive income) in the "Changes in fair value of financial instruments at fair value through profit or loss" 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 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 "Changes in fair value of financial instruments at fair value through profit or loss" reserve.

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 EIR 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 EIR. 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 other financial assets".

Due from banks and financial institutions, loans to banks and financial institutions and loans and advances to customers and related parties

After initial measurement, amounts "Due from banks and financial institutions", "Loans to banks and financial institutions" and "Loans and advances to customers and related parties" are subsequently measured at amortized cost using the EIR 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 "Credit loss expense".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)
2.4 – Summary of Significant Accounting Policies (continued)

b. Financial Liabilities

There were no changes in the classification and measurement of financial liabilities upon adoption of IFRS 9. IAS 39 requirements in respect of financial liabilities have been carried forward into IFRS 9 except for the fact that under IAS 39, the entire amount of the change in fair value of the financial liability designated at fair value through profit or loss was recognized in the income statement.

c. Derivatives

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 "Net trading income".

An embedded derivative shall be separated from the host and accounted for as a derivative if, and only if:

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host;
(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
(c) the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

(iii) 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.

(iv) Reclassification of Financial Assets

From 1 January 2011

The Group reclassifies financial assets if the objective of the business model for managing those financial assets changes. Such changes are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes when significant to the Group's operations and demonstrable to external parties.

If financial assets are reclassified, the reclassification is applied prospectively from the reclassification date, which is the first day of the first reporting period following the change in business model that results in the reclassification of financial assets. Any previously recognized gains, losses or interest are not restated.

If a financial asset is reclassified so that it is measured at fair value, its fair value is determined at the reclassification date. Any gain or loss arising from a difference between the previous carrying amount and fair value is recognized in profit or loss. If a financial asset is reclassified so that it is measured at amortized cost, its fair value at the reclassification date becomes its new carrying amount.

Before 1 January 2011
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 the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)

2.4 – Summary of Significant Accounting Policies (continued)

(ii) Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. 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.

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 at fair value through profit or loss pledged as collateral" (or to "Available-for-sale financial instruments pledged as collateral" applicable prior to 1 January 2011, 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 at fair value through profit or loss" and measured at fair value with any gains or losses included in "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement (or "Net trading income" applicable prior to 1 January 2011).

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 have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has (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 due from banks and financial institutions, loans to banks and financial institutions, debt instruments at amortized cost, loans and advances to customers, (in addition to other financial assets classified as loans and receivables and held-to-maturity investments, applicable prior to 1 January 2011)), 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 EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

Prior to 1 January 2011, 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 currently exist. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. ACCOUNTING POLICIES (continued)
2.4 – Summary of Significant Accounting Policies (continued)

(ii) Available-for-Sale Financial Investments – Before 1 January 2011
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 EIR 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 loans' original EIRs.

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.

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(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 "Net gain from financial instruments at fair value through profit or loss" in the consolidated income statement (or "Net trading income" applicable prior to 1 January 2011).

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 EIR. 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 equity statement is transferred to the consolidated income statement.

LEASING

The determination of whether an arrangement is a lease, or 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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, (and interest-bearing financial assets classified as available for sale, applicable prior to 1 January 2011), 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 EIR. Before 1 January 2011, 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 EIR from the date of the change in estimate.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues 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 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 will 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.

31 December 2011

Net gain on financial instruments at fair value through profit or loss – From 1 January 2011
Results arising from financial instruments at fair value through profit or loss include all gains and losses from changes in fair value and related income or expense and dividends for financial assets at fair value through profit or loss. This includes any ineffectiveness recorded in hedging transactions.

Net trading income – Before 1 January 2011
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 – From 1 January 2011
Net gain on financial assets includes gains and losses from sale of financial instruments classified other than fair value through profit or loss and other than at amortized cost, and dividend income on these financial instruments.

Net gain on financial assets – Before 1 January 2011
Net gain on financial assets includes gains and losses from sale 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 balances with 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. Such cost includes the cost of replacing part of the property and equipment. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated income statement as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in "Other operating income" in the year the asset is derecognized.

Assets' residual lives and methods of depreciation are reviewed at each financial year-end and adjusted prospectively if applicable.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include assets taken in settlement of debt. These 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.

BUSINESS COMBINATIONS AND GOODWILL

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.

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

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

Key money	10-15 years

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor

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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.

Impairment losses relating to goodwill cannot be reversed in future periods.

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 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.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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.

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

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

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.

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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:

"Change in fair value of financial instruments at fair value through other comprehensive income reserve," which comprises changes in fair value of equity instruments at fair value through other comprehensive income (Before 1 January 2011: available-for-sale financial instruments).

"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 48).

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.

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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 data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

Impairment of Available-for-Sale Investments – Before 1 January 2011

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.

Business Model – Applicable from 1 January 2011

In making an assessment of whether a business model's objective is to hold assets in order to collect contractual cash flows, the Group considers at which level of its business activities such assessment should be made. Generally, a business model is a matter of fact which can be evidenced by the way business is managed and the information provided to management. However, in some circumstances it may not be clear whether a particular activity involves one business model with some infrequent asset sales or whether the anticipated sales indicate that there are two different business models.

In determining whether its business model for managing financial assets is to hold assets in order to collect contractual cash flows the Group considers:

- management's stated policies and objectives for the portfolio and the operation of those policies in practice;
- how management evaluates the performance of the portfolio;
- whether management's strategy focuses on earning contractual interest revenues;
- the degree of frequency of any expected asset sales;
- the reason for any asset sales; and
- whether assets that are sold are held for an extended period of time relative to their contractual maturity.

Contractual Cash Flows of Financial Assets – Applicable from 1 January 2011

The Group exercises judgment in determining whether the contractual terms of financial assets it originates or acquires give rise on specific dates to cash flows that are solely payments of principal and interest on the principal outstanding and so may qualify for amortized cost measurement. In making the assessment, the Group considers all contractual terms, including any prepayment terms or provisions to extend the maturity of the assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

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3. BUSINESS COMBINATIONS

ACQUISITION OF ADDITIONAL INTEREST IN BYBLOS BANK SYRIA S.A.

During the fourth quarter of 2011, the Group acquired an additional 10.87% interest in the voting shares of Byblos Bank Syria S.A., increasing its ownership interest to 52.37%. A cash consideration of LBP 8,584 million was paid to the non-controlling interest shareholders. The carrying value of the additional interest acquired was equal to the consideration paid.

ACQUISITIONS IN 2010

On 31 March 2010, the Group completed the acquisition of 66.67% of the share capital of Solidaire Banque Internationale S.B.I. S.A.R.L., 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 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:

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

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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, 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 return and which offer different products and services. The Group segments its business into Retail 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.

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. Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. SEGMENTAL INFORMATION (continued)

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

2011 LBP Million	Retail banking	Corporate banking	Treasury and capital markets	Insurance	Unallocated	Total
Net interest income	252,451	135,935	35,347	631	-	424,364
Net fee and commission income	53,533	71,542	4,093	13,510	2,117	144,795
Net gain from financial instruments at fair value through profit or loss	-	-	61,264	337	-	61,601
Net gain on financial assets	-	-	4,200	-	-	4,200
Net gain from sale of financial assets at amortized cost	-	-	64,165	-	-	64,165
Other operating income	-	-	-	87	13,104	13,191
Credit loss expense	(6,909)	(42,454)	6,593	-	-	(42,770)
Impairment losses on other financial assets	-	-	(22,825)	(750)	-	(23,575)
Net operating income	299,075	165,023	152,837	13,815	15,221	645,971
Total assets	1,680,172	4,693,970	18,252,393	110,807	289,971	25,027,313
Total liabilities	17,989,539	1,336,869	2,620,704	192,796	402,627	22,542,535

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 on financial assets	-	-	98,320	-	2,645	100,965
Other operating income	-	-	-	87	8,031	8,118
Credit loss expense	(12,450)	(12,093)	(4,729)	-	-	(29,272)
Impairment losses on other financial assets	-	-	(8,863)	-	-	(8,863)
Net operating income	248,422	155,762	202,439	13,045	26,359	646,027
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

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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 2011	Domestic 2010	International 2011	International 2010	Total 2011	Total 2010
Net interest income	331,537	349,536	92,827	77,727	424,364	427,263
Net fee and commission income	76,175	58,118	68,620	67,540	144,795	125,658
Net gain from financial instruments at fair value through profit or loss	30,159	-	31,442	-	61,601	-
Net trading income	-	13,623	-	8,535	-	22,158
Net gain on financial assets	1,768	95,897	2,432	5,068	4,200	100,965
Net gain from sale of financial assets at amortized cost	65,568	-	(1,403)	-	64,165	-
Other operating income	12,232	7,794	959	324	13,191	8,118
Credit loss expense	(19,562)	(16,727)	(23,208)	(12,545)	(42,770)	(29,272)
Impairment losses on other financial assets	-	(3,800)	(23,575)	(5,063)	(23,575)	(8,863)
Net operating income	497,877	504,441	148,094	141,586	645,971	646,027
Total assets	16,809,490	14,987,694	8,217,823	8,059,698	25,027,313	23,047,392
Total liabilities	17,397,732	16,055,300	5,144,803	4,535,674	22,542,535	20,590,974

5. INTEREST AND SIMILAR INCOME

LBP Million	2011	2010
Balances with central banks	42,518	15,116
Due from banks and financial institutions	41,491	32,491
Loans to banks and financial institutions and reserve repurchase agreements	16,423	-
Financial assets given as collateral	583	403
Financial assets – held for trading	-	10,809
Financial assets – available for sale	-	137,341
Financial assets – held to maturity	-	47,166
Financial assets – loans and receivables	-	576,494
Loans and advances to customers at amortized cost	453,711	403,624
Loans and advances to related parties at amortized cost	582	570
Debt instruments at amortized cost	709,429	-
	1,264,737	1,224,014

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. INTEREST AND SIMILAR EXPENSE

LBP Million	2011	2010
Due to central banks	325	253
Due to banks and financial institutions	37,631	33,515
Customers' deposits	736,501	709,785
Related parties' deposits	6,586	8,386
Debt issued and other borrowed funds	30,639	16,812
Subordinated notes	27,941	27,662
Other equity instruments	750	338
	840,373	796,751

7. NET FEE AND COMMISSION INCOME

LBP Million	2011	2010
Fee and commission income		
Loans and advances	21,652	19,535
Letters of guarantee	15,588	14,535
Acceptances	7,134	6,037
Letters of credit	41,052	42,791
Credit cards	7,484	5,414
Domiciled bills	1,851	1,738
Checks for collection	2,783	2,451
Maintenance of accounts	8,964	6,474
Transfers	9,198	7,462
Safe rental	578	472
Portfolio commission	3,578	2,334
Trust and fiduciary activities	160	139
Insurance premiums commission and commission on reinsurance ceded	18,363	16,250
Refund of banking services	13,344	10,650
Other commissions	6,455	3,939
	158,184	140,221
Fee and commission expense		
Commissions paid on financial instruments	(3,465)	(4,826)
Other fees	(9,924)	(9,737)
	(13,389)	(14,563)
Net fee and commission income	144,795	125,658

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8. NET GAIN FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
		LBP Million
Interest and similar income from debt instruments and other financial assets at fair value through profit or loss		
Lebanese Treasury Bills and other governmental bills	13,642	-
Bonds and financial assets with fixed income	709	-
Certificates of deposit	1,876	-
	16,227	-
Gain from sale of debt instruments and other financial assets at fair value through profit or loss		
Lebanese Treasury Bills and other governmental bills	2,685	-
Bonds and financial assets with fixed income	1,093	-
Certificates of deposit	2,510	-
	6,288	-
Unrealized gain (loss) from revaluation of debt instruments and other financial assets at fair value through profit or loss		
Lebanese Treasury Bills and other governmental bills	178	-
Bonds and financial assets with fixed income	(1,548)	-
Certificates of deposit	(177)	-
	(1,547)	-
Net gain from debt instruments and other financial assets at fair value through profit or loss	20,968	-
Net loss from equity instruments at fair value through profit or loss		
Loss from sale	(401)	-
Unrealized loss from revaluation	(4,792)	-
Dividend income	1,014	-
	(4,179)	-
Foreign exchange	44,812	-
	61,601	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. NET TRADING INCOME

LBP Million	2011	2010
Treasury bills and other governmental bills	-	(551)
Bonds and financial assets with fixed income	-	1,110
Shares, securities and financial assets with variable income	-	(185)
Dividend income	-	957
Foreign exchange	-	20,827
	-	22,158

"Treasury bills, other governmental bills, bonds and financial assets with fixed income" net income (loss) includes the results of buying and selling and changes in the fair values of debt securities.

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

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

10. NET GAIN ON FINANCIAL ASSETS

LBP Million	2011	2010
Equity instruments at fair value through other comprehensive income		
Dividend income from equity instruments held at year-end	4,200	-
Financial assets – loans and receivables		
Sale of certificates of deposit	-	2,183
Sale of Lebanese Treasury Bills and other governmental bills	-	67,892
Sale of bonds and financial assets with fixed income	-	427
Financial assets – available for sale		
Sale of Lebanese Treasury Bills and other governmental bills	-	25,076
Dividend income from shares, securities and financial assets with variable income	-	4,030
Gain on foreign exchange	-	1,357
	4,200	100,965

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11. NET GAIN FROM SALE OF FINANCIAL ASSETS AT AMORTIZED COST

Sales of financial assets at amortized cost were made during 2011 due to the following reasons:

- Deterioration of the credit rating below the ceiling allowed in the Group's investment policy;
- Liquidity gap and yield management;
- Swap of certificates of deposit by BDL; and
- Currency risk management as a result of change in the currency base of deposits.

The schedule below details the gains and losses arising from the derecognition of these financial assets:

LBP Million

2011	Gains	Losses	Net
Lebanese sovereign and Central Bank of Lebanon			
Certificates of deposit	33,130	(488)	32,642
Treasury bills and bonds	31,248	-	31,248
	64,378	(488)	63,890
Other sovereign			
Treasury bills and bonds	-	(1,440)	(1,440)
	-	(1,440)	(1,440)
Private sector			
Other debt instruments – corporate institutions	1,715	-	1,715
	1,715	-	1,715
	66,093	(1,928)	64,165

12. OTHER OPERATING INCOME

LBP Million

	2011	2010
Net gain from sale of assets taken in settlement of debt	3,877	3,914
Rental income from assets taken in settlement of debt	1,028	1,046
Net gain from sale or disposal of property and equipment	-	900
Write-back of provisions for risks and charges (note 43)	2,124	-
Others	6,162	2,258
	13,191	8,118

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. CREDIT LOSS EXPENSE

LBP Million	2011	2010
Provisions for commercial loans (note 27)	47,826	26,192
Provisions for consumer loans (note 27)	9,017	14,083
Provisions for doubtful banks (note 20)	-	5,682
Bad debts written off	145	269
	56,988	46,226
Write-back of provisions		
Commercial loans (note 27)	(5,517)	(14,368)
Consumer loans (note 27)	(2,108)	(1,633)
Doubtful banks (note 20)	(6,593)	(953)
	(14,218)	(16,954)
Net credit loss expense	42,770	29,272

14. IMPAIRMENT LOSSES ON OTHER FINANCIAL ASSETS

LBP Million	2011	2010
Debt instruments at amortized cost (note 29):		
Other governmental bills	18,166	-
Bonds and financial assets with fixed income	5,409	-
Financial investments – available for sale:		
Other governmental bills	-	940
Financial investments – loans and receivables (note 32):		
Bonds and financial assets with fixed income	-	2,212
Other governmental bills	-	6,898
Write-back of provisions:		
Financial instruments – held to maturity (note 33):		
Bonds and financial assets with fixed income	-	(1,187)
	23,575	8,863

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15. PERSONNEL EXPENSES

	2011	2010	LBP Million
Salaries and related charges	136,694	125,622	
Social security contributions	17,015	15,474	
Provision for end-of-service benefits (note 43)	7,577	4,456	
	161,286	145,552	

16. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

	2011	2010	LBP Million
Taxes on interest	3,143	2,405	
Taxes and duties	9,421	10,848	
Contribution to deposits guarantee fund	8,531	7,520	
Rent and related charges	7,722	7,662	
Professional fees	6,611	8,008	
Telecommunications and postage expenses	9,154	9,585	
Board of Directors attendance fees	983	1,182	
Maintenance and repairs	11,746	12,498	
Electricity and fuel	6,694	5,148	
Travel and entertainment	4,256	5,451	
Publicity and advertising	9,998	9,727	
Subscriptions	3,159	3,526	
Bonuses	6,260	23,731	
Legal expenses	4,307	3,658	
Insurance	1,632	3,137	
Guarding fees	2,089	2,118	
Printing and stationery	4,976	5,043	
Provisions for risks and charges	4,523	4,974	
Other operating expenses	10,931	8,639	
	116,136	134,860	

17. INCOME TAX EXPENSE

The components of income tax expense for the years ended 31 December 2011 and 2010 are as follows:

	2011	2010	LBP Million
Current income tax expense reported in the consolidated income statement	65,987	66,670	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. INCOME TAX EXPENSE (continued)

The reconciliation of the Group's income tax for the years ended 31 December 2011 and 2010 is as follows:

LBP Million	2011	2010
Net profit before income tax	336,924	327,205
Non-deductible expenses	82,330	69,178
Non-taxable revenue	(53,403)	(24,490)
Taxable income	365,851	371,893
Effective income tax rate	18%	18%
Income tax reported in the consolidated income statement	65,987	66,670
Less: taxes on interest	(29,284)	(28,786)
Less: tax advances	(5,946)	(4,068)
Net taxes due	30,757	33,816
Current tax liability (note 42)	32,176	32,516

18. EARNINGS PER SHARE

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

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

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

LBP Million	2011	2010
Weighted average number of shares outstanding during the period:		
- Common shares (*)	561,806,168	288,838,287
- Priority shares	-	205,982,021

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	2011	2010	LBP Million
Net profit for the year attributable to equity holders of the parent	259,894	255,770	
(Less): Proposed dividends to preferred shares	(48,320)	(48,064)	
Net profit attributable to common and priority shareholders	211,574	207,706	
(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: 0 shares (2010: 205,982,021 shares)	-	(9,970)	
Net profits attributable to common and priority shareholders	211,574	197,736	
Of which:			
Net profits attributable to priority shares: 0 shares (2010: 205,982,021 shares)	-	82,313	
Net profits attributable to common shares: 561,806,168 shares (2010: 288,838,287 shares)	211,574	115,423	
	211,574	197,736	
Basic earnings per share in LBP:			
- Common shares	376.60	399.61	
- Priority shares	-	448.01	

(*)The weighted average number of ordinary shares adopted for the computation of basic earnings per share takes into account the weighted average number of treasury shares, excluding treasury shares held against other equity instruments (note 49).

Diluted earnings per share

The following table shows the calculations of the diluted earnings per share for the years ended 31 December 2011 and 2010 for common and priority shares:

	2011	2010	LBP Million
Weighted average number of common shares for basic earnings per share	556,286,168	288,838,287	
Effect of dilution:			
Convertible subordinated notes	80,652,681	80,652,681	
Other equity instruments (note 48)	5,520,000	2,601,205	
Weighted average number of common shares adjusted for the effect of dilution	642,458,849	372,092,173	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. EARNINGS PER SHARE (continued)

LBP Million	2011	2010
Net profit attributable to ordinary shares (common and priority) of the parent	211,574	207,706
Interest on convertible notes	20,852	22,251
Less: income tax	(3,128)	(3,338)
Net profit attributable to ordinary shares (common and priority) of the parent adjusted for the effect of convertible instruments	229,298	226,619
(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: 0 shares (2010: 205,982,021 shares)	-	(9,970)
Net profits attributable to shares (common and priority) after the interest paid to priority shares	229,298	216,649
Of which:		
Net profits attributable to priority shares: 0 shares (2010: 205,982,021 shares)	-	77,198
Net profits attributable to common shares: 642,458,849 shares (2010: 372,092,173 shares)	229,298	139,451
Diluted earnings per common share in LBP:		
- Common shares	356.91	374.78
- Priority shares	-	423.18

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.

19. CASH AND BALANCES WITH CENTRAL BANKS

LBP Million	2011	2010
Cash on hand	211,526	151,145
Balances with the Central Bank of Lebanon:		
- Current accounts	742,586	739,580
- Time deposits	2,866,983	1,389,915
	3,609,569	2,129,495
Balances with central banks in other countries:		
- Current accounts	423,362	445,593
- Time deposits	12,110	20,774
	435,472	466,367
Accrued interest receivable	25,901	1,635
	4,282,468	2,748,642

Obligatory Reserves:

- In accordance with the Central Bank of Lebanon's rules and regulations, banks operating in Lebanon are required to deposit with the Central Bank of Lebanon an obligatory reserve calculated on the basis of 25% of sight commitments and 15% of term commitments denominated in Lebanese Pounds. This is not applicable for investment banks, which are exempt from obligatory reserve requirements on commitments denominated in Lebanese Pounds. Additionally, all banks operating in Lebanon are required to deposit with the Central Bank of Lebanon interest-bearing placements representing 15% of total deposits in foreign currencies regardless of nature. Obligatory reserve requirements for banks operating in Lebanon and the related covering time deposits and current accounts amounted to LBP 2,141,893 million and LBP 2,256,625 million respectively as at 31 December 2011 (2010: LBP 1,901,934 million and LBP 2,109,788 million respectively).

