2011 ANNUAL REPORT

CORPORATE SOCIAL RESPONSIBILITY

BLCbank FRANSABANK GROUP

We deliver what matters

INTRO

As a responsible corporate citizen, we understand that our activities have important and direct consequences on our community therefore, we are committed to sustainable development with the aim of making a difference in four areas: Our Business, Our People, Our Environment and Our Community.

To better depict our actions, we launched the ambitious Boomerang CSR program, which represents BLC Bank's commitment to contribute energy and resources that will bring in return sustainable benefits and well-being to the community and the Bank.

1 - Our Business:

We are committed to deliver value that matters to our customers; therefore,

- We have strong governance rules and targets that are mandatory for the entire stakeholders: Code of ethics, Anti-Money Laundering policies, Compliance procedures, Procurement Policy. The management is responsible and accountable for implementing the zero-tolerance for corruption policy. Management periodically ensures that bank's anticorruption compliance program and business practices are up to date. Our Management Committee, Disciplinary Committee, Purchasing Committee & Audit Committee oversee the Ethics & Compliance program as a whole. Our internal compliance, training and awareness programs are designed to prevent, detect and remedy policy and Code violations.
- We have set, to ensure appropriate corporate governance and an ethical and fair trading with our business partners, a series of procurement code of conduct policies related to the suppliers we deal with ensuring strict gender equality measures.
- We strongly promote the purchase of green items subject to both functional and financial qualifications in line with our Corporate Social Responsibility pledge.

2 - Our People:

We are committed to create growth opportunities to our employees with the aim of becoming the employer of choice; therefore,

- We promote gender equality and provide a healthy and fair working environment. In this regard, we became the first and only Bank in the MENA region to commit to the UN Global Compact / UN Women Empowerment Principles.
- We offer flexible working hours to new mothers returning from their maternity leave.
- We provide equal opportunities to all employees and job applicants.
- We create Staff Award Programs that help recognize high achievers in the Bank across all operational areas.

- We conduct Employee Satisfaction Surveys to encourage feedback and dialogue to constantly enhance employee satisfaction level, motivation and loyalty.

Moreover, and to promote the personal and professional growth of our employees, we have developed several programs such as:

- Induction program, On The Job training program and On Boarding mentor program.
- Internal & External training for capacity building.
- Tuition assistance to employees who wish to pursue their academic development.
- Internal job postings to create career growth paths and equal opportunities for all.

3 - Our Community:

We are committed to contribute to the well-being of the local communities we serve.

Our main axes in community involvement include both education and health; however we also support arts and culture.

- We have successfully engaged the Lebanese public and the Bank's staff to support non-profit humanitarian organizations active in the medical and social fields: Children's Cancer Center of Lebanon, Heartbeat, Sesobel and Oum El Nour. The campaign was based on public voting via Facebook for the charity of their choice to distribute fifty five thousand USD worth of donations. Sesobel ranked first with the highest number of votes and won $25,000, Heartbeat the runner up won $15,000, Children's Cancer Center of Lebanon ranked third with $10,000 and Oum El Nour won $5,000.
- We supported education in rural areas in collaboration with Teach for Lebanon. Being a major sponsor of Teach for Lebanon, BLC Bank entices its employees to enlist in the organization's cause thereby paving the way for education equality, effecting systemic change and driving students to new horizons to carry out volunteer work at schools.
- We partnered with the Civil-Military Cooperation (CIMIC) of the French unit of the United Nations Interim Force in Lebanon (UNIFIL), to promote the French language across the French-speaking schools of South Lebanon. Over 50,000 students participated in the contest held in March 2011. Twenty winners were rewarded with a trip to France to explore first-hand the French culture.
- We partnered with Fondation Liban Cinema and the Metropolis Association to pay tribute to the Lebanese cinema industry, support young talents and initiatives promoting Lebanese cinematography worldwide.
- We have supported the Amicale Notre Dame du Jamhour's educational initiative to assist underprivileged students in paying their tuition fees.
- We sponsored Ghalboun summer festival 2011 reaffirming our commitment to preserve local culture with its unique flair and ability to bring in people from around the country to enjoy an authentic Lebanese ambiance.
- We participated in Al Younbouh's (Rehabilitation Center for People with Special Needs) annual walk.
- We contributed to the success of USJ- ESIB's (Université Saint-Joseph de Beyrouth Faculté d'ingénierie) 23rd rally paper.

On another level, BLC Bank launched the We Initiative, a comprehensive program dedicated to the economic empowerment of women in the Middle East. This initiative intersects with the Boomerang program, as it goes beyond financial services to provide women with non-financial products and services such as trainings, educational workshops, networking events, a dedicated online platform www.we-initiative.com and advisory services allowing them to enhance their professional and personal lives.

4 - Our Environment:

We are committed to integrate respect for the environment into our business and our practices. To pursue this objective, we have undertaken several measures:

- We have implemented the BLC Bank corporate environmental policy through the adoption of the 3 R's approach policy: Reduce, Reuse and Recycle in four fields being energy, water, paper and waste.
- We collaborated with the International Finance Corporation (IFC – World Bank Group) to conduct a green retrofit of our headquarters. This resulted in the BLC Bank building becoming the first existing commercial premises to be awarded the ARZ green certification.
- We partnered with Jouzour Loubnan, an NGO with a mission to promote environmental awareness, plant in arid regions to increase the woodland area in Lebanon and develop wildlife habitats. Our cooperation with Jouzour Loubnan is through a continuous support in funding and organizing forestation days by volunteers from the Bank. To date, we have contributed to the plantation of 2500 trees and their maintenance for 3 consecutive years.
- We sponsored the activities of the Lebanese Mountain Trail Association, to clear, blaze and remove the debris of the trail stretching over 9.8 km in North Lebanon, Bsharre and Zgharta/Ehden. This will allow the association to fulfill its mission to make the LMT an international destination for responsible ecotourism.
- We supported DPNA – Development for People and Nature Association – to maintain Bkessine Natural Reserve. The project, aims to preserve Bkessine's pine forest, the largest in the Middle East, and capitalize on its touristic aspects to create a leisure park. By teaming up with DPNA, BLC Bank will preserve the natural cachet of the forest, boost the ecotourism, and more importantly provide job opportunities.
- We sponsored the works at the patriarch Garden in the village of Diman in the North with the aim of making the garden a place open to the public.
- We supported Eco-friendly construction at "Built it Green Lebanon", with the aim of raising awareness and enable the business community to become environmentally friendly in an economical manner.

As a responsible corporate citizen, we aim to deliver value that matters to our customers, create growth opportunities for our employees, contribute to the well-being of the Lebanese communities and integrate respect for the environment into our business, development strategies as well as practices.

Ultimately, we aim to spread the culture of sustainable practices to reach all collaborators, suppliers, clients, business associates and employees' families. To implement the CSR culture, a CSR committee was designated to manage, access and pursue social & environmental issues within both the Bank and the community.

We hereby present you with our 2011 Annual Report, assuring you of our long term commitment to Corporate Social Responsibility initiatives, hoping this will have a positive and long lasting impact on our environment and society.

VISION

To be a reference in the financial services industry making complex banking simple and bringing the best to you.

MISSION

Provide a wide range of state-of-the-art, innovative and competitive financial products and services, in a simple and efficient way, leveraging innovation, technology, professionalism and excellence, in order to deliver what matters to our customers, shareholders, employees and community.

CORE VALUES

We do what we say.
We do it with integrity.
We are performance driven.
We promote gender equality.
We are responsible corporate citizens.

TABLE OF CONTENT

CHAIRMAN'S LETTER

BLC Bank continues to harmoniously grow on all fronts. In fact, Retail and Corporate Lending, Shareholder Equity, Profits and Return on equity are all witnessing growth that is noticeably higher than that of the Lebanese Alpha Banking Group. It should also be noted that the private banking activities are more than satisfactory.

On the regional level, we took in charge the management of USB Bank in Cyprus and the operational results became largely positive starting May 2011.This is an impressive achievement in terms of time.

We have therefore succeeded, for the fourth year running, to achieve the ambitious 2011 targets that we set for BLC Bank.

As for 2012, all indications show that the dynamics of BLC Bank will stay the same. We have also strengthened the teams on all levels through new collaborators who have joined us and who were selected based on their expertise and know-how.

We will also witness the start up in operations of our Abu Dhabi representative office and the effective activation of the investment bank that we recently created. We have high hopes of success for both projects.

I will conclude, like last year, by reiterating my heartfelt thanks to all our collaborators and our main shareholder, Fransabank, for their unreserved adherence to our initiatives and to our ambitious objectives.

MAURICE SEHNAOUI
Chairman General Manager

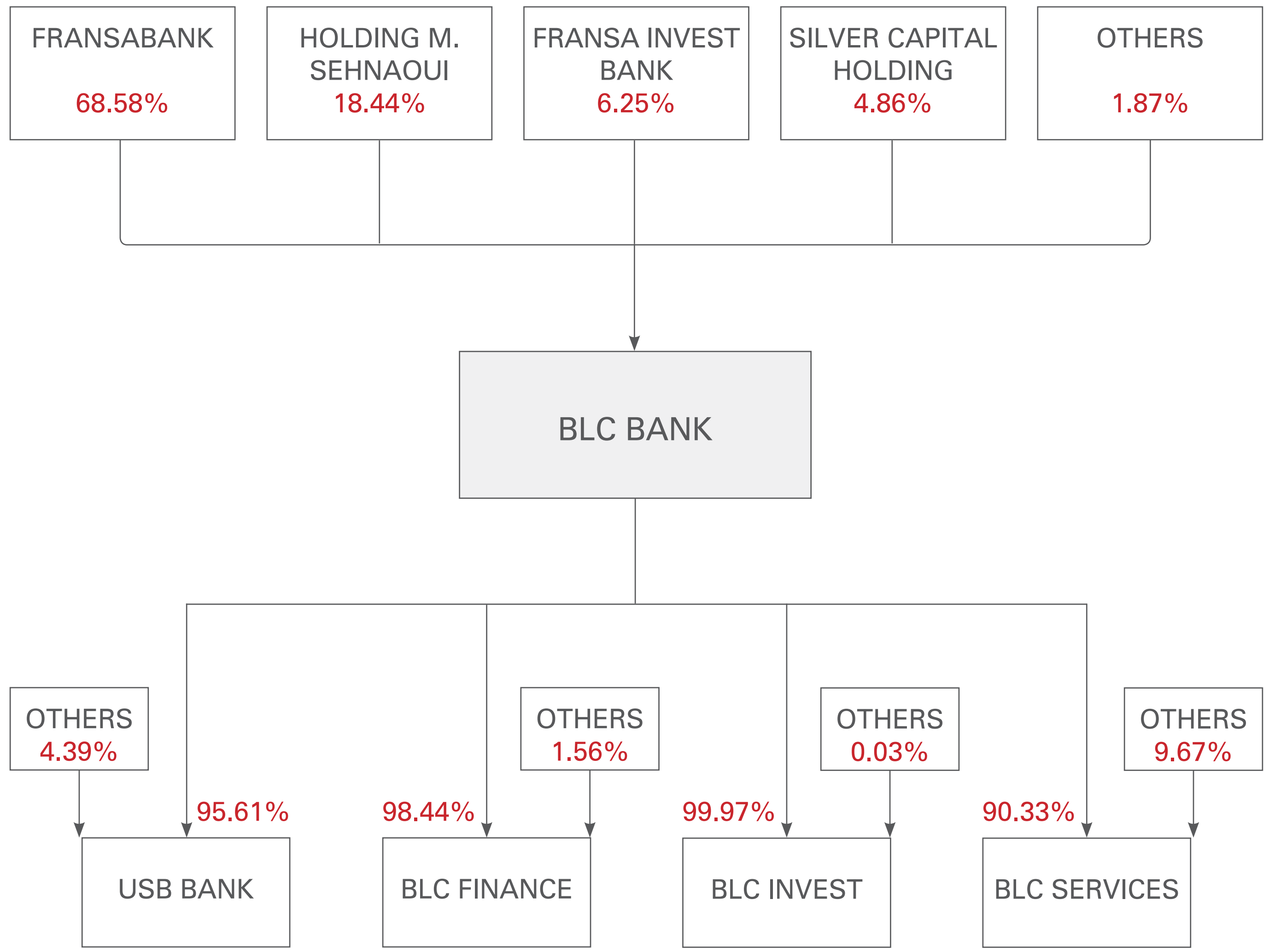
OUR NETWORK

AUDITOR'S REPORT

FINANCIAL HIGHLIGHTS

CSR CITIZENS

SHAREHOLDERS’ STRUCTURE



BLC BANK GROUP BOARD OF DIRECTORS

BLC BANK S.A.L.
Board Members

- **Chairman General Manager:**
  Maurice SEHNAOUI
- **Vice-Chairman:**
  Nadim KASSAR
- **Members:**
  Adnan KASSAR
  Adel KASSAR
  Nabil KASSAR
  Walid DAOUK
  Nazem EL KHOURY
  Walid ZIADEH
  Raoul NEHME
  Mansour BTEISH
  Charles EL HAGE
- **Secretary to the Board:**
  Michel TUENI
- **External auditors:**
  Deloitte & Touche
  Fiduciaire du Moyen Orient

USB BANK P.L.C.
Board Members

- **Chairman:**
  Maurice SEHNAOUI
- **Members:**
  Fransabank S.A.L.
  Nadim KASSAR
  Nabil KASSAR
  Walid DAOUK
  BLC Bank S.A.L.
  Raoul NEHME
  Fransa Invest Bank S.A.L.
  Tania MOUSSALLEM
  Yiorgos GALATARIOTIS
  Philippos PHILI
  Despo POLYCARPOU
  Yiorgos STYLIANOU
  Agis TARAMIDES
- **Secretary to the Board:**
  Andreas THEODORIDES
- **External auditors:**
  Ernest & Young Cyprus

BLC FINANCE S.A.L.
Board Members

- **Chairman:**
  Shadi KARAM
- **Members:**
  BLC BANK S.A.L.
  Holding M. SEHNAOUI S.A.L.
  Walid DAOUK
  Walid ZIADEH
  Youssef SARROUH
- **Secretary to the Board:**
  Michel TUENI
- **External auditors:**
  Deloitte & Touche

BLC SERVICES S.A.L.
Board Members

- **Chairman:**
  Nazem EL KHOURY
- **Members:**
  BLC BANK S.A.L.
  Holding M. SEHNAOUI S.A.L.
  Walid DAOUK
  Walid ZIADEH
  Khaled SALMAN
- **Secretary to the Board:**
  Michel TUENI
- **External auditors:**
  Deloitte & Touche

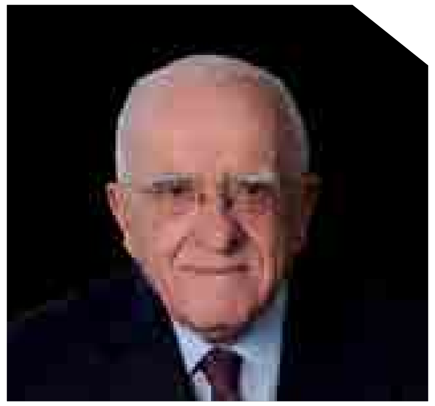
BLC INVEST S.A.L.
Board Members

- **Chairman General Manager:**
  Maurice SEHNAOUI
- **Members:**
  Walid DAOUK
  Nadim KASSAR
  Nabil KASSAR
  Mansour BTEISH
  Raoul NEHME
- **Secretary to the Board:**
  Rawi KANAAN
- **External auditors:**
  Deloitte & Touche

MAURICE SEHNAOUI

NADIM KASSAR

ADNAN KASSAR



ADEL KASSAR

NABIL KASSAR

WALID DAOUK

NAZEM EL KHOURY

WALID ZIADEH

RAOUL NEHME

MANSOUR BTEICH

CHARLES EL HAGE

MANAGEMENT

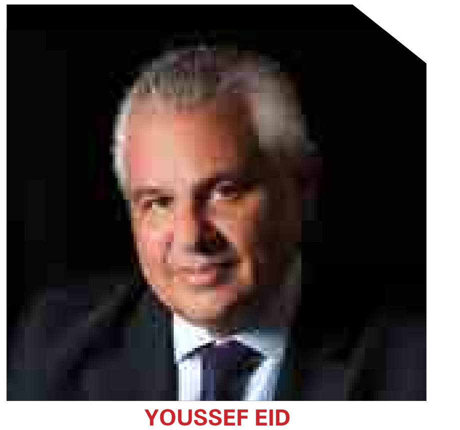

MAURICE SEHNAOUI
CHAIRMAN GENERAL MANAGER


GEORGES TABET
ADVISOR TO THE CHAIRMAN


RAOUL NEHME
GENERAL MANAGER


FOUAD RAHME
GENERAL MANAGER - BLC INVEST


JOE BADDOUR
ASSISTANT GENERAL MANAGER
CORPORATE BANKING GROUP


YOUSSEF EID
ASSISTANT GENERAL MANAGER
RETAIL BANKING GROUP


TANIA MOUSSALLEM
ASSISTANT GENERAL MANAGER
STRATEGIC DVPT. & FINANCIAL MGT. GROUP


ELIE AZAR
ADVISOR TO THE GENERAL MANAGER

GEORGES BAZ
LEGAL & RISK MANAGEMENT GROUP

BASSAM HASSAN
STRATEGIC TECHNOLOGY INTELLIGENCE

ANTOINE HOBEICHE
SUPPORT GROUP

MAYA MARGIE
MARKETING GROUP

SOUHEIL YOUNES
HUMAN RESOURCES GROUP

ALEXANDER ZOGHEIB
CHIEF INTERNAL AUDITOR

SENIOR MANAGERS, HEADS OF DEPARTMENT

Naji ECHO, Treasury Department
Elizabeth EL-KHAZEN, Administration Department
Georges NAMMOUR, Operations Department

