



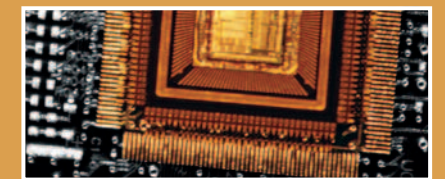
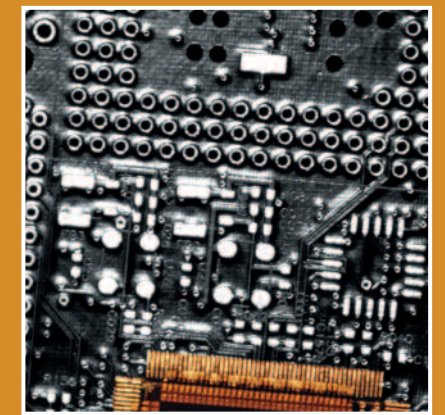
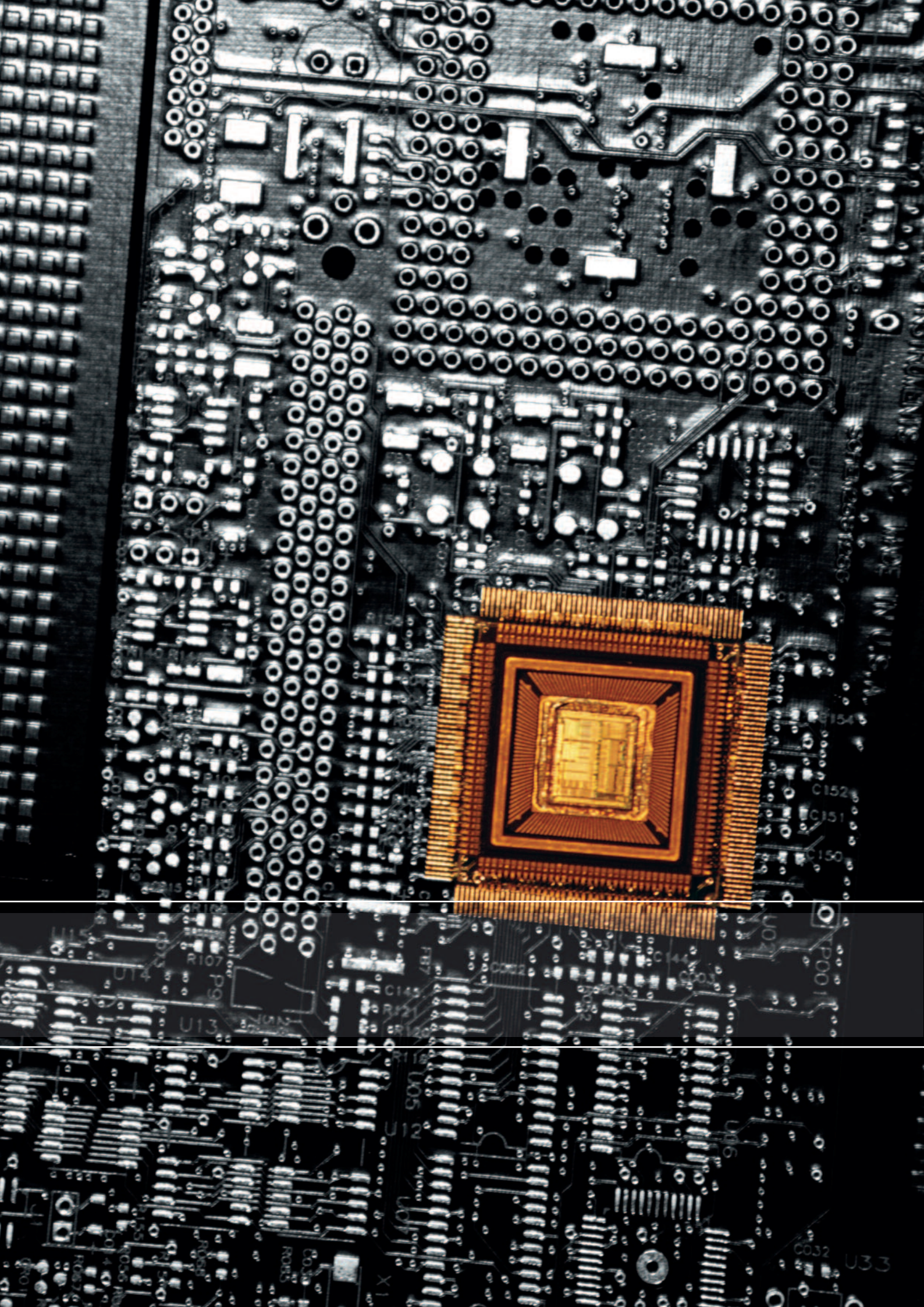
Annual Report  
**2008**





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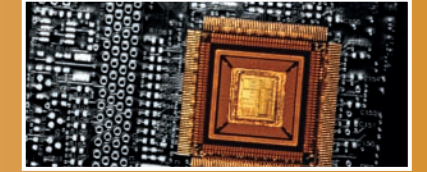




## Distinction in Innovation

A dynamic spirit lies at the core of our entire financial network and carries a high degree of technological innovation throughout our infrastructure. BLC Bank is continuously innovating to provide its clientele with quality products and services.





## Chairman's Letter

We need to congratulate ourselves for 2008 results whether from the progression of deposits, lending, commissions and recurring profits.

The excellent results in comparison with 2007 and in absolute terms could not be achieved without the shared will of BLC Bank new shareholders, namely Fransabank and Sehnaoui group and without the support and motivation of the 517 managers and employees of the Bank. These 2008 results are the manifestation of the strong return of BLC Bank to the banking and financial markets scene.

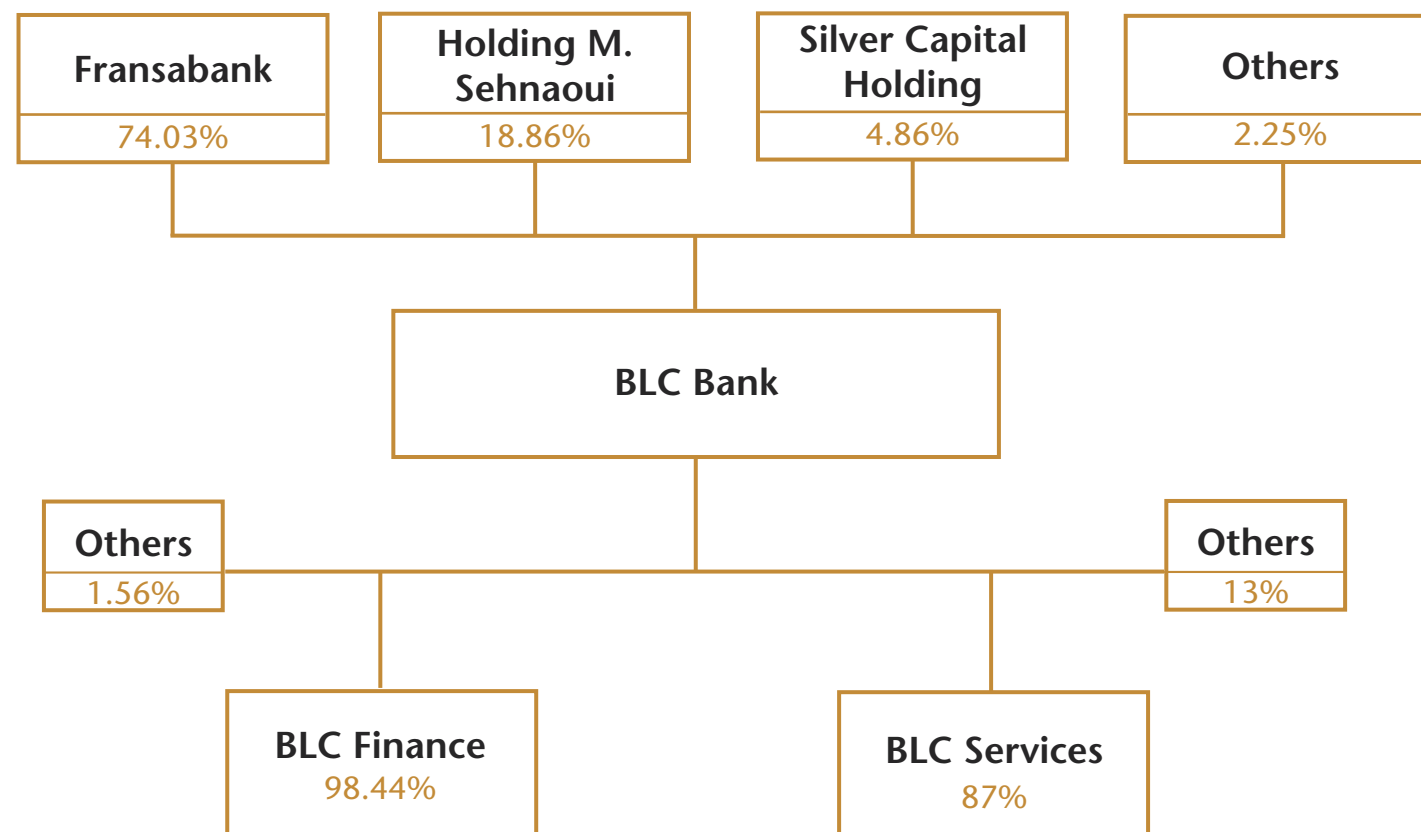
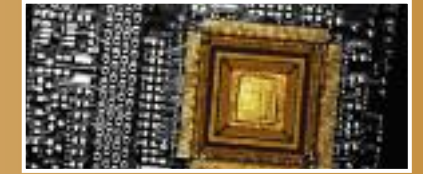
The objective of BLC Bank is to progressively undertake real banking functions namely acquire an increasingly significant market share in the productive economic sectors through servicing the retail sector, the small, medium and large enterprises and not merely settle for deposit taking activities geared to placements in treasury bonds. These placements, while being without a doubt good investments, do not generate value added or commissions.

### Our main ambitions for 2009 are:

- Deposit levels to exceed USD 2 billion.
- To reach USD 400 million in direct lending activities to the corporate and retail sectors.
- To significantly improve the quality of our service levels delivered to our clients through a performing technical infrastructure and a more efficient organization.

Three values will constantly guide our development and will always remain our focal point: *professionalism, innovation and quality service*. We are confident that we shall attain these objectives.

**Maurice Sehnaoui**  
Chairman General Manager



**BOARDS OF DIRECTORS**

**BLC BANK S.A.L.**

**Board Members**

- Chairman, Mr. Maurice Sehnaoui \_\_\_\_\_
- Vice-Chairman, Mr. Nadim Kassar \_\_\_\_\_
- Member, Mr. Adnan Kassar \_\_\_\_\_
- Member, Mr. Adel Kassar \_\_\_\_\_
- Member, Mr. Nazem El Khoury \_\_\_\_\_
- Member, Mr. Nabil Kassar \_\_\_\_\_
- Member, Me Walid Daouk \_\_\_\_\_
- Member, Mr. Mansour Bteish \_\_\_\_\_
- Member, Mr. Charles El Hage \_\_\_\_\_
- Member, Me Walid Ziadeh \_\_\_\_\_
- Member, Mr. Raoul Nehme \_\_\_\_\_

*Secretary to the Board, Me Michel Tueni  
External auditors, Deloitte & Touche*

**BLC FINANCE S.A.L.**

**Board Members**

- Chairman, Mr. Shadi Karam \_\_\_\_\_
- Member, BLC Bank s.a.l. \_\_\_\_\_
- Member, Holding M. Sehnaoui s.a.l. \_\_\_\_\_
- Member, Me Walid Daouk \_\_\_\_\_
- Member, Mr. Georges Tabet \_\_\_\_\_
- Member, Mr. Youssef Sarrouh \_\_\_\_\_
- Member, Me Walid Ziadeh \_\_\_\_\_

*Secretary to the Board, Me Michel Tueni  
External auditors, Deloitte & Touche*

**BLC SERVICES S.A.L.**

**Board Members**

- Chairman, Mr. Nazem El Khoury \_\_\_\_\_
- Member, BLC Bank s.a.l. \_\_\_\_\_
- Member, Holding M. Sehnaoui s.a.l. \_\_\_\_\_
- Member, Me Walid Daouk \_\_\_\_\_
- Member, Mr. Georges Tabet \_\_\_\_\_
- Member, Mr. Khaled Salman \_\_\_\_\_
- Member, Me Walid Ziadeh \_\_\_\_\_

*Secretary to the Board, Me Michel Tueni  
External auditors, Deloitte & Touche*





## Distinction in Expertise

Various small parts are combined together in the utmost precision to set us in motion. Fine watchmakers who patiently work by hand for years to master their profession are a continuous inspiration to us all.



**MANAGEMENT**

**Maurice SEHNAOUI** \_\_\_\_\_  
Chairman and General Manager

**Georges TABET** \_\_\_\_\_  
General Manager

**Raoul NEHME** \_\_\_\_\_  
Advisor to the Chairman

**Fouad RAHME** \_\_\_\_\_  
Assistant General Manager and Corporate Banking Group

**Youssef EID** \_\_\_\_\_  
Assistant General Manager and Retail Banking & Marketing Groups

**SENIOR MANAGERS, HEADS OF GROUPS**

**Georges BAZ** \_\_\_\_\_  
Risk Management & General Secretary Group

**Bassam HASSAN** \_\_\_\_\_  
Support Group

**Tania MOUSSALEM** \_\_\_\_\_  
Business Development Group

**Souheil YOUNES** \_\_\_\_\_  
Human Resources Group

**Alexander ZOGHEIB** \_\_\_\_\_  
Chief Internal Auditor

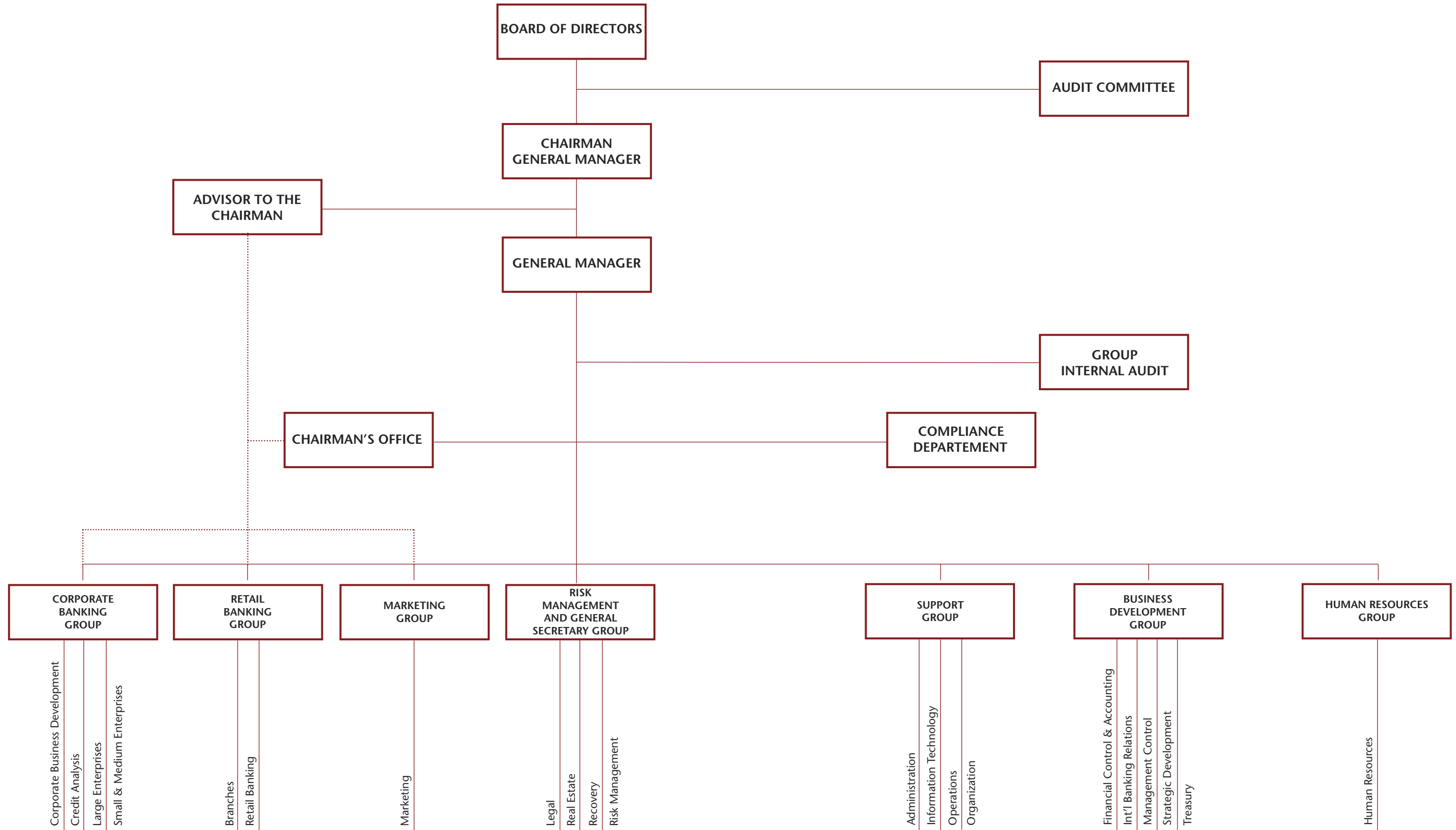




## Distinction in Structure

Our entire network is built on highly professional and dedicated individuals that make up the strong team we are today. Similar to the unique genetic signature of any living entity, our intricate structure comprises some of the finest human resources in the sector, contributing to our daily growing success.

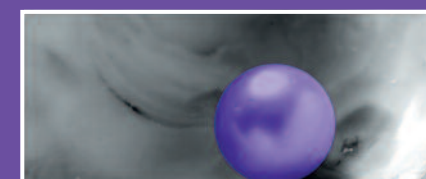




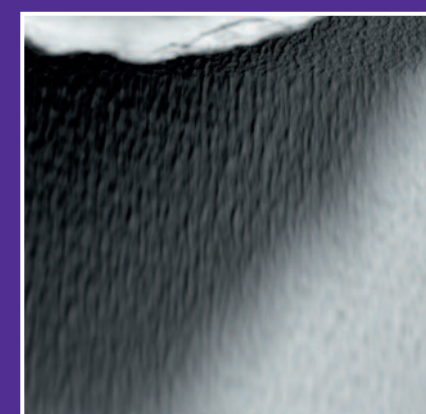


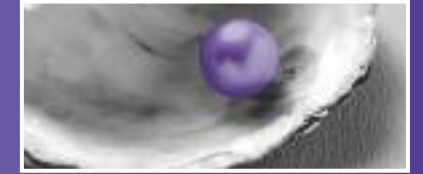


## Distinction in Banking



In a dynamic sector like banking, standing out from the crowd is crucial and we attribute our success to the little but valuable things that make a lasting impression in our clients' lives. It is where others stop that we continue to distinguish ourselves in a global corporate culture.





## ■ ■ ■ Branch Management

*"A customer is the most important visitor on our premises, he is not dependent on us. We are dependent on him. He is not an interruption in our work. He is the purpose of it. He is not an outsider in our business. He is part of it. We are not doing him a favor by serving him. He is doing us a favor by giving us an opportunity to do so".*

*Mahatma Gandhi*

Retail Banking, one of the main pillars of the Bank's strategic direction, saw its results strengthening in 2008, boosted by a strong loan growth in the four main product lines offered to BLC Bank customers, namely car loans, housing loans, personal loans and cards operations.

As a result of the above and despite the continued political and economic uncertain conditions, total retail bank lending increased by 70% in 2008. At the same time the Bank maintained strict credit evaluation criteria as evidenced by the conservative consumer loan approval ratio not exceeding 60% throughout 2008 and the low delinquency ratio that was maintained below 10% of total outstandings.

Fee income from insurance activities generated by BLC Services increased by 125% reflecting the healthy increase in retail businesses.

This growth was achieved as the Bank's branches and sales teams continued to implement the retail sales culture introduced over the past years adopting a business development strategy that focused on innovative products, diversified delivery channels, a client-centric culture focusing on providing relevant valuable advice and bringing value added to the Bank's clients.

The focus on the sales effort at the branches was supplemented by the introduction of gradual decentralization of credit authorities both at the Head Office and the branches. This was made possible as a result of the continued implementation of a rigorous credit culture focusing on conservatism, responsibility, accountability and reward.

In addition to developing the retail portfolio, considerable effort has been allocated to laying solid foundations for the development of micro-credit and small-business lending throughout the branch network. These are two under-banked sectors where significant growth can be achieved over the coming years and where risks can be better controlled and spread over a wider range of clients.

## Marketing & Products Development

*"Authentic marketing is not the art of selling what you make but knowing what to make. It is the art of identifying and understanding customer needs and creating solutions that deliver satisfaction to the customers, profits to the producers and benefits for the stakeholders".*

*Philip Kotler*

The Bank offers its valued clientele a wide range of products and services. These include solutions for financing, investing and everyday banking as well as a comprehensive suite of insurance products and financial advisory services. The Bank intends to preserve simplicity and reach all market segments through these products and services.