- Subsidiary banks operating in foreign countries are also subject to obligatory reserve requirements determined based on the banking rules and regulations of the countries in which they operate. As of 31 December 2011, obligatory reserve requirements for banks operating in foreign countries and the related covering time deposits, current accounts and cash on hand amounted to LBP 134,708 million (2010: LBP 175,551 million).

20. DUE FROM BANKS AND FINANCIAL INSTITUTIONS

LBP Million

	2011	2010
Commercial banks:		
- Current accounts	849,338	273,324
- Time deposits	3,467,481	3,583,500
- Interest receivable	2,860	6,343
- Doubtful bank accounts	4,097	10,727
- Provision for doubtful bank accounts	(4,097)	(10,727)
	4,319,679	3,863,167
Financial institutions:		
- Current accounts	5,908	30,958
Registered exchange companies:		
- Current accounts	3,254	3,481
- Doubtful exchange companies accounts	2,259	2,259
- Provision for doubtful exchange companies accounts	(2,259)	(2,259)
	3,254	3,481
Brokerage companies:		
- Current accounts	2,001	1,405
	4,330,842	3,899,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. DUE FROM BANKS AND FINANCIAL INSTITUTIONS (continued)

Doubtful Banks and Registered Exchange Companies

The following is the movement in the provisions for doubtful banks and registered exchange companies during the year:

	2011			2010		
LBP Million	Banks	Registered exchange companies	Total	Banks	Registered exchange companies	Total
Balance at 1 January	10,727	2,259	12,986	6,183	2,259	8,442
Charge for the year (note 13)	-	-	-	5,682	-	5,682
Write-back (note 13)	(6,593)	-	(6,593)	(953)	-	(953)
Exchange difference	(37)	-	(37)	(185)	-	(185)
Balance at 31 December	4,097	2,259	6,356	10,727	2,259	12,986

21. LOANS TO BANKS AND FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS

LBP Million	2011	2010
Loans to banks and financial institutions	488,714	-
Accrued interest receivable	2,820	-
	491,534	-
Discounted acceptances	174,231	-
Interest received in advance	(1,423)	-
	172,808	-
Reverse repurchase agreements	3,141	-
Accrued interest receivable	5	-
	3,146	-
	667,488	-

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified loans to banks and financial institutions and discounted acceptances amounting to LBP 629,997 million from the category "loans and receivables" (note 32) to the category "at amortized cost".

22. FINANCIAL ASSETS GIVEN AS COLLATERAL

	2011	2010	LBP Million
Treasury bills mortgaged in favor of the Central Bank of Lebanon, at amortized cost	8,814	8,814	
Accrued interest receivable	106	104	
	8,920	8,918	

The balance represents treasury bills pledged as collateral for loans obtained from the Central Bank of Lebanon during 2010 (note 38).

23. 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.

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

	2011			2010		
LBP Million	Assets	Liabilities	Notional amount	Assets	Liabilities	Notional amount
Currency swaps	891	2,201	190,831	129	2,441	117,520
Forward foreign exchange contracts	4,465	5,146	313,357	1,333	1,909	165,010
	5,356	7,347	504,188	1,462	4,350	282,530

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. FINANCIAL ASSETS HELD FOR TRADING

LBP Million	2011	2010
Lebanese Treasury Bills and other governmental bills	-	142,007
Bonds and financial assets with fixed income	-	33,929
Shares, securities and financial assets with variable income	-	26,447
Accrued interest receivable on:		
- Lebanese Treasury Bills and other governmental bills	-	3,278
- Bonds and financial assets with fixed income	-	279
	-	205,940

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified financial assets held for trading as follows:

LBP Million	At fair value through profit or loss	At amortized cost	Impact on the opening balance of retained earnings
Lebanese Treasury Bills and other governmental bills	127,743	17,399	(143)
Shares, securities and financial assets with variable income	26,447	-	-
Bonds and financial assets with fixed income	22,896	10,871	(441)
	177,086	28,270	(584)

25. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

LBP Million	2011	2010
Quoted shares	26,383	-
Unquoted shares	220	-
	26,603	-

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified shares and other equity instruments held for trading and shares and other equity instruments available for sale amounting to LBP 26,447 million (note 24) and LBP 3,636 million (note 31) respectively to the category "at fair value through profit or loss".

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26. DEBT INSTRUMENTS AND OTHER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010	LBP Million
Lebanese Treasury Bills and other governmental bills	195,146	-	
Bonds and financial assets with fixed income	19,637	-	
Certificates of deposit	10,916	-	
Accrued interest receivable on:			
- Lebanese Treasury Bills and other governmental bills	2,438	-	
- Bonds and financial assets with fixed income	307	-	
- Certificates of deposit	162	-	
	228,606	-	

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified debt instruments and other financial assets classified held for trading and classified loans and receivables amounting to LBP 150,639 million (note 24) and LBP 72,608 million (note 32) respectively to the category "at fair value through profit or loss".

27. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST

	2011	2010	LBP Million
Commercial loans	4,555,085	4,432,715	
Consumer loans	1,730,362	1,446,786	
	6,285,447	5,879,501	
Less:			
- Impairment allowances	(193,934)	(146,534)	
- Unrealized interest	(62,599)	(59,667)	
	6,028,914	5,673,300	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

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

LBP Million 2011	Gross balance	Unrealized interest	Provisions	Net balance
- Good loans	5,807,473	-	-	5,807,473
- Watch loans	346,205	-	-	346,205
	6,153,678	-	-	6,153,678
- Substandard loans	10,214	(1,400)	-	8,814
- Doubtful loans	72,525	(2,169)	(29,595)	40,761
- Bad loans	119,641	(59,030)	(60,611)	-
	6,356,058	(62,599)	(90,206)	6,203,253
Less:				
- Collective provisions	-	-	(103,728)	(103,728)
Accrued interest receivable	22,234	-	-	22,234
Less: Interest received in advance	(92,845)	-	-	(92,845)
	6,285,447	(62,599)	(193,934)	6,028,914

LBP Million 2010	Gross balance	Unrealized interest	Provisions	Net balance
- Good loans	5,629,692	-	-	5,629,692
- Watch loans	190,380	-	-	190,380
	5,820,072	-	-	5,820,072
- 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)	-
	5,964,657	(59,667)	(67,018)	5,837,972
Less:				
- Collective provisions	-	-	(79,516)	(79,516)
Accrued interest receivable	21,710	-	-	21,710
Less: Interest received in advance	(106,866)	-	-	(106,866)
	5,879,501	(59,667)	(146,534)	5,673,300

In accordance with the Banking Control Commission Circular No. 240, bad loans and related provisions and unrealized interest which fulfill certain requirements have been transferred to off financial position accounts. The gross balance of these loans amounted to LBP 91,644 million as of 31 December 2011 (2010: LBP 98,700 million).

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

LBP Million

2011	Commercial loans	Consumer loans	Total
Balance at 1 January	59,329	338	59,667
Add (less):			
- Unrealized interest for the year	9,206	118	9,324
- Amounts transferred from off financial position	1,523	-	1,523
- Recoveries	(4,336)	(11)	(4,347)
- Amounts written off	(3,386)	-	(3,386)
- Difference of exchange	(129)	(53)	(182)
Balance at 31 December	**62,207**	**392**	**62,599**

LBP Million

2010	Commercial loans	Consumer loans	Total
Balance at 1 January	63,598	242	63,840
Add (less):			
- Unrealized interest for the year	10,475	103	10,578
- Amounts transferred from off financial position	3,128	-	3,128
- Recoveries	(10,177)	-	(10,177)
- Amounts written off	(7,657)	-	(7,657)
- Difference of exchange	(38)	(7)	(45)
Balance at 31 December	**59,329**	**338**	**59,667**

Movement of the impairment allowances during the years ended 31 December was as follows:

LBP Million

2011	Commercial loans	Consumer loans	Total
Balance at 1 January	109,513	37,021	146,534
Add (less):			
- Charge for the year (note 13)	47,826	9,017	56,843
- Amounts written off	(990)	(295)	(1,285)
- Recoveries (note 13)	(5,517)	(2,108)	(7,625)
- Transfer from off financial position	637	812	1,449
- Transfer from commercial to consumer	(5,547)	5,547	-
- Difference of exchange	(1,807)	(175)	(1,982)
Balance at 31 December	**144,115**	**49,819**	**193,934**
Individual impairment	68,542	21,664	90,206
Collective impairment	75,573	28,155	103,728
	144,115	**49,819**	**193,934**
Gross amount of loans individually determined to be impaired	174,568	27,812	202,380

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. NET LOANS AND ADVANCES TO CUSTOMERS AT AMORTIZED COST (continued)

LBP Million	2010	Commercial loans	Consumer loans	Total
	Balance at 1 January	97,262	24,855	122,117
	Add (less):			
	- Charge for the year (note 13)	26,192	14,083	40,275
	- Amounts written off	(447)	(728)	(1,175)
	- Recoveries (note 13)	(14,368)	(1,633)	(16,001)
	- Transfer from off financial position	6,607	-	6,607
	- Difference of exchange	(5,733)	444	(5,289)
	Balance at 31 December	109,513	37,021	146,534
	Individual impairment	51,922	15,096	67,018
	Collective impairment	57,591	21,925	79,516
		109,513	37,021	146,534
	Gross amount of loans individually determined to be impaired	124,255	20,330	144,585

COLLATERAL REPOSSESSED

During the year 2011, the Group took possession of collateral amounting to LBP 829 million (2010: LBP 5,389 million).

28. BANK ACCEPTANCES

LBP Million		2011	2010
	Letters of credit payable by the Group on behalf of its customers:		
	- Acceptances confirmed by the Group without recourse to the beneficiary	2,983	7,959
	- Other acceptances	328,838	283,875
		331,821	291,834

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.

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29. DEBT INSTRUMENTS AT AMORTIZED COST

	2011	2010	LBP Million
Lebanese Treasury Bills and other governmental bills	3,401,137	-	
Bonds and financial assets with fixed income	675,105	-	
Certificates of deposit	4,415,691	-	
Accrued interest receivable on:			
- Lebanese Treasury Bills and other governmental bills	62,786	-	
- Bonds and financial assets with fixed income	10,265	-	
- Certificates of deposit	84,353	-	
	8,649,337	-	
Less: collective provision for impairment losses	(25,015)	-	
specific provision for impairment losses	(17,021)	-	
	8,607,301	-	

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified the following debt instruments to the category "debt instruments at amortized cost":

	Gross amount	Provision	Net amount	LBP Million
Financial assets held for trading (note 24)	31,283	(3,013)	28,270	
Available-for-sale financial instruments (note 31)	1,728,447	-	1,728,447	
Other financial assets classified as loans and receivables (note 32)	6,821,662	(12,959)	6,808,703	
Held-to-maturity financial instruments (note 33)	432,420	(3,722)	428,698	
	9,013,812	(19,694)	8,994,118	

The movement in the collective provision for impairment losses during the period was as follows:

2011	Other governmental bills	Bonds and financial assets with fixed income	Total	LBP Million
Balance at 1 January	-	-	-	
Provision transferred upon early adoption of IFRS 9:				
From other financial assets classified as loans and receivables	10,747	2,212	12,959	
From held-to-maturity financial instruments	230	3,492	3,722	
Provision transferred to specific provision for impairment losses	(7,177)	-	(7,177)	
Charge for the year (note 14)	11,132	5,409	16,541	
Exchange difference	(696)	(334)	(1,030)	
Balance at 31 December	14,236	10,779	25,015	

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29. DEBT INSTRUMENTS AT AMORTIZED COST (continued)

The movement in the specific provision for impairment losses during the period was as follows:

LBP Million 2011	Other governmental bills
Balance at 1 January	-
Provision transferred upon early adoption of IFRS 9:	
From financial assets held for trading	3,013
Provision transferred from collective provision for impairment losses	7,177
Charge for the year (note 14)	7,034
Exchange difference	(203)
Balance at 31 December	17,021
Gross amount of other governmental bills individually determined to be impaired	23,861

30. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

LBP Million	2011	2010
Quoted shares	39,927	-
Unquoted shares	37,040	-
	76,967	-

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified equity instruments classified as available for sale amounting to LBP 80,687 million (note 31) to the category "at fair value through other comprehensive income".

The table below details the equity instruments at fair value through other comprehensive income as at 31 December 2011:

LBP Million	Carrying amount	Cumulative fair value changes	Dividend income
Unquoted shares:			
Banque de l'Habitat S.A.L.	18,979	13,790	454
Intra Investment Company S.A.L.	14,979	1,954	1,166
Interbank Payment Network (IPN) S.A.L.	1,206	203	104
Arab Trade Financing Program	1,492	-	-
Others	384	-	44
Quoted shares:			
Jordan Ahli Bank	39,927	(35,361)	2,432
	76,967	(19,414)	4,200

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31. AVAILABLE-FOR-SALE FINANCIAL INSTRUMENTS

LBP Million	2011	2010
Lebanese Treasury Bills and other governmental bills	-	1,433,865
Bonds and financial assets with fixed income	-	316,422
Shares, securities and financial assets with variable income	-	84,324
Accrued interest receivable	-	41,200
	-	1,875,811

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified financial assets available for sale as follows:

LBP Million	At fair value through other comprehensive income	At amortized cost	At fair value through profit or loss	Impact on the opening balance of change in fair value of financial instruments through other comprehensive income	Impact on the opening balance of deferred taxes	Impact on the opening balance of retained earnings
Lebanese Treasury Bills and other governmental bills	-	1,414,471	-	(56,491)	8,075	-
Shares, securities and financial assets with variable income	80,687	-	3,636	(37,127)	(192)	37,127
Bonds and financial assets with fixed income	-	313,976	-	(6,550)	995	-
	80,687	1,728,447	3,636	(100,168)	8,878	37,127

32. OTHER FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

LBP Million	2011	2010
Certificates of deposit	-	4,389,114
Lebanese Treasury Bills and other governmental bills	-	2,203,391
Bonds and financial assets with fixed income	-	155,342
Loans to banks and financial institutions	-	369,694
Discounted acceptances	-	262,466
Interest received in advance	-	(3,614)
Accrued interest receivable	-	127,422
	-	7,503,815
Less: allowance for impairment losses	-	(12,959)
	-	7,490,856

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32. OTHER FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES (continued)

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified financial assets classified as loans and receivables as follows:

LBP Million	At fair value through profit or loss	At amortized cost	Impact on the opening balance of change in fair value of financial instruments through other comprehensive income	Impact on the opening balance of retained earnings
Loans to banks and financial institutions	-	371,144	-	-
Discounted acceptances	-	258,853	-	-
Lebanese Treasury Bills and other governmental bills	72,608	2,191,542	19,025	1,534
Certificates of deposit	-	4,471,044	(107)	-
Bonds and financial assets with fixed income	-	159,076	-	-
Collective provision	-	(12,959)	-	-
	72,608	7,438,700	18,918	1,534

The impact on the opening balance of the change in fair value of financial instruments through other comprehensive income resulted from unrealized losses relating to financial assets that were reclassified during 2008 from "Available for sale" to "Loans and receivables" in accordance with the amendments that occurred at the time on IAS 39 and IFRS 7.

The movement in the allowance for impairment losses during the year ended 31 December 2010 was as follows:

LBP Million	2010	Other governmental bills	Bonds and financial assets with fixed income	Total
	Balance at 1 January	3,849	-	3,849
	Charge for the year (note 14)	6,898	2,212	9,110
	Balance at 31 December	10,747	2,212	12,959

33. HELD-TO-MATURITY FINANCIAL INSTRUMENTS

LBP Million		2011	2010
	Lebanese Treasury Bills and other governmental bills	-	376,975
	Bonds and financial assets with fixed income	-	42,790
	Accrued interest receivable	-	12,655
		-	432,420
	Less: allowance for impairment losses	-	(3,722)
		-	428,698

As a result of the early adoption of IFRS 9 on 1 January 2011, the Group reclassified financial assets classified as held to maturity to the category "at amortized cost" (note 29). This reclassification did not have any impact on the Group's financial position as at 1 January 2011.

The movement of the allowance for impairment losses during the year ended 31 December 2010 was as follows:

LBP Million

2010	Other governmental bills	Bonds and financial assets with fixed income	Total
Balance at 1 January	230	4,679	4,909
Written back during the year (note 14)	-	(1,187)	(1,187)
Balance at 31 December	**230**	**3,492**	**3,722**

34. PROPERTY AND EQUIPMENT

LBP Million	Buildings	Motor vehicles	Furniture and equipment	Deposits	Advance payments	Total
Cost:						
At 1 January 2011	239,196	3,809	173,227	1,545	24,581	442,358
Additions during the year	17,868	388	21,917	58	16,901	57,132
Transfers	(2,074)	-	16,153	-	(14,079)	-
Disposal of fixed assets	(39)	(524)	(8,871)	(932)	(236)	(10,602)
Foreign exchange difference	(2,435)	(82)	(3,984)	(3)	(44)	(6,548)
At 31 December 2011	**252,516**	**3,591**	**198,442**	**668**	**27,123**	**482,340**
Depreciation:						
At 1 January 2011	40,517	2,469	118,069	-	-	161,055
Depreciation during the year	5,536	681	25,249	-	-	31,466
Transfers	(3,863)	-	3,863	-	-	-
Related to disposals of fixed assets	-	(402)	(8,942)	-	-	(9,344)
Foreign exchange difference	220	(51)	(2,072)	-	-	(1,903)
At 31 December 2011	**42,410**	**2,697**	**136,167**	**-**	**-**	**181,274**
Net carrying value:						
At 31 December 2011	**210,106**	**894**	**62,275**	**668**	**27,123**	**301,066**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34. PROPERTY AND EQUIPMENT (continued)

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

The cost of buildings at 31 December 2011 and 2010 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 Central 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 2011 (2010: the same) (note 50).

35. INTANGIBLE ASSETS

LBP Million	2011	2010
Cost:		
At 1 January	2,054	1,637
Additions for the year	249	417
At 31 December	2,303	2,054
Accumulated amortization:		
At 1 January	1,015	903
Amortization expense for the year	159	112
At 31 December	1,174	1,015
Net book value:		
At 31 December	1,129	1,039

31 December 2011

36. ASSETS TAKEN IN SETTLEMENT OF DEBT

	2011	2010	LBP Million
Cost			
At 1 January	44,251	43,726	
Additions during the year	829	5,389	
Disposal	(4,469)	(4,864)	
At 31 December	40,611	44,251	
Impairment			
At 1 January	(5,159)	(5,159)	
At 31 December	(5,159)	(5,159)	
Net carrying value			
At 31 December	35,452	39,092	

Advance payments received in connection with future sale transactions for the above assets amounted to LBP 1,428 million as of 31 December 2011 (2010: LBP 1,312 million) (note 42).

Rental income from foreclosed properties for the year amounted to LBP 1,028 million (2010: LBP 1,046 million).

37. OTHER ASSETS

		2011	2010	LBP Million
Obligatory financial assets	(a)	20,091	14,718	
Other assets	(b)	59,822	74,793	
Deferred tax assets		1,061	-	
Doubtful debtor accounts		37	72	
		81,011	89,583	
Less: Allowance for credit losses	(c)	(37)	(37)	
		80,974	89,546	

(a) Obligatory financial assets consist of deposits at a percentage of the share capital of subsidiary banks that was blocked at incorporation as a guarantee with the authorities. These deposits shall be returned to the subsidiary banks without any interest upon liquidation of their activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37. OTHER ASSETS (continued)

(b) Other assets consist of the following:

LBP Million	2011	2010
Prepaid rent	3,768	5,664
Printings and stationery	3,213	2,990
Credit card balances due from customers	11,248	9,501
Insurance premiums receivable	2,945	5,248
Reinsurers' share of technical reserve of subsidiary insurance companies	19,974	16,624
ATM balances	397	23,209
Advance payment on participating in capital increase of equity instruments at fair value through other comprehensive income	5,187	-
Other debit balances	13,090	11,557
	59,822	74,793

38. DUE TO CENTRAL BANKS

LBP Million	2011	2010
Current accounts	5,925	9,570
Loan due to the Central Bank of Lebanon	8,814	8,814
Loan due to the Central Bank of Armenia	887	1,061
Accrued interest payable	44	47
	9,745	9,922
	15,670	19,492

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 LBP million	Interest rate	Maturity
First loan	1,899	2.425%	2 May 2013
Second loan	5,528	2.9%	23 April 2015
Third loan	1,387	2.9%	23 April 2016
	8,814		

The above loans are secured by the pledge of Lebanese Treasury Bills amounting to LBP 8,814 million included under financial assets given as collateral as of 31 December 2011 (2010: the same) (note 22).