DEPUTY HEADS OF GROUP

Victoria HABIB, Human Resources Group

MANAGERS, HEADS OF DEPARTMENT

Faysal ABBAS, Credit Analysis Department
Khalil ABOU DARWICHE, Recovery Department
Gisele ABI RACHED, Credit Administration & Reporting Department
Sandra ANTYPAS, Resources Management Department
Pierrot ATALLAH, Chief Information Officer
Gaby AWAD, Project Management Office
Georges BOU NAJEM, Large Entreprises Department
Joseph CHAMOUN, Real Estate Department
Ghosny DAGHER, Special Sector Enterprises Department
Benoit EID, Small Business Credit Department
Charbel GHANEM, Chief Financial Officer
Tarek HAGE, International Corporate Department (Africa Region)
Samir KHOURY, Retail Sales Department
Carlos LEBBOS, Risk Management Department
Antoine MOUANES, Trade Finance Development
Joseph SAAB, Compliance Department
Maya TABET, Legal Department
Claire WAKED, Consumer Credit Department
Maya WAKIM, Organization Department

ORGANIZATION CHART

- **BOARD OF DIRECTORS**
  - AUDIT COMMITTEE
- **CHAIRMAN GENERAL MANAGER**
  - ADVISOR TO THE CHAIRMAN
  - GROUP INTERNAL AUDIT
- **GENERAL MANAGER**
  - ADVISOR TO THE GENERAL MANAGER
  - STRATEGIC TECHNOLOGY INTELLIGENCE
  - GENERAL MANAGMENT'S OFFICE
  - COMPLIANCE DEPARTMENT

CORPORATE BANKING GROUP
- Corporate Business Development
- Credit Analysis
- International Corporate
- **Large Enterprises**
- Medium Enterprises
- Special Sector Enterprises

HUMAN RESOURCES GROUP
- Personnel Services
- Resources Management
- Training and Development

LEGAL & RISK MANAGEMENT GROUP
- Credit Administration and Reporting
- Legal
- Real Estate
- **Recovery**
- **Risk Management**

MARKETING GROUP
- Brands Management
- Communication
- Direct Marketing & Analysis
- **Products Development**

RETAIL BANKING GROUP
- Branches
- Branch Management
- Consumer Credit
- **Housing Credit**
- Retail Sales
- Small Business Credit

STRATEGIC DEVELOPMENT & FINANCIAL MANAGMENT GROUP
- Financial Control and Accounting
- International Banking Relations
- Management Control
- **Strategic Development**
- Treasury

SUPPORT GROUP
- Administration
- Information Technology
- Operations
- **Organization**
- Project Managment

OUR NETWORK

FINANCIAL HIGHLIGHTS

CSR CITIZENS

AUDITOR'S REPORT

FINANCIAL HIGHLIGHTS
BLC Bank Vs Alpha Banks Group

In line with management's strategic growth plans, BLC Bank continues to post record financial results exceeding the average growth ratios of the Lebanese Alpha Banking Group.

As at the end of December 2011 consolidated net income reached USD 48.10 million, registering an increase of 6.2%, while assets and deposits increased by 43% and 39%, reaching USD 4.40 billion and USD 3.60 billion respectively.

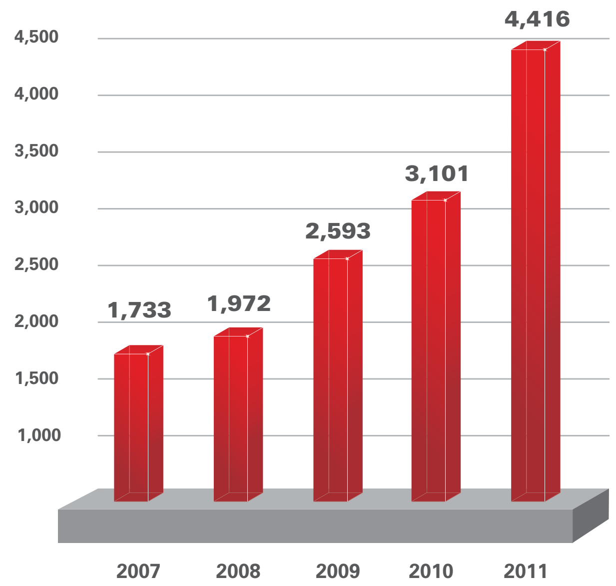
The Bank's portfolio of performing loans registered a growth ratio of 120% reaching USD 1,477 million at year end 2011, as a result of increased lending activities in the retail and corporate banking groups, and due to the acquisition of USB Cyprus. This confirms BLC Bank's active role in the market underscoring its involvement in financing the productive economic sectors.

FINANCIAL HIGHLIGHTS AND RATIOS

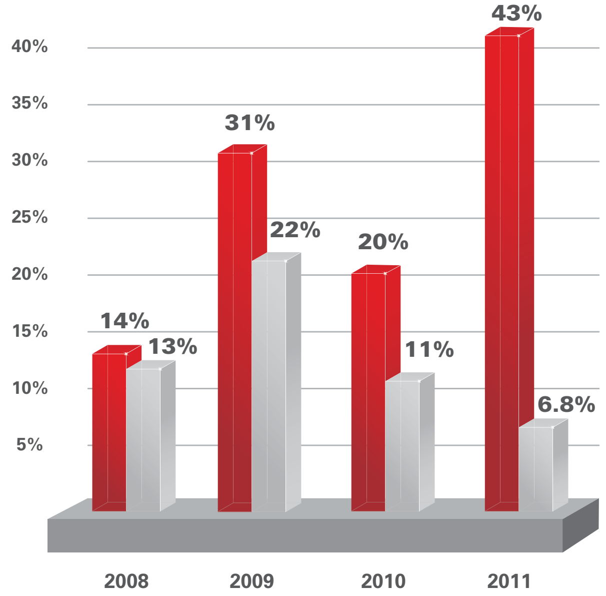
(Audited) (IN MILLION OF US$)	2011	2010	2009	2008	2007
Total Assets	**4,416**	**3,101**	**2,593**	**1,972**	**1,733**
Net Liquid Assets (Incl. Securities)	2,669	1,965	1,781	1,339	1,121
Net Loans (including Acceptance)	1,561	701	486	290	202
Deposits	3,615	2,604	2,274	1,733	1,480
Shareholders' Equity	361	263	228	157	128
Interest Income	233	173	152	130	127
Net Interest Income	84	64	53	44	32
Non Interest Income	49	27	20	10	10
Net Financial Revenues	118	83	69	53	41
Provision for Credit Losses (Less Write Back)	(3.7)	7.7	3.9	8.7	5.0
Provision or Assets Impairments & Oth Cr.Risk	(0.1)	0.0	1.2	0.0	2.8
Operating Expenses	69	43	36	32	29
Earning Before Tax	57	53	40	27	14
Net Income	48	45	34	23	15
Dividends to Preferred Shares	2.6	-	-	-	-
Dividends to Common Shareholders	17.7	17.7	15.1	8.7	-
Ratio NII to Average Total Assets	2.23%	2.24%	2.33%	2.36%	
Return on Average Assets	1.28%	1.59%	1.52%	1.24%	0.76%
Return on Average Equity	15.40%	18.50%	17.80%	16.10%	14.60%
Solvency Ratio (Basle II)	10.8%	10.3%	11.0%	11.0%	10.7%
Net Primary Liquidity (Excl.Securities) to Deposits	14%	22%	27%	24%	26%
Net Liquid Assets (Incl. Securities) to Deposits	74%	75%	78%	77%	76%
Net Loans to Deposit	43%	27%	21%	17%	14%
Coverage ratio	89.5%	95.8%	93.2%	92.2%	91.4%
Cost to Income	54.3%	49.5%	52.5%	65.1%	84.8%
Growth in Total Assets	42.4%	19.6%	31.5%	13.8%	
Growth in Deposits	38.9%	14.5%	31.2%	17.1%	
Growth in Loan	122.8%	44.3%	67.5%	43.7%	
Growth in Equity	37.3%	15.1%	45.4%	22.4%	
Growth in Net Financial Revenues	42.5%	19.2%	31.3%	27.7%	
Branches	51	35	34	35	35
Staff Employed	898	628	610	523	490

TOTAL ASSETS' EVOLUTION

(in USD Millions)



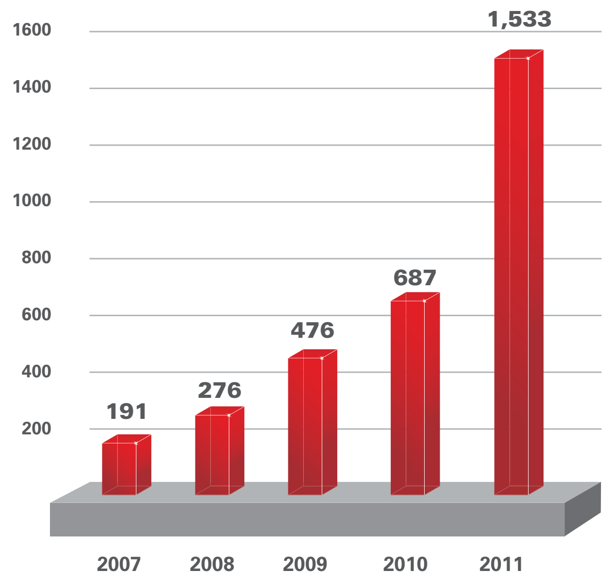
BLC Bank Growth vs Alpha Group



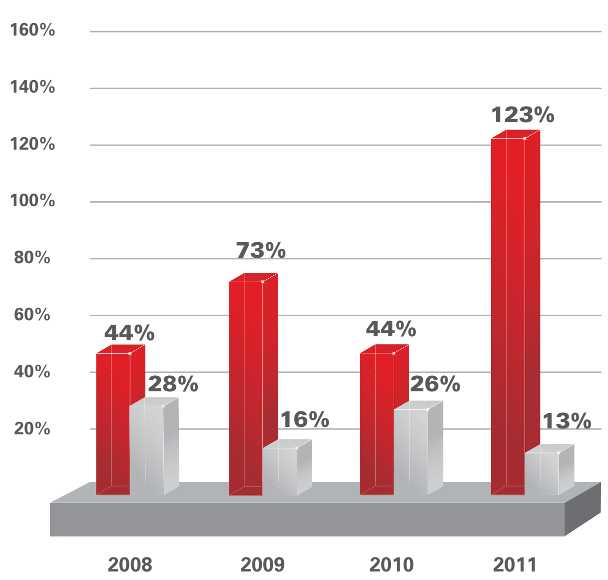
BLC Bank
Alpha Group

LOANS' EVOLUTION

(in USD Millions)



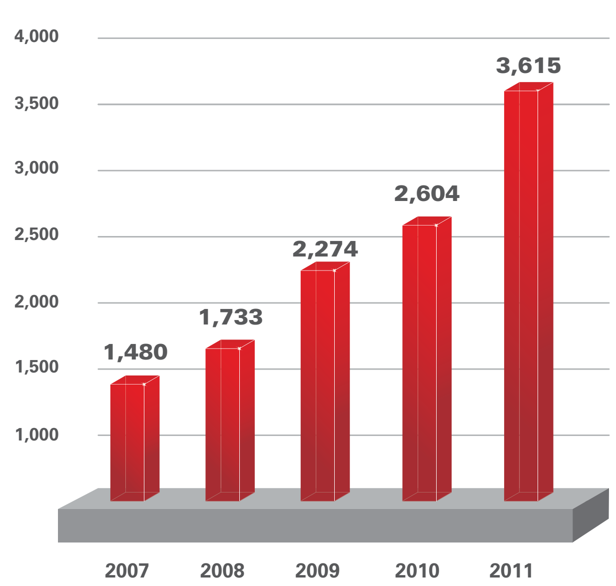
BLC Bank Growth vs Alpha Group



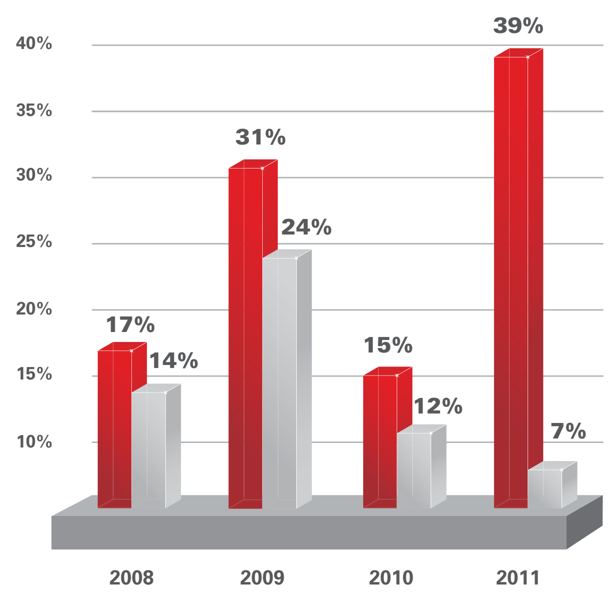
BLC Bank
Alpha Group

TOTAL DEPOSITS' EVOLUTION

(in USD Millions)



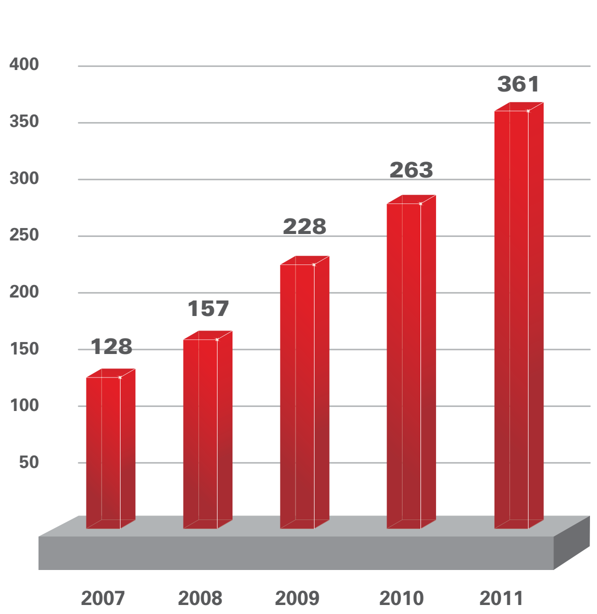
BLC Bank Growth vs Alpha Group



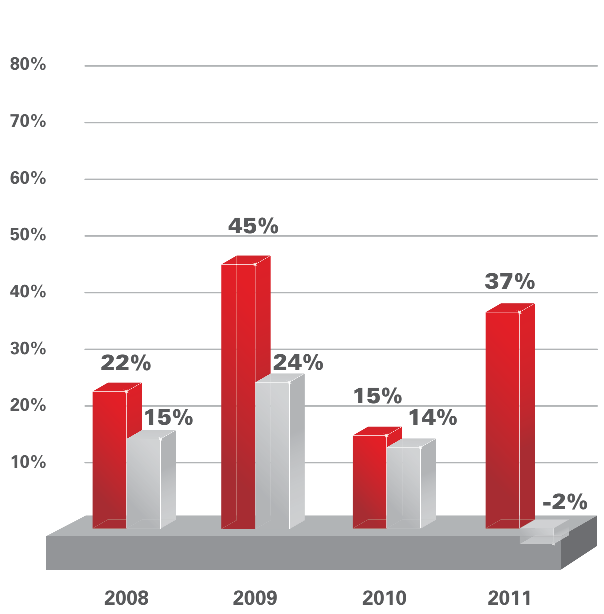
BLC Bank
Alpha Group

SHAREHOLDERS' EQUITY

(in USD Millions)



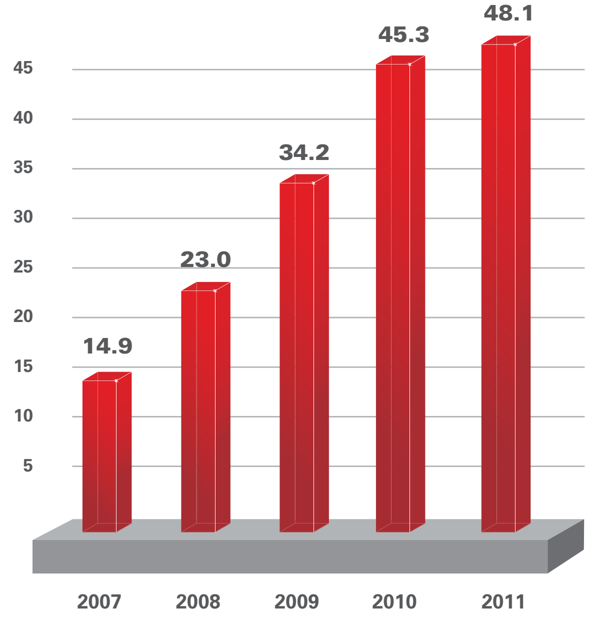
BLC Bank Growth vs Alpha Group



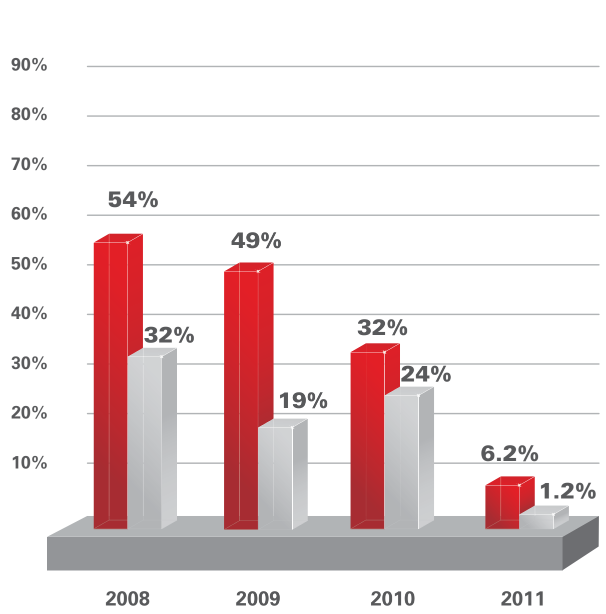
BLC Bank
Alpha Group

NET INCOME

(in USD Millions)