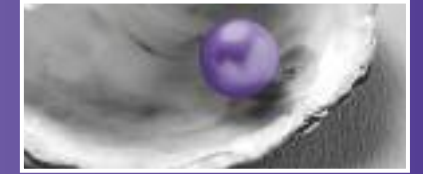
In 2008, the Bank continued its strategy of introducing innovative and relevant products that serve clients. The relevance of these products is evidenced by their success and their market acceptance. An example is the Passive War and Terrorism Insurance Cover offered with all car loans, a product that was soon emulated after its launch by several competitors.

The Bank also introduced last year the Client Loyalty Program aimed at encouraging clients to use the Bank's products and reward them for doing so. The Bank also introduced a new lending scheme that enables clients to obtain the Bank's financing for their purchases directly at major retailers' outlets.

The Bank also launched a pioneering concept in the housing loan sector, with the introduction of the Iskan PCH housing loan with 0% interest rate and no fees, whereby the client will only settle the principal loan amount during phase 1 and the Bank will cover all obligations towards the PCH during phase 2; the interest being covered by an initial deposit that the client places at the Bank.

As for the communication strategy, the Bank used various above-the-line media tools such as billboards, unipoles, direct communications and radio ads to promote the Bank's wide scope of retail products and positively reinforce both its image and services.





## ■ ■ ■ Corporate Banking

*"The human species, according to the best theory I can form of it, is composed of two distinct races: the men who borrow, and the men who lend".*

Charles Lamb

The Corporate Banking Department carried out a challenging strategy of growth based on a mutual understanding aiming to a win-win situation between clients and the Bank.

The Corporate Banking Department covers a wide range of credits including the micro credit to the corporate, small, medium and large, each segment being tackled by a specialized team.

Seeking to understand and adopt the adequate strategy for each of our clients, we have conducted proactive management solutions offering short, medium and long term loans, helping clients reach their goals on one hand and securing the ability to repay the loans granted on the other.

Our focus is to offer our clients comprehensive solutions addressing the needs of the company, its shareholders, managers and employees, involving our branch network in the process as well as other departments within the Bank.

Furthermore, our team of professionals is dedicated to providing good advice, accompany our clients in their growth strategies and provide them with highly reliable services.

Our goal is to be recognized as an innovative bank of reference, targeting all business sectors in Lebanon and the region.

## Trade Finance

*"We don't need to build walls, we need to build bridges. We don't need protection, we need opportunity".*

Bill Clinton

Doing business internationally can be complicated and entails facing varied risk factors and requires rigorous and thorough attention.

In response to an ever expanding global environment where change is the only constant, the Trade Finance Department proves to be a cornerstone for BLC Bank.

Our specialized team, which possesses in depth knowledge and experience in the export and import business as well as triangular trade transactions, works closely with our clients to address the complexities and intricacies associated with their businesses, facilitating their transactions and structuring the deals to protect the institution and the clients' interests alike.

In 2008, the Trade Finance transactions volume reached USD 300 million whereby import letters of credit issued represented 34% of the volume, and where we handled a significantly additional number of documentary collections.

## Risk Management

*"To get profit without risk, experience without danger, and reward without work is as impossible as it is to live without being born".*

A. P. Gouthey

The Risk Management activities at BLC Bank involve analysis, evaluation, acceptance and management of risk or combination of risks. BLC Bank believes that sound risk management is a key success factor for any organization. As such, in its daily operations, BLC Bank strives to make risk management a foundation of healthy business development and to strike a balance between risk control and business growth.

The management of risks in the Bank's business is handled by the Risk Management Department's credit risk, financial risk, operational risk, IT security and credit administration sections. These sections work together to assist the Bank achieve its objective of enhancing the shareholder value while maintaining risk exposures within acceptable limits.

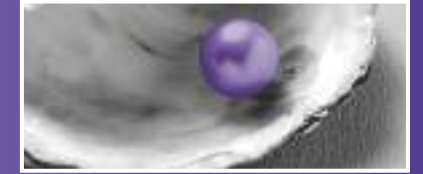
### ■ Credit Risk Management

The Credit Risk Management team at BLC Bank has the responsibility for identifying, measuring and managing the Bank's credit exposure. It essentially focuses on determining the probability of a default and how costly it will turn out to be if it does occur. Managing credit risk in our portfolio begins with an assessment of the credit risk profile of the borrower based on an analysis of his management practices, financial position and documents provided. As part of our overall credit risk assessment, each commercial credit exposure is assigned a risk rating and is subject to approval based on defined credit approval standards.

During 2008, the Credit Risk Management worked on dissecting the credit portfolio as per Central Bank's directives, in order to apply Basel II in calculating the credit risk charge BLC Bank is exposed to.

In the year 2009, we have therefore set ourselves new goals to be reached, especially those related to Pillar II in Basel II:

- Setting credit limits by counterparty, country and industry group - and reviewing them periodically to ensure they remain appropriate in light of market events or counterparty's financial condition.
- Monitoring credit exposure on a current and potential basis across all products.
- Managing credit portfolio concentrations across countries, industries and products.
- Recommending suitable credit policies and guidelines.



## ■ ■ ■ ■ Financial Risk Management

The Financial Risk Management's role is to maintain potential market losses within acceptable levels and contribute to earnings stability through independent identification, assessment, management and monitoring of the market risks inherent to the Bank's businesses.

During 2008, we have maintained and updated the Basel II project plan as well as the Market Risk Capital Charge and improved the integration and alignment of control/risk systems within the business lines, thus, providing more accurate capital figures under the Bank's Basel II Capital Requirement. Also, we are finalizing the development and implementation of the interest rate, liquidity and investment policies and procedures in coordination with concerned parties.

The Financial Risk Management functions' ultimate goal is to help business and support lines and more particularly the Treasury minimize, prevent or mitigate risks they face that could hinder the achievement of their financial goals. The gradual implementation of risk procedures as planned will ensure more efficient management of risks and fewer losses incurred due to those risks.

## ■ Operational Risk Management

Operational risks are inherent in BLC Bank operations and are typical of any enterprise. Major sources of operational risk include: operational process reliability, IT security, outsourcing of operations, implementation of strategic change, fraud, human error, customer service quality, regulatory compliance, recruitment, training and retention of staff, and social and environmental impacts.

The Bank's Operational Risk Management policy focuses on identifying, monitoring, managing and reporting operational risks. Key elements of the framework include control self-assessment, incident management and key risk indicator monitoring. In that regard, the Operational Risk Management function develops policies, practices, controls and monitoring tools for assessing and managing operational risks across the Bank. The Operational Risk Management believes that risks can be effectively managed if all Bank staff is aware and committed. Therefore, an operational risk awareness program has been put in place for all new recruits in addition to the general training sessions given periodically to all staff members.

## ■ Credit Administration

The Credit Administration Section provides the administrative support for all credit-related functions. The standards and practices that BLC Bank follows in extending, servicing and collecting loans are aimed at ensuring that all loans are administered in a safe and sound manner and that risk is properly identified and controlled in the loan portfolio.

The Credit Administration has policies and procedures in place to ensure proper disbursement of loans, custody of loan related collaterals and legal documents, reliable credit information reports, reporting to the Central Bank and Banking Commission Control as well as files custody in compliance with BCC circular 238 as well as the monitoring and classification of overdue loans and doubtful accounts in compliance with prevailing rules and regulations.

In view of rendering the access to the credit files easier and safer, the Credit Administration championed the project of scanning loan related documents while introducing the scanning of documents and access to the new database in all related procedures.

Besides, the Credit Support Unit has become part of the Credit Administration in 2008 taking in charge all administrative tasks of the Credit Department.

## ■ IT Security Management

The issue of IT Security features primarily on the business agenda of any financial institution recognizing the value of its information and underlining the importance of protecting it.

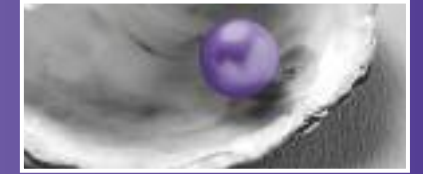
Therefore, our ultimate goal remains the protection of the integrity, availability and confidentiality of information, its supporting processes, systems and networks from a wide range of external and internal threats. An efficient security program is one of the main pillars in the endeavor to ensure business continuity, minimize business risk as well as maintain competitive edge, profitability, legal compliance and commercial image.

The IT Security Management Section continues to spread an information security culture in the Bank through an information security awareness program in addition to security induction sessions given to new employees.

We have also been working on enhancing the existing level of protection by developing and implementing a set of controls, mainly policies and procedures in addition to technical measures aiming at enhancing the security of the IT environment.

In the near future, we are set to reach an even higher level of security by undertaking additional projects such as developing a disaster recovery plan, conducting an ownership of assets identification process and an information classification process, reviewing all existing access control lists.





## ■ ■ ■ Compliance

*“The law is not a ‘light’ for you or any man to see by; the law is not an instrument of any kind. The law is a causeway upon which so long as he keeps to it a citizen may walk safely”.*

*Robert Bolt*

In an institution holding itself to high standards when carrying on business and at all times striving to observe the spirit as well as the letter of the law, the Compliance Department emphasizes standards of honesty and integrity to ensure that the Bank is complying with applicable laws, rules and regulations, and internal policies and procedures. We, therefore, adopted a systematic and disciplined approach, to avoid any legal and regulatory sanctions, material financial loss, or loss to reputation.

The Department is instrumental in enforcing policies and procedures and in generating an environment where the prevailing goal is to always do the right thing and to do it the right way.

The AML manual was implemented in 2007 detailing the Bank’s anti-money laundering policy and procedures, the AML responsibilities in the Bank, an overview of the relevant laws and activities as well as the detailed procedures that should be followed by staff when reporting suspicious transactions. Furthermore, the AML reporter system for transactions’ monitoring has been successfully implemented.

As part of enforcing the compliance culture in the Bank, all employees have been trained on AML issues.

Also, to guard against exposure to undesirable or questionable individuals or entities, Compliance officers continue to screen suspicious individuals and entities and use a system that allows them to detect, investigate and report these cases by matching with blacklisted names from different locals and international data sources.

As an integral part of the Bank’s business activities, we are planning to adopt a risk-based approach (RBA) for dealing with money laundering, which involves identifying and categorizing risks based on certain criteria such as customer risk, product or service risk, and geographic risk.

Moreover, since the only way to reach betterment is by taking the road of improvement, we worked on the implementation of new versions of DNFS (Designated Names Filtering System) and AML Reporter in 2008, for faster results and better transaction monitoring. We also installed an automated solution through interface between the core banking application and the SWIFT. Thus, all incoming/outgoing transfers are automatically filtered and hits are classified in a queue and released after checking and clearance by an authorized person.

Furthermore, we continued throughout 2008, in-house training sessions that were delivered to all Bank employees covering technical aspects and factual case studies to enhance compliance knowledge and strengthen all methods of monitoring in accordance with the applicable policies and procedures.

## Information Technology

*“Science and technology multiply around us. To an increasing extent they dictate the languages in which we speak and think. Either we use those languages, or we remain mute”.*

*J. G. Ballard*

Today, the Information Technology Department continues to keep pace with the continuously changing world of computer and internet-based technologies, providing an innovative mix of modern programs.

The mission of the Information Technology Department is to build a solid and comprehensive technology infrastructure, maintain an efficient and effective operation environment, and deliver high-quality and timely services that support the Bank’s mission. The IT Department provides leadership in long-range planning, implementation, and maintenance of information technology for the Bank.

During 2008, we sought growth through several infrastructure related projects:

The Bank acquired a new architecture that leverages the benefits of “thin client” computing by enabling BLC Bank to deploy IT applications and services in a more efficient and less complex environment. The solution addresses availability, scalability, security, and efficiency of the Bank’s applications especially those running in the branches and the remote offices.

Hand in hand with the acquisition of the aforementioned technology, the Bank acquired a state-of-the-art internet banking application called “Financial Fusion” from SYBASE, a global leader in business applications and database management systems. Once implemented, the said application will be addressing the needs of both our retail and corporate clientele enriching their experience with the Bank and making it more convenient and efficient.

Since we progress not through what has been done, but reaching toward what has yet to be done, we are always seeking progress through the acquisition of new business applications that are in line with the business strategy of the Bank and new items in order to maintain an acceptable level of system availability across the Bank.

## ■ ■ ■ Human Resources

*"All resources are not obvious; great managers find and develop available talent".*

*Zig Ziglar*

As an advocate of the concept of "progressive development", the Human Resources Department is constantly seeking the enhancement of the Bank's human capital while remaining focused on maintaining the highest ethical standards throughout the organization.

Our growth strategy is intended to set evidence-based goals and targets that will facilitate the sustainability and support the progress of the institution in relation to its workforce. As such training, accountability, reward and empowerment became the four cornerstones of Human Resources.

Committing to the effective training and recruitment of highly qualified staff to assure expertise and excellence is key to our success throughout the organization. We therefore invest aggressively in internal as well as external and international training.

We also constantly work on the determination of skill shortages while taking into consideration how to fill these shortages. This allows us to allocate the right people to the right jobs enabling our staff to effectively perform their duties and better serve our clients.

In line with our high performance culture, we focus on building a culture of accountability: the requirement of answerability for one's performance. While our employees commit to accept personal responsibility for their results, we strive to create a positive work environment, improve employee morale and motivate high performance through our rewards and recognition programs.

During the process of measuring progress and rewarding individual and collective contributions, we have nurtured and facilitated cross-pollination of ideas, built and empowered cross-functional teams, provided an inspiring vision, lead innovation and emphasized opportunities not problems.

Since talented and empowered human capital is the prime ingredient of organizational success and growth, we are constantly enabling our employees to contribute to the decision-making process, entrusting them with new tasks and greater responsibilities in order to invigorate the institution.

Furthermore and in line with the Bank's expansionary strategy, the Human Resources Department has embarked on a major recruitment program resulting in a noticeable increase of the workforce.





## Distinction in Results



All our services are built and developed with the most advantageous results in mind. Our track record of delivering strong results through teamwork and dedication is proof of our solid commitment to accomplishment.





## ■ ■ ■ To the Shareholders

BLC Bank s.a.l.  
Beirut, Lebanon

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

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

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

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

### Opinion

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

Beirut, Lebanon  
March 18, 2009

**Deloitte & Touche**





## Consolidated Balance Sheet

December 31		2008	2007
		(LBP'000)	
<b>ASSETS</b>			
	Notes		
Cash and Central Bank	5	466,947,333	339,061,072
Deposits with banks and financial institutions	6	166,969,533	235,337,035
Trading securities	7	17,142,330	17,756,365
Loans and advances to customers	8	415,346,781	287,854,070
Available-for-sale investment securities	9	1,368,050,383	1,097,566,144
Held-to-maturity investment securities	9	391,958,405	498,515,236
Customers' liability under acceptances	10	21,677,733	16,340,966
Assets acquired in satisfaction of loans	11	76,881,667	77,730,765
Property and equipment	12	35,547,668	20,256,318
Intangible assets	13	3,992,847	4,285,494
Other assets	14	7,531,059	17,154,850
<b>Total Assets</b>		<b>2,972,045,739</b>	<b>2,611,858,315</b>
<b>FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS</b>			
Letters of guarantee and stand-by letters of credit	32	52,360,336	62,401,042
Letters of credit		43,297,992	42,367,888
Forward exchange contracts		24,047,429	33,917,818

## Consolidated Balance Sheet (contd.)

December 31		2008	2007
		(LBP'000)	
<b>LIABILITIES</b>			
	Notes		
Deposits and borrowings from banks	15	36,140,772	23,695,600
Customers' accounts at amortized cost	16	2,610,509,127	2,230,415,715
Customers' accounts designated at fair value through profit or loss	16	2,255,708	-
Liability under acceptances	10	21,677,733	16,340,966
Other borrowings	17	11,845,723	112,426,267
Other liabilities	18	26,478,051	16,612,235
Provisions	19	26,329,209	18,863,768
<b>Total Liabilities</b>		<b>2,735,236,323</b>	<b>2,418,354,551</b>
<b>EQUITY</b>			
Capital	20	152,700,000	152,700,000
Reserves	21	32,044,215	6,218,878
Reserve for assets acquired in satisfaction of loans	21	8,574,485	8,402,630
Retained Earnings		12,120,415	15,628,578
Cumulative change in fair value of available-for-sale securities	22	(3,630,413)	(12,106,603)
Net profit for the year (attributable to equity holders of the Bank)		34,501,144	22,424,270
Total equity attributable to the equity holders of the Bank		236,309,846	193,267,753
Minority interest		499,570	236,011
Total equity		236,809,416	193,503,764
<b>Total Liabilities and Equity</b>		<b>2,972,045,739</b>	<b>2,611,858,315</b>



## Consolidated Income Statement

Year Ended December 31		2008	2007
		(LBP'000)	
CONTINUING OPERATIONS	Notes		
Interest income	23	196,406,716	191,356,818
Interest expense	24	(130,599,938)	(142,768,831)
Net interest income		65,806,778	48,587,987
Fee and commission income	25	12,071,089	9,722,242
Fee and commission expense	26	(2,295,643)	(1,392,993)
<b>Net fee and commission income</b>		<b>9,775,446</b>	<b>8,329,249</b>
Net interest and other gain/(loss) on trading portfolio	27	(486,381)	1,235,946
Other operating income	28	4,608,461	4,263,052
<b>Net financial revenues</b>		<b>79,704,304</b>	<b>62,416,234</b>
Allowance for impairment of loans and advances	8	(1,966,219)	(5,088,932)
Write-back of impairment loss on loans and advances	8	8,886,760	11,859,390
Write-off of loans		(30,384)	(1,113)
Write-back of discount on loan portfolio purchased	8	6,248,077	832,300
<b>Net financial revenues after impairment charge for credit losses</b>		<b>92,842,538</b>	<b>70,017,879</b>
Gain on disposal of property and equipment and properties acquired in satisfaction of loans		859,566	634,076
Write-back provisions (net)	19	60,300	4,181,250
Staff costs	29	(31,117,227)	(25,882,624)
Administrative expenses		(16,631,383)	(17,304,566)
Depreciation and amortization	12,13,14	(4,729,436)	(10,309,085)
Profit before income tax		41,284,358	21,336,930
Income tax expense		(6,562,567)	(4,729,808)
<b>Net profit for the year from continuing operations</b>		<b>34,721,791</b>	<b>16,607,122</b>

## Consolidated Income Statement (contd.)

Year Ended December 31		2008	2007
	Notes	(LBP'000)	
DISCONTINUING OPERATIONS	30		
Net profit for the period from discontinuing operations		-	2,384,940
Gain on disposal of subsidiary		-	3,913,682
Income tax expense		-	(391,368)
		-	5,907,254
<b>Net profit for the year</b>		<b>34,721,791</b>	<b>22,514,376</b>
ATTRIBUTABLE TO:			
Equity holders of the Bank		34,501,144	22,424,270
Minority interest		220,647	90,106
		<b>34,721,791</b>	<b>22,514,376</b>
EARNINGS PER SHARE			
<b>From Continuing and Discontinuing operations:</b>			
Basic earnings per share for the year	31	LBP227	LBP170
<b>From Continuing Operations:</b>			
Basic earnings per share for the year	31	LBP227	LBP126

## Attributable to Equity Holders of the Bank

	Capital	Legal Reserve	Other Reserves	General Reserve for General Banking Risks	Regulatory Reserve	Cumulative Translation Adjustments	Cumulative Change in Fair Value of Available-for-Sale Securities	Retained Earnings	Net Profit for the Year	Total	Minority Interest	Total Equity
	(LBP'000)											
Balance - January 1, 2007	101,235,000	941,643	159,843	1,189,272	7,950,381	(592,955)	(15,748,686)	2,293,285	18,344,375	115,772,158	145,905	115,918,063
Allocation of 2006 profit	-	1,600,046	-	3,165,372	452,249	-	-	13,126,708	(18,344,375)	-	-	-
Increase of capital	51,465,000	-	-	-	-	-	-	-	-	51,465,000	-	51,465,000
Transfer of legal reserves and other reserves to accumulated losses	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative translation adjustments	-	-	-	-	-	-	-	-	-	-	-	-
Restatement due to liquidation of subsidiary	-	(837,298)	-	-	-	592,955	(2,792)	256,129	-	8,994	-	8,994
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	-
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	(47,544)	-	(47,544)	-	(47,544)
Change in fair value of available-for-sale securities (net of deferred tax)	-	-	-	-	-	-	3,644,875	-	-	3,644,875	-	3,644,875
Net profit for the year 2007	-	-	-	-	-	-	-	-	22,424,270	22,424,270	90,106	22,514,376
<b>Comprehensive income for the year 2007</b>	-	-	-	-	-	-	3,644,875	-	22,424,270	26,069,145	90,106	26,159,251
Balance - December 31, 2007	152,700,000	1,704,391	159,843	4,354,644	8,402,630	(12,106,603)	(12,106,603)	15,628,578	22,424,270	193,267,753	236,011	193,503,764
Allocation of 2007 profit	-	2,632,078	19,940,767	3,252,492	141,992	-	-	(3,543,059)	(22,424,270)	-	-	-
Transfer from regulatory reserve to retained earning	-	-	-	-	(167,382)	-	-	167,382	-	-	-	-
Other movement	-	-	-	-	197,245	-	-	(30,311)	-	166,934	42,912	209,846
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	(102,175)	-	(102,175)	-	(102,175)
Change in fair value of available-for-sale securities (net of deferred tax)	-	-	-	-	-	-	8,476,190	-	34,501,144	8,476,190	-	8,476,190
Net profit for the year 2008	-	-	-	-	-	-	-	-	34,501,144	34,501,144	220,647	34,721,791
<b>Comprehensive income for the year 2008</b>	-	-	-	-	-	-	8,476,190	-	34,501,144	42,977,334	220,647	43,197,981
Balance - December 31, 2008	152,700,000	4,336,469	20,100,610	7,607,136	8,574,485	-	(3,630,413)	12,120,415	34,501,144	236,309,846	499,570	236,809,416