31 December 2011

39. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	2011	2010	LBP Million
COMMERCIAL BANKS:			
- Current accounts	312,650	212,149	
- Time deposits	574,196	708,139	
- Term loans	246,291	266,930	
- Cash margins	232,659	101,355	
- Accrued interest payable	7,186	8,415	
	1,372,982	1,296,988	
FINANCIAL INSTITUTIONS:			
- Current accounts	1,999	2,640	
- Term loans	221,245	201,238	
- Time deposits	29,019	6,560	
- Accrued interest payable	2,669	2,122	
	254,932	212,560	
REGISTERED EXCHANGE COMPANIES:			
- Current accounts	160	813	
- Time deposits	2,223	2,424	
	2,383	3,237	
BROKERAGE INSTITUTIONS:			
- Current accounts	3,875	-	
- Time deposits	1,308		
	5,183	-	
Total	1,635,480	1,512,785	

40. CUSTOMERS' DEPOSITS AT AMORTIZED COST

	2011	2010	LBP Million
Current accounts	3,196,618	3,082,780	
Term deposits	15,002,062	13,856,849	
Cash margins	888,878	845,463	
Accrued interest payable	86,859	82,538	
	19,174,417	17,867,630	

Customers' deposits include coded deposit accounts amounting to LBP 52,216 million as of 31 December 2011 (2010: LBP 42,496 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

41. DEBT ISSUED AND OTHER BORROWED FUNDS

	Nominal value USD (000)	Maturity	Interest rate %	2011 LBP million	2010 LBP million
CERTIFICATES OF DEPOSIT					
Issue 2009 – First Series	101,150	31/03/2012	6.50	152,484	152,484
Issue 2009 – Second Series	40,450	31/03/2014	7.25	60,978	60,978
Accrued interest payable				39	39
				213,501	213,501
BONDS (*)					
Issue 2011	297,310	24/06/2021	7.00	448,174	-
Accrued interest payable				615	-
				448,789	-
				662,290	213,501
Interest and similar expense:					
- Certificates of deposit				14,332	14,329
- Equity-linked notes				-	2,483
- Bonds				16,307	-
				30,639	16,812

(*) The Bank has undertaken not to use any of the proceeds of the issue in Sudan, Syria or Democratic Republic of Congo.

The Bank shall pay interest on the bonds without deduction or withholding for taxes.

The bonds are redeemable, in whole or in part, at the option of the Bank at any time after the first anniversary of the issue date, in the event of changes in the Lebanese tax law that will result in taxes on interest on the bonds in excess of the current applicable tax rate of 10%.

42. OTHER LIABILITIES

LBP Million		2011	2010
Accrued expenses		28,823	41,961
Fixed-assets suppliers		10,211	10,032
Unearned commission and interest		2,010	2,847
Cash margins related to companies under establishment		10,104	2,709
Insurance premiums received in advance		2,178	2,170
Partial payments received from customers		4,512	5,395
Payables to the National Social Security Fund		1,692	1,636
Advance payments linked to assets taken in settlement of debt (note 36)		1,428	1,312
Current tax liability	(a)	47,669	44,526
Deferred tax liability	(b)	2,229	11,445
Other creditors		15,411	21,724
		126,267	145,757

(a) Current Tax Liability

	2011	2010	LBP Million
Income tax due (note 17)	32,176	32,516	
Withholding tax on salaries	2,237	2,632	
Withholding tax on interest earned by customers	7,322	5,274	
Value added tax	87	145	
Withholding tax on dividends	2,207	6	
Other taxes	3,640	3,953	
	47,669	44,526	

(b) Deferred Tax Liability

	2011	2010	LBP Million
At 1 January	11,445	15,485	
Effect of IFRS 9 early adoption	(8,878)	-	
Deferred tax on financial instruments at fair value through other comprehensive income	(318)	(4,225)	
Translation differences	(20)	185	
At 31 December	2,229	11,445	

43. PROVISIONS FOR RISKS AND CHARGES

		2011	2010	LBP Million
Technical reserves of insurance company		78,693	75,253	
Provision for employees' end-of-service benefits	(a)	37,133	30,922	
Other provisions	(b)	14,163	13,730	
		129,989	119,905	

(a) Movement in the provision for employees' for end-of-service benefits during the year was as follows:

	2011	2010	LBP Million
Balance at 1 January	30,922	28,276	
Provision constituted during the year (note 15)	7,577	4,456	
End-of-service benefits paid during the year	(1,366)	(1,810)	
Balance at 31 December	37,133	30,922	

(b) Movement in other provisions during the year was as follows:

	2011	2010	LBP Million
At 1 January	13,730	6,383	
Charge for the year	6,187	7,864	
Write-back during the year (note 12)	(2,124)	-	
Payments during the year	(2,850)	-	
Foreign exchange	(780)	(517)	
At 31 December	14,163	13,730	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

44. SUBORDINATED NOTES

LBP Million		2011	2010
Convertible subordinated notes	(a)	258,875	254,976
Subordinated notes	(b)	48,388	48,348
		307,263	303,324

(a) Convertible Subordinated Notes

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

Number of notes:	200
Note's issue price:	USD 1,000,000
Note's nominal value:	USD 1,000,000
Date of issue:	20 November 2007
Maturity:	30 November 2012, subject to the earlier conversion of these notes, in whole or in part, into Byblos Bank S.A.L. shares or GDRs at a price of USD 2.25 per share.
Interest rate:	Contractual interest rate of 6.5% payable semi-annually.
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 increases of the Bank in 2009 and 2010.

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

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

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 amounts to USD (000) 173,000 as of 31 December 2011 (2010: USD (000) 173,000).

31 December 2011

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

	2011		2010	
	LBP million	USD (000)	LBP million	USD (000)
Nominal value of the convertible notes	260,798	173,000	260,798	173,000
Equity component	(18,040)	(11,967)	(18,040)	(11,967)
Liability component	242,758	161,033	242,758	161,033
Add:				
- Accrued interest payable	1,931	1,281	1,931	1,281
- Amortization of discount	14,186	9,411	10,287	6,824
Amortized cost at 31 December	258,875	171,725	254,976	169,138

The equity component of the convertible subordinated notes is recorded in equity under "Non-distributable reserves (legal and obligatory)" (note 46).

(b) Subordinated Notes

	2011		2010	
	LBP million	USD (000)	LBP million	USD (000)
31,169 notes at USD 1,000 each maturing on 30 June 2012	46,988	31,169	46,988	31,169
Less: Issuing cost of USD (000) 836 to be amortized till maturity	(20)	(13)	(60)	(40)
Amortized cost	46,968	31,156	46,928	31,129
Add: yield payable	1,420	942	1,420	942
	48,388	32,098	48,348	32,071

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. The subordinated notes were listed on the Luxembourg Stock Exchange.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

45. SHARE CAPITAL

	2011			2010		
LBP Million	No. of shares	Share capital	Share premium	No. of shares	Share capital	Share premium
Ordinary shares						
- Common shares	565,515,040	684,273	229,014	359,491,317	434,984	229,014
- Priority shares	-	-	-	206,023,723	249,289	-
	565,515,040	684,273	229,014	565,515,040	684,273	229,014
Preferred shares						
- Series 2008	2,000,000	2,420	295,154	2,000,000	2,420	295,154
- Series 2009	2,000,000	2,420	288,704	2,000,000	2,420	286,302
	4,000,000	4,840	583,858	4,000,000	4,840	581,456

The capital of the Bank is divided into 569,515,040 shares of LBP 1,210, each fully paid (2010: 569,515,040 shares of LBP 1,210 each).

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 (LBP 2,638.125) per share 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 dividend 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. Accordingly, the conversion of the priority shares into common shares became effective on the same date of the Annual General Assembly meeting of Shareholders held on 5 May 2011 to approve the accounts of the Bank for the financial year ended 31 December 2010.

PREFERRED SHARES

i) 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:

31 December 2011

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 LBP 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 LBP 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.

ii) 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.
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 2011, the Bank transferred LBP 2,412 million from retained earnings to the share premium on Series 2009 Preferred Shares (2010: LBP 2,421 million) for the difference between the redemption price and the issue price.

LISTING OF SHARES

As of 31 December the Bank's common shares were listed as follows:

	Stock exchange	2011 No. of shares	2010 No. of shares
Ordinary shares	Beirut	500,804,990	500,707,990
Global Depository Receipts (*)	London SEAQ and Beirut	1,294,201	1,296,141
Preferred shares	Beirut	4,000,000	4,000,000

(*) Global Depository Receipts (GDRs) can be issued at a ratio of 50 common shares per one GDR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

46. ON DISTRIBUTABLE RESERVES (LEGAL AND OBLIGATORY)

LBP Million	Legal reserve	Reserves for capital increase	Equity component of convertible subordinated notes	Reserve for general banking risks	Other reserves	Total
Balance at 1 January 2011	143,741	40,135	18,040	113,209	81,401	396,526
Appropriation from retained earnings	28,509	5,301	-	25,400	13,056	72,266
Net gain on sale of treasury shares (note 49)	-	280	-	-	-	280
Balance at 31 December 2011	172,250	45,716	18,040	138,609	94,457	469,072
Balance at 1 January 2010	120,358	29,634	18,040	80,429	63,485	311,946
Appropriation from retained earnings	23,383	10,045	-	32,780	17,916	84,124
Net gain on sale of treasury shares (note 49)	-	456	-	-	-	456
Balance at 31 December 2010	143,741	40,135	18,040	113,209	81,401	396,526

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 2011, the Group appropriated LBP 28,509 million from 2010 profits to the legal reserve in accordance with the General Assembly of Shareholders' resolutions (2010: LBP 23,383 million).

RESERVES FOR CAPITAL INCREASE

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

LBP Million	2011	2010
Reserve equivalent to realized profit on sale of assets acquired in settlement of debt, in accordance with BCC Circular No. 173	17,508	13,595
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 BDL Circular No. 78 and BCC Memo 10/2008	8,346	6,958
Others	10,125	9,845
	45,716	40,135

31 December 2011

RESERVE FOR GENERAL BANKING RISKS

According to 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 Central 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 2011 from the profits of the year 2010 amounted to LBP 25,400 million (2010: LBP 32,780 million).

OTHER RESERVES

Other reserves consist of non-distributable reserves of subsidiaries appropriated from retained earnings as required by the laws applicable in the countries in which they operate. During 2011, the Group transferred an amount of LBP 13,056 million from retained earnings to other reserves (2010: LBP 17,916 million).

47. DISTRIBUTABLE FREE RESERVES

As of 31 December, distributable free reserves consist of the following:

	2011	2010	LBP Million
General reserves	73,705	73,705	
Other capital reserves	5,422	5,422	
	79,127	79,127	

GENERAL RESERVES

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

OTHER CAPITAL RESERVES

	2011	2010	LBP Million
Premium on capital increase of Byblos Bank Armenia C.J.S.C.	1,263	1,263	
Premium on capital increase of Byblos Bank Africa	4,765	4,765	
	6,028	6,028	
Less: translation difference	(606)	(606)	
	5,422	5,422	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

48. 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 common 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 notes.
Settlement:	At maturity, and at its discretion, the 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%.

During 2011, the Group accounted for LBP 450 million representing the 3% annual return on the notes (2010: LBP 213 million). In addition, the Group accounted for a liability relating to 6% bonus on the principal of the notes in the amount of LBP 300 million for the year ended 31 December 2011 (2010: LBP 125 million). Dividends paid to the holders of the notes amounted to LBP 1,049 million during 2011 (2010: nil).

49. TREASURY SHARES

Movement of treasury shares recognized in the statement of financial position for the years 2011 and 2010 was as follows:

Year ended 31 December 2011	Common shares		Priority shares	
	No. of shares	Amount LBP million	No. of shares	Amount LBP million
At 1 January 2011	5,807,785	15,887	113,401	302
Acquisitions of treasury shares	3,009,276	8,080	9,186,412	25,501
Sales of treasury shares	(828,124)	(2,225)	(7,953,871)	(22,069)
Conversion of priority shares into common shares	1,345,942	3,734	(1,345,942)	(3,734)
At 31 December 2011	9,334,879	25,476	-	-
Total treasury shares in LBP million				25,476

Year ended 31 December 2010	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)
Acquisitions of treasury shares	10,890,935	29,804	164,942	445
Sales 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

As of 31 December 2011, treasury shares include an amount of 5,520,000 common shares (2010: the same) held against other equity instruments (note 48).

During 2011, the Group transferred dividends paid on treasury shares amounting to LBP 630 million to retained earnings (2010: LBP 141 million). In addition, the Group realized a net gain on disposal of treasury shares amounting to LBP 280 million (2010: LBP 456 million).

As of 31 December treasury shares include outstanding common shares as follows:

	2011 No. of shares	2010 No. of shares
Ordinary shares	8,707,829	5,662,635
Global Depository Receipts	12,541	2,903

50. REVALUATION RESERVE OF REAL ESTATE

LBP Million

	2011	2010
Revaluation reserve accepted in Tier II capital	1,978	1,978
Revaluation reserve not accepted in Tier II capital	3,711	3,711
	5,689	5,689

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

51. CHANGE IN FAIR VALUE OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Movement of the change in fair value was as follows:

LBP Million	2011	2010
At 1 January	53,993	66,026
Effect of IFRS 9 early adoption	(72,065)	-
Balance at 1 January after early adoption of IFRS 9	(18,072)	66,026
Realized during the year	-	(25,077)
Net changes in fair values during the year	(3,718)	2,998
Amortization of unrealized losses related to securities transferred to the loans and receivables portfolio	-	6,006
Net changes in deferred taxes	1,379	4,225
Difference on exchange	(145)	(185)
Balance at 31 December	(20,556)	53,993

52. CASH AND CASH EQUIVALENTS

LBP Million	2011	2010
Cash and balances with central banks	3,065,906	2,032,058
Due from banks and financial institutions	4,233,447	3,579,099
	7,299,353	5,611,157
Less: Due to banks and financial institutions	(1,143,305)	(867,302)
Less: Due to central banks	(5,930)	(8,487)
Cash and cash equivalents at 31 December	6,150,118	4,735,368

53. 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.

31 December 2011

LBP Million	2011 Major shareholders	2011 Other related parties	2011 Total	2010 Major shareholders	2010 Other related parties	2010 Total
Net loans and advances	10,796	2,610	13,406	10,957	983	11,940
Deposits	151,991	-	151,991	112,396	-	112,396
Other credit balances	215	-	215	764	-	764
Interest income on loans and advances	462	120	582	488	82	570
Interest expense on deposits	6,586	-	6,586	8,386	-	8,386

Related parties are granted indirect facilities with an outstanding balance amounting to LBP 1,358 million at year-end (2010: LBP 1,995 million).

Undrawn commitments to lend related parties amounted to LBP 7,218 million at year-end (2010: LBP 7,057 million).

The above related party advances are guaranteed by cash collaterals amounting to LBP million 8,687 at year-end (2010: LBP million 8,344).

Net loans and advances granted to senior management amounted to LBP 3,197 million as of 31 December 2011 (2010: LBP 2,027 million). The related interest income amounted to LBP 143 million for the year ended 31 December 2011 (2010: LBP 84 million). These advances are secured by cash collaterals amounting to LBP 819 million at 31 December 2011 (2010: LBP 991 million).

COMPENSATION OF THE KEY MANAGEMENT PERSONNEL OF THE GROUP

LBP Million	2011 Chairman and board members	2011 Senior management	2011 Total	2010 Chairman and board members	2010 Senior management	2010 Total
Salaries and allowances	3,480	6,959	10,439	3,026	6,697	9,723
Bonuses	8,042	2,949	10,991	6,391	3,286	9,677
Attendance fees	829	-	829	787	-	787

54. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

54. CONTINGENT LIABILITIES, COMMITMENTS AND LEASING ARRANGEMENTS (continued)

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 10 years.

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

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

LBP Million	2011	2010
Within one year	3,773	3,009
After one year but not more than five years	11,394	11,922
More than five years	18,929	16,091
	34,096	31,022

OTHER CONTINGENCIES
The Bank's books and records have been reviewed by Department of Income Tax for the years 2006 and 2007. On 20 February 2012, the Department of Income Tax issued its review report, whereby it charged the Bank with additional taxes and penalties amounting to LBP 1.2 billion, which were fully paid during 2012. In addition, the Bank's books and records for the years 2008 to 2011 inclusive have not been reviewed by the Department of Income Tax. The ultimate outcome of any potential review that may take place cannot be presently determined.

The subsidiaries' books and records are subject to review by the tax and social security authorities. The ultimate outcome of any review that might take place cannot be presently determined.

CONTINGENT LIABILITIES
During 2011, Syria, one of the significant credit markets of the Group, witnessed a period of political and civil unrest together with adverse events which can affect the economic environment of future periods. As part of its collective provisioning process, management performed a stress test on the loan portfolio exposed to the Syrian market risks and, as a result, the necessary provisions were booked. The Group's management continues to monitor its loan portfolio and evaluate the impact of these events during 2012.

55. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 market data, 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.

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

LBP Million

2011	Level 1	Level 2	Total
FINANCIAL ASSETS			
Derivative financial instruments:			
Currency swaps	-	891	891
Forward foreign exchange contracts	-	4,465	4,465
	-	5,356	5,356
Equity instruments at fair value through profit or loss	26,603	-	26,603
Debt instruments and other financial assets at fair value through profit or loss:			
Lebanese Treasury Bills and other governmental bills	141,874	55,710	197,584
Certificates of deposit	-	11,078	11,078
Bonds and financial assets with fixed income	19,944	-	19,944
Equity instruments at fair value through other comprehensive income	39,927	37,040	76,967
	228,348	103,828	332,176
	228,348	109,184	337,532
FINANCIAL LIABILITIES			
Derivative financial instruments:			
Currency swaps	-	2,201	2,201
Forward foreign exchange contracts	-	5,146	5,146
	-	7,347	7,347

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

55. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

2010 LBP Million	Level 1	Level 2	Level 3	Total
FINANCIAL ASSETS				
Derivative financial instruments:				
Currency swaps	-	129	-	129
Forward foreign exchange contracts	-	1,333	-	1,333
	-	1,462	-	1,462
Financial assets held for trading:				
Lebanese Treasury Bills and other governmental 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
Available-for-sale financial instruments:				
Lebanese Treasury Bills and other governmental bills	484,008	986,954	-	1,470,962
Bonds and financial assets with fixed income	250,721	69,804	-	320,525
Shares, securities and financial assets with variable income	50,371	33,953	-	84,324
	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

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 and forward foreign exchange contracts. 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 – at fair value through other comprehensive income

These assets are valued using models that use both observable and non-observable 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.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss valued using a valuation technique consists of certain debt securities and asset-backed securities. The Group values the securities using discounted cash flow valuation models which incorporate observable and non-observable data. Observable inputs include assumptions regarding current rates of interest and broker statements. Non-observable inputs include assumptions regarding expected future default rates, prepayment rates and market liquidity discounts.

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Movement of Level 3 financial instruments measured at fair value:

	Bonds and financial assets with fixed income		
	2011	2010	LBP Million
Balance at 1 January	7,895	7,188	
Gains and losses recorded in the consolidated income statement	(395)	707	
Sales	(7,500)	-	
Balance at 31 December	**-**	**7,895**	

There were no transfers between levels during 2011 (2010: the same).

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.

	2011		2010	
LBP Million	Fair value	Carrying value	Fair value	Carrying value
FINANCIAL ASSETS				
Cash and balances with central banks	4,282,468	4,282,468	2,748,642	2,748,642
Due from banks and financial institutions	4,332,255	4,330,842	3,902,884	3,899,011
Loans to banks and financial institutions and reverse repurchase agreements	667,496	667,488	-	-
Financial assets given as collateral	9,100	8,920	9,075	8,918
Net loans and advances to customers and related parties at amortized cost	6,037,994	6,042,320	5,720,953	5,685,240
Debt instruments at amortized cost	8,981,685	8,607,301	-	-
Other financial assets classified as loans and receivables	-	-	7,951,106	7,490,856
Held-to-maturity financial instruments	-	-	447,820	428,698
FINANCIAL LIABILITIES				
Due to central banks	15,670	15,670	19,492	19,492
Due to banks and financial institutions	1,636,083	1,635,480	1,513,981	1,512,785
Customers' and related parties' deposits at amortized cost	19,392,562	19,326,408	18,021,648	17,980,026
Debt issued and other borrowed funds	665,879	662,290	213,501	213,501
Subordinated notes	313,940	307,263	320,436	303,324

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 and Liabilities 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT

The Group Risk Management (GRM) Division was established as a function handling the measurement and management of 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

The Group's risk management process 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 1 risks.

As for addressing the capital management issue in the context of Basel II, the Group has developed in 2011 a comprehensive Internal Capital Adequacy Assessment Process (ICAAP), disclosing the risk appetite statement and covering 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. Risk management 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 levels and that the rewards compensate for the risks taken.

Analytical level, which consists of the 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 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.

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The GRM Division has a direct reporting line to the Chairman/Board of Directors and is independent of 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. In this respect, it is assisted by the Board Risk, Anti-Money Laundering and Compliance Committee, which is responsible for implementing the risk principles, including approval of core credit policies and for managing the risk profile of the Group.