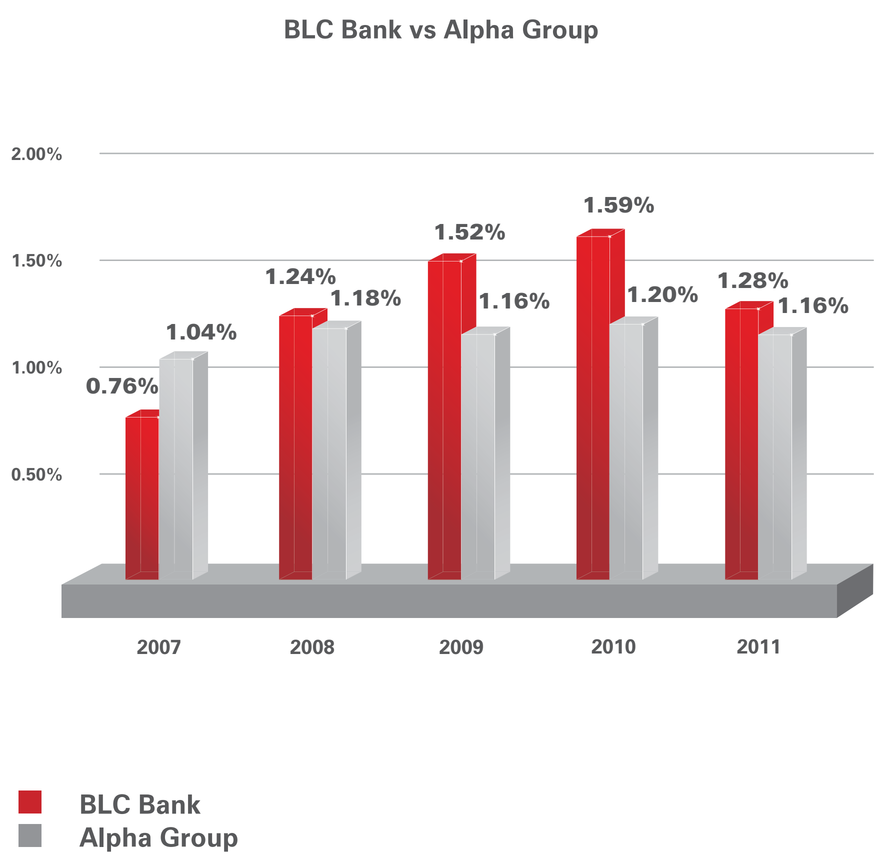


BLC Bank Growth vs Alpha Group

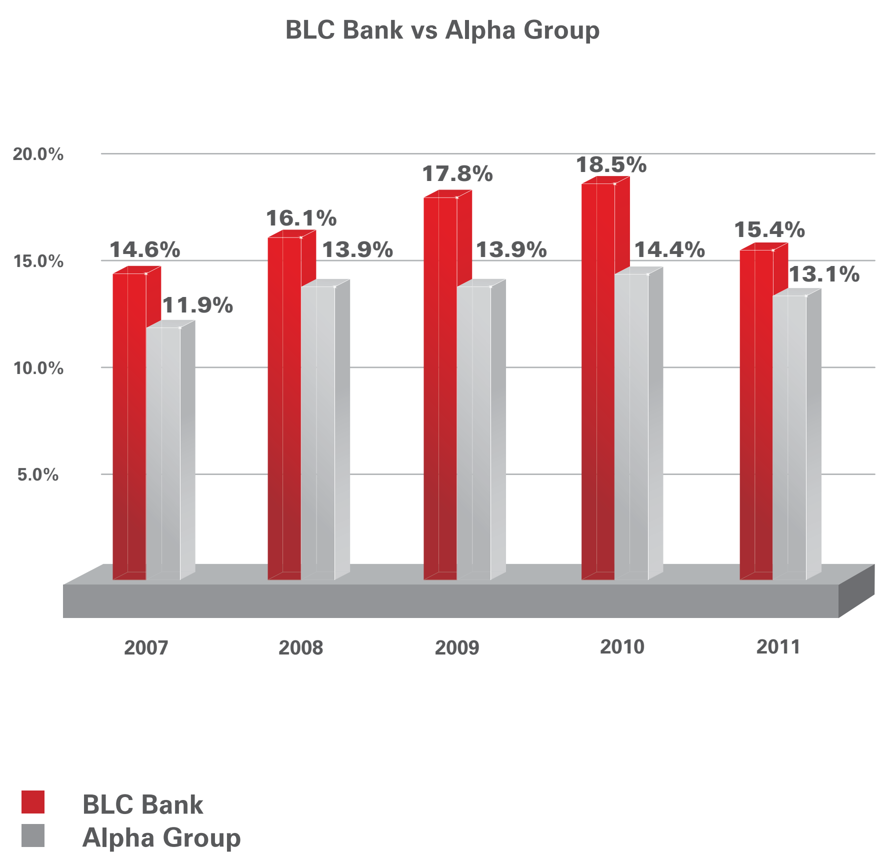


BLC Bank
Alpha Group

RETURN ON AVERAGE ASSETS (ROAA)



RETURN ON AVERAGE EQUITY (ROAE)



BALANCE SHEET STRUCTURE

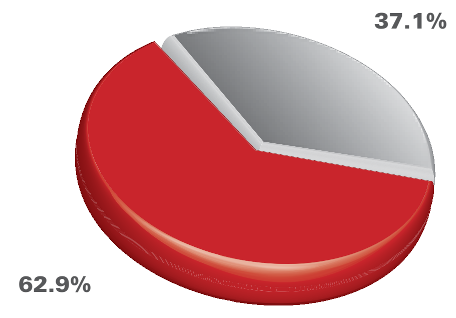
(Audited) (IN MILLION OF US$)	2011	% total	2010	% total	2009	% total	2008	% total	2007	% total
Cash & Banks	527	12%	580	19%	624	24%	421	21%	381	22%
Loans (Net of Provisions) with Acceptance	1,561	35%	701	23%	486	19%	290	15%	202	12%
Securities	2,142	49%	1,684	54%	1,369	53%	1,179	60%	1,071	62%
Other assets	185	4%	136	4%	114	4%	82	4%	79	5%
Total assets	**4,416**	**100%**	**3,101**	**100%**	**2,593**	**100%**	**1,972**	**100%**	**1,733**	**100%**
Borrowings from banks	332	8%	162	5%	30	1%	32	2%	90	5%
Customers deposits	3,615	82%	2,604	84%	2,274	88%	1,733	88%	1,480	85%
Other liabilities	107	2%	73	2%	60	2%	49	3%	34	2%
Total liabilities	**4,055**	**92%**	**2,838**	**92%**	2,364	**91%**	**1,814**	**92%**	**1,604**	**93%**
Total equity	361	8%	263	8%	228	9%	157	8%	128	7%
Total liabilities and equity	**4,416**	**100%**	**3,101**	**100%**	**2,593**	**100%**	**1,972**	**100%**	**1,733**	**100%**

NET INTEREST INCOME STRUCTURE

(Audited) (IN MILLION OF US$)	2011	% total	2010	% total	2009	% total	2008	% total	2007	% total
Interest income:										
Banks	4,195	2%	4,071	2%	4,682	3%	9,094	7%	15,260	12%
Investment securities	122,617	53%	119,711	69%	111,684	74%	100,447	77%	94,634	75%
loans	106,136	45%	48,748	28%	35,382	23%	20,629	16%	16,970	13%
Others	444	0%	93	0%	85	0%	115	0%	73	0%
Total interest income	**233,391**	**100%**	**172,624**	**100%**	**151,832**	**100%**	**130,286**	**100%**	**126,937**	**100%**
Interest expenses:										
Banks	5,095	3%	2,288	2%	132	0%	756	1%	2,133	2%
Deposits	143,243	96%	106,237	98%	98,249	100%	83,122	96%	88,659	94%
Other	1,227	1%	295	0%	329	0%	2,756	3%	3,914	4%
Total interest expense	**149,565**	**100%**	**108,820**	**100%**	**98,709**	**100%**	**86,633**	**100%**	**94,706**	**100%**
Net interest Income	**83,827**		**63,804**		**53,123**		**43,653**		**32,231**	

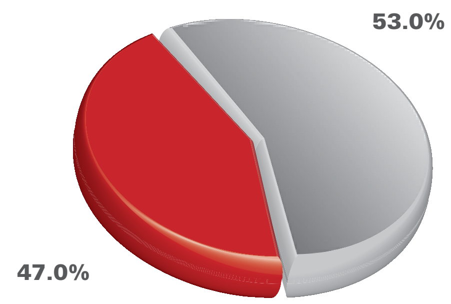
CUSTOMERS' LOANS AND DEPOSITS

Deposits Dollarization
2011



- FCY
- LBP

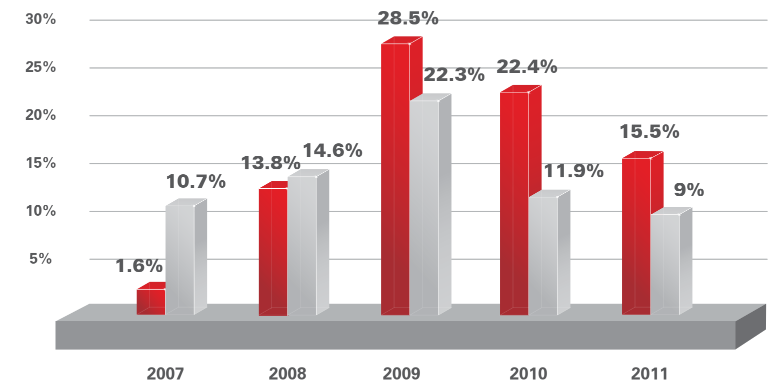
Loans by Type
2011



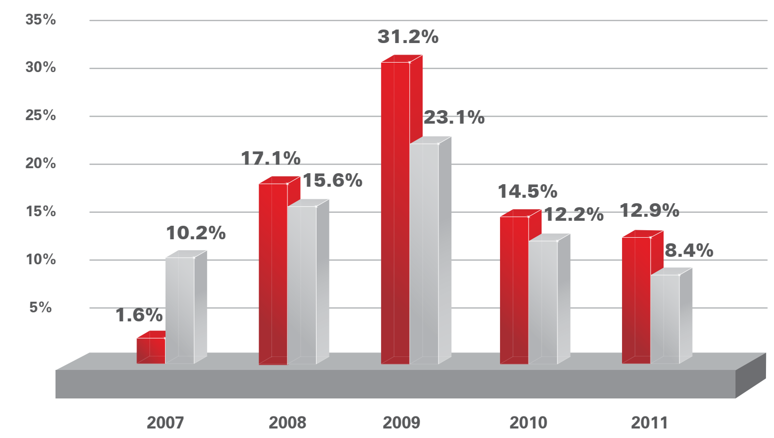
- Retail and Small Business
- Corporate

BLC GROWTH VS. MARKET GROWTH (STAND ALONE BASIS)

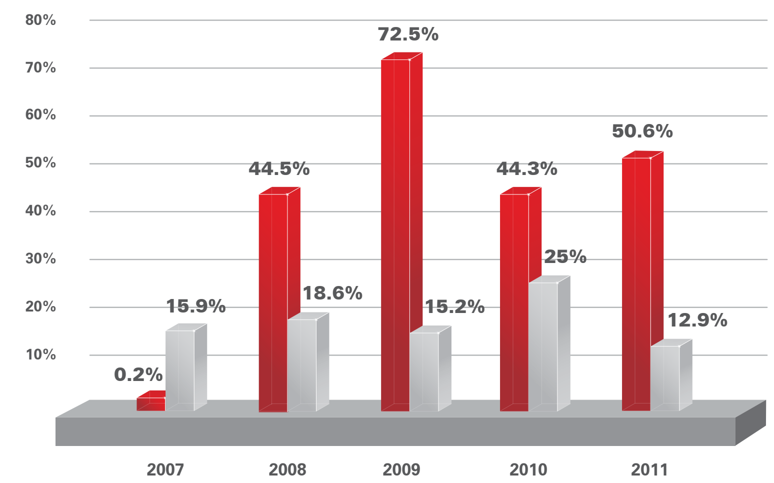
Total Assets growth vs. Market



Customers' deposits growth vs. Market



Loans growth vs. Market



- BLC Bank
- Martket

OUR NETWORK

CSR CITIZENS

AUDITOR'S REPORT

FINANCIAL HIGHLIGHTS

INDEPENDENT AUDITORS' REPORT

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 its Subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at December 31, 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's 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 BLC Bank as of December 31, 2011, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
February 27, 2012

DFK Fiduciaire du Moyen Orient		Deloitte & Touche

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
		2011	2010
ASSETS	**NOTES**	**LBP'000**	
Cash and Central Banks	6	593,196,508	558,876,097
Deposits with banks and financial institutions	7	194,948,707	308,816,741
Trading assets	8	-	16,263,637
Loan to a bank	9	7,058,077	7,058,586
Loans and advances to customers	10	2,310,489,697	1,036,366,717
Investment securities	11	3,228,724,937	2,522,077,807
Investment properties	13, 35	17,595,768	-
Customers' liability under acceptances	12	43,462,735	20,006,573
Assets acquired in satisfaction of loans	13	91,292,344	96,237,803
Property and equipment	14	76,301,029	56,663,057
Intangible assets	15	2,547,142	2,813,616
Deferred charges on business acquisition	16	32,172,956	37,648,050
Goodwill	17	40,683,630	-
Other assets	18	18,390,529	11,961,950
Total Assets		**6,656,864,059**	**4,674,790,634**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	**39**		
Letters of guarantee and standby letters of credit		199,956,457	121,449,795
Letters of credit		44,227,565	70,565,887
Forward exchange contracts		69,121,081	41,658,360
Fiduciary Accounts	**40**	**19,297,995**	**15,862,670**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

		December 31,	
		2011	2010
LIABILITIES	**NOTES**	**LBP'000**	
Deposits from banks	19	8,011,923	46,977,291
Customers' accounts designated at fair value through profit or loss	20	-	2,388,932
Customers' accounts at amortized cost	20	5,449,981,971	3,922,525,311
Liability under acceptances	12	43,462,735	20,006,573
Other borrowings	21	493,171,977	196,580,561
Subordinated bonds	22	19,296,044	-
Other liabilities	23	62,733,792	65,838,785
Provisions	24	36,099,355	24,194,858
Total liabilities		**6,112,757,797**	**4,278,512,311**

		December 31,	
		2011	2010
EQUITY	**NOTES**	**LBP'000**	
Capital	25	152,700,000	152,700,000
Preferred shares	26	143,212,501	-
Reserves	27	88,402,460	63,656,920
Regulatory reserve for assets acquired in satisfaction of loans	27	14,028,871	13,078,756
Retained earnings		66,932,294	26,082,782
Cumulative change in fair value of investment securities	11	3,085,014	72,351,780
Cumulative currency translation adjustments		51,383	-
Profit for the year		72,498,756	68,270,880
Total equity attributable to equity holders of the Bank		**540,911,279**	**396,141,118**
Non-controlling interest		3,194,983	137,205
Total equity		**544,106,262**	**396,278,323**
Total Liabilities and Equity		**6,656,864,059**	**4,674,790,634**

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED INCOME STATEMENT

		December 31,	
		2011	2010
	NOTES	LBP'000	
Interest income	29	351,837,580	260,230,499
Interest expense	30	(225,468,783)	(164,046,026)
Net interest income		**126,368,797**	**96,184,473**
Fee and commission income	31	32,244,791	20,755,141
Fee and commission expense	32	(6,703,661)	(3,475,114)
Net fee and commission income		**25,541,130**	**17,280,027**
Net interest and other gain/(loss) on trading portfolio	33	-	(15,456)
Net interest and other gain/(loss) on investment securities at fair value through profit or loss	34	20,380,828	-
Other operating income	35	5,467,492	11,287,889
Net financial revenues		**177,758,247**	**124,736,933**
Allowance for impairment of loans and advances	10	(22,018,265)	(1,929,964)
Write-back of impairment loss on loans and advances	10	15,830,872	11,905,148
Recovery of loans (net)		8,216	2,162
Write-back of discount on purchased loan portfolio	10	613,046	1,692,748
Net financial revenues after net impairment loss/write-back		**172,192,116**	**136,407,027**
Realized income on business acquisition	16	-	7,728,744
Net gain on disposal of property and equipment and properties acquired in satisfaction of loans	13, 14	20,212,262	3,956,410
Other non-operating income		1,769,595	-
Provision (net of write-back)	24	(180,900)	67,838
Staff costs	36	(67,703,384)	(41,965,014)
General and administrative expenses	37	(36,037,496)	(22,459,161)
Depreciation and amortization	14,15	(4,687,491)	(3,155,205)
Profit before income tax		**85,564,702**	**80,580,639**
Income tax expense	23	(13,070,223)	(12,293,482)
Profit for the year		**72,494,479**	**68,287,157**
Attributable to:			
Equity holders of the Bank		72,498,756	68,270,880
Non-controlling interests		(4,277)	16,277
		72,494,479	**68,287,157**
Earnings per share:			
Basic and diluted earnings per share (in LBP)	**38**	**LBP 474.7**	**LBP 447.2**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		December 31,	
		2011	2010
	NOTES	LBP'000	
PROFIT FOR THE YEAR		**72,494,479**	**68,287,157**
Other comprehensive income:			
Net change in fair value of available-for-sale investment securities		-	14,917,563
Net change in fair value of investments at fair value through other comprehensive income	35	720,820	-
Fair value of available-for-sale securities recycled to profit and loss		-	(7,122,945)
Currency translation adjustment		53,742	-
Deferred tax liability	23	(544,414)	(1,192,915)
		230,148	**6,601,703**
Total comprehensive income		**72,724,627**	**74,888,860**
Attributable to:			
Equity holders of the Bank		72,726,545	74,872,583
Non-controlling interests		(1,918)	16,277
		72,724,627	**74,888,860**