## Consolidated Financial Statements



## Consolidated Statement of Cash Flows

Year Ended December 31	Notes	2008	2007
		(LBP'000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit for the year		34,721,791	22,514,376
<b>Adjustments for:</b>			
Write back provision for bad debts (net)	8	(13,168,618)	(7,602,758)
Write-off of loans and advances to customers	8	30,384	1,113
Depreciation and amortization	12,13,14	4,729,436	10,309,085
Provisions for charges/(write back)	19	2,076,897	(2,566,741)
Unrealized loss/(gain) on trading portfolio	27	1,789,104	(156,811)
Income tax expense		6,562,567	5,121,176
Profit on discontinued operations	30	-	(6,298,622)
Difference on exchange on BLC France Investment		-	(1,758,112)
Gain on disposal of property acquired in satisfaction of loans		(855,389)	(631,591)
Interest expense		130,599,938	142,768,83
Interest income (including interest on trading portfolio)		(197,296,493)	(192,141,979)
		<b>(30,810,383)</b>	<b>(30,442,033)</b>
Net increase in trading portfolio		(1,146,318)	(5,303,944)
Net increase in loans and advances to customers		(109,848,432)	(99,428)
Net increase in customers' deposits		381,130,889	24,455,920
Net increase in compulsory reserve with Central Bank	5	(30,080,344)	(94,853,724)
Net increase in pledged deposits	6	(203,359)	(3,021,213)
Net decrease/(increase) in other assets		8,089,082	(7,165,786)
Net increase/(decrease) in other liabilities		8,705,576	(2,491,794)
Settlements made from provisions		(1,071,832)	(2,286,752)
		<b>224,764,879</b>	<b>(121,208,754)</b>
Income tax paid		(5,265,776)	(4,680,005)
Interest paid		(129,680,304)	(142,768,831)
Interest received		195,903,863	190,842,046
Net cash generated/(used in) in operating activities		285,722,662	(77,815,544)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net increase in available-for-sale investing securities		(255,194,693)	(15,527,397)
Net decrease in held-to-maturity investing securities		102,902,190	95,224,003
Proceeds from disposal of business	30	-	81,706,500
Acquisition of property and equipment	12	(18,171,075)	(394,037)
Acquisition of intangible assets	13	(1,557,064)	(1,750,545)
Proceeds from disposal of assets in satisfaction of loans		4,213,036	5,445,090
Net cash generated from/(used in) investing activities		(167,807,606)	164,703,614
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net increase/(decrease) in deposits and borrowings from banks	15	12,744,205	(23,210,961)
Net decrease in other borrowings	17	(100,580,980)	(45,680,037)
Net cash used in financing activities		(87,836,775)	(68,890,998)
Net increase in cash and cash equivalents		30,078,281	17,997,072
Cash and cash equivalent beginning of year		457,456,118	439,459,046
Cash and cash equivalent end of year	33	487,534,399	457,456,118





## 1. Formation and Activities of the Bank

BLC Bank s.a.l., (the "Bank"), is a Lebanese joint stock company registered under No. 1952 in the Lebanese Commercial Register and is listed under No. 11 on the Lebanese Banks' List. The principal activities of the Bank consist of a wide range of commercial banking activities carried on through thirty six branches in Lebanon.

The consolidated financial statements of the Bank comprise the Bank and its subsidiaries (the "Group").

Ownership amounting to 97.5% of the Bank's equity stake previously held by the Qatar Investment Authority (QIA), was sold during 2007 to Fransabank s.a.l. During 2008, Fransabank s.a.l. disposed of approximately 24% of its share interest in the Bank to Holding M. Sehnaoui s.a.l. and Silver Capital Holding s.a.l.

The Bank's headquarter is located in Beirut, Lebanon.

## 2. Adoption of New and Revised Standards

### Interpretations effective in the current period

Three interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are IFRIC 11 IFRS 2 Group and Treasury Share Transactions; IFRIC 12: Service Concession Arrangements; and IFRIC 14 IAS 19: The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

### Standards and interpretations in issue not yet adopted

At the date of authorization of these financial statements the following new standards, amendments to standards and interpretations were in issue but not yet effective and have not been applied in preparing these financial statements:

IFRS 1 and IAS 27 (Revised) Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective for accounting periods beginning on or after 1 January 2009);

IFRS 2 (Revised) Share-based Payment - Vesting Conditions and Cancellations (effective for accounting periods beginning on or after 1 January 2009);

IFRS 3 (Revised) Business Combinations (effective for accounting periods beginning on or after July 1, 2009);

IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009);

IAS 1 (Revised) Presentation of Financial Statements (effective for accounting periods beginning on or after 1 January 2009);

IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009);

IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for accounting periods beginning on or after July 1, 2009);

IAS 32 and IAS 1 (Revised) Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation (effective for accounting periods beginning on or after 1 January 2009)

IAS 39 (Revised) Financial Instruments: Recognition and Measurement - Eligible Hedged Items. (effective for accounting periods beginning on or after July 1, 2009);

IFRIC 13 Customer Loyalty Programmes (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 16 Hedges of Net Investment in a Foreign Operation (effective for accounting periods on or after 1 October 2008)

The directors anticipate that the adoption of all of the above Standards and Interpretations will have no material impact on the financial statements of the Group in the period of initial application.

## 3. Significant Accounting Policies

### Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs).

### Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Land and buildings acquired prior to 1999 are measured at their revalued amounts based on market prices prevailing during 1999.
- Available-for-sale financial assets are measured at fair value.
- Financial instruments at fair value through profit or loss are measured at fair value.

The principal accounting policies are set out below:

### A. Basis of Consolidation:

The consolidated financial statements of BLC Bank s.a.l. incorporate the financial statements of the Bank and enterprises controlled by the Bank (its subsidiaries). Control is achieved when, among other things, the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The consolidated subsidiaries consist of the following during 2008 and 2007:

Name of Subsidiary	Percentage of Ownership %	Country of Incorporation	Business Activity
BLC Finance s.a.l.	98.44	Lebanon	Financial Institution
BLC Services s.a.l.	87	Lebanon	Insurance Brokerage

All intra-group transactions balances, income and expenses are eliminated in full on consolidation.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.



■ ■ ■ Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

#### B. Foreign Currencies:

The financial statements are presented in Lebanese Pound which is the Group's reporting currency. However, the primary currency of the economic environment in which the Group operates (functional currency) is the U.S. Dollar.

Transactions in currencies other than Lebanese Pound (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated into Lebanese Pounds at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### C. Financial Assets and Liabilities:

##### Recognition and Derecognition:

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

Debt securities exchanged against securities with longer maturities with similar risks, and issued by the same issuer, are not derecognized because they do not meet the conditions for derecognition. Premiums and discounts derived from the exchange of said securities are deferred to be amortized as a yield enhancement on a time proportionate basis, over the period of the extended maturities.

When the Group enters into transactions whereby it transfers assets recognized on its balance sheet and retains all risks and rewards of the transferred assets, then the transferred assets are not derecognized, for example, securities lending and repurchase transactions.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

##### Offsetting:

Financial assets and liabilities are set-off and the net amount is presented in the balance sheet when, and only when, the Group has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

##### Fair Value Measurement:

Fair value is the amount agreed to exchange an asset or to settle a liability between a willing buyer and a willing seller in an arm's length transaction.

When published price quotations exist, the Group measures the fair value of a financial instrument that is traded in an active market using quoted prices for that instrument. A financial instrument is regarded as quoted in

active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include observable market data about the market conditions and other factors that are likely to affect the instrument's fair value. The fair value of a financial instrument is based on one or more factors such as the time value of money and the credit risk of the instrument and adjusted for any other factors such as liquidity risk.

##### Designation at Fair Value through Profit or Loss:

The Group has designated financial assets and liabilities at fair value through profit or loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Financial assets and liabilities designated at fair value through profit or loss are initially recognized and subsequently measured at fair value.

##### Impairment of Financial Assets:

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the asset, a loss event has occurred which has an impact on the estimated future cash flows of the financial asset.

Objective evidence that an impairment loss related to financial assets has been incurred can include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures and levels of and trends in delinquencies for similar financial assets, taking into account the fair value of collateral and guarantees.

For investments in equity securities, a significant or prolonged decline in fair value below cost is objective evidence of impairment.

In respect of available-for-sale investment securities, the previously accumulated losses recorded under equity are recognized in profit or loss in case of objective evidence impairment. Any increase in fair value subsequent to an impairment loss is not recognized in profit or loss for available-for-sale equity securities. Any increase in fair value subsequent to an impairment loss is recognized in profit or loss for available-for-sale debt securities.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit or loss and reduce the carrying amount of the asset to its estimated recoverable amount. If, in a subsequent period, the amount of the impairment loss decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

#### D. Investment Securities:

Investment securities are initially measured at fair value plus incremental direct transaction costs, and subsequently accounted for depending on their classification as either held-to-maturity or available-for-sale.





#### ■ ■ ■ Held-to-Maturity Investment Securities:

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years, unless the amount of held-to-maturity is insignificant, or close to maturity, or in case of significant deterioration in the issuer credit worthiness, or change in statutory or regulatory requirement or in major business combination.

#### Available-for-Sale Investment Securities:

Available-for-sale investments are non derivative investments that are not designated as another category of financial assets. All available-for-sale investments are carried at fair value and unrealized gains or losses are included in equity. Foreign exchange gains or losses on available-for-sale debt security investments are recognized in profit or loss.

#### E. Trading Securities:

Trading securities are initially recognized and subsequently measured at fair value. Transaction costs are included in the income statement. Subsequent changes in fair value of these securities are recognized immediately in profit or loss.

#### F. Loans and Advances:

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are disclosed at amortized cost net of unearned interest and after provision for credit losses where applicable. Bad and doubtful debts are carried on a cash basis because of doubts and the probability of non-collection of principal and/or interest.

#### G. Financial Guarantees:

Financial guarantees contracts are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. These contracts can have various judicial forms (guarantees, letters of credit, credit-insurance contracts).

Financial guarantee liabilities are initially measured at their fair value, and subsequently carried at the higher of this amortized amount and the present value of any expected payment (when a payment under the guarantee has become probable). Financial guarantees are included within other liabilities.

#### H. Property and Equipment:

Property and equipment except for buildings acquired prior to 1999 are stated at historical cost, less accumulated depreciation and impairment loss, if any. Buildings acquired prior to 1999 are stated at their revalued amounts, based on market prices prevailing during 1999 less accumulated depreciation and impairment loss, if any.

Depreciation of property and equipment, other than advance payments on capital expenditures is calculated systematically using the straight-line method over the estimated useful lives of the related assets using the following annual rates:

Buildings	_____	2%
Office improvements and installations	_____	20%
Furniture, equipment and machines	_____	8%
Computer equipment	_____	20%
Vehicles	_____	10%

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives estimated at five years.

#### I. Intangible Assets:

Intangible assets consisting of computer software are amortized on a straight-line basis at the rate of 20%. Computer software is subject to impairment testing.

#### J. Assets Acquired in Satisfaction of Loans:

Real estate property acquired through the enforcement of security over loans and advances is measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities which require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the regulatory authorities require an appropriation of a special reserve from the yearly net income that is reflected under equity.

#### K. Impairment of Tangible and Intangible Assets:

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

The fair value of the Group's owned properties and of properties acquired in satisfaction of debts, is the estimated market value, as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale after adjustment of an illiquidity factor and market constraints.



#### L. Provision for Employees' End-of-Service Indemnity:

The provision for staff termination indemnities is based on the liability that would arise if the employment of all the staff were voluntary terminated at the balance sheet date. This provision is calculated in accordance with the directives of the Lebanese Social Security Fund and Labor laws based on the number of years of service multiplied by the monthly average of the last 12 months remunerations and less contributions paid to the Lebanese Social Security National Fund and interest accrued by the Fund.

#### M. Provisions:

Provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

#### N. Revenue and Expense Recognition:

Interest income and expense are recognized on an accrual basis, taking account of the principal outstanding and the rate applicable, except for non-performing loans and advances for which interest income is only recognized upon realization. Interest income and expense include the amortization discount or premium.

Interest income and expense presented in the income statement include:

- Interest on financial assets and liabilities at amortized cost.
- Interest on available-for-sale investment securities.

Net trading income presented in the income statement includes:

- Interest income and expense on the trading portfolio.
- Dividend income on the trading equities.
- Realized and unrealized gains and losses on the trading portfolio.

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability (i.e. commissions and fees earned on the loan book) are included under interest income and expense.

Other fees and commission income are recognized as the related services are performed.

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

#### O. Income Tax:

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year adjusted for effect of unamortized carry forward losses of the last three years, using rates enacted at the balance sheet date. Income tax payable is reflected in the consolidated balance sheet net of taxes previously settled in the form of withholding tax.

Part of debt securities invested by the Group are subject to withheld tax by the issuer, and deducted at year-end from the corporate tax liability not eligible for deferred tax benefit, and therefore, accounted for as prepayment on corporate income tax and reflected as a part of income tax provision.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using

the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

### 4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### A. Critical Accounting Judgments in Applying the Group's Accounting Policies:

##### Classification of Financial Assets:

The Group's accounting policies provide scope for investment securities to be designated on inception into different categories in certain circumstances based on specific conditions. In classifying investment securities as held-to-maturity, the Group has determined that it has both the positive intent and ability to hold these assets until their maturity as required by its accounting policy under Note 3D. The carrying amount of the held-to-maturity financial assets is LBP392billion at 2008 year end. If the Group fails to keep these investments until maturity other than for the specific circumstances, it will require reclassifying the entire category as available for sale that will be measured at fair value with the corresponding cumulative negative change in fair value of LBP1.34billion at December 31, 2008 booked in equity.

#### B. Key Sources of Estimation Uncertainty:

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

##### Allowances for Credit Losses - Loans and Advances to Customers:

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses include the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession. Loans collectively assessed for impairment are determined based on losses incurred by loans portfolios with similar characteristics.

##### Determining Fair Values:

The determination of fair value for financial assets for which there is no observable market price requires the use of valuation techniques as described in Note 3C. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank Certificates of Deposits at fair value. The IFRS fair value hierarchy allocates the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities, and the lowest priority to unobservable inputs. The fair value hierarchy used in the determination





of fair value consists of three levels of input data for determining the fair value of an asset or liability.

- Level 1- quoted prices for identical items in active, liquid and visible markets such as stock exchanges,
- Level 2- observable information for similar items in active or inactive markets,
- Level 3- unobservable inputs used in situations where markets either do not exist or are illiquid.

Unobservable inputs are used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective should remain the same; that is, an exit price from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs are developed based on the best information available in the circumstances, which may include the reporting entity's own data. Where practical, the discount rate used in the mark to model approach included observable data collected from market participants, including risk free interest rates and credit default swap rates for pricing of credit risk (both own and counter party), and a liquidity risk factor which is added to the applied discount rate. Changes in assumptions about any of these factors could affect the reported fair value of the Lebanese Government debt Securities and Central Bank Certificates of Deposits."

#### Impairment of Available-for-Sale Equity Investments:

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination requires judgment. In making this judgment the Group evaluates among other factors, the normal volatility in share price.

## 5. Cash and Central Bank

December 31	2008	2007
	(LBP'000)	
Cash on hand	21,298,242	11,522,842
Non-interest earning accounts:		
Compulsory reserves with Central Bank of Lebanon	141,934,068	111,853,724
Interest earning accounts:		
Current accounts with Central Bank of Lebanon	18,434,323	13,750,140
Term placements with Central Bank of Lebanon	284,917,500	201,251,250
Accrued interest receivable	363,200	683,116
	466,947,333	339,061,072

Compulsory deposits of LBP142billion at 2008 year-end (LBP112billion in 2007) are in Lebanese Pound and are not available for use in the Group's day-to-day operations and are reflected at amortized cost. These reserves are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pound in accordance with the local banking regulations.

Term placements with Central Bank of Lebanon include the equivalent in U.S. Dollar of LBP220billion and LBP197billion as at December 31, 2008 and 2007 respectively deposited in accordance with local banking regulations which require banks to maintain interest earning placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies, certificates of deposits and borrowings acquired from non-resident financial institutions.

Maturities of term placements with Central Bank of Lebanon as at December 31, 2008 and December 31, 2007 are as follows:

December 31	2008		2007	
Maturity	Foreign Currency C/V in LBP	Average Interest Rate	Foreign Currency C/V in LBP	Average Interest Rate
	LBP'000	%	LBP'000	%
First quarter 2008 and 2007 for balances outstanding as at December 31, 2008 and 2007 respectively	284,917,500	1.94	201,251,250	5.71

## 6. Deposits with Banks and Financial Institutions

December 31	2008	2007
	(LBP'000)	
Purchased checks	7,426,547	398,392
Current accounts with correspondents	17,040,858	25,485,231
Current accounts with related parties	-	17,939
	24,467,405	25,901,562
Term placements with correspondents	138,416,929	134,623,024
Term placements with Parent Bank	-	70,407,300
Pledged deposits	4,045,837	3,842,478
	142,462,766	208,872,802
Accrued interest receivable	39,362	562,671
	166,969,533	235,337,035

Pledged deposits with correspondents are blocked against banking facilities to finance documentary credit transactions (Note 34).

Maturities of term placements and pledged deposits as at December 31, 2008:

Maturity	Balance in LBP		Balance in F/Cy	
	Amount (LBP'000)	Average Interest Rate %	Amount (LBP'000)	Average Interest Rate %
First quarter 2009	19,000,000	3.75	123,462,766	0.74

Maturities of term placements and pledged deposits as at December 31, 2007:

Maturity	Balance in LBP		Balance in F/Cy	
	Amount (LBP'000)	Average Interest Rate %	Amount (LBP'000)	Average Interest Rate %
First quarter 2008	94,339,283	5.44	114,533,519	4.91



## 7. Trading Securities

December 31	2008	2007
	(LBP'000)	
Lebanese Treasury bills	2,777,968	2,740,832
Lebanese Government bonds	5,650,512	4,739,368
Certificates of deposit issued by Central Bank of Lebanon	2,387,725	2,105,700
Equity securities - Quoted	6,044,882	7,917,973
Accrued interest receivable	281,243	252,492
	<b>17,142,330</b>	<b>17,756,365</b>

The net negative change in fair value of trading securities amounted to LBP1.8billion for the year ended December 31, 2008 (positive change of LBP157million for the year 2007) - Note 27.

Accrued interest receivable consists of the following as at December 31, 2008 and 2007:

December 31	2008	2007
	(LBP'000)	
Lebanese treasury bills	83,242	83,284
Lebanese government bonds	131,626	110,224
Certificates of deposit issued by the Central Bank of Lebanon	66,375	58,984
	<b>281,243</b>	<b>252,492</b>

In its meeting held on December 18, 2007, the Board of Directors approved the acquisition of USD11 million(LBP16.6billion) quoted equity securities from the Parent Bank (Fransabank S.A.L.). LBP6.7billion and LBP9.9billion were classified under trading and available-for-sale investment securities, respectively.