RISK GOVERNANCE

The Group currently has four senior management committees dealing with risk-related issues: the Risk Management Committee (RMC), the Assets and Liabilities Management Committee (ALCO), the Operational Risk and Information Security Committee (ORISC), and the Anti-Money Laundering Committee (AML). 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 liquidity and interest rates, ensure compliance with regulatory ratios, manage market risk and manage capital efficiently. The ORISC is entrusted with the responsibility of managing the operational risks of the Group and alignment of the security program with organizational objectives. The AML ensures that the Group is in compliance with anti-money laundering laws, and internal and regulatory requirements.

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, 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 doubtful and bad loans (respective 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 Analyst (RATM) to classify its commercial loan portfolio according to credit risks. RATM is used to classify borrowers, whether corporate or small and medium enterprises, in Lebanon and abroad. The corporate portfolio includes companies with a yearly turnover exceeding USD 5 million operating in different industries.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
CREDIT RISK (continued)

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.

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

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's 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 2011 was LBP 197,603 million (2010: LBP 197,975 million) before taking account of collateral or other credit enhancements and LBP 8,722 million (2010: nil) net of such protection.

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.

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GEOGRAPHIC ANALYSIS

2011	Lebanon	Other countries	Total
			LBP Million
Balances with central banks	3,635,462	435,480	4,070,942
Due from banks and financial institutions	242,047	4,088,795	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	82,523	584,965	667,488
Financial assets given as collateral	8,920	-	8,920
Derivative financial instruments	2,521	2,835	5,356
Debt instruments and other financial assets at fair value through profit or loss:			
Lebanese Treasury Bills and other governmental bills	197,584	-	197,584
Certificates of deposit	11,078	-	11,078
Bonds and financial assets with fixed income	153	19,791	19,944
Net loans and advances to customers and related parties at amortized cost	4,430,156	1,612,164	6,042,320
Debtors by acceptances	179,815	152,006	331,821
Debt instruments at amortized cost:			
Lebanese Treasury Bills and other governmental bills	3,262,691	169,975	3,432,666
Certificates of deposit	4,267,294	232,750	4,500,044
Bonds and financial assets with fixed income	118,551	556,040	674,591
	16,438,795	7,854,801	24,293,596

2010	Lebanon	Other countries	Total
			LBP Million
Balances with central banks	2,130,818	466,679	2,597,497
Due from banks and financial institutions	60,507	3,838,504	3,899,011
Financial assets given as collateral	8,918	-	8,918
Derivative financial instruments	1,056	406	1,462
Financial assets held for trading:			
Lebanese Treasury Bills and other governmental bills	127,743	17,542	145,285
Bonds and financial assets with fixed income	2,532	31,676	34,208
Net loans and advances to customers and related parties at amortized cost	3,848,263	1,836,977	5,685,240
Debtors by acceptances	156,072	135,762	291,834
Available-for-sale financial instruments:			
Lebanese Treasury Bills and other governmental bills	1,362,277	108,685	1,470,962
Bonds and financial assets with fixed income	8,317	312,208	320,525
Other financial assets classified as loans and receivables:			
Lebanese Treasury Bills and other governmental bills	2,232,844	-	2,232,844
Certificates of deposit	4,448,481	22,670	4,471,151
Bonds and financial assets with fixed income	118,269	38,596	156,865
Loans to banks and financial institutions	9,952	361,192	371,144
Discounted acceptances	17,492	241,360	258,852
Held-to-maturity financial instruments:			
Lebanese Treasury Bills and other governmental bills	309,938	78,571	388,509
Bonds and financial assets with fixed income	469	39,720	40,189
	14,843,948	7,530,548	22,374,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
CREDIT RISK (continued)

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

2011 LBP Million	Commercial	Industrial	Agriculture
Balances with central banks	-	-	-
Due from banks and financial institutions	-	-	-
Loans to banks and financial institutions and reverse repurchase agreements	-	-	-
Financial assets given as collateral	-	-	-
Derivative financial instruments	-	-	-
Debt instruments and other financial assets at fair value through profit or loss:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Certificates of deposit	-	-	-
Bonds and financial assets with fixed income	-	-	-
Net loans and advances to customers and related parties at amortized cost:	1,494,426	1,145,027	97,413
Debtors by acceptances	331,821	-	-
Debt instruments at amortized cost:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Certificates of deposit	-	-	-
Bonds and financial assets with fixed income	-	-	-
	1,826,247	1,145,027	97,413

2010 LBP Million	Commercial	Industrial	Agriculture
Balances with central banks	-	-	-
Due from banks and financial institutions	-	-	-
Financial assets given as collateral	-	-	-
Derivative financial instruments	-	-	-
Financial assets held for trading:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Bonds and financial assets with fixed income	-	-	-
Net loans and advances to customers and related parties at amortized cost:	1,622,004	1,101,532	70,039
Debtors by acceptances	291,834	-	-
Available-for-sale financial instruments:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Bonds and financial assets with fixed income	-	-	-
Other financial assets classified as loans and receivables:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Certificates of deposit	-	-	-
Bonds and financial assets with fixed income	-	-	-
Loans to banks and financial institutions	-	-	-
Discounted acceptances	-	-	-
Held-to-maturity financial instruments:			
Lebanese Treasury Bills and other governmental bills	-	-	-
Bonds and financial assets with fixed income	-	-	-
	1,913,838	1,101,532	70,039

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Services	Banks and other financial institutions	Construction	Retail	Government	Other	Total
-	-	-	-	4,070,942	-	4,070,942
-	4,330,842	-	-	-	-	4,330,842
-	612,960	-	-	54,528	-	667,488
-	-	-	-	8,920	-	8,920
-	5,356	-	-	-	-	5,356
-	-	-	-	197,584	-	197,584
-	-	-	-	11,078	-	11,078
-	19,944	-	-	-	-	19,944
887,240	-	624,890	1,674,918	-	118,406	6,042,320
-	-	-	-	-	-	331,821
-	-	-	-	3,432,666	-	3,432,666
-	240,084	-	-	4,259,960	-	4,500,044
-	674,591	-	-	-	-	674,591
887,240	5,883,777	624,890	1,674,918	12,035,678	118,406	24,293,596

Services	Banks and other financial institutions	Construction	Retail	Government	Other	Total
-	-	-	-	2,597,497	-	2,597,497
-	3,899,011	-	-	-	-	3,899,011
-	-	-	-	8,918	-	8,918
-	1,462	-	-	-	-	1,462
-	-	-	-	145,285	-	145,285
-	34,208	-	-	-	-	34,208
791,379	-	577,582	1,408,749	-	113,955	5,685,240
-	-	-	-	-	-	291,834
					-	
-	-	-	-	1,470,962	-	1,470,962
-	320,525	-	-	-	-	320,525
-	-	-	-	2,232,844	-	2,232,844
-	22,669	-	-	4,448,482	-	4,471,151
-	156,865	-	-	-	-	156,865
-	371,144	-	-	-	-	371,144
-	258,852	-	-	-	-	258,852
-	-	-	-	388,509	-	388,509
-	40,189	-	-	-	-	40,189
791,379	5,104,925	577,582	1,408,749	11,292,497	113,955	22,374,496

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
CREDIT RISK (continued)

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 and personal guarantees for loans to companies owned by individuals.

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.

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.

2011	Neither past due nor impaired				
LBP Million	High grade	Standard grade	Past due but not impaired	Past due and impaired	Total
Balances with central banks	4,070,748	194	-	-	4,070,942
Due from banks and financial institutions	3,715,619	615,223	-	6,356	4,337,198
Loans to banks and financial institutions and reverse repurchase agreements	69,721	597,767	-	-	667,488
Financial assets given as collateral	8,920	-	-	-	8,920
Derivative financial instruments	5,356	-	-	-	5,356
Debt instruments and other financial assets at fair value through profit or loss:					
Lebanese Treasury Bills and other governmental bills	197,584	-	-	-	197,584
Certificates of deposit	11,078	-	-	-	11,078
Bonds and financial assets with fixed income	9,138	10,806	-	-	19,944
Net loans and advances to customers at amortized cost:					
Commercial loans	3,321,783	958,636	100,098	174,568	4,555,085
Consumer loans	1,551,015	22,281	129,254	27,812	1,730,362
Net loans and advances to related parties at amortized cost	13,406	-	-	-	13,406
Debtors by acceptances	331,821	-	-	-	331,821
Debt instruments at amortized cost:					
Lebanese Treasury Bills and other governmental bills	3,384,317	55,745	-	23,861	3,463,923
Certificates of deposit	4,487,572	12,472	-	-	4,500,044
Bonds and financial assets with fixed income	596,797	88,573	-	-	685,370
	21,774,875	2,361,697	229,352	232,597	24,598,521

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2010 LBP Million	Neither past due nor impaired High grade	 Standard grade	Past due but not impaired	Past due and impaired	Total
Balances with central banks	2,545,441	52,056	-	-	2,597,497
Due from banks and financial institutions	3,508,376	390,635	-	12,986	3,911,997
Financial assets given as collateral	8,918	-	-	-	8,918
Derivative financial instruments	1,462	-	-	-	1,462
Financial assets held for trading:					
Lebanese Treasury Bills and other governmental bills	129,322	3,145	-	12,818	145,285
Bonds and financial assets with fixed income	24,706	9,502	-	-	34,208
Net loans and advances to customers at amortized cost:					
Commercial loans	4,086,119	164,107	58,234	124,255	4,432,715
Consumer loans	1,306,200	6,063	114,193	20,330	1,446,786
Net loans and advances to related parties at amortized cost	11,940	-	-	-	11,940
Debtors by acceptances	291,834	-	-	-	291,834
Available-for-sale financial instruments:					
Lebanese Treasury Bills and other governmental bills	1,414,593	56,369	-	-	1,470,962
Bonds and financial assets with fixed income	280,831	39,694	-	-	320,525
Other financial assets classified as loans and receivables:					
Lebanese Treasury Bills and other governmental bills	2,243,591	-	-	-	2,243,591
Certificates of deposit	4,471,151	-	-	-	4,471,151
Bonds and financial assets with fixed income	121,778	37,299	-	-	159,077
Loans to banks and financial institutions	10,740	360,404	-	-	371,144
Discounted acceptances	9,636	249,216	-	-	258,852
Held-to-maturity financial instruments:					
Lebanese Treasury Bills and other governmental bills	388,739	-	-	-	388,739
Bonds and financial assets with fixed income	14,901	28,780	-	-	43,681
	20,870,278	1,397,270	172,427	170,389	22,610,364

Standards & Poor's agency rated the Lebanese Government risks "B" as at 31 December 2011 (2010: "B").

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

2011 LBP Million	Less than 90 days	91 to 180 days	More than 181 days	Total
Loans and advances to customers at amortized cost:				
- Commercial loans	72,782	21,450	5,866	100,098
- Consumer loans	113,973	4,096	11,185	129,254
	186,755	25,546	17,051	229,352

2010 LBP Million	Less than 90 days	91 to 180 days	More than 181 days	Total
Loans and advances to customers at amortized cost:				
- Commercial loans	28,714	18,172	11,348	58,234
- Consumer loans	89,374	9,638	15,181	114,193
	118,088	27,810	26,529	172,427

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
CREDIT RISK (continued)

At 31 December 2011 the fair value of collateral that the Group holds relating to loans individually determined to be impaired amounts to LBP 73,365 million (2010: LBP 62,457 million). The collateral consists of cash, securities, letters of guarantee and properties.

See note 27 for more detailed information on the allowance for impairment losses on loans and advances to customers.

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

LBP Million	2011	2010
Loans and advances to customers	2,495	4,893

Collateral Repossessed
During the year, the Group took possession of real-estate properties with a carrying value of LBP 829 million at the statement of financial position date, which the Group is in the process of selling (2010: LBP 5,389 million).

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 debt instruments at amortized cost that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans and advances and debt instruments at amortized cost that have been assessed individually and found not to be impaired.

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

LBP Million

	2011	2010
Financing commitments given to banks and financial institutions	552,339	933,859
Financing commitments given to customers	523,392	581,876
Guarantees given to banks and financial institutions	423,451	401,244
Guarantees given to customers	1,036,243	1,001,197
Undrawn commitments to lend	1,434,194	1,514,547
	3,969,619	4,432,723

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)

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 obligatory reserves with the Central Bank of Lebanon calculated on the basis of 25% of the sight deposits and 15% of term deposits denominated in Lebanese Pounds, in addition to interest-bearing placements equivalent to 15% of all deposits in foreign currencies 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 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.

ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES BY REMAINING CONTRACTUAL MATURITIES

The table below summarizes the maturity profile of the Group's financial assets and liabilities at 31 December 2011 and 2010 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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2011 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with central banks	2,387,747	726,117	33,671	971,161	645,638	4,764,334
Due from banks and financial institutions	4,182,441	55,452	81,724	17,866	203	4,337,686
Loans to banks and financial institutions and reverse repurchase agreements	165,088	238,320	264,046	6,868	833	675,155
Financial assets given as collateral	-	-	704	9,766	-	10,470
Derivative financial instruments	2,758	2,158	440	-	-	5,356
Equity instruments at fair value through profit or loss	-	-	-	-	26,603	26,603
Debt instruments and other financial assets at fair value through profit or loss	14	3,755	33,342	119,909	164,536	321,556
Net loans and advances to customers and related parties at amortized cost	2,313,060	548,778	1,021,977	1,731,471	655,723	6,271,009
Debtors by acceptances	170,370	106,615	54,836	-	-	331,821
Debt instruments at amortized cost	489,782	531,041	1,386,646	5,887,306	2,182,437	10,477,212
Equity instruments at fair value through other comprehensive income	-	-	-	-	76,967	76,967
Total undiscounted financial assets	9,711,260	2,212,236	2,877,386	8,744,347	3,752,940	27,298,169
FINANCIAL LIABILITIES						
Due to central banks	5,943	1	669	9,881	-	16,494
Due to banks and financial institutions	1,042,837	106,718	128,955	293,621	145,595	1,717,726
Derivative financial instruments	4,333	2,624	390	-	-	7,347
Customers' and related parties' deposits at amortized cost	13,361,332	2,219,087	3,103,704	859,811	17,295	19,561,229
Debt issued and other borrowed funds	616	156,075	34,988	193,119	594,709	979,507
Engagements by acceptances	170,370	106,615	54,836	-	-	331,821
Subordinated notes	1,410	1,069	323,839	-	-	326,318
Total undiscounted financial liabilities	14,586,841	2,592,189	3,647,381	1,356,432	757,599	22,940,442
Net undiscounted financial assets/(liabilities)	(4,875,581)	(379,953)	(769,995)	7,387,915	2,995,341	4,357,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)

LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

2010 LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS						
Cash and balances with central banks	2,032,669	-	6,410	726,221	12,989	2,778,289
Due from banks and financial institutions and reverse repurchase agreements	3,214,661	364,934	273,997	49,905	165	3,903,662
Financial assets given as collateral	-	-	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 at amortized cost	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	822,884	120,623	152,270	277,587	228,585	1,601,949
Derivative financial instruments	3,717	448	185	-	-	4,350
Customers' and related parties' deposits at amortized cost	12,570,333	2,228,393	2,704,442	657,333	19,126	18,179,627
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
Subordinated notes	-	12	11,428	306,269	-	317,709
Total undiscounted financial liabilities	13,502,287	2,457,517	2,960,882	1,486,346	249,312	20,656,344
Net undiscounted financial assets/(liabilities)	(5,790,712)	(551,852)	659,579	7,362,031	3,069,788	4,748,834

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

2011 LBP Million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financing commitments and guarantees	123,450	552,582	1,333,864	369,133	156,396	2,535,425
Undrawn commitments to lend	1,434,194	-	-	-	-	1,434,194
	1,557,644	552,582	1,333,864	369,133	156,396	3,969,619

2010 LBP Million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Financing commitments and guarantees	93,795	417,250	1,768,986	637,864	281	2,918,176
Undrawn commitments to lend	1,514,547	-	-	-	-	1,514,547
	1,608,342	417,250	1,768,986	637,864	281	4,432,723

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

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MATURITIES 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.

2011	Less than 12 months				Over 12 months			
LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	Total	1 to 5 years	Over 5 years	Total	Total
ASSETS								
Cash and balances with central banks	2,370,988	694,918	-	3,065,906	716,063	500,499	1,216,562	4,282,468
Due from banks and financial institutions	4,178,748	54,699	79,866	4,313,313	17,326	203	17,529	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	164,017	236,180	260,385	660,582	6,106	800	6,906	667,488
Financial assets given as collateral	-	-	106	106	8,814	-	8,814	8,920
Derivative financial instruments	2,758	2,158	440	5,356	-	-	-	5,356
Equity instruments at fair value through profit or loss	-	-	-	-	-	26,603	26,603	26,603
Debt instruments and other financial assets at fair value through profit or loss	6	1,508	21,050	22,564	76,496	129,546	206,042	228,606
Net loans and advances to customers and related parties	2,316,123	527,596	956,255	3,799,974	1,605,688	636,658	2,242,346	6,042,320
Debtors by acceptances	170,370	106,615	54,836	331,821	-	-	-	331,821
Debt instruments at amortized cost	425,109	452,617	937,451	1,815,177	4,832,423	1,959,701	6,792,124	8,607,301
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	76,967	76,967	76,967
Property and equipment	-	-	-	-	-	301,066	301,066	301,066
Intangible assets	-	-	-	-	-	1,129	1,129	1,129
Assets taken in settlement of debt	-	-	-	-	-	35,452	35,452	35,452
Other assets	6,084	95	22,207	28,386	-	52,588	52,588	80,974
TOTAL ASSETS	9,634,203	2,076,386	2,332,596	14,043,185	7,262,916	3,721,212	10,984,128	25,027,313
LIABILITIES								
Due to central banks	5,929	-	423	6,352	9,318	-	9,318	15,670
Due to banks and financial institutions	1,038,122	105,183	115,392	1,258,697	247,661	129,122	376,783	1,635,480
Derivative financial instruments	4,333	2,624	390	7,347	-	-	-	7,347
Customers' and related parties' deposits at amortized cost	13,337,311	2,196,807	2,984,528	18,518,646	797,651	10,111	807,762	19,326,408
Debt issued and other borrowed funds	616	152,502	-	153,118	60,978	448,194	509,172	662,290
Engagements by acceptances	170,370	106,615	54,836	331,821	-	-	-	331,821
Other liabilities	47,093	10,104	66,752	123,949	-	2,318	2,318	126,267
Provisions for risks and charges	-	-	-	-	-	129,989	129,989	129,989
Subordinated notes	1,410	11	305,842	307,263	-	-	-	307,263
TOTAL LIABILITIES	14,605,184	2,573,846	3,528,163	20,707,193	1,115,608	719,734	1,835,342	22,542,535
Net liquidity gap	(4,970,981)	(497,460)	(1,195,567)	(6,664,008)	6,147,308	3,001,478	9,148,786	2,484,778

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)

LIQUIDITY RISK AND FUNDING MANAGEMENT (continued)

2010	Less than 12 months				Over 12 months			
LBP Million	Up to 1 month	1 to 3 months	3 months to 1 year	Total	1 to 5 years	Over 5 years	Total	Total
ASSETS								
Cash and balances with central banks	2,032,058	-	-	2,032,058	716,063	521	716,584	2,748,642
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	-	-	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	251,652	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
Assets taken in settlement of debt	-	-	-	-	-	39,092	39,092	39,092
Other assets	23,147	1,672	1,584	26,403	911	62,232	63,143	89,546
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	818,175	120,566	151,587	1,090,328	250,591	171,866	422,457	1,512,785
Derivative financial instruments	3,717	448	185	4,350	-	-	-	4,350
Customers' and related parties' deposits at amortized cost	12,547,461	2,205,037	2,642,483	17,394,981	581,580	3,465	585,045	17,980,026
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
Other liabilities	71,541	6,620	52,217	130,378	7,090	8,289	15,379	145,757
Provisions for risks and charges	-	-	-	-	-	119,905	119,905	119,905
Subordinated notes	-	12	3,340	3,352	299,972	-	299,972	303,324
Total liabilities	13,546,247	2,437,043	2,931,606	18,914,896	1,371,166	304,912	1,676,078	20,590,974
Net liquidity gap	(5,877,107)	(671,385)	83,227	(6,465,265)	5,914,230	3,007,453	8,921,683	2,456,418

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

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-financial-position 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 increases 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 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 financial assets available for sale (applicable prior to 1 January 2011) and swaps designated as cash flow hedges at year-end for the effects of the assumed changes in interest rates. The total sensitivity of equity is based on the assumption that there are parallel shifts in the yield curve.