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Bank											Non-Controlling Interest	Total Equity
	Capital	Preferred Shares	Legal Reserve	Free Reserve	Reserve for General Banking Risks	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Cumulative Currency Translation Adjustment	Cumulative Change in Fair Value of Investment Securities	Retained Earnings	Profit for the Year	Total		
	LBP'000												
Balance - January 1, 2010	152,700,000	-	7,585,667	27,177,805	8,982,136	10,858,632	-	65,750,077	19,610,911	51,500,286	344,165,514	229,505	344,395,019
Allocation of 2009 profit	-	-	5,254,545	8,150,073	6,030,531	2,648,939	-	-	29,416,198	(51,500,286)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(22,853,691)	-	(22,853,691)	(108,577)	(22,962,268)
Transfer to legal reserve	-	-	47,348	-	-	-	-	-	(47,348)	-	-	-	-
Transfer to free reserves	-	-	-	428,815	-	(428,815)	-	-	-	-	-	-	-
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	-	(43,288)	-	(43,288)	-	(43,288)
Total comprehensive income for the year 2010	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,601,703**	**-**	**68,270,880**	**74,872,583**	**16,277**	**74,888,860**
Balance - December 31, 2010	**152,700,000**	**-**	**12,887,560**	**35,756,693**	**15,012,667**	**13,078,756**	**-**	**72,351,780**	**26,082,782**	**68,270,880**	**396,141,118**	**137,205**	**396,278,323**
Effect of IFRS9 adoption (Note 5)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(69,443,172)**	**24,948,348**	**-**	**(44,494,824)**	**-**	**(44,494,824)**
Balance January 1, 2011 (Restated)	152,700,000	-	12,887,560	35,756,693	15,012,667	13,078,756	-	2,908,608	51,031,130	68,270,880	351,646,294	137,205	351,783,499
Allocation of 2010 profit	-	-	6,955,868	10,767,661	5,356,040	2,616,086	-	-	42,575,225	(68,270,880)	-	-	-
Dividends paid (Note 28)	-	-	-	-	-	-	-	-	(26,746,854)	-	(26,746,854)	(26,079)	(26,772,933)
Transfer to free reserves	-	-	-	1,665,971	-	(1,665,971)	-	-	-	-	-	-	-
Issuance of preferred shares	-	143,212,501	-	-	-	-	-	-	-	-	143,212,501	-	143,212,501
Difference of exchange	-	-	-	-	-	-	-	-	9,958	-	9,958	-	9,958
Non-controlling interest of the acquired subsidiary	-	-	-	-	-	-	-	-	-	-	-	3,085,775	3,085,775
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	-	62,835	-	62,835	-	62,835
Total comprehensive income for the year 2011	**-**	**-**	**-**	**-**	**-**	**-**	**51,383**	**176,406**	**-**	**72,498,756**	**72,726,545**	**(1,918)**	**72,724,627**
Balance - December 31, 2011	**152,700,000**	**143,212,501**	**19,843,428**	**48,190,325**	**20,368,707**	**14,028,871**	**51,383**	**3,085,014**	**66,932,294**	**72,498,756**	**540,911,279**	**3,194,983**	**544,106,262**

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

		December 31,	
		2011	2010
	Notes	LBP'000	
Cash flows from operating activities:			
Net profit for the year		72,494,479	68,287,157
Adjustments for:			
Provision/(write back) for bad debts (net) and write-back of discount on loan portfolio	10	5,574,347	(11,667,932)
Recovery of loans written-off		(8,216)	(2,162)
Depreciation and amortization	14,15	4,687,491	3,155,206
Amortization of deferred charges on business acquisition	16	8,333,131	4,459,364
Realized income on business acquisition	16	-	(7,728,744)
Impairment of property and equipment	14	-	65,308
Write-back provision no longer required		(1,246,825)	-
Change in fair value for investment properties		(190,805)	-
Provisions/(write back), (net)	24	180,900	(16,569)
Provision for end-of-service indemnities (net)	24	3,824,197	965,292
Provision/(write-back) for loss on foreign currency position		103,557	(20,754)
Unrealized loss on investment securities at fair value through profit or loss	34	6,719,508	1,299,696
Income tax expense		13,070,223	12,293,482
Gain on sale of property and equipment		(1,887,545)	(507,818)
Gain on disposal of property acquired in satisfaction of loans		(18,324,718)	(3,448,592)
Dividend income		(1,718,822)	(1,465,433)
Interest expense		225,468,783	164,046,026
Interest income (including interest on investment securities at FVTPL)		(371,854,082)	(261,095,694)
		(54,774,397)	**(31,382,167)**
Net decrease in trading portfolio		-	1,747,042
Net increase in loans and advances to customers	41	(634,931,260)	(331,313,763)
Net decrease in available-for-sale investing securities	41	-	(288,719,745)
Net decrease in held-to-maturity investing securities	41	-	(177,384,170)
Investments at fair value through profit or loss	41	230,919,592	-
Investments at amortized cost	41	(676,701,012)	-
Net increase in customers' deposits		640,475,539	490,837,465
Net decrease in compulsory deposits with Central Bank	6	33,512,421	57,091,134
Net decrease in term deposits with Central Bank		-	25,250,625
Net (decrease)/increase in deposits from banks		(38,919,591)	13,030,314
Net increase in other assets	41	(3,387,033)	(3,575,261)
Net (decrease)/increase in other liabilities	41	(1,227,985)	11,324,180
Proceeds from disposal of property acquired in satisfaction of loans	41	28,595,807	8,433,627
Settlements made from provisions	24	(849,043)	(1,173,855)
		(477,286,962)	**(225,834,574)**

CONSOLIDATED STATEMENT OF CASH FLOWS

		December 31,	
		2011	2010
	Notes	LBP'000	
Income tax paid		(13,580,696)	(9,462,998)
Dividends received		1,718,822	1,465,433
Interest paid		(222,538,577)	(157,756,614)
Interest received		363,665,953	255,245,089
Net cash used in operating activities:		**(348,021,460)**	**(136,343,664)**
Cash flows from investing activities:			
Amounts paid in business acquisition	17	(85,568,684)	-
Increase in investment properties		(6,298,000)	-
Amounts and costs paid in business acquisition	16	(2,166,520)	(6,065,313)
Proceeds from disposal of property and equipment		2,143,103	807,395
Acquisition of property and equipment	14, 41	(11,337,317)	(1,784,854)
Acquisition of intangible assets		(831,427)	(1,065,400)
Net cash used in investing activities:		**(104,058,845)**	**(8,108,172)**
Cash flows from financing activities:			
Dividends paid	28	(26,746,854)	(22,853,691)
Dividends paid to non-controlling interests		(26,079)	(108,577)
Issuance of preferred shares		82,912,501	-
Other		63,700	-
Increase in loan to a bank		-	(7,000,000)
Net change in subordinated bonds		(542,766)	-
Net increase in other borrowings	21	237,576,672	184,439,591
Net cash generated from financing activities:		**293,237,174**	**154,477,323**
Net (decrease)/increase in cash and cash equivalents		(158,843,131)	10,025,487
Cash and cash equivalent beginning of year		760,195,701	750,170,214
Cash and cash equivalents acquired from USB Bank PLC		99,035,098	-
Cash and cash equivalents end of year	**41**	**700,387,668**	**760,195,701**

The accompanying notes 1 to 48 form an integral part of the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2011

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 including Head Office.

During 2011, the Bank became a 95.61% majority owner of the share capital of USB Bank PLC (Cyprus) and gained control over the said bank (Refer to Note 17). The Bank's previous holding in USB Bank PLC acquired in 2010 was 9.89%.

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

The Bank's headquarters are located in Beirut, Lebanon.

2 - ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Early adopted Standard during the current period

In the current year the Bank has applied IFRS 9 Financial Instruments (as issued in November 2009 and revised in October 2010) and the related consequential amendments in advance of their effective dates. The date of initial application is of January 1, 2011. Changes in accounting policies resulting from the adoption of IFRS 9 have been applied on a retrospective basis without restatement of prior periods as permitted by the Standard.

Financial assets

IFRS 9 introduces new classification and measurement requirements for financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement. Specifically IFRS 9 requires all financial assets to be classified and subsequently measured at either amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

As required by IFRS 9, debt instruments are measured at amortized cost only if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If either of the two criteria is not met, the debt instruments are classified as at fair value through profit or loss (FVTPL).

However, the Group may choose at initial recognition to designate a debt instrument that meets the amortized cost criteria as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments that are subsequently measured at amortized cost are subject to impairment.

Investments in equity instruments are classified and measured as at FVTPL except when the equity investment is not held for trading and is designated by the Group as at fair value through other comprehensive income (FVTOCI). If the equity investment is designated as at FVTOCI, all gains and losses, except for dividend income that is generally recognized in profit or loss in accordance with IAS 18 Revenue, are recognized in other comprehensive income and are not subsequently reclassified to profit or loss.

For debt instruments not designated at fair value through profit or loss under the fair value option, reclassification is required between fair value through profit or loss and amortized cost, or vice versa, if the Group's business model objective for its financial assets changes so that its previous measurement basis no longer applies.

IFRS 9 requires that derivatives embedded in contracts with a host that is a financial asset within the scope of the standard are not separated. Instead the hybrid financial instrument is assessed in its entirety as to whether it should be measured at amortized cost or fair value.

As at January 1, 2011, the directors have reviewed and assessed the Group's existing financial assets. The impact resulting from the initial application of IFRS 9 on the Group's financial assets is detailed under Note 5. Differences between the carrying amounts of financial assets and financial liabilities from the adoption of IFRS 9 are recognized in opening retained earnings balance.

Financial liabilities

IFRS 9 also contains requirements for the classification and measurement of financial liabilities. One major change in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability.

Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

2.2 Standards and Interpretations effective for the current period

The following new and revised standards and interpretations applicable to the Group have been applied in the current year with no material impact on the disclosures and amounts reported for the current and prior years, but may affect the accounting for future transactions or arrangements:

- **Amendments to IAS 24** *Related Party Disclosures* (as revised in 2009) modify the definition of a related party and simplify disclosures for government-related entities. The Bank and its subsidiary are not government-related entities and the application of the revised definition of related party set out in IAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard.

- **Amendments to IAS 32** *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. The application of the amendments has had no effect on the amounts reported in the current and prior years because the Group has not issued instruments of this nature.

- **Amendments to IFRIC 14** - *Prepayments of a Minimum Funding Requirement.* The amendments correct an unintended consequence of IFRIC *14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* The application of the amendments has had no effect on the Group's financial statements.

- **IFRIC 19** *Extinguishing Financial Liabilities with Equity Instruments* provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. In particular equity instruments issued under such arrangements are measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued are recognized in profit or loss. The application of IFRIC 19 has had no effect on the amounts reported in the current and prior years because the Group has not entered into any transactions of this nature.

- **Improvements to IFRSs** issued in 2010 - Amendments to:
  - IFRS 1;
  - IFRS 3 (2008);
  - IFRS 7;
  - IAS 1;
  - IAS 27 (2008);
  - IAS34;
  - IFRIC 13.

The application of these improvements to IFRSs issued in 2010 has not had any material effect on amounts reported in the consolidated financial statements.

2.3 Standards and Interpretations in issue but not yet effective

The Group has not applied the following new standards, amendments and interpretations that have been issued but not yet effective and which are applicable to the Group's operations:

- **Amendments to IFRS 7** *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Currently, the Group has not entered into such transactions. *Effective for Annual Periods Beginning on or After July 1, 2011.*

- **IFRS 10** *Consolidated Financial Statements** replaces the parts of IAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements, and SIC 12 *Consolidation – Special Purpose Entities.* IFRS 10 uses control as the single basis for consolidation, irrespective of the nature of the investee and includes a new definition of control. IFRS 10 requires retrospective application subject to certain transitional provisions providing an alternative treatment in certain circumstances. IAS 27 *Separate Financial Statements** and IAS 28 *Investments in Associates** have been amended for the issuance of IFRS 10. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **IFRS 11** *Joint Arrangements** replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non monetary Contributions by Venturers.* IFRS 11 establishes two types of joint arrangements: Joint operations and joint ventures. The two types of joint arrangements are distinguished by the rights and obligations of those parties to the joint arrangement. In addition, joint ventures under IFRS 11 are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 can be accounted for using the equity method of accounting or proportionate. IAS 28 *Investments in Associates* has been amended for the issuance of IFRS 11. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **IFRS 12** *Disclosure of Interests in Other Entities** is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **IFRS 13** *Fair Value Measurement* defines fair value, establishes a single framework for measuring fair value, and requires disclosures about fair value measurement. The scope of IFRS 13 is broad and applies to both financial and non-financial items for which other IFRSs require or permit fair value measurement and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **Amendments to IAS 1** – *Presentation of Other Comprehensive Income.* The amendments retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate statements. However, items of other comprehensive income are required to be grouped into those that will and will not subsequently be reclassified to profit or loss with tax on items of other comprehensive income required to be allocated on the same basis. *Effective for Annual Periods Beginning on or After July 1, 2012.*

- **Amendments to IAS 12** *Income Taxes* provide an exception to the general principles of IAS 12 for investment property measured using the fair value model in IAS 40 *Investment Property* by the introduction of a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. *Effective for Annual Periods Beginning on or After January 1, 2012.*

- **Amendments to IAS 19** *Employee Benefits* eliminate the "corridor approach" and therefore require an entity to recognize changes in defined benefit plan obligations and plan assets when they occur. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **Amendments to IFRS 7** *Financial Instruments: Disclosures* enhancing disclosures about offsetting of financial assets and liabilities. *Effective for Annual Periods Beginning on or After January 1, 2013.*

- **Amendments to IAS 32** *Financial Instruments: Presentation* relating to application guidance on the offsetting of financial assets and financial liabilities. *Effective for Annual Periods Beginning on or After January 1, 2013.*

* In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10, IFRS 11, IFRS 12, IAS 27 (as revised in 2011) and IAS 28 (as revised in 2011). These five standards are effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted provided that all of these five standards are applied early at the same time.

The Directors anticipate that the adoption of the above Standards and Interpretation will have no material impact on the financial statements of the Group in the period of initial application, except for IFRS 13 which may affect the amounts reported in the financial statements and result in more extensive disclosures in the financial statements.

.3 - SIGNIFICANT ACCOUNTING POLICIES

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

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

- Assets and liabilities held for trading;
- Financial instruments designated at fair value through profit or loss;
- Investments in equities;
- Other financial assets not held in a business model whose objective is to hold assets to collect contractual cash flows or whose contractual terms do not give rise solely to payments of principal and interest (effective January 1, 2011);
- Available-for-sale financial assets (applicable prior to January 1, 2011);
- Derivative financial instruments measured at fair value.

The principal accounting policies are set out below:

A. Basis of Consolidation

The consolidated financial statements of BLC Bank 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:

	Percentage of Ownership December 31,		Country of Incorporation	Business Activity
	2011	2010		
NAME OF SUBSIDIARY	%	%		
BLC Finance S.A.L.	98.44	98.44	Lebanon	Financial Institution
BLC Services S.A.L.	90.33	90.33	Lebanon	Insurance Brokerage
USB Bank PLC	95.61	9.89	Lebanon	Commercial banking

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the other entities of the Group.

All intra-group transactions, balances, income and expenses (except for foreign currency transaction gains or loss) are eliminated on consolidation. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Bank.

Upon the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

B. Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

C. Goodwill

Goodwill arising on an acquisition of a business is carried at cost. Refer to Note 3B for the measurement of goodwill at initial recognition. Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses, if any.

D. Foreign Currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that 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.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, which are recognized in other comprehensive income, and presented in the translation reserve in equity. These are recognized in profit or loss on disposal of the net investment.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Lebanese Pound using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate). Such exchange differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognized in equity.

E. Recognition and Derecognition of Financial assets and Liabilities

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.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Effective January 1, 2011, upon derecognition of a financial asset that is classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

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.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

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

F. Classification of Financial Assets

Policy Applicable effective January 1, 2011 (IFRS 9):

All recognized financial assets are measured in their entirety at either amortized cost or fair value, depending on their classification.