## 8. Loans and Advances to Customers

	2008					2007				
	Gross Amount	Unrealized Interest	Discount on Loan Book	Impairment Allowance	Carrying Amount	Gross Amount	Unrealized Interest	Discount on Loan Book	Impairment Allowance	Carrying Amount
<b>Retail customers (standard and special monitoring):</b>										
Housing loans	43,282,966	-	-	-	43,282,966	31,640,692	-	-	-	31,640,692
Personal loans	127,955,707	-	-	-	127,955,707	63,914,618	-	-	-	63,914,618
Credit cards	8,767,272	-	-	-	8,767,272	6,925,204	-	-	-	6,925,204
Overdrafts	1,486,050	-	-	-	1,486,050	1,429,275	-	-	-	1,429,275
Other	6,516,023	-	-	-	6,516,023	4,790,199	-	-	-	4,790,199
					<b>188,008,018</b>					<b>108,699,988</b>
<b>Staff loans</b>	<b>4,987,033</b>	-	-	-	<b>4,987,033</b>	<b>5,309,419</b>	-	-	-	<b>5,309,419</b>
<b>Corporate customers (standard and special monitoring):</b>										
Corporate	99,987,382	-	-	-	99,987,382	74,547,417	-	-	-	74,547,417
Small and medium enterprises	70,545,976	-	-	-	70,545,976	40,340,096	-	-	-	40,340,096
					<b>170,533,358</b>					<b>114,887,513</b>
<b>Low and non-performing loans and advances:</b>										
Purchased loan book	4,562,025	-	-	-	4,562,025	4,966,143	-	-	-	4,966,143
Substandard	3,929,827	(524,407)	-	-	3,405,420	3,229,798	(288,881)	-	-	2,940,917
Doubtful	426,229,300	(326,518,492)	(8,345,651)	(50,887,949)	40,477,208	434,014,161	(297,151,203)	(24,457,454)	(63,422,149)	48,983,355
Bad	154,899,767	(118,026,170)	(1,646,148)	(35,227,449)	-	144,708,320	(105,843,578)	(1,700,836)	(37,163,906)	-
					<b>48,444,653</b>					<b>56,890,415</b>
<b>Restructured loans and advances:</b>										
Substandard	442,149	(96,023)	-	-	346,126	2,584,857	(794,730)	-	-	1,790,127
Doubtful and Bad debts	17,664,316	(5,025,059)	(664,160)	(4,807,356)	7,167,741	22,161,576	(8,068,599)	(677,992)	(2,172,969)	11,242,016
					<b>7,513,867</b>					<b>13,032,143</b>
<b>Allowance for collective impairment</b>	-	-	-	(5,741,972)	(5,741,972)	-	-	-	(11,984,134)	(11,984,134)
<b>Accrued interest receivable</b>	<b>1,601,824</b>	-	-	-	<b>1,601,824</b>	<b>1,018,726</b>	-	-	-	<b>1,018,726</b>
					<b>972,857,617</b>					<b>841,580,501</b>
					<b>(450,190,151)</b>					<b>(26,836,282)</b>
					<b>(10,655,959)</b>					<b>(114,743,158)</b>
					<b>415,346,781</b>					<b>287,854,070</b>




**Movement of substandard loans and advances to customers with related unrealized interest:**

	2008			2007		
	Gross Substandard	Unrealized Interest	Net Book Value	Gross Substandard	Unrealized Interest	Net Book Value
	(LBP'000)			(LBP'000)		
Balance as at January 1	5,953,176	(1,222,132)	4,731,044	20,167,504	(2,869,855)	17,297,649
Withdrawals on loans	395,153	-	395,153	1,732,728	-	1,732,728
Settlements	(1,579,898)	-	(1,579,898)	(4,362,597)	-	(4,362,597)
Additions to unrealized interest	421,648	(421,648)	-	451,686	(451,686)	-
Write back of unrealized interest to income statement	-	908,411	908,411	-	322,93	322,931
Transfer from performing loans and advances	954,247	-	954,247	2,712,671	-	2,712,671
Transfer to performing loans and advances	(1,505,230)	-	(1,505,230)	(162,892)	-	(162,892)
Net Transfer between to / from doubtful and bad loans	(125,824)	(68,861)	(194,685)	(14,460,593)	1,580,618	(12,879,975)
Write-off	(90,095)	90,095	-	(125,331)	125,331	-
Transfer to collective provision	-	42,030	42,030	-	99,876	99,876
Effect of exchange rates changes	474	-	474	-	(29,347)	(29,347)
	<b>4,423,651</b>	<b>(672,105)</b>	<b>3,751,546</b>	<b>5,953,176</b>	<b>(1,222,132)</b>	<b>4,731,044</b>
Less: Expected contractual write-off:	(51,675)	51,675	-	(138,521)	138,521	-
Balance as at December 31	4,371,976	(620,430)	3,751,546	5,814,655	(1,083,611)	4,731,044

**Movement of doubtful loans and advances to customers with related unrealized interest and allowance for impairment:**

	2008			2007		
	Gross Doubtful and Bad	Unrealized Interest	Net Book Value	Gross Doubtful and Bad	Unrealized Interest	Net Book Value
	(LBP'000)			(LBP'000)		
Balance as at January 1	605,850,200	(411,063,380)	(102,759,024)	564,660,270	(375,056,048)	(27,380,242)
Withdrawals on loans	960,826	-	960,826	6,451,954	-	6,451,954
Settlements	(26,149,504)	-	(26,149,504)	(29,621,067)	-	(29,621,067)
Additions to unrealized interest	86,743,236	(86,743,236)	-	79,654,954	(79,654,954)	-
Additional allowance for impairment	-	-	(1,478,109)	-	(2,066,827)	(2,066,827)
Additional discount	152,123	-	(152,123)	1,338,979	-	(1,338,979)
Transferred from allowance for collective provision	-	-	(414,563)	-	(4,956,196)	(4,956,196)
Write-back of unrealized interest to income statement	-	1,044,456	1,044,456	-	1,145,802	1,145,802
Write-back of allowance for impairment to income statement	-	-	8,784,583	-	7,032,088	7,032,088
Write-back of discount to income statement	-	-	6,248,077	-	-	832,300
Downgrade from performing loans and advances	84,491	-	84,491	9,105,996	-	9,105,996
Upgrade to performing loans and advances	(1,832,022)	-	(1,832,022)	(375,541)	-	(375,541)
Transfer to/from substandard loans	125,824	68,861	194,685	14,460,593	(1,580,618)	12,879,975
Transfer to off balance sheet accounts	(22,395,592)	15,144,203	7,251,389	(2,499,335)	2,499,335	-
Reclassification from unrealized interest to allowance for impairment	-	228,300	(228,300)	-	212,266	(212,266)
Write-off	(70,119,351)	49,070,693	11,611,748	(64,301,314)	50,493,171	376,754
Write-off through income statement	-	-	-	(21,546)	-	(21,546)
Change in expected contractual write-off	28,992,485	(16,888,773)	(12,751,171)	27,161,569	(13,397,234)	673,138
Net change in purchased loan book	(404,118)	-	(404,118)	(712,784)	-	(712,784)
Effect of exchange rates changes	1,346,810	(430,845)	(939,307)	547,472	(257,853)	747
Balance as at December 31	603,355,408	(449,569,721)	(90,922,754)	605,850,200	(411,063,380)	(26,836,282)



### ■ ■ ■ Movement of the allowance for collective impairment of loans and advances to customers:

	2008	2007
	(LBP'000)	
Balance as at January 1	11,984,134	20,991,928
Additions	488,110	3,022,105
Transfer to specific allowance for impairment	(414,563)	(4,956,196)
Transfer to provision for contingencies (Note 19)	(6,234,251)	(1,055,250)
Write-off	(21,311)	(1,291,775)
Write-back to income statement	(102,177)	(4,827,302)
Transfer from unrealized interest	42,030	99,876
Other movement	-	748
<b>Balance as at December 31</b>	<b>5,741,972</b>	<b>11,984,134</b>

During 2004, the Group acquired a loan portfolio from Bank Al Madina, Lebanon, for a consideration of LBP40.7billion (USD27million) out of which LBP34billion (USD22.5million) was paid and booked in 2004 upon signing the agreement. In 2005, the Groups' management decided not to acquire the remaining loan portfolio amounting to USD4.5million. As at December 31, 2008 and 2007 purchased loans not yet integrated to the different classifications of the loans portfolio due to the fact that related loan files have not yet been received, amounted to LBP4.5billion and LBP4.9billion respectively. The difference between the original amount of the allocated portion of the purchased loan portfolio and the consideration paid is reflected under discount on purchased loan book.

## 9. Investment Securities

This caption consists of the following:

December 31, 2008	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	(LBP'000)			(LBP'000)		
Quoted equity securities	-	11,016,273	11,016,273	-	-	-
Unquoted equity securities	4,288,798	680,430	4,969,228	-	-	-
Lebanese treasury bills	748,901,005	-	748,901,005	-	-	-
Lebanese government bonds	-	318,937,091	318,937,091	-	227,670,869	227,670,869
Certificates of deposit issued by Central Bank of Lebanon	128,814,038	104,357,806	233,171,844	94,382,179	54,827,775	149,209,954
Certificates of deposit issued by banks	-	20,662,428	20,662,428	-	7,404,439	7,404,439
Corporate bonds	-	-	-	-	358,785	358,785
Accrued interest receivable	21,266,480	9,126,034	0,392,514	2,712,000	4,602,358	7,314,358
	<b>903,270,321</b>	<b>464,780,062</b>	<b>1,368,050,383</b>	<b>97,094,179</b>	<b>294,864,226</b>	<b>391,958,405</b>

December 31, 2007	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	(LBP'000)			(LBP'000)		
Quoted equity securities	-	10,691,467	10,691,467	-	-	-
Unquoted equity securities	4,027,601	668,002	4,695,603	-	-	-
Lebanese treasury bills	579,176,412	-	579,176,412	105,000,000	-	105,000,000
Lebanese government bonds	-	345,943,805	345,943,805	-	226,509,391	226,509,391
Certificates of deposit issued by Central Bank of Lebanon	6,306,379	102,329,049	108,635,428	93,473,412	54,827,775	148,301,187
Certificates of deposit issued by banks	-	23,309,553	23,309,553	-	7,376,874	7,376,874
Corporate bonds	-	-	-	-	358,785	358,785
Accrued interest receivable	14,829,787	10,284,089	25,113,876	5,349,511	5,619,488	10,968,999
	<b>604,340,179</b>	<b>493,225,96</b>	<b>1,097,566,144</b>	<b>203,822,923</b>	<b>294,692,313</b>	<b>498,515,236</b>





## A. Available-for-Sale Investment Securities:

December 31, 2008	LBP					C/V in LBP of F/Cy				
	Amortized Cost	Allowance for Impairment	Carrying Value	Cumulative Change in Fair Value	Accrued Interest Receivable	Amortized Cost	Allowance for Impairment	Carrying Value	Cumulative Change in Fair Value	Accrued Interest Receivable
Quoted equity securities	-	-	-	-	-	10,775,756	-	11,016,273	240,517	-
Unquoted equity securities	1,718,766	(170,000)	4,288,798	2,740,032	-	8,174,476	(7,532,044)	680,430	37,998	-
Lebanese treasury bills	735,412,220	-	748,901,005	13,488,785	18,593,832	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	-	339,688,016	-	318,937,091	(20,750,925)	7,668,213
Certificates of deposits issued by Central Bank of Lebanon	126,124,734	-	128,814,038	2,689,304	2,672,648	106,396,514	-	104,357,806	(2,038,708)	1,380,192
Certificates of deposits issued by banks	-	-	-	-	-	21,826,479	-	20,662,428	(1,164,051)	77,629
	863,255,720	(170,000)	882,003,841	18,918,121	21,266,480	486,861,241	(7,532,044)	455,654,028	(23,675,169)	9,126,034

December 31, 2007	LBP					C/V in LBP of F/Cy				
	Amortized Cost	Allowance for Impairment	Carrying Value	Cumulative Change in Fair Value	Accrued Interest Receivable	Amortized Cost	Allowance for Impairment	Carrying Value	Cumulative Change in Fair Value	Accrued Interest Receivable
Quoted equity securities	-	-	-	-	-	10,782,009	-	10,691,467	(90,542)	-
Unquoted equity securities	1,718,766	(170,000)	4,027,601	2,478,835	-	8,175,863	(7,532,044)	668,002	24,183	-
Lebanese treasury bills	566,725,921	-	579,176,412	12,450,491	14,650,974	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	-	371,750,825	-	345,943,805	(25,807,020)	8,467,505
Certificates of deposits issued by Central Bank of Lebanon	6,154,805	-	6,306,379	151,574	178,813	105,236,657	-	102,329,049	(2,907,608)	1,637,974
Certificates of deposits issued by banks	-	-	-	-	-	24,848,677	-	23,309,553	(1,539,124)	178,610
	574,599,492	(170,000)	589,510,392	15,080,900	14,829,787	520,794,031	(7,532,044)	482,941,876	(30,320,111)	10,284,089

## Available-for-sale investments with fixed maturity are segregated over remaining period to maturity as follows:

December 31, 2008	LBP			C/V in LBP of F/Cy		
	Remaining Period to Maturity	Nominal Value	Amortized Cost	Fair Value	Market Yield	Market Yield
		LBP'000	LBP'000	LBP'000	%	%
<b>Lebanese treasury bills:</b>						
Up to one year		294,010,560	293,999,325	296,899,583	5.74	-
1 year to 3 years		421,559,360	420,210,977	429,488,161	8.40	-
3 years to 5 years		21,295,960	21,201,918	22,513,261	9.68	-
		<b>736,865,880</b>	<b>735,412,220</b>	<b>748,901,005</b>		
<b>Lebanese Government bonds:</b>						
Up to one year		-	-	40,438,387	40,016,847	9.15
1 year to 3 years		-	-	39,464,490	38,256,900	9.31
3 years to 5 years		-	-	51,285,457	46,946,775	9.36
5 years to 10 years		-	-	110,394,225	112,845,025	9.31
Beyond 10 years		-	-	87,614,393	80,871,544	9.31
		-	-	<b>329,111,277</b>	<b>318,937,091</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>						
1 year to 3 years		6,000,000	6,124,734	6,243,305	7.74	-
3 years to 5 years		120,000,000	120,000,000	122,570,733	10.41	-
5 years to 10 years		-	-	-	-	9.31
		<b>126,000,000</b>	<b>126,124,734</b>	<b>128,814,038</b>		
<b>Certificates of deposit issued by banks:</b>						
3 years to 5 years		-	-	21,826,479	20,662,428	9.31
5 years to 10 years		-	-	-	-	-
		-	-	<b>21,858,750</b>	<b>20,662,428</b>	
		<b>862,865,880</b>	<b>861,536,954</b>	<b>877,715,043</b>	<b>443,957,325</b>	



December 31, 2007	LBP			C/V in LBP of F/Cy					
	Remaining Period to Maturity	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Market Yield %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Market Yield %
<b>Lebanese treasury bills:</b>									
Up to one year		114,220,620	114,296,662	115,459,975	6.86	-	-	-	-
1 year to 3 years		418,894,050	417,336,426	428,174,733	8.26	-	-	-	-
3 years to 5 years		35,223,960	35,092,833	35,541,704	10.42	-	-	-	-
		<b>568,338,630</b>	<b>566,725,921</b>	<b>579,176,412</b>					
<b>Lebanese Government bonds:</b>									
Up to one year		-	-	-	-	52,008,750	52,391,040	51,455,255	11.20
1 year to 3 years		-	-	-	-	47,109,381	47,243,899	45,989,214	9.16
3 years to 5 years		-	-	-	-	80,918,593	80,787,139	75,921,763	8.64
5 years to 10 years		-	-	-	-	92,206,238	104,024,786	93,668,036	9.60
Beyond 10 years		-	-	-	-	87,614,392	87,303,961	78,909,537	9.58
		-	-	-	-	<b>359,857,354</b>	<b>371,750,825</b>	<b>345,943,805</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>									
1 year to 3 years		6,000,000	6,154,805	6,306,379	8.78	30,150,000	30,150,000	29,171,219	9.80
3 years to 5 years		-	-	-	-	52,762,500	52,762,500	52,762,500	9.40
5 years to 10 years		-	-	-	-	20,170,350	22,324,157	20,395,330	9.79
		<b>6,000,000</b>	<b>6,154,805</b>	<b>6,306,379</b>		<b>103,082,850</b>	<b>105,236,657</b>	<b>102,329,049</b>	
<b>Certificates of deposit issued by banks:</b>									
Up to one year		-	-	-	-	3,015,000	3,015,000	2,959,057	7.49
3 years to 5 years		-	-	-	-	21,858,750	21,833,677	20,350,496	9.40
		-	-	-	-	<b>24,873,750</b>	<b>24,848,677</b>	<b>23,309,553</b>	
		<b>574,338,630</b>	<b>572,880,726</b>	<b>585,482,791</b>		<b>487,813,954</b>	<b>501,836,159</b>	<b>471,582,407</b>	

### B. Held-to-Maturity Investment Securities:

December 31, 2008	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
	(LBP'000)			(LBP'000)		
Lebanese treasury bills	-	-	-	-	-	-
Lebanese Government bonds	-	-	-	227,670,869	4,302,009	221,171,860
Certificates of deposit issued by Central Bank of Lebanon	94,382,179	2,712,000	100,377,013	54,827,775	260,432	54,264,262
Certificates of deposit issued by banks	-	-	-	7,404,439	28,343	7,123,691
Corporate bonds	-	-	-	358,785	11,574	358,785
	<b>94,382,179</b>	<b>2,712,000</b>	<b>100,377,013</b>	<b>290,261,868</b>	<b>4,602,358</b>	<b>282,918,598</b>

December 31, 2007	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
	(LBP'000)			(LBP'000)		
Lebanese treasury bills	105,000,000	2,697,115	105,659,538	-	-	-
Lebanese Government bonds	-	-	-	226,509,391	5,310,577	217,888,160
Certificates of deposit issued by Central Bank of Lebanon	93,473,412	2,652,396	100,940,703	54,827,775	260,433	53,960,572
Certificates of deposit issued by banks	-	-	-	7,376,874	28,343	7,017,412
Corporate bonds	-	-	-	358,785	20,135	358,785
	<b>198,473,412</b>	<b>5,349,511</b>	<b>206,600,241</b>	<b>289,072,825</b>	<b>5,619,488</b>	<b>279,224,929</b>

At December 31, 2007 the Group had held-to-maturity treasury bills with carrying value of LBP105billion pledged against soft loans granted by Central Bank of Lebanon in connection with the acquisition of a Group of problematic banks of which the maturity proceeds were utilized in 2008 to settle these loans (Note 17).