LBP Million		2011			2010
Currency	Increase in interest rate	Net effect on interest income	Net effect on shareholders' equity	Net effect on interest income	Net effect on shareholders' equity
LBP	+0.5%	(18,679)	-	(19,920)	77,567
USD	+0.5%	(1,178)	-	(2,306)	45,305
Euro	+0.5%	867	-	299	1,741
GBP	+0.5%	27	-	(30)	23
Other	+0.5%	(2,642)	-	(3,949)	(3,267)
		(21,605)	-	(25,906)	121,369

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
MARKET RISK (continued)

The Group's interest sensitivity position based on the earlier of contractual repricing or maturity date at 31 December 2011 was as follows:

2011 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	2,284,562	670,838	-	716,063	500,499	110,506	4,282,468
Due from banks and financial institutions	4,175,623	61,760	73,070	17,326	203	2,860	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	298,964	189,577	170,745	6,000	800	1,402	667,488
Financial assets given as collateral	-	-	-	8,814	-	106	8,920
Derivative financial instruments	-	-	-	-	-	5,356	5,356
Equity instruments at fair value through profit or loss	-	-	-	-	-	26,603	26,603
Debt instruments and other financial assets at fair value through profit or loss	-	-	19,713	76,496	129,490	2,907	228,606
Net loans and advances to customers and related parties	2,953,507	1,150,399	1,484,140	473,899	53,859	(73,484)	6,042,320
Debtors by acceptances	-	-	-	-	-	331,821	331,821
Debt instruments at amortized cost	378,243	441,459	864,625	4,828,296	1,968,778	125,900	8,607,301
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	76,967	76,967
Total	10,090,899	2,514,033	2,612,293	6,126,894	2,653,629	610,944	24,608,692
LIABILITIES							
Due to central banks	5,333	-	379	9,318	-	640	15,670
Due to banks and financial institutions	964,870	263,387	169,429	175,133	53,157	9,504	1,635,480
Derivative financial instruments	1,953	2,624	390	-	-	2,380	7,347
Customers' and related parties' deposits	13,221,286	2,178,276	3,030,298	796,592	10,044	89,912	19,326,408
Debt issued and other borrowed funds	-	152,484	-	60,978	448,194	634	662,290
Engagements by acceptances	-	-	-	-	-	331,821	331,821
Subordinated notes	-	-	303,911	-	-	3,352	307,263
Total	14,193,442	2,596,771	3,504,407	1,042,021	511,395	438,243	22,286,279
Total interest sensitivity gap	(4,102,543)	(82,738)	(892,114)	5,084,873	2,142,234	172,701	2,322,413

31 December 2011

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 the central banks	1,002,813	-	-	716,063	-	1,029,766	2,748,642
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	-	-	-	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
Total	6,989,195	1,709,392	3,225,771	6,669,668	2,502,136	1,540,250	22,636,412
LIABILITIES							
Due to central banks	4,184	4,303	9,909	1,053	-	43	19,492
Due to banks and financial institutions	1,039,514	215,509	221,039	26,750	378	9,595	1,512,785
Derivative financial instruments	-	-	-	-	-	4,350	4,350
Customers' and related parties' deposits at amortized cost	12,474,221	2,207,698	2,635,408	575,968	3,465	83,266	17,980,026
Debt issued and other borrowed funds	-	-	-	213,462	-	39	213,501
Engagement by acceptances	-	-	-	-	-	291,834	291,834
Subordinated notes	-	-	1,410	299,972	-	1,942	303,324
Total	13,517,919	2,427,510	2,867,766	1,117,205	3,843	391,069	20,325,312
Total interest rate sensitivity gap	(6,528,724)	(718,118)	358,005	5,552,463	2,498,293	1,149,181	2,311,100

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
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 Central 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 (Central Bank of Lebanon Circular No. 32).

The 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 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 Pounds, with all other variables held constant, first on the income statement (due to the potential change in fair value of currency sensitive monetary assets and liabilities). There is no impact on equity. A negative amount reflects a potential net reduction in income, while a positive amount reflects a net potential increase.

Currency	Change in currency rate %	2011 Effect on profit before tax LBP million	2010 Effect on profit before tax LBP million
US Dollar	+5	510	107
Euro	+5	23	461
GBP	+5	2	-
SDG	+5	2	-
Other currencies	+5	4,927	594

31 December 2011

The following consolidated statement of financial position as of 31 December 2011 is detailed in Lebanese Pounds (LBP) and foreign currencies, translated into LBP.

2011 LBP Million	Local currencies	Foreign currencies	Total
ASSETS			
Cash and balances with central banks	1,449,868	2,832,600	4,282,468
Due from banks and financial institutions	15,383	4,315,459	4,330,842
Loans to banks and financial institutions and reverse repurchase agreements	8,406	659,082	667,488
Financial assets given as collateral	8,920	-	8,920
Derivative financial instruments	3,549	1,807	5,356
Equity instruments at fair value through profit or loss	-	26,603	26,603
Debt instruments and other financial assets at fair value through profit or loss	66,789	161,817	228,606
Net loans and advances to customers at amortized cost	1,228,032	4,800,882	6,028,914
Net loans and advances to related parties at amortized cost	-	13,406	13,406
Debtors by acceptances	-	331,821	331,821
Debt instruments at amortized cost	5,514,183	3,093,118	8,607,301
Equity instruments at fair value through other comprehensive income	20,417	56,550	76,967
Property and equipment	185,886	115,180	301,066
Intangible assets	1,129	-	1,129
Assets taken in settlement of debt	(9,287)	44,739	35,452
Other assets	35,925	45,049	80,974
TOTAL ASSETS	8,529,200	16,498,113	25,027,313
LIABILITIES AND EQUITY			
Due to central banks	8,857	6,813	15,670
Due to banks and financial institutions	14,429	1,621,051	1,635,480
Derivative financial instruments	4,967	2,380	7,347
Customers' deposits at amortized cost	7,384,770	11,789,647	19,174,417
Related parties deposits at amortized cost	85,595	66,396	151,991
Debt issued and other borrowed funds	-	662,290	662,290
Engagement by acceptances	-	331,821	331,821
Other liabilities	64,112	62,155	126,267
Provisions for risks and charges	113,679	16,310	129,989
Subordinated notes	(20)	307,283	307,263
TOTAL LIABILITIES	7,676,389	14,866,146	22,542,535
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	684,273	-	684,273
Share capital – preferred shares	4,840	-	4,840
Share premium – common shares	-	229,014	229,014
Share premium – preferred shares	-	583,858	583,858
Non-distributable reserves (legal and obligatory)	325,391	143,681	469,072
Distributable free reserves	73,705	5,422	79,127
Other equity instruments	-	14,979	14,979
Treasury shares	-	(25,476)	(25,476)
Retained earnings	10,758	54,456	65,214
Revaluation reserve of real estate	5,689	-	5,689
Change in fair value of financial instruments at fair value through other comprehensive income	11,810	(32,366)	(20,556)
Net results of the financial period – profit	220,657	39,237	259,894
Foreign currency translation reserves	-	(31,329)	(31,329)
NON-CONTROLLING INTEREST	13,475	152,704	166,179
TOTAL EQUITY	1,350,598	1,134,180	2,484,778
TOTAL LIABILITIES AND EQUITY	9,026,987	16,000,326	25,027,313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

56. RISK MANAGEMENT (continued)
MARKET RISK (continued)

The following consolidated statement of financial position as of 31 December 2010 is detailed in Lebanese Pounds (LBP) and foreign currencies, translated into LBP.

2010 LBP Million	In local currencies	In foreign currencies	Total
ASSETS			
Cash and balances with central banks	654,572	2,094,070	2,748,642
Due from banks and financial institutions	11,799	3,887,212	3,899,011
Financial assets given as collateral	8,918	-	8,918
Derivative financial instruments	1,055	407	1,462
Financial assets held for trading	5,251	200,689	205,940
Net loans and advances to customers at amortized cost	925,515	4,747,785	5,673,300
Net loans and advances to related parties at amortized cost	-	11,940	11,940
Debtors by acceptances	-	291,834	291,834
Available-for-sale financial instruments	1,027,201	848,610	1,875,811
Other financial assets classified as loans and receivables	5,489,861	2,000,995	7,490,856
Held-to-maturity financial instruments	155,452	273,246	428,698
Property and equipment	163,043	118,260	281,303
Intangible assets	1,039	-	1,039
Assets taken in settlement of debt	(10,257)	49,349	39,092
Other assets	55,367	34,179	89,546
TOTAL ASSETS	8,488,816	14,558,576	23,047,392
LIABILITIES AND EQUITY			
Due to central banks	8,857	10,635	19,492
Due to banks and financial institutions	3,895	1,508,890	1,512,785
Derivative financial instruments	3,702	648	4,350
Customers' deposits at amortized cost	7,211,363	10,656,267	17,867,630
Related parties' deposits at amortized cost	62,255	50,141	112,396
Debt issued and other borrowed funds	-	213,501	213,501
Engagements by acceptances	-	291,834	291,834
Other liabilities	82,321	63,436	145,757
Provisions for risks and charges	98,785	21,120	119,905
Subordinated notes	(61)	303,385	303,324
TOTAL LIABILITIES	7,471,117	13,119,857	20,590,974
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			
Share capital – common shares	434,984	-	434,984
Share capital – priority shares	249,289	-	249,289
Share capital – preferred shares	4,840	-	4,840
Share premium – common shares	-	229,014	229,014
Share premium – preferred shares	-	581,456	581,456
Non-distributable reserves (legal and obligatory)	264,859	131,667	396,526
Distributable free reserves	73,705	5,422	79,127
Other equity instruments	-	14,979	14,979
Treasury shares	-	(16,189)	(16,189)
Retained earnings	7,958	8,526	16,484
Revaluation reserve of real estate	5,689	-	5,689
Change in fair value of financial instruments at fair value through other comprehensive income	32,037	21,956	53,993
Net results of the financial period – profit	228,151	27,619	255,770
Foreign currency translation reserves		(9,573)	(9,573)
NON-CONTROLLING INTEREST	31,040	128,989	160,029
TOTAL EQUITY	1,332,552	1,123,866	2,456,418
TOTAL LIABILITIES AND EQUITY	8,803,669	14,243,723	23,047,392

31 December 2011

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. A 5% increase in the value of the Group's equities at 31 December 2011 would have increased equity by LBP 3,849 million and net income by LBP 1,330 million (2010: LBP 4,216 million and LBP 1,322 million respectively). 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 encompasses the development of ORM policies, the assistance and facilitation of the ORM programs and tools, the analysis of new products, activities and systems from an operational risk perspective. It is also responsible for promoting 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 has 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

57. 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 Central 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.

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 from the previous years, but these are under the constant scrutiny of the Board.

REGULATORY CAPITAL

At 31 December 2011 and 2010, the capital consists of the following:

LBP Million	2011	2010
Tier 1 capital	2,146,287	2,028,101
Tier 2 capital	52,345	98,322
Total capital	**2,198,632**	**2,126,423**
Risk-weighted assets	**16,151,534**	**14,464,964**

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

	2011	2010
Tier 1 capital ratio	13.29%	14.02%
Total capital ratio	13.61%	14.70%

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.

31 December 2011

58. DIVIDENDS PAID AND PROPOSED

	2011	2010	LBP Million
Declared and paid during the year			
Equity dividends on ordinary shares: Dividends for 2011: LBP 200 (2010: LBP 200)	71,898	43,422	
Equity dividends on priority shares: Dividends for 2011: LBP 200 (2010: LBP 200)	41,205	41,205	
Distributions to preferred shares – 2008 series: Distributions for 2011: USD 8.00 (2010: USD 8.00)	24,224	24,032	
Distributions to preferred shares – 2009 series: Distributions for 2011: USD 8.00 (2010: USD 3.53)	24,224	10,063	
Distributions to priority shares Interest paid at 4% of share's nominal value: LBP 46 for 2011 (2010: LBP 48)	9,518	9,972	
	171,069	128,694	
Less dividends on treasury shares	(630)	(141)	
	170,439	128,553	

	2011	2010	LBP Million
Proposed for approval at Annual General Assembly (not recognized as a liability as at 31 December)			
Equity dividends on ordinary shares: Dividends for 2011: LBP 200 (2010: LBP 200)	113,103	71,898	
Equity dividends on priority shares: Dividends for 2011: LBP 200 (2010: LBP 200)	-	41,205	
Distributions to preferred shares – 2008 series: Distributions for 2011: USD 8.00 (2010: USD 8.00)	24,224	24,120	
Distributions to preferred shares – 2009 series: Distributions for 2011: USD 8.00 (2010: USD 8.00)	24,224	24,120	
Distributions to priority shares: Interest paid at 4% of share's nominal value	-	9,972	
	161,551	171,315	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2011

58. DIVIDENDS PAID AND PROPOSED (continued)

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

	2011		2010	
LBP Million	Dividends paid	Non-controlling interest share	Dividends paid	Non-controlling interest share
Byblos Bank Africa	4,726	2,039	4,543	1,960
Byblos Invest Bank S.A.L.	22,000	2	23,000	2
Adonis Insurance and Reinsurance Co. (ADIR) S.A.L.	3,000	1,082	2,750	992
Byblos Bank Syria S.A.	-	-	5,149	3,012
Adonis Insurance and Reinsurance (ADIR) Syria	3,164	760	-	-
	32,890	3,883	35,442	5,966

59. COMPARATIVE INFORMATION

RECLASSIFICATIONS IN THE STATEMENT OF FINANCIAL POSITION

Pursuant to the early adoption of Phase I of IFRS 9, the Group reclassified comparative balances relating to its investments in financial instruments, as fully described in note 2 to these consolidated financial statements. In addition, comparative balances relating to the following line items of the statement of financial position were also reclassified as per the requirements of Central Bank of Lebanon Intermediary Circular 251 dated 15 April 2011:

Current classification	Previous Classification	Amount reclassified LBP million
Assets taken in settlement of debt	Non-current assets held for sale	39,092
Other liabilities	Deferred tax liabilities	11,445
Other liabilities	Current tax liabilities	44,526
Provisions for risks and charges	End-of-service benefits	30,922
Non-distributable reserves (legal and obligatory)	Capital reserves	396,526
Distributable free reserves	Capital reserves	79,127

In addition to the above, the Bank reclassified the following:

- Margins on letters of credit and acceptances from "other liabilities" to "due to banks and financial institutions" and "customers' deposits at amortized cost" in the consolidated statement of financial position. Comparative amounts totaling LBP 71,439 million and LBP 52,348 million, respectively, have been reclassified accordingly;
- Obligatory financial assets from "cash and balances with central banks" to "other assets" in the consolidated statement of financial position. Comparative amounts totaling LBP 12,468 million have been reclassified accordingly;
- Taxes from "administrative and other operating expenses" to "income tax expense" in the consolidated income statement. Comparative amounts totaling LBP 7,284 million have been reclassified accordingly.

RESOLUTIONS OF THE ANNUAL ORDINARY GENERAL ASSEMBLY Held on 10 April 2012

First Resolution
The General Meeting approves the reports of the Board of Directors and the Statutory Auditors and approves all the elements of the balance sheet and profit and loss account of the fiscal year 2011.

Second Resolution
The General Meeting decides to allocate the non-consolidated profits (in LBP million) of the fiscal year 2011 as follows:

2011 Non-Consolidated Net Income	262,989
Legal Reserves	(26,252)
Special Reserve for Capital Increase	(2,720)
Reserves for General Banking Risk 2011	(41,000)
Reserves for Foreclosed Properties	(1,230)
Reconstitution of Discounts for Preferred Shares Series 2009	(2,412)
Unrealized Gains on Portfolio Held at Fair Value though P&L	(442)
Profits Carried Forward from Previous Years	9,654
Net Income Available for Distribution	198,496
Dividends Preferred Shares Series 2008	24,224
Dividends Preferred Shares Series 2009	24,224
Dividends Common Shares	113,103
Profit Carried Forward for 2012	36,945

Third Resolution
The General Meeting decides to grant discharge to the Board of Directors and to the Statutory Auditors with respect to the operations of the fiscal year 2011.

The Assembly decides to elect the following persons as members of the Bank's Board of Directors for three years expiring at the holding of the Annual Ordinary General Assembly meeting that will approve the financial statements of 2014:
Dr. François S. Bassil, Semaan F. Bassil, Abdulhadi Shayif, Ahmad Tabbarah, Faysal Tabsh, Alain Tohmé, Bassam A. Nassar, Arthur Nazarian, Sami Haddad, Baron Guy Quaden, Proparco represented by Marie-Hélène Loison, and Henry Azzam.

Fourth Resolution
The General Meeting 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 2011 by the members of the Board of Directors and/or by companies in which they own shares, as detailed in the reports of the Board of Directors and the Statutory Auditors.

- The Meeting also confirms the agreement between the Bank and the companies in which some members of the Board of Directors own shares as shown in the special reports of the Board of Directors and the auditors which are attached to these minutes as an integral part thereof.

- To grant 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 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 2012.

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

Fifth Resolution
The General Meeting decides to fix the fees of the members of the Board of Directors to an annual gross sum of 480 million Lebanese Pounds for the year 2012, to be distributed equally among the members, each one of them being entitled to 10 million Lebanese Pounds as attendance fees for each meeting with a maximum of 40 million Lebanese Pounds per year.

Sixth Resolution
The General Assembly approves the terms of the contracts of the Chairman-General Manager Dr. François Bassil, the Vice Chairman-General Manager Mr. Semaan Bassil and the General Manager Mr. Sami Haddad, 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 2012 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.

Further to the approval of the Board in its meeting of 25 November 2011, the General Meeting approves the transfer in favor and to the order of Byblos Bank S.A.L., at a par value of USD 20, of 432,000 shares issued by Intra Investment Co. S.A.L., which is owned by Byblos Invest S.A.L.

Seventh Resolution
The General Meeting decides to approve the appointment of Messrs. Semaan Gholam & Co. and Messrs. Ernst & Young as external Auditors for fiscal years 2012, 2013 and 2014 and to fix their fees at 500 million Lebanese Pounds for the fiscal year 2012.

BYBLOS BANK EUROPE S.A.
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REVIEW OF OPERATIONS

SETTING THE PACE

Europe's banking sector faced major challenges during 2011, including both a sovereign debt crisis and a liquidity squeeze. Despite this delicate environment, Byblos Bank Europe (BBE) managed to increase its profits to EUR 5 million – a rise of 56% – while prudently setting aside an additional EUR 3.2 million in general provisions to cover potential country risks.

Simultaneously, the continuing success of BBE's business model confirmed its status as the preferred trade finance bank for Lebanese and Arab businesspeople importing European products to Africa and the Middle East. Moreover, BBE was successful in further developing its expertise in correspondent banking with institutions from across the Middle East and North Africa. The London and Paris branches performed well in their respective markets, while Brussels initiated a drive to explore new African markets. In terms of liquidity, BBE's average loans-to-deposits ratio stood at 71% in 2011, comfortably within European standards.

BBE successfully expanded its deposit base by 8% while consolidating its dues to banks. Total assets were largely unchanged, with a small increase in loans due to the Bank's conservative approach toward some of the more troubled Arab countries. Gross doubtful loans remained at 1.3% of total facilities. In this context, BBE managed to increase both interest income and fee and commission income by more than 20% while maintaining a 40/60 revenue mix, reflecting its trade-oriented business. Expenses were successfully contained, translating into a cost-to-income ratio below 50% and improved coverage of expenses by interest above 80%.

BBE's plans for 2012 include the continued optimization of its operations and more training for its personnel in order to meet the demanding needs of its clients. The Bank also will pursue its dual strategy of market diversification and striving to improve the quality of its business.