Debt Instruments:

Non-derivative debt instruments that meet the following two conditions are subsequently measured at amortized cost using the effective interest method, less impairment loss (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- They are held within a business model whose objective is to hold the financial assets in order to collect the contractual cash flows, rather than to sell the instrument prior to its contractual maturity to realize its fair value changes, and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments which do not meet both of these conditions are measured at fair value through profit or loss ("FVTPL").

Even if a debt instrument meets the two amortized cost criteria above, it may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

Equity Instruments:

Investments in equity instruments are classified as at FVTPL, unless the Group designates an investment that is not held for trading as at fair value through other comprehensive income ("FVTOCI") on initial recognition (see below).

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on re-measurement recognized in profit or loss.

On initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at fair value through other comprehensive income ("FVTOCI"). Investments in equity instruments at FVTOCI are measured at fair value. Gains and losses on such equity instruments are recognized in other comprehensive income, accumulated in equity and are never reclassified to profit or loss. Only dividend income is recognized in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

Designation at FVTOCI is not permitted if the equity investment is held for trading.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

Reclassification:

Financial assets are reclassified between FVTPL and amortized cost or vice versa, if and only if, the Group's business model objective for its financial assets changes so its previous model assessment would no longer apply. When reclassification is appropriate, it is done prospectively from the reclassification date.

Reclassification is not allowed where:

- the 'other comprehensive income' option has been exercised for a financial asset, or
- the fair value option has been exercised in any circumstance for a financial instrument.

Policy Applicable prior to January 1, 2011 (IAS 39):

Subsequent to initial recognition, investment securities are accounted for depending on their classification as either: held-to-maturity, loans and receivables, available-for-sale, or fair value through profit or loss.

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.

Loans and Receivables Investment Securities:

Loans and receivables investment securities are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the ability to hold to maturity.

Loans and receivables investment securities are carried at amortized cost using the effective interest method.

Available-for-Sale Investment Securities:

Available-for-sale investments are non-derivative investments that are not designated as another category of financial assets. Unquoted equity securities whose fair value cannot be readily measured are carried at cost. All other available-for-sale investments are carried at fair value and unrealized gains or losses are included in other comprehensive income.

The change in fair value on available-for-sale debt securities reclassified to held-to-maturity is segregated from the change in fair value of available-for-sale debt securities under equity and is amortized over the remaining term to maturity of the debt security as a yield adjustment.

Designation at Fair Value through Profit and Loss:

The Group designates 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; or
- 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.

G. Financial Liabilities and Equity Instruments

Classification as debt or equity:

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue, or cancellation of the Group's own equity instruments.

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

Financial Liabilities:

Financial Liabilities that are not held-for-trading and are not designated as at FVTPL are subsequently measured at amortized cost using the effective interest method.

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and the entire combined contract is designated as at FVTPL in accordance with IFRS 9.

H. Offsetting

Financial assets and liabilities are set-off and the net amount is presented in the statement of financial position 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.

I. Fair Value Measurement of Financial Instruments

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.

J. Impairment of Financial Assets

Effective January 1, 2011 financial assets carried at amortized cost; and prior to January 1, 2011 financial assets other than those carried at fair value through profit and loss, are assessed for indicators of impairment at the 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.

The Group considers evidence of impairment for assets measured at amortized cost at both specific asset and collective level.

Impairment losses on assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the corresponding estimated recoverable amounts. Losses are recognized in profit or loss. 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 financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been, had the impairment not been recognized.

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

Prior to January 1, 2011: For available-for-sale investment securities, the cumulative losses previously recorded in other comprehensive income and accumulated in equity were recognized in profit or loss in case the impairment losses are substantiated by a prolonged decline in fair value of the investment securities. Any increase in the fair value of available-for-sale equity securities, subsequent to an impairment loss, was not recognized in profit or loss. Any increase in the fair value of available-for-sale debt securities, subsequent to an impairment loss, was recognized in profit or loss.

K. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded Derivatives

Derivatives embedded in other financial instruments or other host contracts with embedded derivatives are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contract:

- is not measured at fair value with changes in fair value recognized in profit or loss;
- is not an asset within the scope of IFRS 9 (Policy effective January 1, 2011).

Hedge Accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item.

Fair Value Hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the income statement relating to the hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortized to profit or loss from that date.

Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss.

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognized in profit or loss, in the same line of the income statement as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

L. 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. Non-performing loans and advances to customers are stated net of unrealized interest and provision for credit losses because of doubts and the probability of non-collection of principal and/or interest.

M. 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, and 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.

N. 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 is recognized so as to write off the cost or valuation of property and equipment (other than advance payments on capital expenditures) over their useful lives, using the straight-line method as follows:

	%
Buildings	2 - 4
Office improvements and installations	20
Furniture, equipment and machines	8 - 20
Computer equipment	20 - 30
Vehicles	10 - 20

The estimated useful lives and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

O. Intangible Assets

Intangible assets other than goodwill and consisting of computer software and key money are amortized on a straight-line basis at the rate of 20% and 15% respectively. Intangible assets are subject to impairment testing.

P. Assets Acquired In Satisfaction Of Loans

Policy applicable to the Lebanese Group entities:

Real estate properties acquired through the enforcement of collateral over loans and advances are measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities who 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 profits and accumulated in equity.

Q. Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, as at the balance sheet date. Gain or losses arising from changes in the fair values of investment properties are included in the income statement. Valuations are carried out by independent qualified valuers on the basis of current market values.

The Group's Cypriot entity acquires in its normal course of business properties in satisfaction of debts. These properties are directly held by the Group or by special purpose entities for the sole purpose of managing these properties. To reflect the substance of transactions, these are classified as investment properties and are consolidated without the entities being explicitly disclosed as subsidiaries.

R. Impairment of Tangible and Intangible Assets (Other than Goodwill)

At the end of each reporting period, 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 properties acquired in satisfaction of loans, 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.

S. Deferred Charges on Business Acquisition

Deferred charges on business acquisition are stated at cost less accumulated amortization. Such deferred charges are amortized over the period of related benefits deriving from the net return of the invested funds borrowed against the cost of business acquisitions of problematic banks, where applicable.

T. Provision for Employees' End-of-Service Indemnity

Policy applicable to the Lebanese Group entities:

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 reporting 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.

U. Staff Retirement Benefits

Policy applicable to the Cypriot Group entity:

The cost of defined benefit pension plans for the non-resident subsidiary is determined using actuarial valuations. The actuarial assumptions involve making assumptions for discount rates, expected rate of return on plan assets, future salary increases, mortality rates and future pension increase, where necessary. The Bank's management sets these assumptions based on market expectations at the reporting date using the best estimates for each parameter, covering the period over which the obligations are to be settled. In determining the appropriate discount rate, management considers the yield curve of high quality corporate bonds. In determining other assumptions a certain degree of judgment is required. Future salary increases are based on expected future values of inflation rates of specific countries plus a margin to reflect the best possible estimate relating to parameters such as productivity, maturity and promotions. Expected return on plan assets is based on the composition of each fund's plan assets estimating a different rate of return for each asset class. Estimates of future values of inflation rates on salaries and the expected rates of return of plan assets represent the best management's estimates for these variables. These estimates were derived after consultation with its advisors, and involve a degree of judgment. Due to the long-term nature of these plans, such estimates are inherently uncertain.

V. 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.

W. 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 of 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 (prior to January 1, 2011);
- Changes in fair value of qualifying derivatives, including hedge ineffectiveness, and related hedged items when interest rate risk is the hedged risk.

Net interest and other gain on investment securities at fair value through profit or loss presented in the income statement, includes:

- Interest income;
- Dividend income;
- Realized and unrealized fair value changes;
- Foreign exchange differences.

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 shareholders' right to receive payment is established.

X. 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 other comprehensive income, in which case it is recognized in other comprehensive income.

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 reporting date. Income tax payable is reflected in the statement of financial position net of taxes previously settled in the form of withholding tax.

Part of debt securities invested in by the Group is subject to withheld tax by the issuer. This tax is 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 statement of financial position 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.

Y. Fiduciary Accounts

Fiduciary assets held or invested on behalf of individuals and others are non-discretionary basis and related risks and rewards belong to the account holders. Accordingly, these deposits are reflected as off-balance sheet accounts.

Z. Cash and Cash Equivalents

Cash and cash equivalents comprise balances with original maturities of a period of three months including: cash and balances with the Central Bank and deposits with banks and financial institutions.

AA. Earnings per Share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees, if applicable.

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 or in the 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 (Applicable from January 1, 2011):

Business Model:

The business model test requires the Group to assess whether its business objective for financial assets is to collect the contractual cash flows of the assets rather than realize their fair value change from sale before their contractual maturity. The Group considers at which level of its business activities such assessment should be made. Generally, a business model can be evidenced by the way business is managed and the information provided to management. However the Group's business model can be to hold financial assets to collect contractual cash flows even when there are some sales of financial assets. While IFRS 9 provides some situations where such sales may or may not be consistent with the objective of holding assets to collect contractual cash flows, the assessment requires the use of judgment based on facts and circumstances.

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

- The frequency and volume of sales;
- The reasons for any sales;
- How management evaluates the performance of the portfolio;
- The objectives for the portfolio.

Characteristics of the Financial Asset:

Once the Group determines that its business model is to hold the assets to collect the contractual cash flows, it exercises judgment to assess the contractual cash flows characteristics of a financial asset. In making this judgment, the Group considers the contractual terms of the acquired asset to determine that they give rise on specific dates, to cash flows that solely represent principal and principal settlement and accordingly may qualify for amortized cost accounting.

Features considered by the Group that would be consistent with amortized cost measurement include:

- Fixed and / or floating interest rate;
- Caps, floors, collars;
- Prepayment options.

Features considered by the Group that would be inconsistent with amortized cost measurement include:

- Leverage (i.e. options, forwards and swaps);
- Conversion options;
- Inverse floaters;
- Variable rate coupons that reset periodically;
- Triggers that result in a significant reduction of principal, interest or both.

B. Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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 3D. 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, uncertainly 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 deposit".

Provision for income tax expense:

The Bank has provided for the income tax expense on the basis of an approximate amount of taxable income awaiting clearer guidance from the tax department with regard to the treatment of unrealized gain and loss recognized on investments.

Impairment of available for-sale equity investments (Prior to January 1, 2011):

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 - CLASSIFICATION OF FINANCIAL ASSETS ON THE DATE OF INITIAL APPLICATION OF IFRS 9

As discussed in Note 2 (2.1) the Bank has early adopted IFRS 9 *Financial Instruments*. Below is a summary of the transitional classification and measurement adjustments to the Group's investments securities on the date of initial application of IFRS 9. All other financial assets were classified as loans and receivables under IAS 39 and have been classified at amortized cost under IFRS 9:

(Exclusive of Interest Receivable)	Previous classification under IAS 39	Classification/ Designation under IFRS 9	Carrying amount under IAS 39 December 31, 2010	Carrying amount under IFRS 9 January 1, 2011
			LBP'000	
Quoted equity securities	Available-for-sale	Fair value through profit or loss	8,023,041	8,023,041
Unquoted equities	Available-for-sale	Fair value through other comprehensive income	11,967,943	11,967,943
Unquoted equities	Available-for-sale	Fair value through profit or loss	1,716,263	1,716,263
Lebanese Treasury Bills	Available-for-sale	Amortized cost	490,726,972	482,092,769
Lebanese Treasury Bills	Available-for-sale	Fair value through profit or loss	89,033,795	89,033,795
Lebanese Treasury Bills	Held-to-maturity	Amortized cost	185,000,000	185,000,000
Lebanese Government Bonds	Available-for-sale	Amortized cost	368,112,632	339,557,985
Lebanese Government Bonds	Available-for-sale	Fair value through profit or loss	79,432,550	79,432,550
Lebanese Government Bonds	Held-to-maturity	Amortized cost	113,968,775	113,968,775
Lebanese Government Bonds	Held-to-maturity	Fair value through profit or loss	75,375,000	75,375,000
Government Bonds – non-resident	Held-to-maturity	Amortized cost	358,785	358,785
Alternative funds	Available-for-sale	Fair value through profit or loss	360,113	360,113
Corporate Bonds	Available-for-sale	Fair value through profit or loss	29,376	29,376
Subordinated Bonds	Available-for-sale	Fair value through profit or loss	753,750	753,750
Foreign Eurobonds issued by banks	Available-for-sale	Fair value through profit or loss	9,592,399	9,592,399
Certificates of deposit issued by Central Bank of Lebanon	Available-for-sale	Fair value through profit or loss	401,739,012	401,739,012
Certificates of deposit issued by Central Bank of Lebanon	Available-for-sale	Amortized cost	527,075,635	512,387,742
Certificates of deposit issued by Central Bank of Lebanon	Held-to-maturity	Amortized cost	62,704,966	62,704,966
Corporate Eurobonds	Available-for-sale	Fair value through profit or loss	22,887,225	22,887,225
Certificates of deposit issued by banks	Available-for-sale	Amortized cost	22,315,055	21,842,769
Certificates of deposit issued by banks	Held-to-maturity	Amortized cost	7,466,416	7,466,416
			2,478,639,703	**2,426,290,674**

The impact of the early adoption of IFRS 9 on the opening retained earnings and the cumulative change in fair value as at January 1, 2011 was as follows:

	Retained Earnings	Cumulative Change In Fair Value of Investment Securities (Under Equity)
	LBP'000	
Reported balances - December 31, 2010	**26,082,782**	**72,351,780**
Allocation to retained earnings of portion of change in fair value related to portfolio classified as at fair value through profit or loss (net of deferred tax)	24,948,348	(24,948,348)
Offset of change in fair value related to portfolio classified as at amortized cost (net of deferred tax)	-	(44,494,824)
Reported balances - January 1, 2011	**51,031,130**	**2,908,608**

6 - CASH AND CENTRAL BANK

	December 31, 2011	December 31, 2010
	LBP'000	
Cash on hand	37,435,245	17,115,636
Deposits with Central Banks	140,278,078	196,855,344
Term placements with Central Bank of Lebanon	414,628,750	344,243,125
Blocked deposit with Central Bank of Lebanon	550,000	400,000
Accrued interest receivable	304,435	261,992
	593,196,508	**558,876,097**

Deposits with Central Banks include compulsory deposits with Central Bank of Lebanon totaling LBP 63 billion as at December 31, 2011 (LBP 105.7 billion in 2010) denominated in Lebanese Pound. These deposits are not available for use in the Bank's day-to-day operations and are computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits, respectively, in Lebanese Pound in accordance with local banking regulations.

Deposits with other Central Banks also include obligatory deposits for liquidity purposes totaling LBP 22.9 billion as at December 31, 2011.

Term placements with Central Bank of Lebanon as at December 31, 2011 include the equivalent in U.S. Dollar of LBP 375 billion (LBP 329 billion in 2010), 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 deposit and borrowings acquired from non-resident financial institutions.

7 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
Purchased checks	16,952,236	8,473,754
Current accounts with correspondents	134,179,303	87,868,057
Current accounts with the parent bank	1,742,992	336,087
Current accounts with related parties	756,210	687,661
	153,630,741	**97,365,559**
Term placements with correspondents	41,306,594	211,424,951
Accrued interest receivable	11,372	26,231
	194,948,707	**308,816,741**

8 - TRADING ASSETS

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
Lebanese Treasury Bills	-	2,825,376
Lebanese Government Bonds	-	4,221,215
Certificates of deposit issued by Central Bank of Lebanon	-	2,555,417
Equity securities and preferred shares	-	6,475,250
		16,077,258
Accrued interest receivable	-	186,379
	-	**16,263,637**

The net unrealized loss on trading securities amounted to LBP 1.3 billion for the year 2010 recorded under "net interest and other (loss)/gain on trading portfolio" in the consolidated income statement (Note 33).

9 - LOAN TO A BANK

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
Regular performing account	7,000,000	7,000,000
Accrued interest receivable	58,077	58,586
	7,058,077	**7,058,586**

The above loan bears an average interest rate of 2.62% per annum and matures in 2022.

As a guarantee of the above loan, the borrower has pledged in favor of the Group regular and performing notes receivable against housing loans granted to its customers.