Held-to-maturity investments are segregated over remaining period to maturity as follows:

December 31, 2008	LBP				C/V in LBP of F/Cy				
	Remaining Period to Maturity	Redemption Value	Carrying Value	Fair Value	Market Yield	Redemption Value	Carrying Value	Fair Value	Market Yield
	LBP'000	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
<b>Lebanese Government bonds:</b>									
Up to one year	-	-	-	-	-	45,601,875	45,694,030	45,487,498	9.31
1 year to 3 years	-	-	-	-	-	37,687,500	37,566,746	36,592,115	9.31
3 years to 5 years	-	-	-	-	-	75,375,000	75,375,000	71,749,265	9.31
5 years to 10 years	-	-	-	-	-	54,441,855	55,401,734	54,629,069	9.31
Beyond 10 years	-	-	-	-	-	13,775,535	13,633,359	12,713,913	9.31
	-	-	-	-	-	<b>226,881,765</b>	<b>227,670,869</b>	<b>221,171,860</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>									
1 year to 3 years	96,000,000	94,382,179	100,377,013	100,377,013	7.74	-	-	-	-
3 years to 5 years	-	-	-	-	-	54,827,775	54,827,775	54,264,262	9.31
	96,000,000	94,382,179	100,377,013	100,377,013		54,827,775	54,827,775	54,264,262	
<b>Certificates of deposit issued by banks:</b>									
3 years to 5 years	-	-	-	-	-	7,537,500	7,404,439	7,123,691	9.31
	-	-	-	-	-	<b>7,537,500</b>	<b>7,404,439</b>	<b>7,123,691</b>	
<b>Corporate bonds:</b>									
Beyond 10 years	-	-	-	-	-	358,785	358,785	358,785	4.75
	-	-	-	-	-	<b>358,785</b>	<b>358,785</b>	<b>358,785</b>	
	96,000,000	94,382,179	100,377,013	100,377,013		289,605,825	290,261,868	282,918,598	

December 31, 2007	LBP				C/V in LBP of F/Cy				
	Remaining Period to Maturity	Redemption Value	Carrying Value	Fair Value	Market Yield	Redemption Value	Carrying Value	Fair Value	Market Yield
	LBP'000	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
<b>Lebanese treasury bills:</b>									
Up to one year	105,000,000	105,000,000	105,659,538	105,659,538	7.50	-	-	-	-
	<b>105,000,000</b>	<b>105,000,000</b>	<b>105,659,538</b>	<b>105,659,538</b>		-	-	-	-
<b>Lebanese Government bonds:</b>									
Up to one year	-	-	-	-	-	40,702,500	40,721,205	40,494,917	10.99
1 year to 3 years	-	-	-	-	-	53,139,375	53,272,131	52,407,936	9.59
3 years to 5 years	-	-	-	-	-	105,525,000	105,419,256	99,755,798	9.34
5 years to 10 years	-	-	-	-	-	12,231,855	13,280,519	12,820,508	9.62
Beyond 10 years	-	-	-	-	-	13,775,535	13,816,280	12,409,001	9.58
	-	-	-	-	-	<b>225,374,265</b>	<b>226,509,391</b>	<b>217,888,160</b>	
<b>Certificates of deposit issued by Central Bank of Lebanon:</b>									
1 years to 3 years	96,000,000	93,473,412	100,940,703	100,940,703	8.78	-	-	-	-
3 years to 5 years	-	-	-	-	-	54,827,775	54,827,775	53,960,572	9.40
	96,000,000	93,473,412	100,940,703	100,940,703		54,827,775	54,827,775	53,960,572	
<b>Certificates of deposit issued by banks:</b>									
3 years to 5 years	-	-	-	-	-	7,537,500	7,376,874	7,017,412	9.40
	-	-	-	-	-	<b>7,537,500</b>	<b>7,376,874</b>	<b>7,017,412</b>	
<b>Corporate bonds:</b>									
Beyond 10 years	-	-	-	-	-	358,785	358,785	358,785	4.75
	-	-	-	-	-	<b>358,785</b>	<b>358,785</b>	<b>358,785</b>	<b>4.75</b>
	201,000,000	198,473,412	206,600,241	206,600,241		288,098,325	289,072,825	279,224,929	





The movement of available-for-sale and held-to-maturity investment securities is summarized as follows:

December 31, 2008	Available-for-Sale		Held-to-Maturity		Total
	LBP	C/V of F/Cy	LBP	C/V of F/Cy	
	(LBP'000)		(LBP'000)		(LBP'000)
Balance as at January 1, 2008	589,510,392	482,941,876	198,473,41	289,072,825	1,559,998,505
Acquisition	484,403,197	84,139,598	-	42,210,000	610,752,795
Sale	(99,752,130)	(81,015,328)	-	-	(180,767,458)
Redemption upon maturity	(96,220,620)	(33,165,000)	(105,000,000)	(40,702,500)	(275,088,120)
Net change in fair value	3,837,222	6,554,397	-	-	10,391,619
Amortization of discount/premium	225,780	(1,762,805)	908,767	(318,457)	(946,715)
Effect of exchange rates changes	-	(2,122,999)	-	-	(2,122,999)
Sundry movement	-	84,289	-	-	84,289
<b>Balance as at December 31, 2008</b>	<b>882,003,841</b>	<b>455,654,028</b>	<b>94,382,179</b>	<b>290,261,868</b>	<b>1,722,301,916</b>

December 31, 2007	Available-for-Sale		Held-to-Maturity		Total
	LBP	C/V of F/Cy	LBP	C/V of F/Cy	
	(LBP'000)		(LBP'000)		(LBP'000)
Balance as at January 1, 2007	558,146,472	495,637,309	344,731,761	235,604,830	1,634,120,372
Acquisition	43,822,472	138,057,610	10,414,863	62,560,119	254,855,064
Sale	(27,067,479)	(123,296,110)	-	-	(150,363,589)
Redemption upon maturity	(103,125,330)	(22,612,500)	(51,181,030)	(9,045,000)	(185,963,860)
Reclassification to available-for-sale (a)	108,033,314	-	(108,033,314)	-	-
Net change in fair value	9,639,156	(6,347,212)	-	-	3,291,944
Amortization of discount/premium	61,787	(1,949,979)	2,541,132	(47,124)	605,816
Effect of exchange rates changes	-	3,452,758	-	-	3,452,758
<b>Balance as at December 31, 2007</b>	<b>589,510,392</b>	<b>482,941,876</b>	<b>198,473,412</b>	<b>289,072,825</b>	<b>1,559,998,505</b>

(a) Reclassification during 2007 of held-to-maturity to available-for-sale investments was made subsequent to the acquisition of the Bank by a new group of shareholders (Fransabank S.A.L.) and was made for the purpose to maintain Fransabank group risk position. Consequently, this transfer does not raise question about the Bank's intention to hold other held-to-maturity investments to maturity.

## 10. Customers' Liability Under Acceptances

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

## 11. Assets Acquired in Satisfaction of Loans

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances. These assets consist of real estate properties.

The movement of assets acquired in satisfaction of loans was as follows during 2008 and 2007:

	2008			Balance December 31 2008
	Balance January 1 2008	Additions	Disposals	
	(LBP'000)			
Properties acquired in satisfaction of loans	88,358,372	2,311,304	(3,366,969)	87,302,707
Less: Impairment allowance	(10,627,607)	-	206,567	(10,421,040)
	<b>77,730,765</b>	<b>2,311,304</b>	<b>3,160,402</b>	<b>76,881,667</b>

	2007				Balance December 31 2007
	Balance January 1 2007	Additions	Disposals	Transfer from Provision for Owned Properties	
	(LBP'000)				
Properties acquired in satisfaction of loans	88,106,494	5,065,377	(4,813,499)	-	88,358,372
Less: Impairment allowance	(9,120,107)	-	-	(1,507,500)	(10,627,607)
	<b>78,986,387</b>	<b>5,065,377</b>	<b>(4,813,499)</b>	<b>(1,507,500)</b>	<b>77,730,765</b>

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities. These assets should be liquidated within 2 years. In case of non-liquidation, a reserve should be appropriated from the annual net profits over a period of 5 years. However, the intermediary circular No. 41 has allowed banks to extend yearly appropriation over a period of 20 years with respect to those assets acquired through loans' restructurings approved by Central Bank of Lebanon or with respect to the entirety of those assets acquired in settlement of loans, provided that banks restructure before 2007 year end, at least 50% of the balance of non-performing loans outstanding at June 30, 2003.



## 12. Property and Equipment

	Balance January 31 2008	Additions	Disposals and Adjustments	Balance as at December 31 2008
	(LBP'000)			
<b>Cost/Revaluation:</b>				
Owned properties	17,328,675	16,660,113	-	33,988,788
Computer hardware	8,191,164	384,887	(98,913)	8,477,138
Machine and equipment	2,756,158	258,030	(14,187)	3,000,001
Furniture and fixtures	2,520,186	145,670	(1,600)	2,664,256
Vehicles	378,787	9,497	(5,680)	382,604
Freehold and leasehold improvements	6,466,908	81,019	(2,644)	6,545,283
Key money	133,687	-	-	133,687
	<b>37,775,565</b>	<b>17,539,216</b>	<b>(123,024)</b>	<b>55,191,757</b>
Accumulated depreciation	(17,130,979)	(2,879,725)	88,797	(19,921,907)
Allowance for impairment of owned properties	(393,875)	-	-	(393,875)
	<b>(17,524,854)</b>	<b>(2,879,725)</b>	<b>88,797</b>	<b>(20,315,782)</b>
Advance payments	3,700,032	666,086	-	4,366,118
Provision allocated to advance payments	(3,694,425)	-	-	(3,694,425)
Net advance payments	5,607	666,086	-	671,693
<b>Net book value</b>	<b>20,256,318</b>			<b>35,547,668</b>

During 2008, the Bank purchased its headquarters building for LBP16.6 billion including LBP831million registration cost. This acquisition was approved by Central Bank of Lebanon on October 31, 2008.

	Balance January 1, 2007	Additions	Disposals	Transfer from Advance Payments to Owned Properties	Transfer to Allowance for Impairment on Foreclosed Properties Acquired	Balance December 31, 2007
	(LBP'000)					
<b>Cost/Revaluation:</b>						
Owned properties	16,749,395	-	-	579,280	-	17,328,675
Computer hardware	8,152,546	68,213	(29,595)	-	-	8,191,164
Machine and equipment	2,667,428	95,060	(6,330)	-	-	2,756,158
Furniture and fixtures	2,482,850	37,336	-	-	-	2,520,186
Vehicles	378,787	-	-	-	-	378,787
Freehold and leasehold improvements	6,401,035	70,433	(4,560)	-	-	6,466,908
Key money	133,687	-	-	-	-	133,687
	<b>36,965,728</b>	<b>271,042</b>	<b>(40,485)</b>	<b>579,280</b>	<b>-</b>	<b>37,775,565</b>
Accumulated depreciation	(13,877,000)	(3,275,805)	21,826	-	-	(17,130,979)
Allowance for impairment of owned properties	(1,901,375)	-	-	-	1,507,500	(393,875)
	<b>(15,778,375)</b>	<b>(3,275,805)</b>	<b>21,826</b>	<b>-</b>	<b>1,507,500</b>	<b>(17,524,854)</b>
Advance payments	4,137,658	141,654	-	(579,280)	-	3,700,032
Provision allocated to advance payments	(3,694,425)	-	-	-	-	(3,694,425)
<b>Net advance payments</b>	<b>443,233</b>	<b>141,654</b>	<b>-</b>	<b>(579,280)</b>	<b>-</b>	<b>5,607</b>
<b>Net book value</b>	<b>21,630,586</b>					<b>20,256,318</b>



### 13. Intangible Assets

Intangible Assets consist of computer software the movement of which was as follows during 2008 and 2007:

	2008	2007
	(LBP'000)	
Balance -- Beginning of year	4,285,494	4,175,537
Additions	1,557,064	1,750,545
Amortization for the year	(1,849,711)	(1,640,588)
<b>Balance -- End of year</b>	<b>3,992,847</b>	<b>4,285,494</b>

Computer software is amortized at the rate of 20%.

### 14. Other Assets

December 31	2008	2007
	(LBP'000)	
Deferred charges on acquired problematic banks	-	-
Deferred tax assets (Note 22)	1,126,635	2,661,344
Prepayments	3,444,460	3,770,112
Sundry debtors (Net of allowance of LBP506million in 2008 and 2007)	2,879,969	10,574,027
Miscellaneous debit balances	79,995	124,759
Fair valuation of forward exchange contracts	-	24,608
	<b>7,531,059</b>	<b>17,154,850</b>

Deferred charges on acquired problematic banks represent losses related to problematic banks acquired in previous years and compensated by Central Bank of Lebanon in the form of future cash flows originated from the soft loans granted to the Bank that matured in 2008 (Refer to Note 17).

The movement of deferred charges on acquired problematic banks is as follows:

	2008	2007
	(LBP'000)	
Balance -- Beginning of year	-	5,392,694
Amortization for the year	-	(5,392,694)
<b>Balance -- End of year</b>	<b>-</b>	<b>-</b>

Deferred tax assets relate to the following items recognized directly in equity:

December 31	2008	2007
Change in fair value of available-for-sale securities in Lebanese pounds	(2,426,713)	(1,890,310)
Change in fair value of available-for-sale securities in foreign currencies	3,553,348	4,551,654
	<b>1,126,635</b>	<b>2,661,344</b>

Sundry debtors as at December 31, 2007 include balances of LBP7.8billion representing amounts due from exchange dealers with respect to excess foreign currencies at the Bank's branches transported and collected by those dealers against a commission percentage.

### 15. Deposits and Borrowings from Banks and Financial Institutions

December 31	2008			2007		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	(LBP'000)			(LBP'000)		
Current deposits of banks and financial institutions	332,020	2,228,178	2,560,198	76,172	7,950,283	8,026,455
Short term borrowings	8,906,464	13,941,794	22,848,258	6,594,991	8,727,205	15,322,196
Short-term borrowings - Parent Bank	-	10,684,400	10,684,400	-	-	-
Accrued interest payable	11,487	5,266	16,753	11,165	335,784	346,949
Accrued interest payable - Parent Bank	-	31,163	31,163	-	-	-
	<b>9,249,971</b>	<b>26,890,801</b>	<b>36,140,772</b>	<b>6,682,328</b>	<b>17,013,272</b>	<b>23,695,600</b>

The maturities of short term borrowings (including Parent Bank) are as follows:

December 31, 2008	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Amount	Average Interest Rate
	(LBP'000)	%	(LBP'000)	%
First quarter 2009	8,906,464	4.29	24,626,194	2.88
	<b>8,906,464</b>		<b>24,626,194</b>	







■ ■ ■ Deposits from customers at amortized cost are allocated by brackets of deposits as follows:

December 31, 2008	LBP			F/Cy		Grand Total (LBP'000)
	No. of Customers	Total Deposits (LBP'000)	% to Total Deposits %	Total Deposits (LBP'000)	% to Total Deposits %	
Less than LBP250million	71,116	633,888,137	55	460,853,484	32	1,094,741,621
Between LBP250million and LBP1500million	1,442	302,575,784	26	417,436,401	29	720,012,185
More than LBP1500million	160	218,098,117	19	577,657,204	39	795,755,321
	72,718	1,154,562,038	100	1,455,947,089	100	2,610,509,127

December 31, 2007	LBP			F/Cy		Grand Total (LBP'000)
	No. of Customers	Total Deposits (LBP'000)	% to Total Deposits %	Total Deposits (LBP'000)	% to Total Deposits %	
Less than LBP250million	65,597	522,646,738	59	495,502,834	37	1,018,149,572
Between LBP250million and LBP1500million	1,263	209,769,214	24	409,564,735	30	619,333,949
More than LBP1500million	131	150,275,949	17	442,656,245	33	592,932,194
	66,991	882,691,901	100	1,347,723,814	100	2,230,415,715

Deposits from customers matched with an embedded derivative have been designated at fair value through profit or loss. The balance included in the balance sheet represents an amount denominated in Lebanese pounds with option to redeem in US Dollar at fixed rate of exchange. An accounting mismatch would arise if customers' deposits were accounted for at amortized cost, because the related derivative is measured at fair value with movements in the fair value taken through the income statement. By designating those deposits from customers at fair value, the movements in the fair value of these deposits are recorded in the income statement.

Deposits from customers include at December 31, 2008 coded deposit accounts in the aggregate of LBP46billion (LBP67billion in 2007). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which stipulates that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers include at December 31, 2008 fiduciary deposits received from resident and non-resident banks for a total amount of LBP32billion and LBP69billion respectively (LBP800million and LBP6.7billion respectively in 2007).

Deposits from customers include at December 31, 2008 related party deposits for a total amount of LBP9.3billion.

The average balance of deposits and related cost of funds over the last 3 years were as follows:

Year	Deposits in LBP		Deposits in F/Cy		Cost of Funds LBP (LBP'000)
	Average Balance of Deposits (LBP'000)	Average Interest Rate %	Average Balance of Deposits (LBP'000)	Average Interest Rate %	
2008	1,005,010,301	7.32	1,311,426,867	3.86	125,300,034
2007	886,770,681	7.60	1,361,150,341	4.87	133,653,634
2006	861,390,782	7.67	1,332,331,480	4.56	126,739,663

## 17. Other Borrowings

December 31	2008 (LBP'000)	2007 (LBP'000)
Soft loan from Central Bank of Lebanon	-	105,000,000
ESFD-CDR loan funded by the European Union	11,844,407	7,425,387
Accrued interest payable	1,316	880
	11,845,723	112,426,267

The soft loan in the amount of LBP105billion as at December 31, 2007 represents the remaining loan granted to the Bank by Central Bank of Lebanon on October 5, 2000 for a period of 8 years that matured on October 2008. This loan was collateralized by Lebanese treasury bills (see Note 34), and the average interest rate applied on this loan during 2008 was 4.82% (5.09% in 2007).

ESFD loan is funded by European Union through the Council for Development and Reconstruction for the purpose of financing lending activities to small size enterprises. The duration of this loan is for six years with a grace period of 12 months starting from the date of disbursement of the first tranche. Repayments of principal will be in quarterly installments in the remaining five years. The cost of funds is linked to the benchmark of the two-year Certificates of Deposit as issued by Central Bank of Lebanon.

The remaining contractual maturities of the above borrowings are as follows:

	2008 (LBP'000)	2007 (LBP'000)
Up to 1 year	1,781,997	106,712,080
1 to 3 years	3,196,185	4,976,866
3 to 5 years	6,867,541	737,321
	11,845,723	112,426,267

## 18. Other Liabilities

December 31	2008 (LBP'000)	2007
Withheld taxes payable	1,409,296	1,367,045
Income taxes payable	1,430,495	133,704
Deferred tax liability on accrued interest	1,270,762	1,113,131
Deferred tax on future dividend distribution from subsidiaries	149,719	47,544
Due to the Social Security National Fund	364,563	284,652



## 18. Other Liabilities (cont.)

December 31	2008	2007
	(LBP'000)	
Checks and incoming payment orders in course of settlement	5,994,150	3,792,754
Blocked capital subscriptions for companies under incorporation	451,152	349,082
Accrued expenses	3,062,138	2,977,118
Financial guarantees	179,537	171,649
Payable to personnel and directors	2,871,788	2,065,673
Sundry accounts payable	8,345,257	3,884,454
Certified checks	573,228	222,922
Deferred income	271,143	202,507
Fair valuation of forward exchange contracts	104,823	-
	26,478,051	16,612,235

Additional tax assessment levied by the tax authorities during 2008 and 2007 as a result of the tax examination for the year 2006 and the years 2003, 2004 and 2005 respectively amounted to LBP266million and LBP394million respectively.

## 19. Provisions

Provisions consist of the following:

December 31	2008	2007
	(LBP'000)	
Provision for staff end-of-service indemnity	7,091,464	5,362,363
Provision for contingencies	19,204,387	13,488,752
Provision for loss on foreign currency position	33,358	12,653
	26,329,209	18,863,768

The movement of the provision for contingencies is as follows:

	2008	2007
	(LBP'000)	
Balance January 1	13,488,752	18,527,122
Write-back (net)	(60,300)	(4,181,250)
Settlements	(458,316)	(1,912,370)
Transfer from collective provision (Note 8)	6,234,251	1,055,250
Balance December 31	19,204,387	13,488,752

The movement of the provision for staff end-of-service termination indemnity is as follows:

	2008	2007
	(LBP'000)	
Balance January 1	5,362,363	3,888,609
Additions (Note 29)	2,104,791	1,613,871
Additions - Legal expenses	11,701	-
Settlements	(613,516)	(374,382)
Transfer from other liabilities (Note 8)	226,125	234,265
Balance December 31	7,091,464	5,362,363

## 20. Share Capital

At December 31, 2008 and 2007, the Bank's ordinary share capital consists of 152,700,000 fully paid shares of LBP1,000 each.

During 2007 the Extraordinary General Assembly of Shareholders decided to increase the Bank's Capital by LBP51,465million by incorporating the subordinated loan nominal amount (LBP50billion) in addition to the related accrued interest, and additional cash contribution from shareholders, by issuing 51,465,000 nominal shares with a par value of LBP1,000 each.

As of December 31, 2008 and 2007, the Bank has established a fixed exchange position in the amount of USD56,624,212 authorized by Central Bank of Lebanon to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pound.

## 21. Reserves

Reserves consist of the following as at December 31, 2008 and 2007:

December 31	2008	2007
	(LBP'000)	
Legal reserve (a)	4,336,469	1,704,391
Reserve for general banking risks (b)	7,607,136	4,354,644
Other reserves	20,100,610	159,843
	32,044,215	6,218,878
Reserve for assets acquired in satisfaction of loans (c)	8,574,485	8,402,630
	40,618,700	14,621,508

(a) The legal reserve is constituted in conformity with the requirements of the Lebanese Money and Credit Law on the basis of 10% of the yearly net profits. This reserve is not available for distribution.

(b) The reserve for general banking risks is constituted according to local banking regulations, from net profit, on the basis of a minimum of 2 per mil and a maximum of 3 per mil of the total risk weighted assets, off-balance sheet risk and global exchange position as defined for the computation of the solvency ratio at year-end. This reserve is constituted in Lebanese Pound.





(c) The reserve for assets acquired in satisfaction of loans is a regulatory reserve which the banks are required to appropriate from the annual profits in case of non-liquidation of assets acquired in satisfaction of debts within two years from the date of approval of the Central Bank to acquire those assets which consist of real estate properties. The yearly reserve is computed principally on the basis of 20% applied on the carrying value of the assets acquired. However Central Bank has allowed the appropriation of this reserve equally over a period of 20 years with respect to those assets acquired through loans' restructurings approved by Central Bank of Lebanon or with respect to the entirety of those assets acquired in settlement of loans provided that banks restructure before 2007 year end, at least 50% of the balance of non-performing loans outstanding at June 30, 2003.

Effective 2006, the Bank started appropriating this reserve over a period of 20 years as management considered that the requirement described above has been satisfied. In this respect it should be noted that in early 2008 the Bank has received the approval of the Banking Control Commission to appropriate the reserve over 20 years except for certain specific assets for which the reserve will be appropriated over 5 years.