BALANCE SHEET AFTER APPROPRIATION

EUR Thousand ASSETS	2011	2010
I. Cash in hand, balances with central banks and post office banks	9,458	8,993
II. Treasury bills eligible for refinancing with central banks	0	0
III. Loans and advances to credit institutions	419,725	453,324
A. Repayable on demand	44,768	12,302
B. Other loans and advances (with agreed maturity dates or periods of notice)	374,957	441,022
IV. Loans and advances to customers	152,844	149,608
V. Debt securities and other fixed-income securities	20,955	25,647
A. Issued by public bodies	14,474	19,242
B. Issued by other borrowers	6,481	6,405
VI. Shares and other variable-yield securities	0	0
VII. Financial fixed assets	0	0
A. Participating interests in affiliated enterprises	0	0
B. Participating interests in other enterprises linked by participating interests	0	0
C. Other shares held as financial fixed assets	0	0
D. Subordinated loans to affiliated enterprises and to other enterprises linked by participating interests	0	0
VIII. Formation expenses and intangible fixed assets	24	34
IX. Tangible fixed assets	309	290
X. Own shares	0	0
XI. Other assets	239	380
XII. Deferred charges and accrued income	1,921	2,050
TOTAL ASSETS	605,475	640,326

31 December 2011

EUR Thousand

LIABILITIES	2011	2010
THIRD PARTIES	549,493	589,215
I. Amounts owed to credit institutions	296,588	351,949
A. Repayable on demand	60,334	40,384
B. Amounts owed as a result of the rediscounting of trade bills	0	0
C. Other debts with agreed maturity dates or periods of notice	236,254	311,565
II. Amounts owed to customers	215,075	199,146
A. Savings deposits		
B. Other debts	215,075	199,146
1) repayable on demand	32,826	33,808
2) with agreed maturity dates or periods of notice	182,249	165,338
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	0	0
B. Other	0	0
IV. Other liabilities	6,514	6,991
V. Accrued charges and deferred income	1,316	1,129
VI. Provisions and deferred taxes		
A. Provisions for liabilities and charges	0	0
1. Pensions and similar obligations	0	0
2. Taxation	0	0
3. Other liabilities and charges	0	0
B. Deferred taxes	0	0
VII. Fund for general banking risks	0	0
VIII. Subordinated liabilities	30,000	30,000
CAPITAL AND RESERVES	55,982	51,111
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	35,982	31,101
A. Legal reserve	2,086	2,086
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	33,830	28,949
XIII. Profits (losses (-)) brought forward	0	10
TOTAL LIABILITIES	605,475	640,326

Bassam A. Nassar
Chairman

Fouad N. Trad
Managing Director and CEO

OFF-BALANCE-SHEET ITEMS

31 December 2011

EUR Thousand	2011	2010
I. Contingent liabilities	248,939	268,185
A. Non-negotiated acceptances	55,056	23,169
B. Guarantees serving as direct credit substitutes	2,356	2,465
C. Other guarantees	35,599	31,528
D. Documentary credits	155,928	211,023
E. Assets charged as collateral security on behalf of third parties	0	0
II. Commitments which could give rise to a risk	275,299	250,299
A. Firm credit commitments	0	39
B. Commitments as a result of spot purchases of transferrable or other securities	0	0
C. Undrawn margin on confirmed credit lines	275,299	250,260
D. Underwriting and placing commitments	0	0
E. Commitments as a result of open-ended sale and repurchase agreements	0	0
III. Assets lodged with the credit institutions	201,115	202,481
A. Assets held by the credit institution for fiduciary purposes	0	
B. Safe custody and equivalent items	201,115	202,481
IV. Uncalled amounts of share capital	0	0

INCOME STATEMENT

Year Ended 31 December 2011

CHARGES	2011	2010	EUR Thousand
II. Interest payable and similar charges	4,593	3,677	
V. Commissions payable	402	560	
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	8,892	8,174	
A. Remuneration, social security costs and pensions	5,995	5,399	
B. Other administrative expenses	2,897	2,775	
VIII. Depreciation/amortization of other write-downs on formation expenses, intangible and tangible fixed assets	207	239	
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"	236	226	
X. Increase in write-downs on the investment portfolio of debt securities, shares and other fixed-income or variable-yield securities	2,913	2,117	
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	0	
XIII. Transfer to the fund for general banking risks	0	0	
XV. Other operating charges	1,490	1,493	
XVIII. Extraordinary charges	28	8	
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	28	8	
XIXbis. A. Transfer to deferred taxes	0	0	
XX. A. Income taxes	2,987	2,444	
XXI. Profits for the period	4,870	3,122	
XXII. Transfer to untaxed reserves	0	0	
XXIII. Profits for the period available for appropriation	4,870	3,122	

INCOME STATEMENT

EUR Thousand INCOME	2011	2010
I. Interest receivable and similar income	13,396	10,572
A. of which: from fixed-yield securities	1,723	1,545
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	11,411	9,598
A. Commissions and brokerage	9,730	8,183
B. Remuneration for management services and safekeeping	12	29
C. Other commission received	1,669	1,386
VI. Profit on financial transactions	493	392
A. On trading of securities and other financial instruments	493	392
B. On disposal of investment securities	0	0
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"		
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	896	899
XVII. Extraordinary income	218	106
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	0	
E. Other extraordinary income	218	106
XIXbis. B. Transfer from deferred taxes	0	0
XX. B. Adjustment of income taxes and write-back of tax provisions	204	493
XXI. Losses for the period	0	0
XXII. Transfer from untaxed reserves	0	0
XXIII. Losses for the period available for appropriation	0	0

APPROPRIATION ACCOUNT	2011	2010	EUR Thousand
A. Profits (Losses (-)) to be appropriated	4,880	3,127	
1. Profits (Losses (-)) for the period available for appropriation	4,870	3,122	
2. Profits (Losses (-)) brought forward	10	5	
B. Transfers from capital and reserves	0	0	
1. From capital and share premium account			
2. From reserves			
C. Appropriations to capital and reserves (-)	(4,880)	(3,117)	
1. To capital and share premium account			
2. To legal reserve	0	157	
3. To other reserves	4,880	2,960	
D. Result to be carried forward	0	(10)	
1. Profits to be carried forward (-)			
2. Losses to be carried forward	0	(10)	
E. Shareholders' contribution in respect of losses	0	0	
F. Distribution of profits (-)	0	0	
1. Dividends (a)			
2. Directors' entitlements (a)			
3. Other allocations (a)			

(a) Only applicable to Belgian limited liability companies

BYBLOS BANK AFRICA FINANCIAL STATEMENTS

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REVIEW OF OPERATIONS

WAITING FOR THE WIND TO SHIFT

Byblos Bank Africa's performance was steady in 2011, and this despite the unfavorable economic conditions prevailing in Sudan. The country has been plagued by scarce foreign currency resources, a depreciating Sudanese Pound and soaring inflation, all exacerbated by continuing uncertainty and other repercussions associated with the secession of South Sudan in July 2011. It has been a challenge, therefore, for the Bank to sail in such turbulent waters.

Given the constraints imposed by Sudan's economic condition, the Bank's main objectives for 2011 were to maintain problem-free operations and achieve revenues equal to, or slightly higher than, those posted in 2010. Despite the challenging environment, these objectives were successfully met. As no major changes in the country's economic performance have been witnessed, the Bank's objectives for 2012 remain largely the same, while management will remain on the alert for any change and ready to respond appropriately.

Byblos Bank Africa remains committed to Sudan's economic development and is confident that the country will be able to overcome the present difficulties through better management and utilization of its diverse resources.

INCOME STATEMENT

Year Ended 31 December 2011

SDG	2011	2010
Income		
Deferred sales	35,933,137	33,263,691
Investments	18,523,442	18,306,855
	54,456,579	51,570,546
Less		
Return on unrestricted investment accounts	(22,040,729)	(15,846,529)
Bank's share income from investments (as a *mudarib* and as a fund owner)	32,415,850	35,724,017
Add		
Revenue from banking services	13,215,763	18,369,467
Other revenue	8,648,268	7,350,103
Total Bank revenue	54,279,881	61,443,587
Staff expenses	9,743,425	8,216,231
Administrative and general expenses	6,783,539	5,908,497
Depreciation	6,784,699	6,026,229
Amortization	80,181	79,962
Provision for investment risks	6,000,000	6,000,000
Management agreement fees	4,662,774	6,019,923
Provision for contingent liability	959,049	1,388,178
Total expenses	35,013,667	33,639,020
Net income (loss) before zakat and tax	19,266,214	27,804,567
Less		
Zakat	(500,000)	(500,000)
Taxation	(2,196,839)	(4,194,087)
Net income	16,569,375	23,110,480
Earning per share (EPS)	1,24	1,73

STATEMENT OF FINANCIAL POSITION

31 December 2011

	2011	2010	SDG
ASSETS			
Cash and cash equivalents	346,521,463	251,759,800	
Sales receivables	234,516,987	337,203,748	
Investments	117,683,778	184,823,382	
Participations	93,750	93,750	
Other assets	1,630,631	1,186,150	
Establishment expenses	26,946	107,127	
Fixed assets (net book value)	90,967,485	91,399,434	
Total assets	791,441,040	866,573,391	
Liabilities, unrestricted investment accounts and owner's equity			
LIABILITIES			
Current accounts	289,134,290	385,617,151	
Payables	12,410,105	24,127,491	
Other liabilities	18,625,482	18,380,468	
Total liabilities	320,169,877	428,125,110	
Unrestricted investment accounts	288,578,356	262,986,849	
Total liabilities and restricted investment accounts	608,748,233	691,111,959	
Owner's equity			
Paid-up capital	93,380,000	93,380,000	
Share premium	10,621,200	10,621,200	
Reserves	63,169,746	50,512,809	
Retained earnings	15,521,861	20,947,423	
Total shareholders' equity	182,692,807	175,461,432	
Total liabilities, unrestricted investment accounts and owner's equity	791,441,040	866,573,391	
Contra accounts	48,787,135	105,185,388	

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Gaby Ammar
General Manager

BYBLOS BANK SYRIA S.A.
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REVIEW OF OPERATIONS

MANAGING THE CRISIS

Due to the unfortunate events that took place in Syria in 2011, Byblos Bank Syria gradually implemented a series of increasingly strict measures to cope with the situation. In particular, we suspended our expansion strategy and remained focused on closely monitoring the existing loan portfolio.

The year 2012 is widely expected to be an extension of 2011, so the Bank plans to remain extra-cautious regarding commercial and retail lending. Byblos Bank Syria will follow a sound crisis-management strategy in which all actions will be studied on a case-by-case basis and measures will be taken according to changes in the market.

INCOME STATEMENT

Year Ended 31 December 2011

SYP	2011	2010
Interest income	2,327,348,179	1,784,810,456
Interest expense	(1,460,993,485)	(1,035,572,414)
Net interest income	866,354,694	749,238,042
Fee and commission income	238,434,057	218,591,855
Fee and commission expenses	(3,891,030)	(5,945,388)
Net fee and commission income	234,543,027	212,646,467
Net interest, fee and commission income	1,100,897,721	961,884,509
Gain less losses arising from dealing in foreign currencies	47,048,938	52,324,284
Unrealized net foreign exchange difference on structural position	601,314,181	41,907,591
Profit from financial investments – loans and receivables	-	39,763,509
Provision for the decrease in the value of other financial instruments and investments	(40,011,946)	(26,306,163)
Other operating income	28,012,280	-
Total operating income	1,737,261,174	1,069,573,730
Personnel expenses	(352,210,556)	(342,700,195)
Depreciation of fixed assets	(135,066,316)	(127,550,594)
Amortization of intangible assets	(3,270,528)	(3,023,397)
Credit loss expense	(817,242,860)	(24,091,574)
Miscellaneous provisions	(326,669)	(400,207)
Other operating expenses	(213,309,240)	(248,800,160)
Total operating expenses	(1,521,426,169)	(746,566,127)
PROFIT BEFORE TAX	215,835,005	323,007,603
Income tax expense	(46,542,565)	(91,884,221)
PROFIT FOR THE YEAR	169,292,440	231,123,382
Basic earnings per share	17.11	36.06

STATEMENT OF FINANCIAL POSITION

31 December 2011

	2011	2010	SYP
ASSETS			
Cash and balances with central banks	6,046,280,891	7,535,973,009	
Balances due from banks	7,018,503,915	3,372,517,046	
Placements due from banks	900,658,874	4,705,789,641	
Loans and advances to customers	23,750,605,571	22,389,618,764	
Financial investments – loans and receivables	5,333,163,637	1,298,494,833	
Financial investments – available for sale	1,097,047,150	1,208,972,216	
Premises, equipment and projects under construction	1,209,855,162	1,267,053,059	
Intangible assets	5,866,884	7,472,649	
Other assets	432,544,038	403,398,080	
Statutory blocked funds	659,562,356	387,430,938	
TOTAL ASSETS	46,454,088,478	42,576,720,235	
LIABILITIES AND EQUITY			
Due to banks	1,510,678,482	2,603,548,657	
Due to customers	35,636,351,804	33,611,647,347	
Margin accounts	2,011,733,162	1,217,283,629	
Current tax liabilities	46,397,239	91,884,221	
Miscellaneous provisions	3,962,557	24,361,811	
Other liabilities	685,706,125	639,431,985	
TOTAL LIABILITIES	39,894,829,369	38,188,157,650	
EQUITY			
Share capital	6,120,000,000	4,000,000,000	
Statutory reserve	93,013,352	93,013,352	
Special reserve	3,013,352	93,013,352	
General reserves for financing risks	221,208,000	147,461,067	
Available-for-sale reserve	18,116,690	16,712,606	
Retained earnings	(371,715,848)	164,052,826	
Accumulated losses related to unrealized net foreign exchange losses on structural position	475,623,563	(125,690,618)	
TOTAL EQUITY	6,559,259,109	4,388,562,585	
TOTAL LIABILITIES AND EQUITY	46,454,088,478	42,576,720,235	

These accounts have been approved by the Board of Directors.

Semaan F. Bassil
Chairman

Georges Sfeir
General Manager

BYBLOS BANK ARMENIA C.J.S.C. FINANCIAL STATEMENTS

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REVIEW OF OPERATIONS

POWERFUL GROWTH IN KEY AREAS

Throughout 2011, Byblos Bank Armenia achieved strong growth at multiple levels, a performance reflected by year-on-year increases in total assets, customers' loans and customers' deposits. Both retail loans and deposits grew by more than 40%, an achievement made possible by active promotions and other marketing campaigns, renovation of the existing branch network in line with Byblos Bank Group standards, and the full refurbishing of the Vanadzor branch – in a new and high-profile location – in July 2011. In keeping with our strategy of organic growth, we also acquired premises for a new branch in Komitas, a heavily populated residential and business area of the capital, Yerevan. The branch opened in the first quarter of 2012.

The Bank also moved to improve its risk concentration, in part by diversifying the commercial portfolio. Accordingly, 2011 saw Byblos Bank Armenia launch its Small Business Loan, a product designed to attract a new niche of clients alongside those drawn to our existing Middle Market Loan program.

The strategy for 2012 is to further improve the Bank's positioning and market share by emphasizing the competitive advantage of our Small Business, Middle Market and Housing loans, which will be financed by deposits, as well as by funding from multilateral institutions. In addition, the Bank plans to launch both Credit Cards and Internet Banking Services in 2012, and to support continuing growth, we have set aside a significant marketing budget to enhance brand awareness and promote individual products.

INCOME STATEMENT

Year Ended 31 December 2011

AMD Thousand	2011	2010
Interest income	2,918,435	2,197,036
Interest expense	(1,643,606)	(850,428)
Net interest income	1,274,829	1,346,608
Fee and commission income	76,442	69,221
Fee and commission expenses	(44,476)	(42,091)
Net fee and commission income	31,966	27,130
Net loss from financial instruments at fair value through profit or loss	(46,743)	(41,155)
Net foreign exchange income	98,414	113,348
Net gain/(loss) on available-for-sale financial assets	1,414	(204)
Other operating income/(loss)	21,093	33,020
Operating income	1,380,973	1,478,747
Impairment losses	(10,722)	(209,713)
Personnel expenses	(622,589)	(584,698)
Other general administrative expenses	(383,410)	(339,894)
Profit/(loss) before taxes	364,252	344,442
Income tax (expense)/benefit	(97,860)	(97,815)
Profit/(loss)	266,392	246,627
Other comprehensive income/(loss):		
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	25,073	46,374
- Net change in fair value transferred to profit or loss	(14,607)	(8,388)
Other comprehensive income for the year, net of income tax	10,466	37,986
Total comprehensive income for the year	276,858	284,613

STATEMENT OF FINANCIAL POSITION

31 December 2011

	2011	2010	AMD Thousand
ASSETS			
Cash and cash equivalents	4,301,241	5,200,846	
Available-for-sale financial assets	2,048,323	1,019,755	
Amount receivable under reverse repurchase agreements	804,415	-	
Loans and advances to banks	9,303,338	5,815,609	
Loans to customers	20,122,283	15,862,069	
Property, equipment and intangible assets	1,144,989	782,764	
Other assets	95,689	101,030	
Total assets	37,820,278	28,782,073	
LIABILITIES			
Deposits and balances from banks	7,451,441	7,293,877	
Current accounts and deposits from customers	16,188,674	10,686,996	
Other borrowed funds	5,052,992	1,930,470	
Other liabilities	156,171	181,249	
Deferred tax liabilities	26,932	22,271	
Total liabilities	28,876,210	20,114,863	
EQUITY			
Share capital	8,125,100	8,125,100	
Share premium	257,149	257,149	
Revaluation reserve for available-for-sale financial assets	49,083	38,617	
Retained earnings	512,736	246,344	
Total equity	8,944,068	8,667,210	
Total liabilities and shareholders' equity	37,820,278	28,782,073	

These accounts have been approved by the Board of Directors.

Dr. François S. Bassil
Chairman

Ararat Ghukasyan
CEO

BYBLOS BANK RDC S.A.R.L.
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REVIEW OF OPERATIONS

LAYING THE GROUNDWORK

Byblos Bank RDC's principal achievements in 2011 were the restructuring of both business operations and overall organization, all while concentrating on our corporate clients. Profitability and margins improved, while close monitoring allowed us to reduce expenses. In addition, all processes were evaluated and/or revamped so that they adhere – wherever possible – to Byblos Bank Group policies and procedures.

In 2012, our main focus is on expanding our balance sheet by attracting new deposits and doubling our lending portfolio. We will strengthen our business relationships with existing customers in order to increase transaction volumes, and then use these for further business development in an attempt to broaden and diversify our client base. In addition, we will promote trade finance operations such as Letters of Credit and Letters of Guarantee. A key part of this strategy will be to approach multinational companies, with both Congolese and Indian firms being the prime prospects. At the same time, the Bank will continue to closely monitor its expenses and reduce its overheads.

We strongly believe that effective implementation of the aforementioned plans will allow as to grow our business volumes and, consequently, to enhance the Bank's profitability. Once this has been achieved, we will be better-equipped to expand, particularly by opening new branches in Matadi and Lubumbashi, both very active business centers in the Democratic Republic of the Congo.

INCOME STATEMENT

Year Ended 31 December 2011

CDF	2011	2010
Interest income from treasury and interbank operations	26,599,279	233,754,577
Interest income from customers	964,037,429	825,131,116
Interest paid on treasury and interbank operations	(16,814,676)	(28,116,935)
Interest paid to customers	(3,295,145)	-
Net interest income	970,526,887	1,030,768,758
Income from miscellaneous bank operations	895,513,287	930,578,571
Expenses on miscellaneous bank operations	(1,387,430)	(31,007,474)
Net income from banking operations	1,864,652,744	1,930,339,855
Other income	18,756,730	106,615,603
General operating expenses	(1,390,293,968)	(1,552,456,595)
Personnel and other related charges	(820,253,971)	(712,176,939)
Other taxes	(7,773,763)	(101,622,677)
Gross operating income	(334,912,228)	(329,300,753)
Depreciation and amortization	(285,039,127)	(308,291,507)
Net operating income before taxes and extraordinary transactions	(619,951,355)	(637,592,260)
Gain (Loss) from disposal of assets	(5,321,485)	(1,430,963)
Provisions and net credit loss expenses	(598,624,830)	(2,315,636,891)
Extraordinary expense	(100,468,554)	(14,681,129)
Extraordinary revenue	2,414,951,755	5,648,464
Net operating income before taxes	1,090,585,531	(2,963,692,779)
Income tax expenses	(4,358,407)	(2,267,546)
Net income for the period	1,086,227,124	(2,965,960,325)

STATEMENT OF FINANCIAL POSITION

31 December 2011

	2011	2010	CDF
ASSETS			
Treasury and interbank operations			
Cash and balances with central bank	3,040,691,042	4,969,012,247	
Correspondents' current accounts	3,017,684,363	153,274,343	
Placements with banks		750,000,000	
	6,058,375,405	5,872,286,590	
Customers' operations			
Loans and advances to customers	8,079,081,394	8,167,327,436	
Regularization and other debit balances			
Regularization accounts	186,376,407	75,389,264	
Other assets	303,129,525	1,928,398,451	
	489,505,932	2,003,787,715	
Fixed assets			
Tangible and intangible fixed assets	2,866,177,764	2,569,029,765	
Other fixed assets	39,180,824	38,248,750	
	2,905,358,588	2,607,278,515	
Total Assets	17,532,321,319	18,650,680,256	
Off Balance Sheet			
Commitments given	1,391,804,726	1,003,765,508	
Commitments received	30,818,607,716	19,473,256,223	
LIABILITIES			
Treasury and interbank operations			
Correspondents' current accounts	8,848,493	2,774,774,349	
Customers' operations			
Customers' current accounts	3,970,556,202	4,027,759,482	
Customers' time deposits	117,303,083		
	4,087,859,285	4,027,759,482	
Regularization and other credit balances			
Regularization accounts	229,383,428	153,941,261	
Other liabilities	184,270,003	160,818,213	
	413,653,431	314,759,474	
General provisions	183,703,020	86,630,875	
Provisions for risk and charges	85,434,631	26,000,000	
	269,137,651	112,630,875	
Equity			
Capital	11,940,000,000	12,055,000,000	
Revaluation variance	903,414,571	542,575,314	
Provision for reconstitution of capital	1,789,141,085	1,789,141,087	
	14,632,555,656	14,386,716,401	
Profit/Loss			
Brought forward results	(2,965,960,321)	0	
Net result of the financial period – Loss	1,086,227,124	(2,965,960,325)	
	(1,879,733,197)	(2,965,960,325)	
Total Liabilities and Equity	17,532,321,319	18,650,680,256	

These accounts have been approved by the Board of Directors.

Daniel Ribant
Chairman

Boutros Abi Aad
General Manager

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

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REVIEW OF OPERATIONS

BRINGING IT ALL TOGETHER

Adonis Insurance and Reinsurance Co. (ADIR) accomplished its principal objectives for 2011 by being among the most profitable insurers in Lebanon, maintaining its return on equity at planned levels, and increasing its share of wallet.