10 - LOANS AND ADVANCES TO CUSTOMERS

	December 31, 2011					December 31, 2010				
	Gross Amount	Unrealized Interest	Discount on Purchased Loan Book	Impairment Allowance	Carrying Amount	Gross Amount	Unrealized Interest	Discount on Purchased Loan Book	Impairment Allowance	Carrying Amount
	LBP'000									
Retail customers (standard and special monitoring):										
- Housing loans	479,330,146	-	-	-	479,330,146	188,302,905	-	-	-	188,302,905
- Personal loans	368,080,052	-	-	-	368,080,052	282,450,214	-	-	-	282,450,214
- Credit cards	18,422,563	-	-	-	18,422,563	11,054,838	-	-	-	11,054,838
- Overdrafts	518,617	-	-	-	518,617	692,400	-	-	-	692,400
- Other	19,502,585	-	-	-	19,502,585	12,909,815	-	-	-	12,909,815
					885,853,963					**495,410,172**
Staff loans	7,913,281	-	-	-	7,913,281	7,723,981	-	-	-	7,723,981
Corporate customers (standard and special monitoring):										
- Corporate	623,632,770	-	-	-	623,632,770	353,604,654	-	-	-	353,604,654
- Small and medium enterprises	693,861,213	-	-	-	693,861,213	150,989,899	-	-	-	150,989,899
					1,317,493,983					**504,594,553**
Non-performing loans and advances:										
- Purchased loan book	2,539,933	-	-	-	2,539,933	3,589,905	-	-	-	3,589,905
- Substandard	13,125,852	(4,700,644)	-	-	8,425,208	6,715,482	(3,296,913)	-	-	3,418,569
- Doubtful	571,286,282	(385,868,009)	(7,144,316)	(102,788,626)	75,485,331	352,504,852	(290,832,948)	(7,976,629)	(37,130,415)	16,564,860
- Bad	122,511,378	(91,926,272)	(1,133,632)	(29,451,474)	-	125,338,913	(98,453,967)	(1,234,683)	(25,650,263)	-
					86,450,472					**23,573,334**
Restructured loans and advances:										
- Substandard	4,227,311	(1,120,957)	-	-	3,106,354	2,835,586	(222,786)	-	-	2,612,800
- Doubtful	3,287,341	(771,764)	(80,620)	(67,851)	2,367,106	9,250,306	(5,124,146)	(121,115)	(127,188)	3,877,857
					5,473,460					**6,490,657**
Allowance for impairment for collectively assessed loans	-	-	-	(9,050,298)	(9,050,298)	-	-	-	(6,189,901)	(6,189,901)
Accrued interest receivable	16,354,836	-	-	-	16,354,836	4,763,921	-	-	-	4,763,921
	2,944,594,160	**(484,387,646)**	**(8,358,568)**	**(141,358,249)**	**2,310,489,697**	**1,512,727,671**	**(397,930,760)**	**(9,332,427)**	**(69,097,767)**	**1,036,366,717**

Restructured loans and advances are presented based on their classification before the restructuring agreements and are reported net of waived portions of loans set-off against unrealized interest, discount and provision for doubtful debts in the aggregate amount of LBP 72.89 billion as at December 31, 2011 (LBP 63 billion in 2010).

The movement of unrealized interest is as follows:

	2011	2010
	LBP'000	
Balance - Beginning of year	**(457,475,848)**	**(493,966,324)**
Additions from acquiring a subsidiary	(44,255,163)	-
Additions	(95,079,024)	(89,796,571)
Write-back through profit and loss (Note 29)	6,644,714	3,464,112
Write-off	32,721,898	122,622,103
Transfer to allowance for impairment	104,789	35,541
Transfer to off-balance sheet	8,796	16,190
Transfer to allowance for collectively assessed loans	-	5,218
Effect of exchange rates changes	3,384,752	143,883
	(553,945,086)	**(457,475,848)**
Expected contractual write-off on restructured loans	69,557,440	59,545,088
Balance - End of year	**(484,387,646)**	**(397,930,760)**

The movement of the allowance for impairment of doubtful debts is as follows:

	2011	2010
	LBP'000	
Balance - Beginning of year	**(66,020,232)**	**(79,369,206)**
Additions from acquiring a subsidiary	(72,281,584)	-
Adjustments from acquiring Lati Bank S.A.L.	-	740,792
Additions	(18,788,698)	(1,929,964)
Write-back through profit and loss	15,461,702	11,865,119
Transfer to off-balance sheet	19,411	82,501
Transfer from unrealized interest	(104,789)	(35,541)
Write-off	2,159,669	1,946,580
Effect of exchange rates changes	4,311,757	19,122
Other	68,304	660,365
	(135,174,460)	**(66,020,232)**
Expected Contractual write-off on restructured loans	2,866,509	3,112,366
Balance - End of year	**(132,307,951)**	**(62,907,866)**

The movement of the discount on loan book is as follows:

	2011	2010
	LBP'000	
Balance - Beginning of year	**(9,820,153)**	**(10,577,862)**
Additions	(176,011)	(1,138,737)
Transfer to off-balance sheet	-	105,392
Write back through profit and loss	613,046	1,692,748
Write-off	557,926	98,306
	(8,825,192)	**(9,820,153)**
Contractual write-off on restructured loans	466,624	487,726
Balance - End of year	**(8,358,568)**	**(9,332,427)**

The movement of the allowance for impairment for collectively assessed loans and general allowances is as follows:

	2011	2010
	LBP'000	
Balance - Beginning of year	**(6,189,901)**	**(6,109,703)**
Additions from acquiring Lati Bank S.A.L.	-	(115,009)
Additions	(1,771,313)	-
Provision for non-resident credit risk	(1,458,254)	-
Write back through profit and loss	369,170	40,029
Transfer from unrealized interest	-	(5,218)
Balance - End of year	**(9,050,298)**	**(6,189,901)**

Loans granted to related parties amounted to LBP 5.6 billion as at December 31, 2011 (LBP 3.3 billion as at December 31, 2010).

During 2004, the Group acquired a loan portfolio from Bank Al Madina, Lebanon. As at December 31, 2011 and 2010, purchased loans not yet transferred to the different classifications of the loans' portfolio due to the fact that related loan files have not yet been received, amounted to LBP 2.5 billion and LBP 3.6 billion 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.

11 - INVESTMENT SECURITIES

This caption consists of the following:

	December 31, 2011			
	Fair Value Through Profit or Loss	Amortized Cost	Fair Value Through Other Comprehensive Income	Total
	LBP'000			
Quoted equity securities	10,096,574	-	-	10,096,574
Unquoted equity securities	1,024,746	-	5,932,885	6,957,631
Lebanese Treasury Bills	37,015,238	936,021,394	-	973,036,632
Foreign Treasury Bills	-	87,477,037	-	87,477,037
Lebanese Government Bonds	37,044,030	556,196,133	-	593,240,163
Foreign Government Bonds	-	283,270,236	-	283,270,236
Foreign Eurobonds issued by banks	3,843,670	-	-	3,843,670
Subordinated Eurobonds	753,722	-	-	753,722
Certificates of deposit issued by Central Bank of Lebanon	68,324,818	988,009,522	-	1,056,334,340
Certificates of deposit issued by banks	-	29,353,537	-	29,353,537
Corporate Bonds	14,885,523	124,926,949	-	139,812,472
	172,988,321	**3,005,254,808**	**5,932,885**	**3,184,176,014**
Accrued interest receivable	2,450,626	42,098,297	-	44,548,923
	175,438,947	**3,047,353,105**	**5,932,885**	**3,228,724,937**

	December 31, 2010		
	Available-for-Sale	Held-to-Maturity	Total
	LBP'000		
Quoted equity securities	7,772,821	-	7,772,821
Quoted preferred shares	250,220	-	250,220
Unquoted equity securities	13,684,206	-	13,684,206
Lebanese Treasury Bills	579,760,767	185,000,000	764,760,767
Lebanese Government Bonds	447,545,182	189,343,775	636,888,957
Foreign Eurobonds issued by banks	9,592,399	-	9,592,399
Corporate Eurobonds	22,887,225	-	22,887,225
Subordinated Eurobonds	753,750	-	753,750
Certificates of deposit issued by Central Bank of Lebanon	928,814,647	62,704,966	991,519,613
Certificates of deposit issued by banks	22,315,055	7,466,416	29,781,471
Corporate Bonds	29,376	-	29,376
Foreign Government Bonds	-	358,785	358,785
Alternative funds	360,113	-	360,113
	2,033,765,761	**444,873,942**	**2,478,639,703**
Accrued interest receivable	37,192,941	6,245,163	43,438,104
	2,070,958,702	**451,119,105**	**2,522,077,807**

A. Investments at Fair Value through Profit or Loss:

	December 31, 2011			
	Fair Value	Accrued Interest Receivable	Total Carrying Value	Cumulative Unrealized Gain/(Loss)
	LBP'000			
Quoted equity securities	10,096,574	-	10,096,574	(2,147,105)
Unquoted equity securities	1,024,746	-	1,024,746	-
Lebanese Treasury Bills	37,015,238	646,128	37,661,366	545,539
Lebanese Government Bonds	37,044,030	418,969	37,462,999	958,546
Foreign Eurobonds issued by banks	3,843,670	50,175	3,893,845	(529,703)
Subordinated Eurobonds	753,722	57,972	811,694	(28)
Certificates of deposit issued by Central Bank of Lebanon	68,324,818	1,272,682	69,597,500	1,184,374
Corporate Bonds	14,885,523	4,700	14,890,223	(2,891,055)
	172,988,321	**2,450,626**	**175,438,947**	**(2,879,432)**

Investments at fair value through profit or loss with fixed maturities are segregated over remaining period to maturity as follows:

	December 31, 2011							
	LBP				C/V of F/Cy			
	Nominal Value	Amortized Cost	Fair Value	Average Coupon	Nominal Value	Amortized Cost	Fair Value	Average Coupon
REMAINING PERIOD TO MATURITY	**LBP'000**	**LBP'000**	**LBP'000**	**%**	**LBP'000**	**LBP'000**	**LBP'000**	**%**
Lebanese Treasury Bills:								
Up to one year	1,008,490	1,058,255	1,057,386	11.50	-	-	-	-
1 year to 3 years	35,500,000	35,411,444	35,957,852	6.58	-	-	-	-
	36,508,490	**36,469,699**	**37,015,238**	**-**	**-**	**-**	**-**	
Lebanese Government Bonds:								
1 year to 3 years	-	-	-	-	33,594,520	33,911,838	34,945,445	8.82
3 years to 5 years	-	-	-	-	1,190,925	1,312,310	1,263,329	8.50
5 years to 10 years	-	-	-	-	756,765	861,336	835,256	9.00
	-	**-**	**-**		**35,542,210**	**36,085,484**	**37,044,030**	
Foreign Eurobonds issued by banks:								
5 years to 10 years	-	-	-	-	4,522,500	4,373,373	3,843,670	5.14
	-	-	-		**4,522,500**	**4,373,373**	**3,843,670**	
Subordinated Eurobonds:								
3 years to 5 years	-	-	-	-	-	-	-	-
5 years to 10 years	-	-	-	-	753,750	753,750	753,722	6.75
	-	**-**	**-**		**753,750**	**753,750**	**753,722**	
Certificates of deposit issued by Central Bank of Lebanon:								
1 year to 3 years	41,000,000	43,676,715	44,241,035	11.13	23,119,020	23,119,020	23,752,283	9.00
3 years to 5 years	-	-	-	-	301,500	344,709	331,500	10.00
	41,000,000	**43,676,715**	**44,241,035**		**23,420,520**	**23,463,729**	**24,083,783**	
Corporate Bonds:								
Up to one year	-	-	-	-	6,915,636	6,901,723	6,958,618	0.93
1 year to 3 years	-	-	-	-	292,289	28,658	28,658	7.25
Above 10 years	-	-	-	-	384,580	-	-	-
Perpetual Bonds	-	-	-	-	10,846,197	10,846,197	7,898,247	6.31
	-	**-**	**-**		**18,438,702**	**17,776,578**	**14,885,523**	

The movement of investments at fair value through profit or loss during the year 2011 is summarized as follows:

	Year Ended December 31, 2011		
	LBP	F/CY	Total
		LBP'000	
Balance as at January 1, 2011	-	-	-
Transfer to fair value through profit or loss upon initial adoption of IFRS 9 from:			
Available-for-sale	400,255,315	213,312,210	613,567,525
Held-to-maturity	-	75,375,000	75,375,000
Trading securities	5,040,190	11,037,068	16,077,258
Reclassification to amortized cost	(179,768,962)	(131,359,943)	(311,128,905)
Addition from business combination (USB Bank)	-	18,666,399	18,666,399
Acquisitions	391,307	58,262,631	58,653,938
Sale	(142,837,530)	(141,434,574)	(284,272,104)
Redemption upon maturity	-	(4,391,892)	(4,391,892)
Adjustment against deferred charges on business acquisition - Note 16	-	(691,517)	(691,517)
Change in fair value taken to profit or loss (Note 34)	(94,924)	(6,624,584)	(6,719,508)
Amortization of discount/premium	(1,727,798)	(277,825)	(2,005,623)
Effect of exchange rates changes	-	(142,250)	(142,250)
Balance as at December 31, 2011	**81,257,598**	**91,730,723**	**172,988,321**

B. Investments at Amortized Cost:

	December 31, 2011					
	Amortized Cost	Allowance for Impairment	Accrued Interest Receivable	Carrying Value	Fair Value	Change in Fair Value
REMAINING PERIOD TO MATURITY	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Lebanese Treasury Bills	936,021,394	-	16,077,105	952,098,499	950,007,405	(2,091,094)
Foreign Treasury Bills	87,477,037	-	-	87,477,037	87,536,145	59,108
Lebanese Government Bonds	556,196,133	-	10,277,483	566,473,616	583,033,040	16,559,424
Foreign Government Bonds	298,834,778	(15,564,542)	20,106	283,290,342	225,303,063	(57,987,279)
Certificates of deposit issued by Central Bank of Lebanon	988,009,522	-	15,245,669	1,003,255,191	1,014,055,806	10,800,615
Certificates of deposit issued by banks	29,353,537	-	104,396	29,457,933	29,664,140	206,207
Corporate Bonds	124,926,949	-	373,538	125,300,487	119,360,192	(5,940,295)
	3,020,819,350	**(15,564,542)**	**42,098,297**	**3,047,353,105**	**3,008,959,791**	**(38,393,314)**

Lebanese treasury bills amounting to LBP 185 billion and LBP 48.8 billion as at December 31, 2011 are pledged against two soft loans funded by the Central Bank of Lebanon in connection with the acquisition of Lati Bank S.A.L. and whose proceeds at maturity will be utilized in 2014 and 2016, respectively, to settle the loans (Note 21).

Investments at amortized cost with fixed maturities are segregated over remaining period to maturity as follows:

	December 31, 2011							
	LBP				C/V of F/Cy			
	Nominal Value	Amortized Cost	Fair Value	Average Coupon	Nominal Value	Amortized Cost	Fair Value	Average Coupon
REMAINING PERIOD TO MATURITY	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Treasury Bills:								
Up to one year	148,858,360	148,948,259	150,849,569	8.46	-	-	-	-
1 year to 3 years	209,560,000	210,065,557	220,513,620	7.82	-	-	-	-
3 years to 5 years	291,765,500	295,129,858	294,827,435	6.76	-	-	-	-
5 years to 10 years	280,050,000	281,877,720	283,816,781	7.80	-	-	-	-
	930,233,860	**936,021,394**	**950,007,405**		**-**	**-**	**-**	
Foreign Treasury Bills:								
Up to one year	-	-	-	-	87,686,550	87,477,037	87,536,145	4.39
	-	**-**	**-**		**87,686,550**	**87,477,037**	**87,536,145**	
Foreign Government Bonds:								
Up to one year	-	-	-	-	105,223,860	108,640,614	104,110,241	5.18
1 year to 3 years	-	-	-	-	63,329,175	63,224,295	42,775,253	4.58
3 years to 5 years	-	-	-	-	69,297,516	66,132,090	40,284,198	4.20
5 years to 10 years	-	-	-	-	62,354,880	60,478,994	37,774,586	4.63
Beyond 10 years	-	-	-	-	358,785	358,785	358,785	4.75
	-	**-**	**-**		**300,564,216**	**298,834,778**	**225,303,063**	
Lebanese Government Bonds:								
1 year to 3 years	-	-	-	-	71,465,679	71,888,837	73,899,948	8.68
3 years to 5 years	-	-	-	-	117,048,330	125,998,224	131,072,486	9.89
5 years to 10 years	-	-	-	-	178,051,579	177,828,143	186,437,135	7.79
Beyond 10 years	-	-	-	-	181,239,188	180,480,929	191,623,471	7.46
	-	**-**	**-**		**547,804,776**	**556,196,133**	**583,033,040**	
Certificates of deposit issued by Central Bank of Lebanon:								
Up to one year	-	-	-	-	107,590,275	108,601,137	109,904,585	9.00
1 year to 3 years	287,000,000	299,234,832	311,287,562	10.39	39,195,000	39,439,077	38,329,547	5.71
3 years to 5 years	244,000,000	251,179,290	254,924,407	7.78	30,647,475	32,331,432	33,687,254	10.00
5 years to 10 years	255,000,000	257,223,754	265,922,451	7.91	-	-	-	-
	786,000,000	**807,637,876**	**832,134,420**		**177,432,750**	**180,371,646**	**181,921,386**	
Certificates of deposit issued by banks:								
Up to one year	-	-	-	-	29,396,250	29,353,537	29,664,140	7.63
	-	**-**	**-**		**29,396,250**	**29,353,537**	**29,664,140**	

The movement of investments at amortized cost during the year 2011 is summarized as follows:

	Year Ended December 31, 2011		
	LBP	F/Cy	Total
		LBP'000	
Balance as at January 1, 2011	**-**	**-**	**-**
Transfer to amortized cost category upon initial adoption of IFRS 9 from:			
Available-for-sale	972,282,723	383,598,542	1,355,881,265
Held-to-maturity	185,000,000	184,498,942	369,498,942
Reclassification from investments at fair value through profit or loss	179,768,962	131,359,943	311,128,905
Additions from business combination (USB Bank PLC)	-	325,045,937	325,045,937
Allowance for impairment against goodwill (USB Bank)	-	(15,564,542)	(15,564,542)
Acquisitions	584,758,361	632,084,439	1,216,842,800
Redemption upon maturity	(171,876,800)	(279,160,488)	(451,037,288)
Swap	-	(68,289,750)	(68,289,750)
Amortization of discount/premium	(6,273,976)	(1,347,290)	(7,621,266)
Effect of exchange rates changes	-	(30,630,195)	(30,630,195)
Balance as at December 31, 2011	**1,743,659,270**	**1,261,595,538**	**3,005,254,808**

C. Investments at Fair Value through Other Comprehensive Income:

Effective January 1, 2011, the Bank has designated investments in equity securities as at fair value through other comprehensive income. These investments were classified in 2010 as available-for-sale. This designation was chosen as the investments are expected to be held for a long term.