## 22. Cumulative Change in Fair Value of Available-for-Sale Securities

The cumulative change in fair value of available-for-sale investment securities consists of the following:

December 31	2008	2007
	(LBP'000)	
Unrealized gain on Lebanese treasury bills	13,488,785	12,450,491
Unrealized loss on Lebanese government bonds	(20,750,925)	(25,807,020)
Unrealized gain /(loss) on certificates of deposit issued by Central Bank of Lebanon	650,596	(2,756,034)
Unrealized loss on certificates of deposit issued by banks	(1,164,051)	(1,539,124)
Unrealized gain on unquoted equity securities	2,778,030	2,503,018
Unrealized gain /(loss) quoted equity securities	240,517	(90,542)
Elimination of inter-company transactions	-	471,264
Less: Deferred tax (note 14)	1,126,635	2,661,344
<b>Total</b>	<b>(3,630,413)</b>	<b>(12,106,603)</b>

## 23. Interest Income

	2008	2007
	(LBP'000)	
Compulsory and free deposits with Central Banks	8,805,287	12,877,385
Deposits with banks and financial institutions	2,590,197	9,057,641
Deposits with parent Bank	2,314,238	1,069,336
Available-for-sale investment securities	108,137,348	88,293,448
Held-to-maturity investment securities	43,286,787	54,366,799
Loans and advances to customers	29,146,003	24,113,600
Interest recognized on impaired loans and advances to customers	1,952,867	1,468,733
Sundry interest income	173,989	109,876
	<b>196,406,716</b>	<b>191,356,818</b>

Interest income realized on impaired loans and advances to customers represent recoveries of interest. Accrued interest on impaired loans and advances is not recognized until recovery/rescheduling agreement signed with customers.

## 24. Interest Expense

	2008	2007
	(LBP'000)	
Deposits and borrowings from banks and financial institutions	1,140,050	3,208,426
Securities lent and repurchase agreements	-	6,986
Customers' accounts at amortized cost	125,300,034	133,653,634
Customers' accounts designated at FVTPL	5,711	-
Other borrowings	4,154,143	5,899,785
	<b>130,599,938</b>	<b>142,768,831</b>

## 25. Fee and Commission Income

	2008	2007
	(LBP'000)	
Commission on documentary credits	1,403,970	1,642,909
Commission on letters of guarantee	443,626	502,449
Commission on transactions with banks	94,967	110,080
Service fees on customers' transactions	4,959,576	4,231,178
Commission on loans and advances	2,888,680	2,026,548
Commission earned on insurance policies	1,992,040	956,627
Miscellaneous	288,230	252,451
	<b>12,071,089</b>	<b>9,722,242</b>



## 26. Fee and Commission Expense

	2008	2007
	(LBP'000)	
Brokerage fees	1,067,212	549,779
Commission on transactions with banks and financial institutions	245,864	274,206
Miscellaneous	982,567	569,008
	<b>2,295,643</b>	<b>1,392,993</b>

## 27. Net Interest and Other Gain/(Loss) on Trading Portfolio

	2008	2007
	(LBP'000)	
Interest income	889,777	785,161
Dividends received	369,634	89,647
Change in fair values (net)	(1,789,104)	156,811
Gain on sale	43,312	204,327
	<b>(486,381)</b>	<b>1,235,946</b>

## 28. Other Operating Income

	2008	2007
	(LBP'000)	
<b>Gain on sale of available-for-sale securities:</b>		
Lebanese treasury bills	474,469	-
CD's issued by Central Bank of Lebanon	(607)	-
Lebanese Government bonds	289,178	620,560
CDs issued by Banks	-	569,912
Dividends on available-for-sale securities	992,026	149,344
Foreign exchange gain	1,295,037	1,714,302
Miscellaneous	1,558,358	1,208,934
	<b>4,608,461</b>	<b>4,263,052</b>

## 29. Staff Costs

	2008	2007
	(LBP'000)	
Salaries	17,538,256	14,605,408
Board of directors remunerations	2,436,620	1,374,913
Social Security contributions	2,624,794	2,357,161
Provision for end-of-service indemnities (Note 19)	2,104,791	1,613,871
Other employees' costs	6,412,766	5,931,271
	<b>31,117,227</b>	<b>25,882,624</b>

## 30. Discontinued Operations

The General Assembly meeting held on May 22, 2006, authorized, the sale of the Group's investment in BLC France to the former shareholder through ORYX Bank Holding Corporation LLC. The disposal was completed on May 6, 2007 on which date contract of the foreign subsidiary passed to the acquirer. Income from discontinued operations is reflected separately in the income statement.

## 31. Earnings per Share

The computation of the basic earnings per share is based on the net Group's profit before non-recurring income and the weighted average number of outstanding shares during each year held by the Group. The weighted average number of shares to compute basic earnings per share is 152,700,000 shares in 2008 (131,832,000 shares in 2007).

## 32. Financial Instruments with Off-Balance Sheet Risks

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the balance sheet. However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

Forward exchange contracts outstanding as of December 31, 2008 and 2007 represent positions held for customers' accounts and at their risk. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.



### 33. Cash Flow Statement

Cash and cash equivalents for the purpose of the cash flows statement consist of the following:

December 31	2008	2007
Cash on hand	21,298,242	11,522,842
Current accounts with Central Bank of Lebanon (excluding compulsory reserve)	18,434,323	13,750,140
Term placements with Central Bank of Lebanon	284,917,500	201,251,250
Purchased Checks	7,426,547	398,392
Current accounts with correspondents	17,040,858	25,485,231
Current accounts with related parties	-	17,939
Term placements with correspondents	138,416,929	134,623,024
Term placements with Parent Bank	-	70,407,300
	487,534,399	457,456,118

Term placements deposits with Central Bank of Lebanon and with correspondents and Parent Bank represent inter-bank placements with an original maturity of 90 days or less.

Major non-cash transactions excluded from the cash flow statement for the year ended December 31, 2008 and 2007 are summarized as follows:

- Transfer of an allowance of LBP6.2billion against "Loans and Advances" to "Provisions" during 2008 (LBP1billion in 2007).
- Positive change in fair value of available-for-sale securities of LBP10.4billion during 2008 (Negative change of LBP3.2billion during 2007).
- Assets acquired in satisfaction of debts in the amount of LBP2.3billion during 2008 (LBP5billion during 2007).
- Capital increase during 2007 by allocation of subordinated loan in the amount of LBP51.5billion.
- Transfer from provisions of LBP226million to accrued bonuses under "Other Liabilities" during 2008 (LBP234 million during 2007).

### 34. Collateral Given

The carrying values of financial assets given as collateral are as follows:

December 31, 2008	Corresponding Facilities			
	Amount of Pledged Asset (LBP'000)	Amount of Facility (LBP'000)	Nature of Facility	Maturity Date
Deposit with bank	3,043,251	2,864,250	Letters of guarantee	July 2, 2009
Deposit with bank	160,420	150,750	Letters of guarantee	July 2, 2009
Deposit with bank	842,166	366,298	Letters of guarantee	April and July 31, 2009
	4,045,837	3,381,298		

December 31, 2007	Corresponding Facilities			
	Amount of Pledged Asset (LBP'000)	Amount of Facility (LBP'000)	Nature of Facility	Maturity Date
Deposit with bank	150,750	150,750	Letters of guarantee	July 25, 2008
Deposit with bank	2,864,250	2,864,250	Letters of guarantee	July 2, 2008
Deposit with bank	-827,478	504,602	Letters of guarantee	January 7, 2008
Held-to-maturity securities:			Soft loan from	
Treasury bills	105,000,000	105,000,000	Central Bank	October 2008
	108,842,478	108,519,602		

### 35. Financial Risk Management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

#### A. Credit Risk:

Credit risk is the risk of financial loss to the Group if counterparty to a financial instrument fails to discharge an obligation. Financial assets that are mainly exposed to credit risk are deposits with banks, loans and advances to customers, investment securities and certain accounts receivable included under other assets. Credit risk also arises from off-balance sheet financial instruments such as letters of credit and letters of guarantee.

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

#### 1. Management of Credit Risk:

The Board of Directors has the responsibility to approve the Group's general credit policy as recommended by the Credit Committee.

The Credit Committee has the responsibility for the development of the credit function strategy and implementing principles, frameworks, policies and limits.

#### 2. Measurement of Credit Risk:

##### (a) Loans and Advances to Customers

The commercial and consumer credit extension divisions manage credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions. At a macro level, loans are segregated into two major groups: commercial and consumer.





Assessment of the credit risk profile of an individual counterparty is based on an analysis of the borrower's financial position in conjunction with current industry, economic and macro geopolitical trends. As part of the overall credit risk assessment of a borrower, each credit exposure or transaction is assigned a risk rating and is subject to the Credit Committee's approval based on defined credit approval standards. Subsequent to loan origination, risk ratings are adjusted on an ongoing basis, if necessary, to reflect changes in the obligor's financial condition, cash flows or ongoing financial viability.

The Group assesses the probability of default of individual counterparties using internal rating tools. Risk rating is used to classify borrowing customers according to the Group's assessment of the intrinsic risk quality of the customer. All customers are assigned an internal rating in parallel with the Central Bank system. Customers' rating is revised at least once a year.

The rating system takes into account the counterpart in a synthetic view (Five significant criteria have been retained). The system is split over 10 levels, scaling from "A" through "J".

The rating, which can be obtained through the Matrix, is proposed by the Account officer, approved by the head of department, then confirmed or amended by the Credit Committee.

New customers are accepted only if they are rated "C" or above (equivalent to rate 1 of the Central Bank system).

Clients rated "D", "E" and "F" (equivalent to rate 2 of Central Bank) should be followed-up closely and requested to adjust the deficiency noted in their situation.

Accounts rated "G" and "H" (equivalent to Central Bank rate 3) should be extremely nursed and eventually eliminated. Suspending interest might become necessary in some cases.

A counterpart with a rating "I" (equivalent to rate 4 of Central Bank) should be treated as a potential default.

The rating "J" (equivalent to rate 5 of Central Bank) corresponds to a total default.

Customers' exposures are reviewed at least once a year for assessment regardless of any maturity or type of credit facilities.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relate to individually significant exposures and a collective loan loss allowance established in respect of losses that management considers have been increased but not been identified as loans subject to individuals assessment for impairment.

The Group writes off a loan / security balance (and any related allowances for impairment losses) when it determines that the loans / securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower / issuer's financial position such as the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

#### (b) Debt Securities:

The risk of the debt instruments included in the investment portfolio relates mainly to sovereign risk.

### 3. Risk Mitigation Policies:

#### Collateral:

The Group mainly employs collateral to mitigate credit risk. The principal collateral types for loans and advances are:

- Pledged deposits
- Mortgages over real estate properties (land, commercial and residential properties)
- Bank guarantees

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity. Collateral usually is not held against investment securities.

### 4. Financial assets with credit risk exposure and related concentrations:

#### (a) Exposure to Credit Risk and Concentration by Counterparty:

The tables below reflect the Group's exposure to credit risk by counterparty segregated between the categories of Deposits with banks and financial institutions and loans and advances:

##### (a.1) Distribution of deposits with banks and financial institutions by brackets:

December 31, 2008	LBP Base Accounts		F/Cy Base Accounts		N°. of Counter-Parties
	Total Amount (Net)	% to Total	Total Amount (Net)	% to Total	
	(LBP'000)	%	(LBP'000)	%	
Less than LBP5billion	6,305,340	33	21,720,878	15	40
From LBP5billion to LBP15billion	12,738,544	67	32,196,157	22	6
From LBP15billion to LBP30billion	-	-	63,351,216	43	4
From LBP30billion to LBP50billion	-	-	30,657,398	20	1
	<b>19,043,884</b>	<b>100</b>	<b>147,925,649</b>	<b>100</b>	<b>51</b>

December 31, 2007	LBP Base Accounts		F/Cy Base Accounts		N°. of Counter-Parties
	Total Amount (Net)	% to Total	Total Amount (Net)	% to Total	
	(LBP'000)	%	(LBP'000)	%	
Less than LBP5billion	9,941,756	11	23,872,998	17	44
From LBP5billion to LBP15billion	6,504,055	7	25,758,432	18	4
From LBP15billion to LBP30billion	12,005,260	13	52,229,878	37	3
From LBP30billion to LBP50billion	-	-	34,443,247	24	1
From LBP50billion to LBP100billion	66,138,983	69	4,442,426	4	1
	<b>94,590,054</b>	<b>100</b>	<b>140,746,981</b>	<b>100</b>	<b>53</b>



(a.2) Distribution of performing loans and advances to customers by brackets (standard and special monitoring):

December 31, 2008	LBP Base Accounts		F/Cy Base Accounts		N°. of Counter-Parties
	Total Loans (LBP'000)	% to Total Loans	Total Loans (LBP'000)	% to Total Loans	
Less than LBP500million	106,821,371	91	140,672,330	57	25,269
From LBP500million to LBP1500million	8,536,386	7	29,291,056	12	45
More than LBP1500million	2,061,663	2	77,747,427	31	23
	117,419,420	100	247,710,813	100	25,337

December 31, 2007	LBP Base Accounts		F/Cy Base Accounts		N°. of Counter-Parties
	Total Loans (LBP'000)	% to Total Loans	Total Loans (LBP'000)	% to Total Loans	
Less than LBP500million	76,670,661	92	81,302,395	56	17,247
From LBP500million to LBP1500million	6,302,640	8	23,832,267	16	33
More than LBP1500million	-	-	41,807,683	28	10
	82,973,301	100	146,942,345	100	17,290

(a.3) Details of the Group's exposure to credit risk with respect to loans and advances to customers:

	December 31, 2008					December 31, 2007				
	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Pledged Funds	Lesser of Individual Exposure or Total Guarantees (LBP'000)	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Pledged Funds	Lesser of Individual Exposure or Total Guarantees (LBP'000)
Regular loans and advances	365,130,233	-	365,130,233	67,407,041	202,443,847	512,011,507	(96,664,726)	415,346,781	67,411,114	273,625,448
Substandard (including restructured debts)	3,751,546	-	3,751,546	1,508	4,150,136	4,731,044	-	4,731,044	-	3,334,471
Doubtful (including restructured debts)	103,340,254	(55,695,305)	47,644,949	1,503	64,421,919	125,820,489	(65,595,118)	60,225,371	-	78,652,504
Loss (including restructured debts)	35,227,449	(35,227,449)	-	1,062	2,609,546	37,163,906	(37,163,906)	-	1,062	3,687,837
Loan portfolio purchased	4,562,025	-	4,562,025	-	-	4,966,143	-	4,966,143	-	-
Collective allowance (unallocated)	-	(5,741,972)	(5,741,972)	-	-	-	(11,984,134)	(11,984,134)	-	-
	512,011,507	(96,664,726)	415,346,781	67,411,114	273,625,448	402,597,228	(114,743,158)	287,854,070	82,675,869	227,665,203

	Fair Value of Collateral Received					Fair Value of Collateral Received				
	First Degree Mortgage on Properties	Bank Guarantees	Equity Securities	Debt Securities	Others	First Degree Mortgage on Properties	Bank Guarantees	Equity Securities	Debt Securities	Others
Regular loans and advances	88,260,255	12,978,976	3,149,725	841,648	120,179,000	72,459,188	10,681,414	2,579,890	986,541	71,049,202
Substandard (including restructured debts)	3,218,754	618,707	-	-	4,534,777	3,258,117	-	-	-	205,884
Doubtful (including restructured debts)	64,255,175	37,688	-	-	64,553,170	78,499,715	37,688	-	-	216,165
Loss (including restructured debts)	1,181,537	-	13,500	-	2,994,077	2,244,202	-	13,500	-	1,853,655
Loan portfolio purchased	-	-	-	-	-	-	-	-	-	-
Collective allowance (unallocated)	-	-	-	-	-	-	-	-	-	-
	3,163,225	13,635,371	156,915,721	841,648	122,931,590	3,163,225	10,719,102	2,593,390	986,541	73,324,906



Overdues under regular loans and advances outstanding as at December 31, 2008 and 2007 are as follows:

December 31	2008	2007
	(LBP'000)	
Between 30 and 60 days	973,000	382,000
Between 60 and 90 days	124,000	257,000
Between 90 and 180 days	138,000	642,000
More than 180 days	33,000	1,647,000

(a.4) Concentration of financial assets and liabilities by geographical location:

December 31, 2008

	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	(LBP'000)					
<b>FINANCIAL ASSETS</b>						
Cash and Central Banks	466,947,333	-	-	-	-	466,947,333
Deposits with banks and financial institutions	40,969,882	74,212,689	8,735,803	42,518,391	532,768	166,969,533
Trading assets	17,142,330	-	-	-	-	17,142,330
Loans and advances to customers	401,794,224	12,341,985	107	1,205,534	4,931	415,346,781
Available-for-sale investment securities	1,368,050,383	-	-	-	-	1,368,050,383
Held-to-maturity investment securities	391,588,046	-	-	370,359	-	391,958,405
<b>Total</b>	<b>2,686,492,198</b>	<b>86,554,674</b>	<b>8,735,910</b>	<b>44,094,284</b>	<b>537,699</b>	<b>2,826,414,765</b>

**FINANCIAL LIABILITIES**

Deposits and borrowings from banks	20,807,326	6,637,456	-	8,695,990	-	36,140,772
Customers' accounts	2,392,523,418	127,451,122	5,611,950	84,364,008	2,814,337	2,612,764,835
Other borrowings	11,845,723	-	-	-	-	11,845,723
<b>Total</b>	<b>2,425,176,467</b>	<b>134,088,578</b>	<b>5,611,950</b>	<b>93,059,998</b>	<b>2,814,337</b>	<b>2,660,751,330</b>

December 31, 2007

	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	(LBP'000)					
<b>FINANCIAL ASSETS</b>						
Cash and Central Bank	339,061,072	-	-	-	-	339,061,072
Deposits with banks and financial institutions	108,731,192	39,045,824	11,627,227	75,222,543	710,249	235,337,035
Trading assets	17,756,365	-	-	-	-	17,756,365
Loans and advances to customers	265,782,680	20,084,083	1,580	1,983,700	2,027	287,854,070
Available-for-sale investment securities	1,097,566,144	-	-	-	-	1,097,566,144
Held-to-maturity investment securities	498,136,316	-	-	378,920	-	498,515,236
Other assets (sundry debtors)	10,574,027	-	-	-	-	10,574,027
<b>Total</b>	<b>2,337,607,796</b>	<b>59,129,907</b>	<b>11,628,807</b>	<b>77,585,163</b>	<b>712,276</b>	<b>2,486,663,949</b>

**FINANCIAL LIABILITIES**

Deposits and borrowings from banks	15,192,735	7,718,571	-	784,294	-	23,695,600
Customers' accounts at amortized cost	2,128,771,068	73,902,677	4,228,253	22,292,476	1,221,241	2,230,415,715
Other borrowings	112,426,267	-	-	-	-	112,426,267
<b>Total</b>	<b>2,256,390,070</b>	<b>81,621,248</b>	<b>4,228,253</b>	<b>23,076,770</b>	<b>1,221,241</b>	<b>2,366,537,582</b>

## B. Liquidity Risk:

Liquidity risk is the risk that the Group will be unable to meet its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately.

### 1. Management of Liquidity Risk:

Liquidity management involves maintaining ample and diverse funding capacity, liquid assets and other sources of cash to accommodate fluctuations in asset and liability levels due to changes in their business operations or unanticipated events. Through ALCO, the Board of Directors is responsible for establishing the liquidity policy as well as approving operating and contingency procedures and monitoring liquidity on an ongoing basis. The treasury department is responsible for planning and executing their funding activities and strategy.

Liquidity management and business unit activities are managed consistent with a strategy of funding stability, flexibility and diversity. It includes:

- Day-to-day funding managed by monitoring future cash flows to ensure that requirements can be met;
- Maintenance of a portfolio of liquid and marketable assets;
- Daily and forecast cash flow management;
- Implementation of long-term funding strategies;
- Diversification of funding; and
- Maintenance of adequate contingency plans.





The cumulative impact of these various elements is monitored on at least a monthly basis by ALCO. Monitoring and reporting take the form of cash flow measurement and projections. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected collection data of the financial assets.

## 2. Exposure to Liquidity Risk:

### Regulatory Requirements:

The Group ensures that it is in compliance with the liquidity limits in Lebanese Pound and foreign currencies as established by Central Bank of Lebanon.