The Company undertook a major enhancement of its organizational structure during the year, with emphasis on planning for future growth and ensuring business continuity. The initial phase of this process is scheduled for completion in 2012, to be followed by a reorganization of the Human Resources unit and the establishment of career planning.

The continuing drive to spread Bancassurance culture throughout the Byblos Bank Group also made significant strides in 2011. Key Group executives met with their counterparts from ADIR's French partner, Natixis Assurances, who shared their experience and expertise of how banks coordinate with their respective Bancassurance arms in the European market. These exchanges will be followed in 2012-2013 by a concerted effort to instill Bancassurance culture at all levels of the hierarchy.

Other goals for 2012 include improving client retention by providing utmost quality of service. ADIR will continue to seek a greater share of wallet by pursuing several strategies, including building key accounts and optimizing customer service. Up-selling and cross-selling operations will be stressed, and the customer base will be expanded by targeted offers to select segments.

In support of the foregoing, ADIR's communication strategy will emphasize the slogan "Tomorrow is Great" and stress its corporate identity as a member of the Byblos Bank Group.

The Company also will continue to optimize and streamline both its internal processes and those shared with Byblos Bank. In addition, ADIR plans to acquire a new system of business intelligence in order to improve the quality and speed of basic information, reporting and analysis.

At the same time, ADIR's sales force will be restructured and provided with all necessary development and support to help improve performance. Responsibilities for various regions of Lebanon will be reallocated in order to increase efficiency, and greater focus will be placed on catering to the specific needs of major clients. Furthermore, a coordination and support function will be created to provide coaching and internal training, and to take care of time-consuming administration and follow-up tasks.

STATEMENT OF FINANCIAL POSITION

LBP ASSETS	2011	2010
Intangible assets	34,852,759	79,036,306
Investments		
Investment in subsidiaries and associates	9,774,508,776	8,897,995,747
Fixed-income investments	10,771,706,005	9,646,320,169
Variable-income investments	20,023,777,000	5,889,876,000
Cash and demand deposits	6,731,968,016	5,917,288,965
Blocked bank deposits with maturities of more than three months	43,599,686,000	46,528,588,959
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	684,678,987	673,098,027
	100,525,720,049	86,492,563,132
Unit-linked contracts investments		
Fixed-income securities and similar investments	32,536,587,834	26,909,467,589
Equity and similar investments	12,293,521,654	11,336,919,032
Cash and similar investments	41,397,371,924	31,009,275,575
	86,227,481,412	69,255,662,196
Reinsurance share in technical reserve – life		
Reinsurance share in premium reserves	15,256,952,971	12,360,542,023
Reinsurance share in claims reserves	974,185,072	560,700,384
	16,231,138,043	12,921,242,407
Reinsurance share in technical reserve – non-life		
Reinsurance share in premium reserves	1,987,038,160	1,658,955,641
Reinsurance share in claims reserves	648,224,301	480,516,570
	2,635,262,461	2,139,472,211
Receivable under insurance business	2,651,830,116	3,156,727,543
Receivable under reinsurance contracts	63,917,844	156,796,804
Other assets		
Non-investment properties	1,938,891,388	2,168,751,268
Operating fixed assets	843,909,032	1,054,502,565
	2,782,800,420	3,223,253,833
Other receivables	34,402,435	101,046,910
Deferred acquisition cost	6,406,999,546	6,177,151,579
Total assets	217,594,405,085	183,702,952,921

31 December 2011

LIABILITIES AND SHAREHOLDERS' EQUITY	2011	2010	LBP
Shareholders' equity			
Authorized and paid-up capital	25,000,000,000	25,000,000,000	
Legal and general reserves	4,986,991,000	1,742,000,000	
Balance carried forward	8,187,769	3,272,038	
Profit for the year	7,368,332,493	6,249,906,731	
	37,363,511,262	32,995,178,769	
Life technical reserves			
Mathematical reserve	10,068,195,615	7,879,417,427	
Unearned premium reserve	13,242,772,218	10,982,041,697	
Outstanding claims reserve	1,142,134,913	673,412,694	
Incurred but not reported reserve – IBNR	223,424,217	220,702,640	
Loss adjustment expenses reserve	40,966,771	26,823,460	
Policyholders' dividend reserve	7,642,640,498	5,742,796,753	
	32,360,134,232	25,525,194,671	
Unit-linked technical reserves			
Mathematical reserve – unit-linked	75,745,137,273	61,472,767,870	
Non-life technical reserves			
Unearned premium reserve	36,623,864,878	34,970,588,021	
Outstanding claims reserve	4,042,324,422	3,201,522,644	
Incurred but not reported reserve-IBNR	265,064,569	181,712,950	
Loss adjustment expenses reserve	129,221,674	101,497,068	
Premium deficiency reserve	3,970,707,000	3,970,707,000	
	45,031,182,543	42,426,027,683	
Provision for risks and charges	625,000,000	500,000,000	
Debt for funds held under reinsurance treaties	16,187,706,977	12,927,271,564	
Liabilities under insurance business			
Liabilities under direct business	980,682,619	927,243,578	
Liabilities under indirect business	55,504,207	460,194,945	
	1,036,186,826	1,387,438,523	
Liabilities under reinsurance contracts	1,585,442,812	1,015,665,766	
Other liabilities			
Due to personnel	45,600,000	46,293,150	
Tax due	3,530,696,561	2,357,656,595	
Amounts due to related parties	122,400,000	97,200,000	
Other creditors	1,229,971,018	1,082,034,416	
	4,928,667,579	3,583,184,161	
Adjustment items			
Unearned revenues	2,500,549,927	1,675,943,066	
Accrued expenses	230,885,654	194,280,848	
	2,731,435,581	1,870,223,914	
Total liabilities and shareholders' equity	217,594,405,085	183,702,952,921	
Off financial position			
Letters of guarantee	22,531,250	21,806,250	

INCOME STATEMENT

Year Ended 31 December 2011

LBP	2011	2010
Net premiums		
Premiums issued and accepted		
Life contracts	14,803,965,946	13,174,491,426
Other contracts	27,959,008,467	27,583,812,784
Mathematical reserve variation	(2,188,778,188)	(1,534,804,654)
Unearned premium reserve	(3,914,007,378)	(6,574,063,114)
	36,660,188,847	32,649,436,442
Ceded premiums		
Life contracts	(9,855,407,760)	(8,509,170,615)
Other contracts	(6,681,498,329)	(6,094,831,814)
Mathematical reserve variation	1,572,384,450	1,398,892,896
Unearned premium reserve	1,652,109,017	1,622,689,069
	(13,312,412,622)	(11,582,420,464)
Net premiums	23,347,776,225	21,067,015,978
Other revenue		
Fee and commission income	6,135,824,336	3,613,800,645
Investment income	8,427,350,472	9,516,672,660
Other revenues	302,808,679	265,105,437
Other revenue	14,865,983,487	13,395,578,742
Total revenue	38,213,759,712	34,462,594,720
Net benefits and claims		
Gross benefits and claims paid	(13,866,692,507)	(15,324,281,038)
Claims ceded to reinsurers	1,954,959,308	3,014,346,205
Gross change in contract liabilities	(1,437,465,112)	(862,493,193)
Change in fair value of investment contracts liabilities where the financial risk is borne by policyholders	12,686,035	(1,601,540,484)
Change in contract liabilities ceded to reinsurers	581,192,419	(130,690,029)
Net benefits and claims	(12,755,319,857)	(14,904,658,539)
Other expenses		
Other operating and administrative expenses	(8,789,066,697)	(6,965,357,304)
Commission paid to intermediaries	(4,578,438,334)	(2,943,130,860)
Finance costs	(3,153,820,516)	(2,729,158,073)
Taxes related to capital increase	0	(130,225,000)
Other expenses	(16,521,325,547)	(12,767,871,237)
	(29,276,645,404)	(27,672,529,776)
Profit before tax	8,937,114,308	6,790,064,944
Income tax expense	(1,568,781,815)	(540,158,213)
Profit for the year	7,368,332,493	6,249,906,731

STATEMENT OF CASH FLOWS

Year Ended 31 December 2011

	2011	2010	LBP
OPERATING ACTIVITIES			
Profit before taxation	8,937,114,308	6,790,064,944	
Adjustments for:			
Depreciation and amortization	751,863,610	719,412,066	
Provisions for employees' end-of-service indemnities	136,633,366	60,500,000	
Provision for impairment	900,000,000	0	
Write-back of provisions	0	(70,145,711)	
Gain on sale of property and equipment	(97,162,898)	(2,137,558)	
Change in technical reserves – net	2,878,292,099	5,087,285,803	
Fair value (gains) losses on investment for trading	515,026,922	(81,540,199)	
Deferred policy acquisition costs amortized	4,578,438,334	2,943,130,860	
	18,600,205,741	15,446,570,205	
Investments at fair value through profit and loss	0	(1,076,344,440)	
Reinsurers' balances	662,656,006	335,347,013	
Premiums receivable	354,897,427	(247,087,725)	
Deferred policy acquisition costs	(4,811,751,276)	(4,854,032,718)	
Changes in insurance contracts liabilities	856,272,693	993,183,222	
Investment contracts liabilities	16,172,213,147	16,437,187,463	
Other liabilities	968,838,961	1,287,497,527	
Other assets	5,170,064	(43,979,148)	
Margin for guarantees	(11,580,960)	(124,919,922)	
Investment held to cover investment contracts liabilities	(16,874,655,318)	(17,266,686,712)	
Cash from operations	15,922,266,485	10,886,734,765	
Income tax paid	(617,238,000)	(704,603,000)	
Employees' end-of-service benefits paid	(11,633,366)	(10,500,000)	
Net cash from operating activities	15,293,395,119	10,171,631,765	
INVESTING ACTIVITIES			
Purchase of property and equipment	(256,954,846)	(206,512,107)	
Purchase of intangible assets	(10,271,804)	(80,922,600)	
Proceeds from sale of property and equipment	0	12,486,000	
Interest from loans to associates	(1,613,013,029)	(82,093,930)	
Increase in investments held to maturity	(19,228,087)	(600,884,375)	
Investments in associates	(13,500,000)	0	
Term deposits with maturities over three months	(13,471,878,466)	(4,817,312,850)	
Net cash (used in) from investing activities	(15,384,846,232)	(5,775,239,862)	
FINANCING ACTIVITIES			
Dividends paid	(3,000,000,000)	(2,750,000,000)	
Reinsurers' deposits in coverage of technical reserves	3,260,435,413	2,997,894,564	
Net cash (used in) from financing activities	260,435,413	247,894,564	
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	168,984,300	4,644,286,467	
Cash and cash equivalents at 1 January	9,800,363,188	5,156,076,721	
CASH and CASH EQUIVALENTS AT 31 DECEMBER	9,969,347,488	9,800,363,188	

GROSS WRITTEN PREMIUM

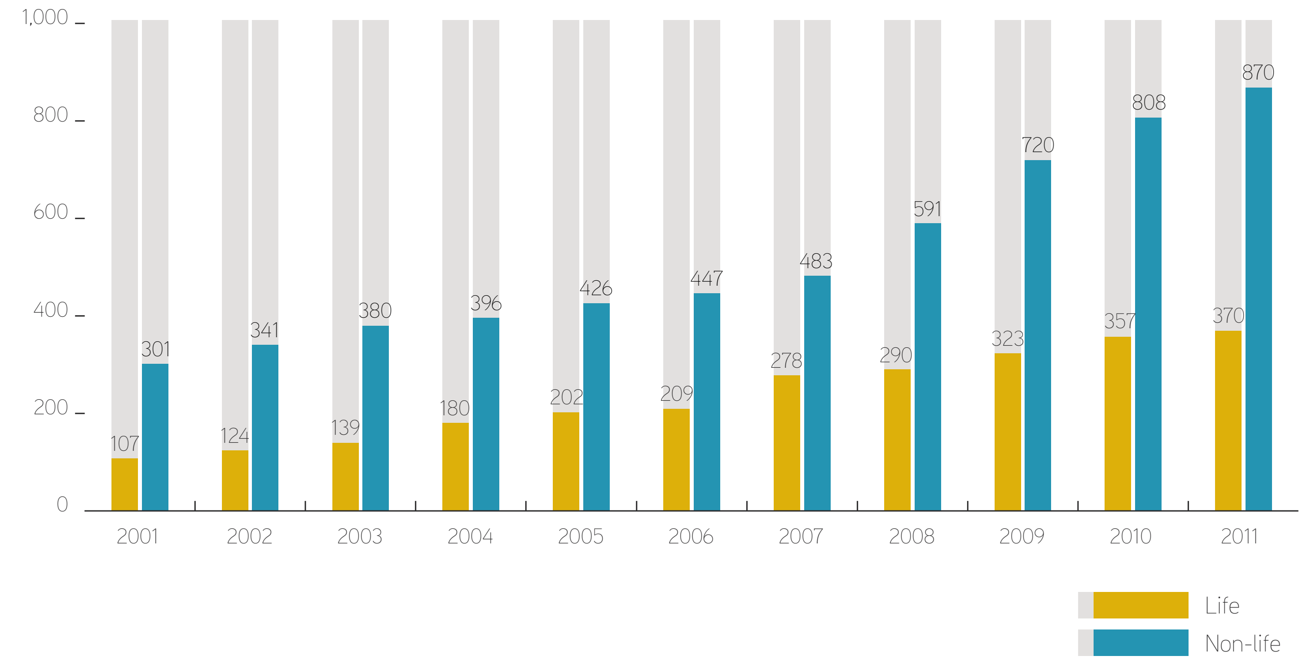
USD	2011	2010
Life business:		
Retirement and education	16,759,475	13,921,993
Other life business	9,395,203	8,384,962
Total life business	26,154,678	22,306,955
Non-life business:		
Fire	2,823,445	2,542,446
Marine	643,824	555,865
General accident	1,448,955	1,144,225
Motor	11,504,427	12,001,614
Medical	1,026,205	1,007,260
Other	1,099,750	1,046,310
Total non-life business	18,546,606	18,297,720
Gross written premium	44,701,284	40,604,675
Growth	10.09%	-13.72%
Number of contracts issued	82,037	79,814

KEY FIGURES

	2011
Capital	25,000,000,000
Shareholders' equity	USD 24,785,000
Total assets	USD 144,341,230
Invested assets	USD 67,181,000
Number of clients	92,888
Number of policies in force	168,821
Net profit	USD 4,887,783
Solvency ratio	46.00%