	Year Ended December 31, 2011			
	Amortized Cost	Allowance for Impairment	Carrying Value	Cumulative Change in Fair Value
		LBP'000		
Unquoted equity securities	2,303,757	(300)	5,932,885	3,629,428
Deferred tax liability				(544,414)
				3,085,014

The movement of investments at fair value through other comprehensive income during the year 2011 is summarized as follows:

	Year Ended December 31, 2011		
	LBP	F/Cy	Total
		LBP'000	
Balance as at January 1, 2011	**-**	**-**	**-**
Designation at fair value through other comprehensive income upon initial adoption of IFRS 9	4,622,931	7,345,012	11,967,943
Derecognition of previous holding of USB Bank PLC upon acquiring control (Note 1)	-	(6,755,639)	(6,755,639)
Change in fair value	702,125	18,695	720,820
Effect of exchange rates changes	-	(239)	(239)
Balance as at December 31, 2011	**5,325,056**	**607,829**	**5,932,885**

D. Available-for-Sale Investment Securities:

	December 31, 2010								
	LBP				C/V in LBP of F/Cy				
	Amortized Cost	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
REMAINING PERIOD TO MATURITY					**LBP'000**				
Quoted equity securities	-	-	-	-	7,023,588	-	7,772,821	749,233	-
Quoted preferred shares	-	-	-	-	375,932	(125,712)	250,220	-	-
Unquoted equity securities	1,737,927	4,624,256	2,886,329	-	17,851,091	(8,813,419)	9,059,950	22,278	-
Lebanese Treasury Bills	569,957,442	579,760,767	9,803,325	11,176,618	-	-	-	-	-
Lebanese Government Bonds	-	-	-	-	416,948,029	-	447,545,182	30,597,153	9,308,123
Foreign Eurobonds issued by banks	-	-	-	-	9,157,612	(355,288)	9,592,399	790,075	99,073
Corporate Eurobonds	-	-	-	-	22,887,225	-	22,887,225	-	354,482
Subordinated Eurobonds	-	-	-	-	753,750	-	753,750	-	7,107
Certificates of deposit issued by Central Bank of Lebanon	780,893,128	814,729,914	33,836,786	14,688,758	108,631,807	-	114,084,733	5,452,926	1,472,686
Certificates of deposit issued by banks	-	-	-	-	21,842,769	-	22,315,055	472,286	77,629
Corporate Bonds	-	-	-	-	299,616	(270,240)	29,376	-	-
Alternative funds	-	-	-	-	541,133	(181,020)	360,113	-	8,465
Capital funds	-	-	-	-	390,443	(390,443)	-	-	-
	1,352,588,497	**1,399,114,937**	**46,526,440**	**25,865,376**	**606,702,995**	**(10,136,122)**	**634,650,824**	**38,083,951**	**11,327,565**

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

	December 31, 2010							
	LBP				C/V of F/Cy			
	Nominal Value	Amortized Cost	Fair Value	Average Coupon	Nominal Value	Amortized Cost	Fair Value	Average Coupon
REMAINING PERIOD TO MATURITY	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Treasury Bills:								
Up to one year	199,676,800	199,681,704	203,429,361	9.23	-	-	-	-
1 year to 3 years	199,295,960	199,356,859	206,153,084	7.95	-	-	-	-
3 years to 5 years	123,560,000	124,668,879	125,218,800	7.03	-	-	-	-
5 years to 10 years	46,250,000	46,250,000	44,959,522	7.90	-	-	-	-
	568,782,760	**569,957,442**	**579,760,767**		**-**	**-**	**-**	
Lebanese Government Bonds:								
Up to one year	-	-	-	-	38,139,750	38,218,773	38,327,857	7.88
1 year to 3 years	-	-	-	-	58,829,935	59,139,992	59,858,592	6.72
3 years to 5 years	-	-	-	-	42,815,897	42,747,907	45,246,235	8.33
5 years to 10 years	-	-	-	-	190,933,166	200,026,537	217,025,997	9.43
Beyond 10 years	-	-	-	-	77,061,893	76,814,820	87,086,501	8.25
	-	**-**	**-**		**407,780,641**	**416,948,029**	**447,545,182**	
Foreign Eurobonds issued by banks:								
Up to one year	-	-	-	-	199,744	137,446	137,446	6.00
5 years to 10 years	-	-	-	-	7,537,500	7,616,581	8,403,123	7.50
Beyond 10 years	-	-	-	-	1,329,615	1,048,297	1,051,830	9.22
	-	**-**	**-**		**9,066,859**	**8,802,324**	**9,592,399**	
Corporate Eurobonds:								
5 years to 10 years	-	-	-	-	15,075,000	15,729,135	15,729,135	6.25
Beyond 10 years	-	-	-	-	7,537,500	7,158,090	7,158,090	4.75
	-	**-**	**-**		**22,612,500**	**22,887,225**	**22,887,225**	
Subordinated Eurobonds:								
5 years to 10 years	-	-	-	-	753,750	753,750	753,750	6.75
	-	**-**	**-**		**753,750**	**753,750**	**753,750**	
Certificates of deposit issued by Central Bank of Lebanon:								
1 year to 3 years	151,000,000	154,069,160	168,790,356	11.10	86,434,020	86,434,020	90,518,818	9.00
3 years to 5 years	281,000,000	286,041,545	306,112,135	9.56	20,848,725	22,197,787	23,565,915	10.00
5 years to 10 years	340,000,000	340,782,423	339,827,423	7.75	-	-	-	-
	772,000,000	**780,893,128**	**814,729,914**		**107,282,745**	**108,631,807**	**114,084,733**	
Certificates of deposit issued by banks:								
1 year to 3 years	-	-	-	-	21,858,750	21,842,769	22,315,055	7.63
	-	**-**	**-**		**21,858,750**	**21,842,769**	**22,315,055**	
Corporate Bonds:								
1 year to 3 years	-	-	-	-	299,616	29,376	29,376	7.25
	-	**-**	**-**		**299,616**	**29,376**	**29,376**	
Capital Funds:								
Beyond 10 years	-	-	-	-	390,443	-	-	5.75
	-	**-**	**-**		**390,443**	**-**	**-**	

E. Held-to-Maturity Investment Securities:

	December 31, 2010					
	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
REMAINING PERIOD TO MATURITY	LBP'000					
Lebanese Treasury Bills	185,000,000	2,052,890	193,463,797	-	-	-
Lebanese Government Bonds	-	-	-	189,343,775	3,719,652	199,376,270
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	62,704,966	398,620	65,599,713
Certificates of deposit issued by banks	-	-	-	7,466,416	28,343	7,690,367
Government Bonds - Non-resident	-	-	-	358,785	45,658	358,785
	185,000,000	**2,052,890**	**193,463,797**	**259,873,942**	**4,192,273**	**273,025,135**

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

	December 31, 2010							
	LBP				C/V of F/Cy			
	Redemption Value	Carrying Value	Fair Value	Average Coupon	Redemption Value	Carrying Value	Fair Value	Average Coupon
REMAINING PERIOD TO MATURITY	LBP'000	LBP'000	LBP'000	%	LBP'000	LBP'000	LBP'000	%
Lebanese Treasury Bills:								
3 years to 5 years	185,000,000	185,000,000	193,463,797	7.92	-	-	-	-
Lebanese Government bonds:								
Up to one year	-	-	-	-	30,150,000	30,136,600	30,302,480	7.88
1 year to 3 years	-	-	-	-	75,375,000	75,375,000	76,841,496	7.75
3 years to 5 years	-	-	-	-	42,210,000	42,210,000	45,321,272	9.00
5 years to 10 years	-	-	-	-	27,306,855	27,974,378	31,352,044	9.66
Beyond 10 years	-	-	-	-	13,775,535	13,647,797	15,558,978	8.25
	-	**-**	**-**		**188,817,390**	**189,343,775**	**199,376,270**	
Certificates of deposit issued by Central Bank of Lebanon:								
1 year to 3 years	-	-	-	-	54,827,775	54,827,775	57,084,544	9.00
3 years to 5 years	-	-	-	-	7,537,500	7,877,191	8,515,169	10.00
	-	**-**	**-**		**62,365,275**	**62,704,966**	**65,599,713**	
Certificates of deposit issued by banks:								
1 year to 3 years	-	-	-		7,537,500	7,466,416	7,690,367	7.63
	-	**-**	**-**		**7,537,500**	**7,466,416**	**7,690,367**	
Government bonds - Non-resident:								
Beyond 10 years	-	-	-	-	358,785	358,785	358,785	4.75
	185,000,000	**185,000,000**	**193,463,797**	**-**	**259,078,950**	**259,873,942**	**273,025,135**	

12 - 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 consolidated statement of financial position for the same amount.

13 - ASSETS ACQUIRED IN SATISFACTION OF LOANS

This section represents real estate properties acquired by the Group's Lebanese entities through enforcement of security over loans and advances. These assets are presented at cost as approved by the Lebanese Banking Supervisory authorities less impairment allowance. 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 20 years.

The movement of assets acquired in satisfaction of loans was as follows during 2011 and 2010:

	2011			
	Balance January 1, 2011	Additions	Disposals	Balance December 31, 2011
	LBP'000			
Cost	105,763,371	5,325,630	(10,513,193)	100,575,808
Less: Impairment allowance	(9,525,568)	-	242,104	(9,283,464)
	96,237,803	**5,325,630**	**(10,271,089)**	**91,292,344**

	2010			
	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
	LBP'000			
Cost	85,632,017	25,244,485	(5,113,131)	105,763,371
Less: Impairment allowance	(9,653,664)	-	128,096	(9,525,568)
	75,978,353	**25,244,485**	**(4,985,035)**	**96,237,803**

Gain on the disposals reflected above amounted to LBP 18.3 billion (LBP 4.3 billion in 2010),

Foreclosed assets acquired by the Group's foreign entities amounted to LBP 17.6 billion as at December 31, 2011. These are presented separately under investment properties and are measured at fair value. Positive change in the fair value of these properties amounted to LBP 191 million during 2011 (Note 35).

14 - PROPERTY AND EQUIPMENT

	Balance January 1, 2011	Addition In Business Combination (USB Bank)	Additions	Disposals	Difference in Exchange	Balance December 31, 2011
	LBP'000					
Cost/Revaluation:						
Owned properties	55,284,803	8,902,440	3,588,556	(830,523)	(484,531)	66,460,74
Computer hardware	10,363,751	7,771,043	1,474,268	(556,044)	(435,943)	18,617,075
Machines and equipments	3,082,575	756,289	252,443	(335,351)	(30,403)	3,725,553
Furniture and fixtures	3,152,343	2,366,293	293,131	(22,773)	(139,137)	5,649,857
Vehicles	575,032	332,778	226,790	(191,379)	(22,708)	920,513
Freehold and leasehold improvements	6,963,433	6,607,478	1,558,594	-	(412,820)	14,716,685
	79,421,937	**26,736,321**	**7,393,782**	**(1,936,070)**	**(1,525,542)**	**110,090,428**
Accumulated depreciation	(23,338,207)	(14,143,486)	(3,351,235)	1,303,637	837,597	(38,691,694)
Allowance for impairment of owned properties	(459,183)	-	-	376,875	-	(82,308)
	(23,797,390)	**(14,143,486)**	**(3,351,235)**	**1,680,512**	**837,597**	**(38,774,002)**
Advance payments	1,038,510	-	3,946,093	-	-	4,984,603
Carrying value	**56,663,057**					**76,301,029**

	Balance January 1, 2010	Additions	Transfer to Intangibles and Other Liabilities	Disposals and Adjustments	Balance December 31, 2010
			LBP'000		
Cost/Revaluation:					
Owned properties	53,363,984	2,275,034	-	(354,215)	55,284,803
Computer hardware	9,643,544	803,066	-	(82,859)	10,363,751
Machines and equipments	2,851,537	246,715	-	(15,677)	3,082,575
Furniture and fixtures	3,019,678	133,939	-	(1,274)	3,152,343
Vehicles	458,201	116,831	-	-	575,032
Freehold and leasehold improvements	6,905,937	204,085	-	(146,589)	6,963,433
Key money	133,687	-	(133,687)	-	-
	76,376,568	**3,779,670**	**(133,687)**	**(600,614)**	**79,421,937**
Accumulated depreciation	(21,935,723)	(2,013,064)	309,543	301,037	(23,338,207)
Allowance for impairment of owned properties	(393,875)	(65,308)	-	-	(459,183)
	(22,329,598)	**(2,078,372)**	**309,543**	**301,037**	**(23,797,390)**
Advance payments	758,292	280,218	-	-	1,038,510
Carrying value	**54,805,262**				**56,663,057**

During 2010, the Group has adjusted the fair value of the property acquired through the merger with Lati Bank S.A.L. by an amount of LBP 2.28 billion with offset to deferred charges on business acquisition (See Note 16). The property has not yet been registered in the name of the Bank.

15 - INTANGIBLE ASSETS

Intangible assets consist of computer software and key money, the movement of which was as follows during 2011 and 2010:

	Carrying Value January 1, 2011	Addition In Business Combination (USB Bank)	Additions	Amortization for the Year	Translation Adjustment	Carrying Value December 31, 2011
				LBP'000		
Computer software	2,754,321	252,075	860,601	(1,332,236)	(42,894)	2,491,867
Key money	59,295	-	-	(4,020)	-	55,275
	2,813,616	**252,075**	**860,601**	**(1,336,256)**	**(42,894)**	**2,547,142**

	Carrying Value January 1, 2010	Additions	Transfers Disposals and Adjustments	Amortization for the Year	Carrying Value December 31, 2010
			LBP'000		
Computer software	2,890,324	1,253,837	(248,737)	(1,141,103)	2,754,321
Key money	-	60,300	34	(1,039)	59,295
	2,890,324	**1,314,137**	**(248,703)**	**(1,142,142)**	**2,813,616**

16 - DEFERRED CHARGES ON BUSINESS ACQUISITION

During 2009, the Group acquired the shares of Lati Bank S.A.L. for a total consideration of USD 20,037,192. The merger was completed in 2010 and was accompanied by a soft loan of LBP 185 billion (Note 21) from the Central Bank of Lebanon for a period of 4.5 years bearing fixed interest rate of 2.6% per annum, to compensate for the excess consideration paid over the fair value of the net assets acquired. During 2011, and as a result of additional costs incurred by the Group, another soft loan in the amount of LBP 48.8 billion was obtained from Central Bank of Lebanon for a period of 5 years bearing fixed interest rate of 2.6% per annum.

The soft loan's proceeds were invested in Lebanese treasury bills, pledged in favor of the Central Bank of Lebanon as collateral against the soft loan obtained.

The excess consideration paid over the fair value of the net assets acquired and the related acquisition costs discussed above, amounted to LBP 44.9 billion up to 2011 year end (LBP42billion up to 2010 year end). These costs were booked as deferred charges, to be amortized effective the date of each related soft loan, over their respective terms. Amortization charge is treated as a yield adjustment to the interest income on the pledged Lebanese treasury bills acquired from the soft loan proceeds. The amortization charge booked in 2011 amounted to LBP8.3billion (LBP 4.46 billion in 2010).

In addition, the Bank has realized in 2010 income in the amount of LBP 7.7 billion representing the difference between the total amount booked as deferred charges, and the net present value of the future contractual cash flows of the pledged treasury bills and the soft loan, discounted at the effective interest rate of one year treasury bills in Lebanese Pound.

The movement of deferred charges on business acquisition during the year 2011 and 2010 was as follows:

	2011	2010
	LBP'000	
Cost incurred:		
Balance as at January 1,	**42,107,414**	**30,588,391**
Income realized on acquisition	-	7,728,744
Fair value adjustment of investment securities Acquired (Note 11)	691,517	102,935
Fair value adjustment of building acquired (Note 14)	-	(2,275,034)
Reversal of impairment on bonds realized upon disposal	(1,417,622)	-
Additional liability incurred and incidental costs related to acquisition	3,584,142	5,962,378
Balance as at December 31,	**44,965,451**	**42,107,414**
Accumulated amortization:		
Balance as at January 1,	**(4,459,364)**	**-**
Amortization for the year	(8,333,131)	(4,459,364)
Balance as at December 31,	**(12,792,495)**	**(4,459,364)**
Net carrying value as at December 31,	**32,172,956**	**37,648,050**

17 - GOODWILL

Goodwill resulted from the acquisition of 95.61% equity stake of USB Bank PLC (Cyprus) during 2011.
The condensed classes of assets and liabilities of USB Bank PLC (Cyprus) that were acquired and assumed as at January 31, 2011 (the date of acquisition) translated to Lebanese Pounds at the reporting date are as follows:

	January 31, 2011	Counter Value in LBP
	Euro	LBP'000
ASSETS		
Cash and Banks	45,743,091	89,134,529
Loans and advances to customers	329,719,524	642,488,167
Investment securities	166,990,361	325,395,747
Impairment adjustment on investment securities (Note 11)	(7,987,592)	(15,564,542)
Investment property	5,700,000	11,106,963
Property, equipment and other assets	7,794,020	15,187,349
Total Assets	**547,959,404**	**1,067,748,213**
LIABILITIES		
Customers' accounts at amortized cost	483,568,024	942,275,816
Subordinated loan	10,249,099	19,971,292
Other borrowings	30,033,333	58,522,652
Provisions and other liabilities	8,158,618	15,897,801
Total liabilities	**532,009,074**	**1,036,667,561**
Fair value of net assets	15,950,330	31,080,652
Capital increase subscribed by the Group	12,134,834	23,645,816
Total fair value of net assets	**28,085,164**	**54,726,468**
Consideration paid and value of previous holding in investee	47,380,066	92,324,323
Amount of non-controlling interest measured at the proportionate share of identifiable assets	1,583,595	3,085,775
	48,963,661	95,410,098
Goodwill	**20,878,497**	**40,683,630**

18 - OTHER ASSETS

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
Prepayments	8,674,556	6,640,815
Commission receivable	962,854	1,183,105
Collateral on dealings with "Visa International"	1,804,400	-
Sundry debtors (Net of allowance of LBP3.24billion in 2011 and 2010)	6,740,302	4,124,644
Fair valuation of forward exchange contracts	208,417	13,386
	18,390,529	**11,961,950**

The provision under sundry debtors relates to advances made in previous years against purchases of property and equipment.