### Residual Contractual Maturities of Financial Assets and Liabilities:

The tables below show the Group's financial assets and liabilities in Lebanese Pound and foreign currencies base accounts segregated by maturity:

December 31, 2008		Lebanese Pounds Base Accounts						
	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	
(LBP'000)								
<b>FINANCIAL ASSETS</b>								
Cash and Central Bank	149,552,887	-	-	-	-	-	149,552,887	
Deposits with banks and financial institutions	43,883	18,478,814	-	-	-	-	18,522,697	
Trading securities	-	149,615	-	2,076,577	2,777,968	311,148	5,315,308	
Loans and advances to customers	16,832,308	14,042,524	20,703,666	39,272,217	18,218,765	24,862,310	133,931,790	
Available-for-sale investment securities	4,288,798	105,652,188	212,513,875	435,731,466	145,083,994	-	903,270,321	
Held-to-maturity investment securities	-	2,712,000	-	94,382,179	-	-	97,094,179	
<b>Total Assets</b>	<b>170,717,876</b>	<b>141,035,141</b>	<b>233,217,541</b>	<b>571,462,439</b>	<b>166,080,727</b>	<b>25,173,458</b>	<b>1,307,687,182</b>	
<b>FINANCIAL LIABILITIES</b>								
Deposits and borrowings from banks	405,453	8,601,384	243,134	-	-	-	9,249,971	
Customers' accounts	45,279,897	1,034,164,904	75,122,948	2,249,997	-	-	1,156,817,746	
Other borrowings	-	-	1,781,997	3,196,185	6,867,541	-	11,845,723	
<b>Total Liabilities</b>	<b>45,685,350</b>	<b>1,042,766,288</b>	<b>77,148,079</b>	<b>5,446,182</b>	<b>6,867,541</b>	<b>-</b>	<b>1,177,913,440</b>	
<b>Maturity Gap</b>	<b>125,032,526</b>	<b>(901,731,147)</b>	<b>156,069,462</b>	<b>566,016,257</b>	<b>159,213,186</b>	<b>25,173,458</b>	<b>129,773,742</b>	

December 31, 2008		Foreign Currencies Base Accounts						
	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	
(LBP'000)								
<b>FINANCIAL ASSETS</b>								
Cash, compulsory reserves and deposits at Central Bank	13,936,736	303,457,710	-	-	-	-	317,394,446	
Deposits with banks and financial institutions	19,540,308	128,906,528	-	-	-	-	148,446,836	
Trading securities	6,044,882	131,628	802,258	2,666,574	1,038,345	1,143,335	11,827,022	
Loans and advances to customers	35,013,932	114,103,486	47,234,887	57,689,241	21,124,040	6,249,405	281,414,991	
Available-for-sale investment securities	11,696,703	9,126,034	40,016,847	38,256,900	151,138,098	214,545,480	464,780,062	
Held-to-maturity investment securities	-	4,602,358	45,694,030	37,566,746	137,607,214	69,393,878	294,864,226	
<b>Total</b>	<b>86,232,561</b>	<b>560,327,744</b>	<b>133,748,022</b>	<b>136,179,461</b>	<b>310,907,697</b>	<b>291,332,098</b>	<b>1,518,727,583</b>	
<b>FINANCIAL LIABILITIES</b>								
Deposits and borrowings from banks	1,315,504	25,575,297	-	-	-	-	26,890,801	
Customers' accounts	138,509,212	1,191,954,233	117,522,330	7,961,314	-	-	1,455,947,089	
<b>Total</b>	<b>139,824,716</b>	<b>1,217,529,530</b>	<b>117,522,330</b>	<b>7,961,314</b>	<b>-</b>	<b>-</b>	<b>1,482,837,890</b>	
<b>Maturity Gap</b>	<b>(53,592,155)</b>	<b>(657,201,786)</b>	<b>16,225,692</b>	<b>128,218,147</b>	<b>310,907,697</b>	<b>291,332,098</b>	<b>35,889,693</b>	

December 31, 2007		Lebanese Pound Base Accounts						
	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total	
(LBP'000)								
<b>FINANCIAL ASSETS</b>								
Cash and Central Bank	117,457,873	-	-	-	-	-	117,457,873	
Deposits with banks and financial institutions	76,664	94,513,390	-	-	-	-	94,590,054	
Trading securities	-	142,265	1,708,967	2,105,700	1,031,865	-	4,988,797	
Loans and advances to customers	16,373,920	6,289,742	15,135,576	27,695,392	11,728,676	19,056,409	96,279,715	
Available-for-sale investment securities	4,027,601	37,132,613	93,157,149	434,481,112	35,541,704	-	604,340,179	
Held-to-maturity investment securities	-	5,349,511	105,000,000	93,473,412	-	-	203,822,923	
Other assets	1,484,543	-	-	-	-	-	1,484,543	
<b>Total Assets</b>	<b>139,420,601</b>	<b>143,427,521</b>	<b>215,001,692</b>	<b>557,755,616</b>	<b>48,302,245</b>	<b>19,056,409</b>	<b>1,122,964,084</b>	



## December 31, 2007

	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	(LBP'000)						
<b>FINANCIAL LIABILITIES</b>							
Deposits and borrowings from banks	76,171	6,377,200	228,957	-	-	-	6,682,328
Customers' accounts at amortized cost	44,763,369	789,580,239	44,819,023	3,529,270	-	-	882,691,901
Other borrowings	-	-	106,712,080	4,976,866	737,321	-	112,426,267
<b>Total Liabilities</b>	<b>44,839,540</b>	<b>795,957,439</b>	<b>151,760,060</b>	<b>8,506,136</b>	<b>737,321</b>	<b>-</b>	<b>1,001,800,496</b>
<b>Maturity Gap</b>	<b>94,581,061</b>	<b>(652,529,918)</b>	<b>63,241,632</b>	<b>549,249,480</b>	<b>47,564,924</b>	<b>19,056,409</b>	<b>121,163,588</b>

## December 31, 2007

## Foreign Currencies Base Accounts

	Not Subject to Maturity	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
	(LBP'000)						
<b>FINANCIAL ASSETS</b>							
Cash, compulsory reserves and deposits at Central Bank	19,668,833	201,934,366	-	-	-	-	221,603,199
Deposits with banks and financial institutions	25,825,094	111,835,214	3,086,673	-	-	-	140,746,981
Trading securities	7,917,973	110,227	1,041,428	3,052,774	432,088	213,078	12,767,568
Loans and advances to customers	93,717,897	21,482,452	27,164,882	37,868,569	9,302,161	2,038,394	191,574,355
Available-for-sale investment securities	11,359,469	17,730,098	46,968,303	75,160,433	149,034,759	192,972,903	493,225,965
Held-to-maturity investment securities	-	5,619,488	40,721,205	53,272,131	167,623,905	27,455,584	294,692,313
Other assets	9,089,484	-	-	-	-	-	9,089,484
<b>Total Assets</b>	<b>167,578,750</b>	<b>358,711,845</b>	<b>118,982,491</b>	<b>169,353,907</b>	<b>326,392,913</b>	<b>222,679,959</b>	<b>1,363,699,865</b>
<b>FINANCIAL LIABILITIES</b>							
Deposits and borrowings from banks	7,950,283	9,062,989	-	-	-	-	17,013,272
Customers' accounts at amortized cost	210,686,430	1,005,937,663	120,322,367	10,777,354	-	-	1,347,723,814
<b>Total Liabilities</b>	<b>218,636,713</b>	<b>1,015,000,652</b>	<b>120,322,367</b>	<b>10,777,354</b>	<b>-</b>	<b>-</b>	<b>1,364,737,086</b>
<b>Maturity Gap</b>	<b>(51,057,963)</b>	<b>(656,288,807)</b>	<b>(1,339,876)</b>	<b>158,576,553</b>	<b>326,392,913</b>	<b>222,679,959</b>	<b>(1,037,221)</b>

## C. Market Risks:

The market risk is the risk that the fair value or future cash flows of a financial instrument will be affected because of changes in market prices such as interest rate, equity prices, foreign exchange and credit spreads.

## Interest Rate Risk:

Interest rate risk represents exposures to instruments whose values vary with the level or volatility of interest rates. These instruments include, but are not limited to, loans, debt securities, certain trading-related assets and liabilities, deposits, borrowings and derivative instruments. Interest rate repricing gap is used to estimate the impact on earnings of an adverse movement in interest rates.

## Currency Risk:

Foreign exchange risk represents exposures to changes in the values of current holdings and future cash flows denominated in other currencies. The types of instruments exposed to this risk include investments in foreign currency-denominated loans, foreign currency-denominated securities, future cash flows in foreign currencies arising from foreign exchange transactions, and foreign-currency denominated debt.

## Exposure to Foreign Exchange Risk:

Below is the carrying value of assets and liabilities segregated by major currencies to reflect Group's exposures to foreign currency exchange risk at year end:

## December 31, 2008

	LBP	USD	Euro	STG	Other	Total
	(LBP'000)					
<b>ASSETS</b>						
Cash and Central Bank	149,552,887	315,917,259	968,617	508,570	-	466,947,333
Deposits with banks and financial institutions	18,522,697	136,309,803	3,458,255	5,189,124	3,489,654	166,969,533
Trading securities	5,315,308	11,273,041	553,981	-	-	17,142,330
Loans and advances to customers	133,931,790	275,620,779	5,080,497	123,277	590,438	415,346,781
Available-for-sale investment securities	903,270,321	406,367,069	58,412,993	-	-	1,368,050,383
Held-to-maturity investment securities	97,094,179	294,864,226	-	-	-	391,958,405
Customers' liability under acceptances	150,000	12,799,609	5,836,152	-	2,891,972	21,677,733
Assets acquired in satisfaction of loans	12,503,591	64,378,076	-	-	-	76,881,667
Property and equipment	35,547,668	-	-	-	-	35,547,668
Intangible assets	3,992,847	-	-	-	-	3,992,847
Other assets	2,830,007	4,108,783	592,269	-	-	7,531,059
<b>Total Assets</b>	<b>1,362,711,295</b>	<b>1,521,638,645</b>	<b>74,902,764</b>	<b>5,820,971</b>	<b>6,972,064</b>	<b>2,972,045,739</b>



## December 31, 2008

	LBP	USD	Euro	STG	Other	Total
	(LBP'000)					
<b>LIABILITIES</b>						
Deposits and borrowings from banks	9,249,971	7,547,714	18,666,087	-	677,000	36,140,772
Customers' accounts	1,156,817,746	1,393,375,828	53,322,623	5,958,549	3,290,089	2,612,764,835
Liability under acceptances	150,000	12,799,609	5,836,152	-	2,891,972	21,677,733
Other borrowings	11,845,723	-	-	-	-	11,845,723
Other liabilities	20,846,773	4,727,771	585,566	148,734	64,385	26,373,229
Provisions	10,037,428	16,291,781	-	-	-	26,329,209
<b>Total Liabilities</b>	<b>1,208,947,641</b>	<b>1,434,742,703</b>	<b>78,410,428</b>	<b>6,107,283</b>	<b>6,923,446</b>	<b>2,735,131,501</b>
Currency to be received	7,505,075	7,165,539	3,596,476	865,240	4,810,277	23,942,607
Currency to be delivered	-	15,339,176	3,233,023	723,129	4,752,101	24,047,429
	<b>7,505,075</b>	<b>(8,173,637)</b>	<b>363,453</b>	<b>142,111</b>	<b>58,176</b>	<b>(104,822)</b>
<b>Net Assets</b>	<b>161,268,729</b>	<b>78,722,305</b>	<b>(3,144,211)</b>	<b>(144,201)</b>	<b>106,794</b>	<b>236,809,416</b>

## December 31, 2007

	LBP	USD	Euro	STG	Other	Total
	(LBP'000)					
<b>ASSETS</b>						
Cash and Central Bank	117,457,873	220,102,662	977,424	523,113	-	339,061,072
Deposits with banks and financial institutions	94,590,054	101,690,772	22,614,259	4,613,899	11,828,051	235,337,035
Trading securities	4,988,797	12,202,264	565,304	-	-	17,756,365
Loans and advances to customers	96,279,715	189,639,097	1,935,206	-	52	287,854,070
Available-for-sale investment securities	604,340,179	432,284,852	60,941,113	-	-	1,097,566,144
Held-to-maturity investment securities	203,822,923	294,692,313	-	-	-	498,515,236
Customers' liability under acceptances	-	14,117,272	2,223,694	-	-	16,340,966
Assets acquired in satisfaction of loans	12,482,672	65,248,093	-	-	-	77,730,765
Property and equipment	20,256,318	-	-	-	-	20,256,318
Intangible assets	4,285,494	-	-	-	-	4,285,494
Other assets	3,417,037	13,010,967	702,238	-	-	17,130,242
<b>Total Assets</b>	<b>1,161,921,062</b>	<b>1,342,988,292</b>	<b>89,959,238</b>	<b>5,137,012</b>	<b>11,828,103</b>	<b>2,611,833,707</b>

## December 31, 2007

	LBP	USD	Euro	STG	Other	Total
	(LBP'000)					
<b>LIABILITIES</b>						
Deposits and borrowings from banks	6,682,328	13,431,634	675,981	1,654	2,904,003	23,695,600
Customers' accounts at amortized cost	882,691,901	1,242,451,416	91,747,642	4,927,199	8,597,557	2,230,415,715
Liability under acceptances	-	14,117,272	2,223,694	-	-	16,340,966
Other borrowings	112,426,267	-	-	-	-	112,426,267
Other liabilities	8,195,116	7,786,297	617,995	7,213	5,614	16,612,235
Provisions	18,418,452	445,316	-	-	-	18,863,768
<b>Total Liabilities</b>	<b>1,028,414,064</b>	<b>1,278,231,935</b>	<b>95,265,312</b>	<b>4,936,066</b>	<b>11,507,174</b>	<b>2,418,354,551</b>
Currency to be received	453,780	14,907,028	3,871,980	9,789,713	4,919,925	33,942,426
Currency to be delivered	302,600	17,488,834	1,283,285	10,000,119	4,842,980	3,917,818
	<b>151,180</b>	<b>(2,581,806)</b>	<b>2,588,695</b>	<b>(210,406)</b>	<b>76,945</b>	<b>24,608</b>
<b>Net Assets</b>	<b>133,658,178</b>	<b>62,174,551</b>	<b>(2,717,379)</b>	<b>(9,460)</b>	<b>397,874</b>	<b>193,503,764</b>

## Equity Price Risk :

Equity market risk represents exposures to securities that represent an ownership interest in a corporation in the form of domestic and foreign common stock or other equity-linked instruments. Instruments that would lead to this exposure include, but are not limited to common stock, exchange-traded funds, over-the-counter common or preferred stock.

## Exposure to Interest Rate Risk :

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Lebanese Pound and foreign currencies base accounts:

## Exposure to Interest Rate Risk :

Below is a summary of the Group's interest rate gap position on assets and liabilities reflected at carrying amounts at year end segregated between floating and fixed interest rate earning or bearing and between Lebanese Pound and foreign currencies base accounts:



## Lebanese Pounds

	Non-Interest Earning (LBP'000)	Floating Interest Rate (LBP'000)				Fixed Interest Rate (LBP'000)				Grand Total (LBP'000)	
		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
<b>ASSETS</b>											
Cash, compulsory reserves and deposits at Central Bank	149,552,887	-	-	-	-	-	-	-	-	149,552,887	
Deposits with banks and financial institutions	43,883	18,478,814	-	-	18,478,814	-	-	-	-	18,522,697	
Trading securities	149,6-	-	-	-	-	2,076,577	2,77,968	311,148	5,165,693	5,315,308	
Loans and advances to customers	16,832,308	1,103,168	-	-	1,103,168	12,939,356	20,703,666	39,272,217	18,218,765	24,862,310	115,996,314
Available-for-sale investment securities	25,555,278	-	-	-	-	84,385,708	212,513,875	435,731,466	145,083,994	-	877,715,043
Held-to-maturity investment securities	2,712,000	-	-	-	-	-	-	94,382,179	-	-	94,382,179
Banks' acceptances	150,000	-	-	-	-	-	-	-	-	-	150,000
Assets acquired in satisfaction of loans	12,503,591	-	-	-	-	-	-	-	-	-	12,503,591
Property and equipment	35,547,668	-	-	-	-	-	-	-	-	-	35,547,668
Intangible assets	3,992,847	-	-	-	-	-	-	-	-	-	3,992,847
Other assets	2,830,007	-	-	-	-	-	-	-	-	-	2,830,007
<b>Total Assets</b>	<b>249,870,084</b>	<b>19,581,982</b>	<b>-</b>	<b>-</b>	<b>19,581,982</b>	<b>97,325,064</b>	<b>233,217,541</b>	<b>571,462,439</b>	<b>166,080,727</b>	<b>25,173,458</b>	<b>1,093,259,229</b>
<b>LIABILITIES</b>											
Deposits and borrowings from banks	405,453	8,005,350	-	-	8,005,350	596,034	243,134	-	-	-	839,168
Customers' accounts	45,279,897	995,773,583	669,568	-	996,443,151	38,391,321	74,453,380	2,249,997	-	-	115,094,698
Liability under acceptances	150,000	-	-	-	-	-	-	-	-	-	150,000
Other borrowings	-	1,781,997	3,196,185	6,867,541	-	-	-	-	-	-	11,845,723
Other liabilities	13,341,698	-	-	-	-	-	-	-	-	-	13,341,698
Provisions	10,037,428	-	-	-	-	-	-	-	-	-	10,037,428
<b>Total Liabilities</b>	<b>69,214,476</b>	<b>1,003,778,933</b>	<b>2,451,565</b>	<b>3,196,185</b>	<b>6,867,541</b>	<b>38,987,355</b>	<b>74,696,514</b>	<b>2,249,997</b>	<b>-</b>	<b>115,983,866</b>	<b>1,201,442,566</b>
<b>Interest rate gap position</b>	<b>180,655,608</b>	<b>(984,196,951)</b>	<b>(2,451,565)</b>	<b>(3,196,185)</b>	<b>(6,867,541)</b>	<b>(996,712,242)</b>	<b>(58,337,709)</b>	<b>(158,521,027)</b>	<b>(569,212,442)</b>	<b>(166,080,727)</b>	<b>(25,173,458)</b>

## December 31, 2008

## Foreign Currencies

	Non-Interest Earning (LBP'000)	Floating Interest Rate (LBP'000)				Fixed Interest Rate (LBP'000)				Grand Total (LBP'000)	
		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years	Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		
<b>ASSETS</b>											
Cash, compulsory reserves and deposits at Central Bank	13,936,736	302,291,065	-	-	302,291,065	1,166,645	-	-	-	-	1,166,645
Deposits with banks and financial institutions	19,540,308	121,483,311	-	-	121,483,311	7,423,217	-	-	-	-	148,446,836
Trading securities	6,176,510	-	-	-	-	-	802,258	2,666,574	1,038,345	1,143,335	5,650,512
Loans and advances to customers	35,013,932	75,497,154	3,143,907	-	78,641,061	38,606,332	44,090,980	57,689,241	21,124,040	6,249,405	167,759,998
Available-for-sale investment securities	20,822,737	-	-	-	-	-	40,016,847	38,256,900	151,138,098	214,545,480	443,957,325
Held-to-maturity investment securities	4,602,358	-	-	-	-	-	45,694,030	37,566,746	137,607,214	69,393,878	290,261,868
Banks' acceptances	21,527,733	-	-	-	-	-	-	-	-	-	21,527,733
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	64,378,076	-	-	-	-	-	-	-	-	-	64,378,076
Property and equipment	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-
Other assets	4,701,052	-	-	-	-	-	-	-	-	-	4,701,052
<b>Total Assets</b>	<b>190,699,442</b>	<b>499,271,530</b>	<b>3,143,907</b>	<b>-</b>	<b>502,415,437</b>	<b>47,196,194</b>	<b>130,604,115</b>	<b>136,179,461</b>	<b>310,907,697</b>	<b>291,332,098</b>	<b>916,219,565</b>
<b>LIABILITIES</b>											
Deposits and borrowings from banks	1,315,504	24,672,174	-	-	-	-	-	-	-	-	903,123
Customers' accounts	138,509,212	1,095,411,989	7,489,459	7,659,814	-	1,110,561,262	96,542,244	110,032,871	301,500	-	206,876,615
Liability under acceptances	21,527,733	-	-	-	-	-	-	-	-	-	21,527,733
Other borrowings	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	13,136,353	-	-	-	-	-	-	-	-	-	13,136,353
Provisions	16,291,781	-	-	-	-	-	-	-	-	-	16,291,781
<b>Total Liabilities</b>	<b>190,780,583</b>	<b>1,120,084,163</b>	<b>7,489,459</b>	<b>7,659,814</b>	<b>-</b>	<b>1,135,233,436</b>	<b>97,445,367</b>	<b>110,032,871</b>	<b>301,500</b>	<b>-</b>	<b>207,779,738</b>
<b>Interest rate gap position</b>	<b>(81,141)</b>	<b>(620,812,633)</b>	<b>(4,345,552)</b>	<b>(7,659,814)</b>	<b>(632,817,999)</b>	<b>(50,249,173)</b>	<b>(20,571,244)</b>	<b>(135,877,961)</b>	<b>(310,907,697)</b>	<b>(291,332,098)</b>	<b>(708,439,827)</b>



## Lebanese Pounds

	Non-Interest Earning (LBP'000)	Floating Interest Rate (LBP'000)				Total	Fixed Interest Rate (LBP'000)				Grand Total (LBP'000)		
		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years			
<b>ASSETS</b>													
Cash, compulsory reserves and deposits at Central Bank	117,457,873	-	-	-	-	-	-	-	-	-	-	117,457,873	
Deposits with banks and financial institutions	250,964	94,339,08	-	-	-	94,339,087	3	-	-	-	3	94,590,054	
Trading securities	142,265	-	-	-	-	-	1,708,967	-	2,105,700	1,031,865	-	4,988,797	
Loans and advances to customers	13,693,934	696,631	207,337	-	-	903,968	8,771,85	14,648,330	27,477,097	11,728,275	19,056,253	81,681,813	
Available-for-sale investment securities	18,857,388	-	-	-	-	-	22,302,826	93,157,149	434,481,112	35,541,704	-	585,482,791	
Held-to-maturity investment securities	5,349,511	-	-	-	-	-	-	105,000,000	93,473,412	-	-	198,473,412	
Customers' liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	
Assets acquired in satisfaction of loans	12,482,672	-	-	-	-	-	-	-	-	-	-	12,482,672	
Property and equipment	20,256,318	-	-	-	-	-	-	-	-	-	-	20,256,318	
Intangible assets	4,285,494	-	-	-	-	-	-	-	-	-	-	4,285,494	
Other assets	3,441,645	-	-	-	-	-	-	-	-	-	-	3,441,645	
<b>Total Assets</b>	<b>196,218,064</b>	<b>95,035,718</b>	<b>207,337</b>	-	-	<b>95,243,055</b>	<b>32,783,654</b>	<b>212,805,479</b>	<b>557,537,321</b>	<b>48,301,844</b>	<b>19,056,253</b>	<b>870,484,551</b>	<b>1,161,945,670</b>