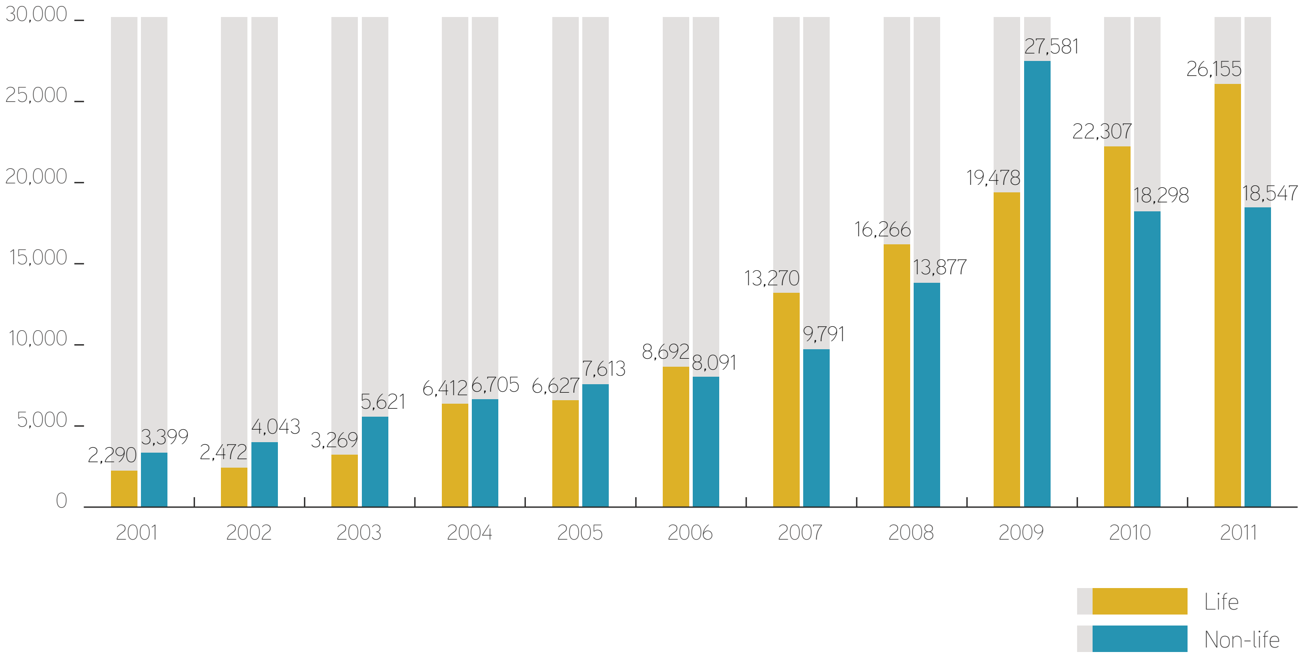
INSURANCE MARKET GROWTH IN LEBANON

In USD Million



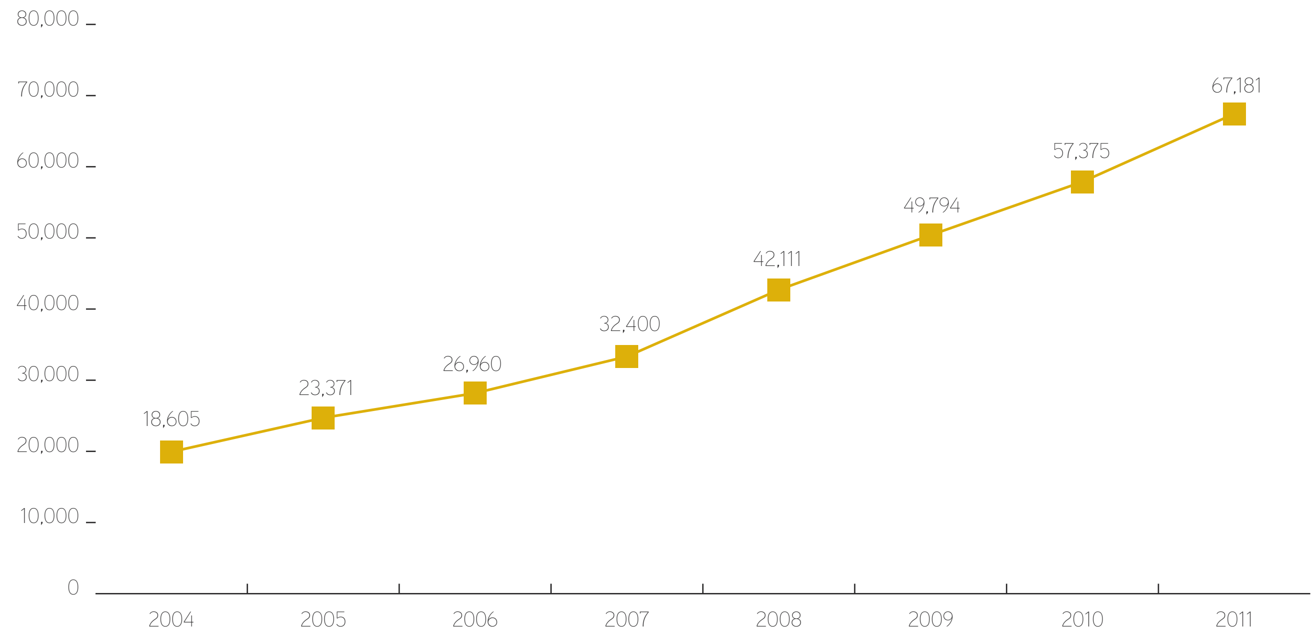
ADIR PREMIUM GROWTH

In USD Thousands



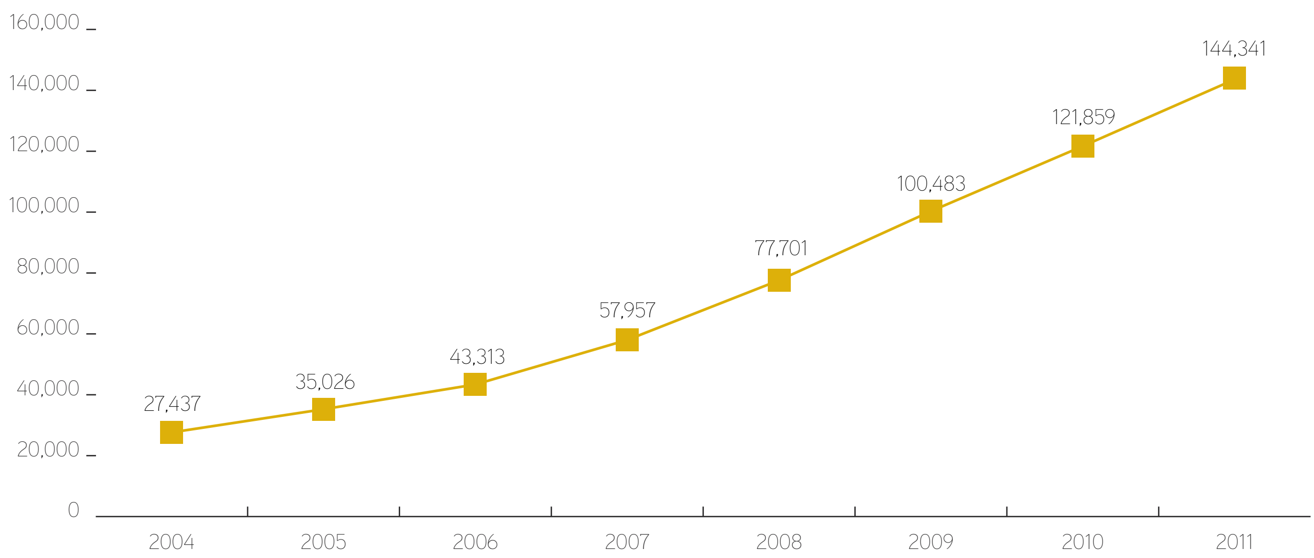
EVOLUTION OF INVESTED ASSETS

In USD Thousands



EVOLUTION OF TOTAL ASSETS

In USD Thousands



DIRECTORY

CORRESPONDENT BANKS

COUNTRY	CITY	BANK NAME
Algeria	Algiers	Banque de l'Agriculture et de Développement Rural (BADR) Arab Banking Corporation Algeria, Banque Nationale d'Algérie (BNA), Banque de Développement Local SPA (BDL), Crédit Populaire D'Algérie
Australia	Sydney	Westpac Banking Corporation*
Austria	Vienna	UniCredit Bank Austria AG*
Armenia	Yerevan	Byblos Bank Armenia C.J.S.C.
Bahrain	Manama	Gulf International Bank BSC
Belgium	Brussels	Byblos Bank Europe S.A.*, KBC Bank NV*
Brazil	Sao Paolo	Banco ABC Brasil SA, Deutsche Bank AG
Canada	Toronto	Scotiabank*
China	Beijing	Bank of China
Cyprus	Limassol	Byblos Bank S.A.L. – Limassol Branch
Czech Republic	Prague	Commerzbank AG
Denmark	Copenhagen	Danske Bank A/S*
DR Congo	Kinshasa	Byblos Bank RDC S.A.R.L.
Egypt	Cairo	National Bank of Egypt*, Export Development Bank of Egypt (EDBE), Al Watany Bank of Egypt
Ethiopia	Addis Ababa	Commercial Bank of Ethiopia*
Finland	Helsinki	Pohjola Bank plc
France	Paris	Byblos Bank Europe S.A. – Paris Branch*, Natixis*
Germany	Frankfurt	Commerzbank AG*, Deutsche Bank AG*, The Bank of New York Mellon*
Ghana	Accra	Ghana Commercial Bank
Hong Kong	Hong Kong	Sumitomo Mitsui Banking Corporation, Standard Chartered Bank
Hungary	Budapest	Commerzbank Zrt
India	New Delhi	State Bank of India, ICICI
Iraq	Baghdad Erbil Basra	Byblos Bank S.A.L. – Baghdad Branch, Trade Bank of Iraq* Byblos Bank S.A.L. – Erbil Branch Byblos Bank S.A.L. – Basra Branch
Ireland	Dublin	Citibank NA
Italy	Milan	UniCredit SpA*, Intesa Sanpaolo SpA*
Japan	Tokyo	Sumitomo Mitsui Banking Corporation*, The Bank of New York Mellon*
Jordan	Amman	Jordan Ahli Bank Plc*, Arab Bank Plc, Bank Al Etihad
KSA	Jeddah Riyadh	The National Commercial Bank* Riyad Bank*, Saudi Hollandi Bank*, Arab National Bank, Banque Saudi Fransi
Kuwait	Kuwait	Gulf Bank KSC*, National Bank of Kuwait SAK*
Libya	Tripoli	National Commercial Bank S.A.L., Libyan Foreign Bank

COUNTRY	CITY	BANK NAME
Morocco	Casablanca	Attijariwafa Bank, Banque Centrale Populaire, Banque Marocaine du Commerce Extérieure S.A. (BMCE)
Netherlands	Amsterdam	ABN AMRO Bank NV*
Nigeria	Lagos	Guaranty Trust Bank Plc, Sterling Bank Plc, Diamond Bank Plc, First Bank of Nigeria Plc*, Zenith Bank Plc, United Bank for Africa
Norway	Oslo	DnB NOR BANK ASA*
Philippines	Manila	Bank of the Philippine Islands*
Poland	Warsaw	Deutsche Bank AG
Qatar	Doha	Qatar National Bank SAQ*, The Commercial Bank of Qatar (QSC), Al Khaliji Bank
Republic of Korea	Seoul	Sumitomo Mitsui Banking Corporation, The Bank of New York Mellon Union de Banques Arabes et Françaises (UBAF),
Russian Federation	Moscow	ZAO Citibank, VTB Bank OJSC*
Singapore	Singapore	Sumitomo Mitsui Banking Corporation, Union de Banques Arabes et Françaises (UBAF)
Slovakia	Bratislava	Commerzbank AG
Spain	Madrid	Banco de Sabadell SA*, Banco Bilbao Vizcaya Argentaria SA (BBVA)*, Caixa Bank S.A.
Sri Lanka	Colombo	Bank of Ceylon*, People's Bank*
Sudan	Khartoum	Byblos Bank Africa*
Sultanate of Oman	Muscat Ruwi	Bank Muscat SAOG Oman Arab Bank SAOC*
Sweden	Stockholm	Skandinaviska Enskilda Banken AB*, Svenska Handelsbanken AB
Switzerland	Geneva Lausanne Zurich	BNP Paribas (Suisse) SA, Banque de Commerce et de Placements SA Banque Cantonale Vaudoise Crédit Suisse*, UBS AG*
Syria	Damascus	Byblos Bank Syria S.A.*
Tunisia	Tunis	Banque Internationale Arabe de Tunisie SA (BIAT), Société Tunisienne de Banque SA, Banque de Tunisie
Turkey	Istanbul	Asya Katilim Bankasi AS, Türkiye iS Bankasi AS, Yapi Ve Kredi Bankasi AS, Turkye Garanti Bankasi AS, Akbank TAS, Türkiye Vakiflar Bankasi TAO, Türk Ekonomi Bankasi AS, Türkiye Halk Bankasi AS
UAE	Abu Dhabi Dubai	Abu Dhabi Commercial Bank PJSC*, National Bank of Abu Dhabi Commercial Bank of Dubai PSC, Emirates NBD PJSC*, MashreqBank PSC*
UK	London	Byblos Bank Europe S.A. – London Branch*, Barclays Bank PLC*, HSBC Bank plc*, British Arab Commercial Bank Ltd*
USA	New York	The Bank of New York Mellon*, Citibank NA*, JP Morgan Chase Bank NA*, Standard Chartered Bank*, Wells Fargo Bank NA*
Yemen	Sana'a	International Bank of Yemen, Saba Islamic Bank, Tadhamon International Islamic Bank, Cooperative and Agricultural Credit Bank

** Byblos Bank S.A.L. maintains Nostro account(s) with this bank.*

GROUP ADDRESSES

HEAD OFFICE

BYBLOS BANK HEADQUARTERS
Elias Sarkis Ave.
Ashrafieh, Beirut
Lebanon

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Phone:	(01) 335200
Fax:	(01) 334554
Telex:	BYBANK 41601 LE
Cable:	BYBLOBANK
SWIFT:	BYBALBBX
Forex:	(01) 335255
Web Site:	http://www.byblosbank.com
E-mail:	secretariat@byblosbank.com.lb

To contact any of our branches, please call our Customer Service at (01) 205050

BEIRUT 1

VERDUN MOUSSAITBEH
Walid Safi (Regional Manager)
Rachid Karameh Street, Byblos Bank Bldg., 2nd Floor, Near F.S.I.

BRANCHES

BECHARA AL KHOURY
Mohamad Zaza
ATM indoor
Bechara Khoury Blvd., Adonis Bldg.

BLISS
Mohamad Jihad Kabbani
ATM outdoor
Bliss St., Mohamad F. Itani Bldg.

CHIYAH
Hussein Hayek
ATM indoor
Al Moucharrafieh, Al Ariss St., Saleh Bldg., facing Ministry of Labor

CHOUEIFAT
Ayoub Abou Hamdan
ATM indoor
Road to Khaldeh, Free Way Center, facing Glass Line

GHOBEIRY
Mahmoud Bachir
ATM indoor
Old Airport Road, Jawharat Al Kasser Bldg.

HAMRA
Mohamad Salam
ATM outdoor
Hamra St., Imad Salma Bldg.

HAMRA SADAT
Moustafa Anouty
ATM outdoor
Hussein Talhouk St., Nemr Bldg.

HARET HREIK
Iman Mehanna Tabaja
2 ATMs indoor
Hadi Nasrallah Blvd., Hazmieh Cross Road, Al Jinan Bldg.

ISTIKLAL
Mazen Abou Daher
ATM outdoor
Istiklal St., Tabsh Bldg.

JNAH
Fadi Al Atat
ATM outdoor
Khalil Moutran St., Hannawi Bldg.

MAR ELIAS
Nada Nouweihed Nachawati
ATM outdoor
Mar Elias St., Boubess Bldg.

MAZRAA
Nicolas Laylo
ATM outdoor
Corniche Al Mazraa, Wakef Al Roum Center

VERDUN
Haifa Saleh Azar
ATM outdoor
Rashid Karameh St., Byblos Bank Bldg.

VERDUN MOUSSAITBEH
Inass Sleiman Haidar
ATM outdoor
Rashid Karameh St., Byblos Bank Bldg., Near F.S.I.

BEIRUT 2

ACHRAFIEH ST. NICOLAS
Antoine Matta (Regional Manager)
Charles Malek Ave., The Netherlands Tower

BRANCHES

AIN EL REMMANEH
Roy Abi Habib
ATM outdoor
Wadih Neïm St., Mahdi Bldg.

ASHRAFIEH GEITAWI
Arlette Abrass
ATM outdoor
St. Louis Street, Bassil Bldg.

ASHRAFIEH GEMMAYZEH
Boulos Ghorayeb
ATM outdoor
Gouraud St., Halim Naim Zeini Bldg.

ASHRAFIEH SASSINE
Rachid Asbahan
5 ATMs indoor (e-Branch)
Elias Sarkis Ave., Byblos Bank Headquarters

ASHRAFIEH ST. NICOLAS
Soraya Yazbeck
ATM outdoor
Charles Malek Ave., The Netherlands Tower

ASHRAFIEH TABARIS
Carine Chiniara
ATM outdoor
Chehadeh St., Les Jardins de Tabaris Bldg.

BAABDA
Bernard Rahal
ATM indoor
Main Road, Helou Bldg.

BAABDA CAP CENTER
May Khoury
ATM outdoor
Damascus Road, Cap Center

BADARO
Gabriel Fernaine
ATM indoor
Sami El Solh Ave., Cemate Bldg.

FURN EL CHEBBAK
Jamale Chakhtoura
ATM indoor
Damascus Road, Bou Rislan Bldg.

GROUP ADDRESSES

HAZMIEH
Dina Younes
2 ATMs indoor
Mar Takla, Nabil Ibrahim Haddad Bldg.

PLACE DE L'ETOILE
Ziad Accari
ATM outdoor
Place de l'Etoile, Downtown Beirut
Maarad St., Byblos Bank Bldg.

METN

SIN EL FIL
Boutros Aoun (Regional Manager)
Hayek/Mkalles Road, Chalhoub and Chaoul Bldg, Lot 549

BRANCHES

ANTELIAS 1
Jean Tannous
ATM indoor
Armenian Patriarchate St., Pères Antonins Bldg.

ANTELIAS 2
Selim Tahchi
ATM outdoor
Main Road, Old Road to Tripoli, Antoun and Georges Saoud Bldg.

BAABDAT
Kamal Abou Khalil
ATM indoor
Baabdat Main Road, Charabati Bldg.

BOURJ HAMMOUD
Hagop Kharpoutlian
ATM outdoor
Armenia St., Mahrouk Bldg.

DEKWANEH
Samir Yammouny
2 ATMs indoor
Internal Main Road, El Khoury Center

DORA
Elie Hojeily
2 ATMs indoor
Dora Roundabout, Tabbara Bldg.

DORA AYA
Viviane Bou Mansour
2 ATMs indoor
Dora Highway, Aya Center

MAZRAAT YACHOUH, ELYSSAR
Armand Bassil
ATMs outdoor and indoor
Bikfaya Main Road, Byblos Bank Bldg.

JAL EL DIB
Toufic Attieh
ATM indoor
Internal Main Road, Abou Jaoudeh Bldg.

JDEIDEH 1
Nazih Saadeh
ATM indoor
Justice Palace direction, Tanios El Beyrouthi Bldg.

JDEIDEH 2
Tony Khoury
ATM inside
New Jdeideh St., Khoury Bldg.

MANSOURIEH
Toufic Abi Jaoude
2 ATMs indoor
Mansourieh Main Road, Mansourieh Gate Center

RABIEH
Salma Fares Khoury
2 ATMs indoor
Rabieh, Mtayleb, Biyyada St.
Facing Resurrection Church, Chalhoub Bldg.

SIN EL FIL
Agnes Ghobril
2 ATMs outdoor
Hayek/Mkalles Road, Chalhoub and Chaoul Bldg, Lot 549

KESERWAN/JBEIL

JOUNIEH SQUARE
Marc Salameh (Regional Manager)
ATM outdoor
Khalifeh Center, near Amwaj Center

BRANCHES

ADMA
Adeline Dahdah
ATM outdoor
Main Road, facing Regency Palace Hotel, Plaza Center

AMCHIT
Paul Khalifeh
ATM indoor
Main Road, Michel Rouhana Bldg., Pyramid 6

HARET SAKHR
Mario Kamar
ATM indoor
Haret Sakhr/Harissa Highway, Property of the Wakef of Notre Dame Des Secours

JBEIL 1
George Mrad
ATM outdoor
Main Road, Zaarour Bldg.

JBEIL 2
Georges Khoury
2 ATMs indoor
Voie 13, Byblos Bank Bldg.

JOUNIEH SÉRAIL
Elie Salloum
ATM indoor
Sérail St., St. Nicolas Bldg.

KASLIK
Pierre Moubarak
ATM outdoor
Sarba Blvrd., Moudabber Center

KFARHBAB
Rita Tayeh Youssef
ATM outdoor
Maameltein, Ghazir Road, George Al Zayek Bldg.

MASTITA, BLAT
Joseph Ghanem
ATM outdoor
Mastita Square, Georges Atmeh Bldg., Jbeil

OKAYBEH
Elie Krim
ATM outdoor
Main Road, Chalfoun Center

REYFOUN
Sleiman Haddad
ATM indoor
Main Road, Napoli Center

ZOUK
Michel El Amm
2 ATMs indoor
Jeita Main Road, Semaan Sammour Bldg.

NORTH

TRIPOLI
Fadi Hachem (Regional Manager)
Jamila Center, Abou Samra Bridge Intersection, Tripoli Blvd.

GROUP ADDRESSES

BRANCHES

BATROUN
Francois Hokayem
ATM outdoor
Main Road, Royal Center

BECHMEZZINE
Elias Khoury
ATM outdoor
Amioun, Bterram Cross Road

HALBA
Ammar Rachid
ATM outdoor
Main Road Al Abdeh, Naim Center

KOBAYAT
Milad Antoun
ATM indoor
Akkar, Zouk Kobayat, Demiane Bldg.

KOUSBA
Antoine Saba
ATM outdoor
Main Road, Byblos Bank Bldg.

TRIPOLI BOULEVARD
Jamil Alameddine
ATM outdoor
Jamila Center, Abou Samra Bridge Intersection

TRIPOLI MINA
Michel Kebbe (Acting)
ATM outdoor
Al Bawabe Street – Jabadou Bldg.

TRIPOLI TALL
Rabih Merhabi
2 ATMs indoor
Al Massaref St., Miskawi Bldg.

ZGHORTA
Youssef El Khoury
ATM outdoor
Ardat Zghorta, Akbeh, El Mihanieh Roundabout

SOUTH

SAIDA
Imad Al Amine (Regional Manager)
Riad El Solh St., Al Zaatari & Dandashly Bldg., 1st Floor

BRANCHES

BINT JBEIL
Ali Assaad
ATM indoor
Main Road, Haydous Center

GHAZIEH
Amine Rammal
ATM outdoor
Main Road, Sidawi Bldg.

HLALIYEH
Yasser Samia
ATM outdoor
Saida Region, Nabil Al Zaatari Bldg.

JEZZINE
Youssef Nader
ATM indoor
Al Boulevard St., St. Antoine Center

MARJEYOUN
Karam Nehmtallah
ATM outdoor
Jdeidet Marjeyoun, Main Road, Kalaa Street (Western Entrance)
Byblos Bank Building, facing Fouad Rached Center

NABATIEH
Souheir Nassar Daher
ATM indoor
Hasan Kamel Sabbah St., Majed Rihan Center

SAIDA
Carole Haber El Hajj
ATM outdoor
Riad El Solh St., Al Zaatari & Dandashly Bldg., 1st Floor

TYRE
Hassan Nesser
ATM outdoor
North Entrance
Chahine Commercial Center

BEKAA

JDITA
Khalil Touma (Regional Manager)
Main Road, Ghassan Nassar Bldg.

BRANCHES

ALEY
Rabab Jaber Chehayeb
ATM outdoor
Internal Main Road, St. No. 11-A
Fouad Abou Rafeh Bldg.

BAR ELIAS
Rim Kadri
ATM indoor
Beirut-Damascus International Road
Youssef and Rafic Anka Bldg.

DEIR EL KAMAR
Madeleine Mhanna
ATM indoor
Main Road, near Deir El Kamar Public School

JDITA
Arlette Dalloul
ATM indoor
Main Road, Park Hotel Bldg.

JEB JENNINE
Abdel Latif Mahmoud
ATM indoor
Abdel Nasser Ali Taha Bldg., Jeb Jennine Main Road, next to
Giant Stores

KABRCHMOUN
Imane Hamzeh
ATM outdoor
El Chahar El Gharbi, Byblos Bank Bldg.

RAS EL METN
Oumayya Abou El Hesn
ATM outdoor
Main Road, El Maydan Quarter

ZAHLEH
Naji Chamoun
ATM outdoor
Al Boulevard St.
Mekhael and Ghassan Chedid Bldg.

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INSURANCE COMPANY

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

(Registered in Lebanon in the register of insurance organisms (sub#194) and governed by provisions of Decree No. 9812 dated 4/5/68)

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OFF-PREMISES ATMs

Location	Responsible Branch
Ablah, Antonine University	Zahle Branch
Amchit, IPT Petrol Station	Amchit Branch
Annaya, Saint Charbel	Amchit Branch
Antelias, Wooden Bakery Factory	Jal El Dib Branch
Ashrafieh, ABC Shopping Mall, L3	Sassine Branch
Baabda, Antonine University	Baabda Branch
Baalbeck, Dar Al Amal Hospital	Bar Elias Branch
Badaro, Badaro St., Chamandi Bldg.	Badaro Branch
Bchamoun, Main Road, Schools Bifurcation	Choueifat Branch
Bikfaya, Misk River Center	Elyssar Branch
Blat, Lebanese American University Campus (LAU)	Jbeil Branch
Burj al-Barajneh, Rassoul El Aazam Hospital, Old Airport Road	Ghobeiry Branch
Dekwaneh, IPT Petrol Station, Freeway Center	Dekwaneh Branch
Dora, City Mall, L1	Dora Branch
Fayadieh, Saint Charles Hospital	Hazmieh Branch
Halate, IPT Petrol Station, Southbound Highway	Amchit Branch
Halate, IPT Petrol Station, Northbound Highway	Jbeil Branch
Jbeil, Maounat Hospital	Jbeil 2 Branch
Jounieh, Hokayem, Main Road	Jounieh Branch
Jounieh Square, Byblos Bank Regional Management Offices	Jounieh Branch
Jounieh, Zouk Highway, Cadbury	Jounieh Branch
Kaslik, IPT Petrol Station, Southbound Highway	Kaslik Branch
Kaslik, Lebanese Army Officers' Club	Jounieh Branch
Louaizeh (Keserwan), Notre Dame University	Zouk Branch
Louaizeh (Keserwan), Notre Dame School	Zouk Branch
Okaybeh, Sanita Premises	Okaybeh Branch
Ramlet El Bayda, Security Forces Location	Jnah Branch
Tayyouneh, Beirut Mall, 2nd Floor	Chiyah Branch
Tebnin, Tebnin Hospital	Bint Jbeil Branch
Tyre, Rest House	Tyre Branch
Yarzeh, Ministry of Defense	Hazmieh Branch
Zghorta, Main Road, Al Aabi Area	Tripoli Kobbeh Branch
Zouk, Masterpack	Zouk Branch

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www.circle-vc.com

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