**LIABILITIES**

Deposits and borrowings from banks	114,407	5,994,129	-	-	-	5,994,129	573,792	-	-	-	-	573,792	6,682,328
Customers' accounts at amortized cost	11,283,887	796,309,746	2,137,341	105,311	-	798,552,398	28,039,427	41,595,076	3,221,113	-	-	72,855,616	882,691,901
Liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-
Other borrowings	-	-	-	-	-	-	-	106,712,080	4,976,866	737,321	-	112,426,267	112,426,267
Other liabilities	8,147,572	-	-	-	-	-	-	-	-	-	-	-	8,147,572
Provisions	18,418,452	-	-	-	-	-	-	-	-	-	-	-	18,418,452
<b>Total Liabilities</b>	<b>37,964,318</b>	<b>802,303,875</b>	<b>2,137,341</b>	<b>105,311</b>	-	<b>804,546,527</b>	<b>28,613,219</b>	<b>148,307,156</b>	<b>8,197,979</b>	<b>737,321</b>	-	<b>185,855,675</b>	<b>1,028,366,520</b>
<b>Interest rate gap position</b>	<b>158,253,746</b>	<b>(707,268,157)</b>	<b>(1,930,004)</b>	<b>(105,311)</b>	-	<b>(709,303,472)</b>	<b>4,170,435</b>	<b>64,498,323</b>	<b>549,339,342</b>	<b>47,564,523</b>	<b>19,056,253</b>	<b>684,628,876</b>	<b>133,579,150</b>

## December 31, 2007

## Foreign Currencies

	Non-Interest Earning (LBP'000)	Floating Interest Rate (LBP'000)				Total	Fixed Interest Rate (LBP'000)				Grand Total (LBP'000)		
		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years		Up to 3 Months to 1 Year	1 to 3 Years	3 to 5 Years	Over 5 Years			
<b>ASSETS</b>													
Cash, compulsory reserves and deposits at Central Bank	6,253,23	201,567,750	-	-	-	201,567,750	13,782,213	-	-	-	-	13,782,213	221,603,199
Deposits with banks and financial institutions	13,703,977	105,845,966	-	-	-	105,845,966	18,182,038	3,015,000	-	-	-	21,197,038	140,746,981
Trading securities	8,028,200	-	-	-	-	-	-	1,041,428	3,052,774	432,088	213,078	4,739,368	12,767,568
Loans and advances to customers	46,070,572	14,480,020	835,903	7,352,214	-	22,668,137	56,623,215	25,856,437	29,745,527	8,901,886	1,708,581	122,835,646	191,574,355
Available-for-sale investment securities	21,643,558	-	-	-	-	-	7,446,009	46,968,303	75,160,433	149,034,759	192,972,903	471,582,407	493,225,965
Held-to-maturity investment securities	5,619,488	-	-	-	-	-	-	40,721,205	53,272,131	167,623,905	27,455,584	289,072,825	294,692,313
Customers' liability under acceptances	16,340,966	-	-	-	-	-	-	-	-	-	-	-	16,340,966
Investments in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-
Assets acquired in satisfaction of loans	65,248,093	-	-	-	-	-	-	-	-	-	-	-	65,248,093
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	13,713,205	-	-	-	-	-	-	-	-	-	-	-	13,713,205
<b>Total Assets</b>	<b>196,621,295</b>	<b>321,893,736</b>	<b>835,903</b>	<b>7,352,214</b>	-	<b>330,081,853</b>	<b>96,033,475</b>	<b>117,602,373</b>	<b>161,230,865</b>	<b>325,992,638</b>	<b>222,350,146</b>	<b>923,209,497</b>	<b>1,449,912,645</b>
<b>LIABILITIES</b>													
Deposits and borrowings from banks	6,332,819	7,688,331	-	-	-	7,688,331	2,992,122	-	-	-	-	2,992,122	17,013,272
Customers' accounts at amortized cost	93,746,033	1,067,477,130	-	506,822	-	1,067,983,952	62,851,118	113,603,754	9,538,957	-	-	185,993,829	1,347,723,814
Liability under acceptances	16,340,966	-	-	-	-	-	-	-	-	-	-	-	16,340,966
Other borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	8,417,119	-	-	-	-	-	-	-	-	-	-	-	8,417,119
Provisions	445,316	-	-	-	-	-	-	-	-	-	-	-	445,316
<b>Total Liabilities</b>	<b>125,282,253</b>	<b>1,075,165,461</b>	-	<b>506,822</b>	-	<b>1,075,672,283</b>	<b>65,843,240</b>	<b>113,603,754</b>	<b>9,538,957</b>	-	-	<b>188,985,951</b>	<b>1,389,940,487</b>
<b>Interest rate gap position</b>	<b>71,339,042</b>	<b>(753,271,725)</b>	<b>835,903</b>	<b>6,845,392</b>	-	<b>(745,590,430)</b>	<b>30,190,235</b>	<b>3,998,619</b>	<b>151,691,908</b>	<b>325,992,638</b>	<b>222,350,146</b>	<b>734,223,546</b>	<b>59,972,158</b>





## 36. Capital Management

The Group manages its capital to comply with the capital adequacy requirements set by Central Bank of Lebanon.

Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP750million for the head office and LBP500million for each local branch. Furthermore, the minimum capital adequacy ratio set by the regulator is 12% (Basel Ratio).

The Group's capital is split as follows:

- Tier I capital: Comprises share capital, reserves from appropriation of profits, retained earnings (exclusive of current year's net profit).
- Tier II capital: Comprises qualifying subordinated liabilities, collective impairment allowance, cumulative change in fair value of available-for-sale securities.

Investments in subsidiaries are deducted from Tier I and Tier II capital.

Also, various limits are applied to the elements of capital base: Qualifying Tier II capital cannot exceed Tier I capital and qualifying short term subordinated loan capital may not exceed 50% of Tier I capital. The Group has complied with imposed capital requirements throughout the period.

The Group's consolidated capital adequacy ratio was as follows:

December 31	2008	2007
	(LBP'000)	
Total regulatory capital	193,663	158,043
Risk-weighted assets	638,744	543,445
Risk weighted off-balance sheet items	44,616	65,125
<b>Capital adequacy ratio</b>	<b>28.34</b>	<b>25.97</b>

## 37. Fair Value of Financial Assets and Liabilities

December 31, 2008

	Trading Assets	Available-for-Sale	Held-to-Maturity	Loans and Receivables	Other Amortized Cost	Total Carrying Value	Total Fair Value
	(LBP'000)						
<b>FINANCIAL ASSETS</b>							
Cash and Central Bank	-	-	-	-	466,947,333	466,947,333	466,947,333
Deposits with banks and financial institutions	-	-	-	-	166,969,533	166,969,533	166,969,533
Trading securities	17,142,330	-	-	-	-	17,142,330	17,142,330
Loans and advances to customers	-	-	-	415,346,781	-	415,346,781	441,052,337
Available-for-sale investment securities	-	1,368,050,383	-	-	-	1,368,050,383	1,368,050,383
Held-to-maturity investment securities	-	-	391,958,405	-	-	391,958,405	390,609,969
<b>Total</b>	<b>17,142,330</b>	<b>1,368,050,383</b>	<b>391,958,405</b>	<b>415,346,781</b>	<b>633,916,866</b>	<b>2,826,414,765</b>	<b>2,850,771,885</b>
<b>FINANCIAL LIABILITIES</b>							
Deposits and borrowings from banks	-	-	-	-	36,140,772	36,140,772	36,140,772
Customers' accounts	-	-	-	-	2,612,764,835	2,612,764,835	2,612,764,835
Other borrowings	-	-	-	-	11,845,723	11,845,723	11,845,723
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,660,751,330</b>	<b>2,660,751,330</b>	<b>2,660,751,330</b>





### December 31, 2007

	Trading Assets	Available-for-Sale	Held-to-Maturity	Loans and Receivables	Other Amortized Cost	Total Carrying Value	Total Fair Value
(LBP'000)							
<b>FINANCIAL ASSETS</b>							
Cash and Central Bank	-	-	-	-	339,061,072	339,061,072	339,061,072
Deposits with banks and financial institutions	-	-	-	-	235,337,035	235,337,035	235,337,035
Trading securities	17,756,365	-	-	-	-	17,756,365	17,756,365
Loans and advances to customers	-	-	-	287,854,070	-	287,854,070	308,461,572
Available-for-sale investment securities	-	1,097,566,144	-	-	-	1,097,566,144	1,097,566,144
Held-to-maturity investment securities	-	-	498,515,236	-	-	498,515,236	496,794,169
Other assets	-	-	-	-	10,574,027	10,574,027	10,574,027
<b>Total</b>	<b>17,756,365</b>	<b>1,097,566,144</b>	<b>498,515,236</b>	<b>287,854,070</b>	<b>584,972,134</b>	<b>2,486,663,949</b>	<b>2,505,550,384</b>
<b>FINANCIAL LIABILITIES</b>							
Deposits and borrowings from banks	-	-	-	-	23,695,600	23,695,600	23,695,600
Customers' accounts at amortized cost	-	-	-	-	2,230,415,715	2,230,415,715	2,230,415,715
Other borrowings	-	-	-	-	112,426,267	112,426,267	112,426,267
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,366,537,582</b>	<b>2,366,537,582</b>	<b>2,366,537,582</b>

The basis for the determination of the estimated fair values with respect to financial assets and liabilities carried at amortized cost and for which quoted market prices are not available, is summarized as follows:

**(a) Deposits with Central Bank and financial institutions:**

The fair value of current deposits (including non-interest earning compulsory deposits with Central Banks), and overnight deposits is their carrying amount.

**(b) Loans and advances to customers and to banks:**

The estimated fair value of loans and advances to customers is based on the discounted amount of expected future cash flows determined at current market rates.

**(c) Held-to-maturity investment securities:**

The estimated fair value of held-to-maturity investment securities is based on current yield curve appropriate for the remaining period to maturity.

**(d) Deposits and borrowings from banks and customers' deposits:**

The fair value of deposits with current maturity or no stated maturity is their carrying amount. The estimated fair value on other deposits is based on the discounted cash flows using interest rates for new deposits with similar remaining maturity.

**(e) Other borrowings:**

The estimated fair value of other borrowings is the discounted cash flow based on a current yield curve appropriate for the remaining period to maturity.

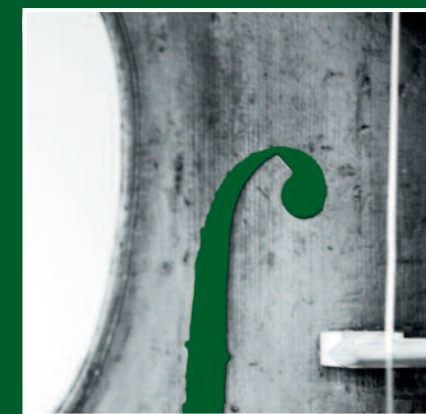
### 38. Related Party Transactions

In the ordinary course of business, the Bank carries on transactions with subsidiaries and related parties, balances of which are disclosed in the balance sheet and in Notes 6,7 and 16.

Remuneration to executive management during 2008 amounted to LBP4.375billion in 2008 (LBP2billion in 2007).

### 39. Approval of the Financial Statements

The financial statements for the year ended December 31, 2008 were approved by the Board of Directors in its meeting held on March 18, 2009.



## Distinction in Performance



Achieving success comes through a high degree of consistency in performance. At BLC Bank, we operate according to strict standards of excellence in order to exceed our clients' and shareholders' expectations alike.







## Branches

Branch	Address	Tel	Fax	Managers
Main branch Adlieh	Adlieh square BLC Bank bldg	01- 387 000 01- 429 000	01- 616 984	Roula KORBANE
Achrafieh	Sassine area Adib Ishac street Jerbaka bldg	01 - 200 990/1 01 - 334 990	01 - 339 664	Roy CHOUCAIR
Baabda	Al Saha Michel Helou bldg	05 - 468 084/5	05 - 921 820	Michel HADDAD
Batroun	Main road BLC Bank bldg	06 - 642 166 06 - 741 599	06 - 742 812	Elie EL HAJJ
Becharreh	Main road Elie Geagea bldg	06 - 671 101 06 - 672 767	06 - 671 585	Tony SALEH
Beit Chabeb	Al Blata area BLC Bank bldg	04 - 980 840	04 - 984 298	Jean JABR
Bikfaya	Al Saha Municipality bldg	04 - 981 602 04 - 984 101	04 - 986 266	Michel AZZAM
Bourj Hammoud	Tripoli street Maronite Monks bldg	01 - 260 855 01 - 241 689	01 - 241 689	Albert BABIKIAN
Chekka	Main road Michel El-Hallal bldg	06 - 540 728 06 - 545 028	06 - 542 430	Fadwa GERGI
Chiah	Saida road Mar Maroun street Awad bldg	01 - 385 185 01 - 389 515	01 - 387 411	Hassan MORTADA
Chtaura	Damascus main road BLC Bank bldg	08 - 545 422 08 - 545 423	08 - 545 424	Alia SABBOURY
Dekwaneh	Sed El Baushrieh street Kamar center	01 - 692 060 01 - 692 070	01 - 687 647	Raymonde WAZEN
Dora	Dora highway Near the bridge BLC Bank bldg	01 - 264 450	01 - 260 856	Gaby KIWAN
Furn El Chebback	Damascus main road Fares Younis bldg	01 - 613 247 01 - 613 248	01 - 613 249	Gaby KASSAB
Ghobeiry	Ghobeiry street Akil Berro Bldg	01 - 272 772 01 - 548 600/1/3	01 - 275 737	Nadim NAZZAL (Acting)
Hadath	Sahet Al Ain Michel Kherbawi bldg Opposite Virgin Mary Church	05 - 460 034 05 - 467 438	05 - 460 425	Elias AZZI (Acting)
Hamra	Hamra street Toufic Assaf bldg	01 - 340 450 01 - 350 060 01 - 348 511	01 - 348 512	Imad TABBARA

Branch	Address	Tel	Fax	Managers
Hazmieh	Damascus main road Michael Mansour bldg	05 - 454 722 05 - 455 547	05 - 457 177	Elias GHANEM
Hermel	Opposite Seray bldg Shahine center	08 - 201 771/2	08 - 201 773/0	Nabil HAMADE
Jal El Dib	Main road Yachoui bldg	04 - 723 200 04 - 723 201/2/4	04 - 723 203	Joseph ABOU KHALIL
Jbeil	Main road BLC Bank bldg	09 - 540 150 09 - 546 956	09 - 546 955	Jean-Claude ZAKHIA
Jounieh	Main road Opposite municipality Stephan bldg	09 - 910 800 09 - 934 558	09 - 835 219	Elias NADER
Kousba	Main road Gerges Ayoub center	06 - 510 125 06 - 511 132	06 - 510 125	Branch Management
Mar Elias	Mar Elias street Dar El Baida bldg	01 - 703 805/6 01 - 706 248	01 - 703 805	Elie ROUMIEH
Mar Mikhael	Mar Mikhael street BLC Bank bldg	01 - 565 700 01 - 565 701	01 - 444 449	Boutros MOUAWAD
Mazraa	Corniche Mazraa Koussa bldg	01 - 631 634 01 - 653 403	01 - 663 130	Michel HARMOUCH
Nabatieh	Commercial street Chaaban bldg	07 - 764 780 07 - 764 781	07 - 760 234	Mhammad ABDALLAH
Rabieh	Bikfaya main road	04 - 410 559	04 - 417 010	Branch Management
Saida	Riad El Solh street BLC Bank bldg	07 - 722 330 07 - 722 331/2	07 - 725 330	Imad El AMINE
Sour	Al Massaref street Issa bldg	07 - 343 100/1 07 - 343 315	07 - 343 313	Branch Management
Tabaris	Selim Bustros street Dakdouk bldg	01 - 200 992 01 - 204 551	01 - 200 992	Marwan YOUNAN
Tripoli - El Mina	Rue des Douanes Diknach bldg	06 - 201 093 06 - 600 211	06 - 600 211	Nabil MISSI
Tripoli - El Tell	Karm Al Killa street BLC Bank bldg	06 - 430 210 06 - 430 211	06 - 432 896	Talal YAFI
Zouk Mikael	Main road Antoine Akiki center	09 - 212 225 09 - 212 226	09 - 211 675	Dany HARFOUCH





## Subsidiaries

### BLC Finance s.a.l.

BLC Bank building, Adlieh square \_\_\_\_\_  
 P.O. Box: 11-1126 Beirut – Lebanon \_\_\_\_\_  
 Tel: + 961 (1) 393 587/8 \_\_\_\_\_  
 Fax: +961 (1) 398 386 – 393 581 \_\_\_\_\_  
 e-mail: blcfinance@blcbank.com \_\_\_\_\_

### BLC Services s.a.l.

BLC Bank building, Adlieh square \_\_\_\_\_  
 P.O. Box: 11-1126 Beirut – Lebanon \_\_\_\_\_  
 Tel: + 961 (1) 393 570 \_\_\_\_\_  
 Fax: +961 (1) 398 044 \_\_\_\_\_  
 e-mail: blcservices@blcbank.com \_\_\_\_\_

## Correspondent Banks

Country	Name of Correspondent	Swift Code
ALGERIA	FRANSABANK EL DJAZAIR SPA	FSBK DZ AL
AUSTRALIA	AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED	ANZB AU 3M
AUSTRIA	UNICREDIT BANK AUSTRIA AG	BKAU AT WW
CANADA	ROYAL BANK OF CANADA	ROYC CA T2
CYPRUS	MARFIN POPULAR BANK PUBLIC CO LTD	LIKI CY 2N
DENMARK	DANSKE BANK A/S	DABA DK KK
EGYPT	BANQUE MISR SAE	BMIS EG CX
FRANCE	FRANSABANK (FRANCE) SA AL KHALIJI (FRANCE) SA UNION DE BANQUES ARABES ET FRANÇAISES - UBAF	FRAF FR PP LICO FR PP UBAF FR PP
GERMANY	COMMERZBANK AG DEUTSCHE BANK AG JP MORGAN AG	COBA DE FF DEUT DE FF CHAS DE FX
ITALY	INTESA SANPAOLO SPA UNICREDIT SPA	BCIT IT MM UNCR IT MM
JAPAN	THE BANK OF NEW YORK MELLON - TOKYO	IRVT JP JX
JORDAN	THE HOUSING BANK FOR TRADE & FINANCE JORDAN KUWAIT BANK	HBHO JO AX JKBA JO AM
KUWAIT	AL AHLI BANK OF KUWAIT KSC NATIONAL BANK OF KUWAIT	ABKK KW KW NBOK KW KW
NORWAY	NORDEA BANK NORGE ASA	NDEA NO KK
QATAR	QATAR NATIONAL BANK SAQ THE COMMERCIAL BANK OF QATAR QSC	QNBA QA QA ABQQ QA QA
SAUDI ARABIA	THE NATIONAL COMMERCIAL BANK	NCBK SA JE
SPAIN	BANCO DE SABADELL SA	BSAB ES BB
SRI LANKA	BANK OF CEYLON	BCEY LK LX
SUDAN	UNITED CAPITAL BANK (SUDAN)	CBSK SD KH
SWEDEN	SKANDINAVISKA ENSKILDA BANKEN AB (PUBL)	ESSE SE SS
THE PHILIPPINES	BANK OF THE PHILIPPINE ISLANDS	BOPI PH MM
TURKEY	TÜRKIYE İS BANKASI AS TÜRKIYE FINANS KATILIM BANKASI ASYA KATILIM BANKASI AS TURKLAND BANK AP	ISBK TR IS AFKB TR IS ASYA TR IS TBNK TR IS
UNITED ARAB EMIRATES	AL KHALIJI (FRANCE) SA - DUBAI BRANCH MASHREQBANK PSC	LICO AE AD BOML AE AD
UNITED KINGDOM	LLOYDS TSB BANK PLC JPMORGAN CHASE BANK - LONDON BRITISH ARAB COMMERCIAL BANK	LOYD GB 2L CHAS GB 2L BACM GB 2L
UNITED STATES OF AMERICA	JPMORGAN CHASE BANK NA THE BANK OF NEW YORK MELLON STANDARD CHARTERED BANK, NEW YORK	CHAS US 33 IRVT US 3N SCBL US 33