19 - DEPOSITS FROM BANKS

	December 31, 2011			December 31, 2010		
	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	351,022	3,177,418	3,528,440	2,171,251	5,995,469	8,166,720
Current deposit with Parent Bank	854	-	854	-	-	-
Short term deposits	-	4,481,914	4,481,914	12,000,472	26,763,607	38,764,079
Accrued interest payable	157	558	715	4,596	41,896	46,492
	352,033	**7,659,890**	**8,011,923**	**14,176,319**	**32,800,972**	**46,977,291**

20 - CUSTOMERS' ACCOUNTS

Accounts at amortized cost:

	December 31, 2011		
	LBP	F/CY	Total
	LBP'000		
Deposits from customers:			
Current/demand deposits	113,180,106	622,491,545	735,671,651
Term deposits	1,814,176,930	2,626,142,078	4,440,319,008
Collateral against loans and advances	70,641,337	137,012,278	207,653,615
Margins and other accounts:			
Margins for irrevocable import letters of credit	92,390	5,582,758	5,675,148
Margins on letters of guarantee	3,766,240	3,536,695	7,302,935
Other margins	5,924,333	8,574,028	14,498,361
Blocked accounts	957,698	2,117,418	3,075,116
Accrued interest payable	14,732,147	21,053,990	35,786,137
Total	**2,023,471,181**	**3,426,510,790**	**5,449,981,971**

	December 31, 2010		
	LBP	F/CY	Total
	LBP'000		
Deposits from customers:			
Current/demand deposits	99,773,846	322,078,589	421,852,435
Term deposits	1,603,903,743	1,767,746,594	3,371,650,337
Collateral against loans and advances	38,514,074	43,491,688	82,005,762
Margins and other accounts:			
Margins for irrevocable import letters of credit	256,901	4,025,730	4,282,631
Margins on letters of guarantee	3,697,906	3,570,032	7,267,938
Other margins	7,793,586	2,264,159	10,057,745
Blocked accounts	1,546,306	1,936,283	3,482,589
Credit versus debit	-	1,216,950	1,216,950
Accrued interest payable	11,500,140	9,208,784	20,708,924
Total	**1,766,986,502**	**2,155,538,809**	**3,922,525,311**

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

	December 31, 2011					
		LBP		F/Cy		
	No. of Customers	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	Total
		LBP'000	%	LBP'000	%	LBP'000
Less than LBP 250 million	91,396	737,103,525	36	785,960,311	23	1,523,063,836
Between LBP 250 million and LBP 1,500 million	2,988	606,398,969	30	894,347,055	26	1,500,746,024
Above LBP 1,500 million	456	679,968,687	34	1,746,203,424	51	2,426,172,111
	94,840	**2,023,471,181**	**100**	**3,426,510,790**	**100**	**5,449,981,971**

	December 31, 2010					
		LBP		F/Cy		
	No. of Customers	Total Deposits	% to Total Deposits	Total Deposits	% to Total Deposits	Total
		LBP'000	%	LBP'000	%	LBP'000
Less than LBP 250 million	74,277	738,629,160	42	474,581,887	22	1,213,211,047
Between LBP 250 million and LBP 1,500 million	1,921	512,377,882	29	492,882,237	23	1,005,260,119
Above LBP 1,500 million	298	515,979,460	29	1,188,074,685	55	1,704,054,145
	76,496	**1,766,986,502**	**100**	**2,155,538,809**	**100**	**3,922,525,311**

Term deposits from customers at December 31, 2010 include a total amount of LBP 60.3 billion assigned to an offering of Tier I non-cumulative perpetual redeemable "Series A" preferred shares that are expected to be issued by the Bank in 2011.

Deposits from customers at amortized cost include coded deposit accounts in the aggregate of LBP 99.7 billion (LBP 55.9 billion in 2010). 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 at amortized cost include fiduciary deposits received from resident and non-resident banks for a total amount of LBP 68.5 billion and LBP 256.5 billion respectively (LBP 44.3 billion and LBP 254.4 billion respectively in 2010).

Deposits from customers include at December 31, 2011 related party deposits for a total amount of LBP 16.8 billion (LBP 19.5 billion in 2010).

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

Year	Deposits in LBP: Average Balance of Deposits	Deposits in LBP: Average Interest Rate	Deposits in F/Cy: Average Balance of Deposits	Deposits in F/Cy: Average Interest Rate	Cost of Funds LBP
	LBP'000	%	LBP'000	%	LBP'000
2011	1,882,089,002	5.62	3,377,325,501	3.36	215,725,761
2010	1,652,987,694	5.93	1,898,692,230	3.27	159,940,335
2009	1,325,615,226	6.95	1,597,535,312	3.51	147,901,520

Accounts at fair value through profit or loss:

	December 31, 2011			December 31, 2010		
	LBP			LBP		
	Interest Bearing	Non-Interest Bearing	Total	Interest Bearing	Non-Interest Bearing	Total
	LBP'000			LBP'000		
Customers' accounts designated at fair value through profit or loss	-	-	-	2,381,087	-	2,381,087
Accrued interest payable	-	-	-	-	7,845	7,845
Total	**-**	**-**	**-**	**2,381,087**	**7,845**	**2,388,932**

Deposits from customers matched with an embedded derivative have been designated at fair value through profit or loss. The balance included in the consolidated statement of financial position represents an amount denominated in Lebanese pounds with the option to redeem in U.S. Dollar at a 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 profit and loss. By designating those deposits at fair value, the movements in the fair value of these deposits are recorded in the consolidated income statement.

21 - OTHER BORROWINGS

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
ESFD-CDR loan funded by the European Union (A)	10,681,654	10,627,012
Soft loan from Central Bank of Lebanon (B)	233,765,500	185,000,000
Facilities granted from the Central Bank of Lebanon (C)	22,612,500	-
Funding from the European Central Bank (D)	217,267,785	-
Other borrowings (E)	7,599,385	269,179
Accrued interest payable	1,245,153	684,370
	493,171,977	**196,580,561**

(A) ESFD-CDR loan is funded by the 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 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 the Central Bank of Lebanon.

(B) On May 13, 2010 the Bank was granted a soft loan in the amount of LBP 185 billion from the Central Bank of Lebanon for a period of 4.5 years maturing on November 6, 2014 at an interest rate of 2.6% per annum. This loan is collateralized by Lebanese treasury bills (Refer to Notes 11 and 16).

On August 18, 2011 the Bank was granted another soft loan in the amount of LBP 48.8 billion from the Central Bank of Lebanon for a period of 5 years maturing on August 11, 2016 at an interest rate of 2.6% per annum. This loan is collateralized by Lebanese treasury bills (Refer to Notes 11 and 16).

(C) On October 18, 2011 the Bank obtained a facility from the Central Bank of Lebanon with a limit reaching USD 200 million out of which USD 15 million (C/V LBP 22.6 billion) have been utilized as at December 31, 2011. The facility bears an annual interest rate of one month LIBOR + 2% and has a maturity of up to 5 years.

(D) The funding from the European Central Bank is secured through credit operations in the context of monetary policy in the euro zone. This funding is secured up to Euro 30 million by the Cyprus Government and bears an annual interest at the rate of 1%.

(E) Other borrowings include a loan for USD 5 million (C/V LBP 7.54 billion) obtained from a non-resident specialized investment fund on December 28, 2011. The proceeds of the loan will be used to fund micro, small, and medium enterprises in Lebanon. The loan bears an annual interest rate of 6 months LIBOR + 3.60% and will be repaid through 10 semi-annual payments of USD 500,000 each starting July 2012 and over 5 years.

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

	2011	2010
	LBP'000	
Up to 1 year	226,702,659	3,736,469
1 to 3 years	191,106,357	6,206,173
3 to 5 years	75,362,961	186,637,919
	493,171,977	**196,580,561**

22 - SUBORDINATED BONDS

	December 31,	
	2011	2010
	LBP'000	
Tier I Capital		
Capital Securities	1,897,738	-
Tier II Capital:		
Non-convertible bonds	15,588,720	-
Convertible bonds	1,805,778	-
	17,394,498	**-**
Accrued interest payable	3,808	-
	19,296,044	**-**

Capital Securities

The Capital Securities were issued on December 30, 2005 by the Bank's subsidiary in Cyprus and were offered to professional investors and to a specific number of non-professional investors in Cyprus. The Capital Securities rank as Tier I capital and have no maturity date, however, they may be redeemed in whole at the option of the subsidiary subject to the prior consent of the Central Bank of Cyprus, at their nominal amount together with any outstanding interest payments, five years after their issue date or on any interest payment date thereafter, and provided that they will be replaced with capital of equivalent or senior ranking unless the Central Bank of Cyprus concludes that the subsidiary's capital is at a satisfactory level.

The Capital Securities bear floating interest rate, which is revised at the beginning of each period and is valid for that specific period. Interest rate is equal to the base rate of the subsidiary at the beginning of each period interest is charged plus 1.60% annually. Interest is payable every six months, on June 30 and December 31. According to the terms of issue, if the subsidiary does not proceed with the repurchase of Capital Securities within ten years from their issuance date (i.e. up to December, 31 2015), then from January 1, 2016, the Capital Securities will bear floating interest rate that will be revised at the beginning of each period in which interest will be charged and will be equal to the base rate ruling at the beginning of each period interest is charged plus 2.25% annually.

Non-convertible bonds

On December 30, 2010 the Bank's subsidiary in Cyprus issued bonds amounting to €8,000,000 with a maturity date of December 31, 2019. The bonds constitute direct, unsecured, subordinated securities of the subsidiary and bear a fixed interest rate of 7.50% on the nominal value for the period from the issue date to December 31, 2014. From December 31, 2014 to their maturity, the bonds will bear a fixed annual interest rate of 9% on the nominal value. Excluding the first interest rate period commencing on December 22, 2009 (inclusive) and maturing on June 30, 2010 (exclusive), all subsequent interest periods will cover six months.

The subsidiary has the right to redeem fully in whole the bonds at any time before their maturity date, in cash at their nominal value, along with any accrued interest relating to the current interest rate period, on June 30, 2015, or on any following interest payment date, upon approval from the Central Bank of Cyprus.

Convertible bonds

On June 14, 2010, the Bank's subsidiary in Cyprus issued €1,209,060 convertible bonds maturing on June 30, 2020.The convertible debentures are direct, unsecured and subordinated obligations of the subsidiary and carry a fixed annual rate of 7.25% on the nominal value for the period from the date of issue until June 30, 2015. From July 1, 2015 until their maturity, the convertible bonds will carry fixed interest rate 8.75% annually on the nominal value. Except the first interest period commencing on May 26, 2010 (inclusive) and maturing on June 30, 2010 (exclusive), each interest period will be 6 months.

The convertible bonds may, at the option of the holder, be converted into ordinary shares of the subsidiary in the year 2012 until 2014 as follows:

- 15-30 March and 15-30 September for 2012
- 15-30 March and 15-30 September for 2013
- 15-30 March and 15-30 September for 2014

The conversion price is set at the average closing price of the share of the subsidiary on the CSE for a period of 30 days prior to the beginning of each conversion period. For the conversion periods of the years 2013 and 2014, the conversion prices are as described above, less 5% and 15% respectively.

The subsidiary in Cyprus has a right of early redemption of convertible bonds in whole, but not in part, a cash at par plus accrued interest of the current interest period on June 30, 2015 or any interest payment date, after approval from the Central Bank of Cyprus.

23 - OTHER LIABILITIES

	December 31, 2011	December 31, 2010
	LBP'000	
Withheld taxes and income tax payable	8,841,159	8,004,721
Deferred tax liability on accrued interest receivable	1,641,857	1,469,132
Deferred tax liability on future dividend distribution of subsidiaries	29,748	92,583
Deferred tax liability on other comprehensive income	544,414	12,258,609
Tax liability on net change in carrying values of investments recognized in opening retained earnings (transition to IFRS 9)	4,404,407	-
Other deferred income tax liability	345,780	-
Due to the Social Security National Fund	457,330	417,593
Checks and incoming payment orders in course of settlement	15,887,377	18,534,886
Blocked capital subscriptions for companies under incorporation	337,622	453,511
Accrued expenses	8,615,167	6,234,634
Financial guarantees	922,582	616,245
Payable to personnel and directors	6,969,944	5,767,217
Sundry accounts payable	13,519,961	11,686,606
Dividends payable	-	60,633
Deferred income	216,444	242,415
	62,733,792	**65,838,785**

The tax returns for the years from 2007 to 2011 are still subject for review by the tax authorities and any additional tax liability depends on the outcome of such review.

24 - PROVISIONS

Provisions consist of the following:

	December 31, 2011	December 31, 2010
	LBP'000	
Provision for staff end-of-service indemnity	20,369,819	8,507,068
Provision for contingencies	15,596,824	15,658,635
Provision for loss on foreign currency position	132,712	29,155
	36,099,355	**24,194,858**

The movement of the provision for contingencies is as follows:

	2011	2010
	LBP'000	
Balance January 1	15,658,635	16,471,970
Provision for contingent staff benefits (Note 36)	-	56,270
Additions	180,900	-
Settlements	(242,711)	(869,605)
Balance December 31	**15,596,824**	**15,658,635**

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

	2011	2010
	LBP'000	
Balance January 1	8,507,068	7,846,026
Transfer on business acquisition (USB Bank)	9,098,063	-
Additions (Note 36)	4,268,468	885,786
Additions - Legal expenses and sundry charges	78,499	79,506
Write back	(522,770)	-
Settlements	(700,133)	(304,250)
Other adjustments	93,801	-
Effect of exchange rate fluctuations	(453,177)	-
Balance December 31	**20,369,819**	**8,507,068**

25 - SHARE CAPITAL

At December 31, 2011 and 2010, the Bank's ordinary share capital consists of 152,700,000 fully paid shares of LBP 1,000 par value each.

As at 2011 year-end, the Bank has a fixed exchange position in the amount of USD 56,624,212, authorized by the Central Bank of Lebanon, to hedge its equity against exchange fluctuations within the limit of 60% of equity denominated in Lebanese Pound (USD 56,624,212 as at 2010 year-end).

26 - PREFERRED SHARES

During 2011, the Bank issued 550,000 Tier I Non-Cumulative Perpetual Redeemable "Series B" preferred shares, at an issue price of USD100 per share with a nominal value of LBP 1,000 each. Issuance of the preferred shares was approved by the Bank's General Assembly of Shareholders on November 4, 2011.

During 2010, the Bank issued 400,000 Tier I Non-Cumulative Perpetual Redeemable "Series A" preferred shares, at an issue price of USD 100 per share with a nominal value of LBP 1,000 each. Issuance of the preferred shares was approved by the Bank's General Assembly of Shareholders on July 30, 2010. As at December 31, 2010 LBP 60.3 billion were subscribed by customers and booked under time deposits escrow account, and transferred to equity in 2011.

27 - RESERVES

	December 31, 2011	December 31, 2010
	LBP'000	LBP'000
Legal reserve (a)	19,843,428	12,887,560
Reserve for general banking risks (b)	20,368,707	15,012,667
Free reserves	48,190,325	35,756,693
	88,402,460	**63,656,920**
Regulatory reserve for assets acquired in satisfaction of loans (Note 13)	14,028,871	13,078,756
	102,431,331	**76,735,676**

(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. The cumulative reserve should not be less than 1.25% at the end of the 10th year (2007) and 2% at the end of the 20th year.

28 - DIVIDENDS PAID

The Bank's General Assembly held on April 8, 2011 resolved to distribute dividends to shareholders of LBP 26.7 billion equivalent of LBP 175 per share (LBP 22.8 billion in 2010).

29 - INTEREST INCOME

	2011	2010
	LBP'000	LBP'000
Interest income from:		
Deposits with Central Banks	4,330,466	4,402,135
Deposits with banks and financial institutions	1,807,087	1,496,679
Deposits with Parent Bank	-	88,561
Loan to a bank	185,947	150,286
Investment securities (excluding FVTPL)	184,845,868	180,464,998
Loans and advances to customers	153,354,816	70,023,645
Interest realized on non-performing loans and advances to customers (Note 10)	6,644,714	3,464,112
Other	668,682	140,083
	351,837,580	**260,230,499**

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

30 - INTEREST EXPENSE

	2011	2010
	LBP'000	
Interest expense on:		
Deposits and borrowings from banks	2,325,151	333,404
Soft loan from Central Bank of Lebanon	5,355,791	3,113,139
Deposits and borrowings from Parent Bank	-	2,601
Customers' accounts at amortized cost	215,725,761	159,940,335
Customers' accounts designated at fair value through profit or loss	212,406	212,576
Interest on capital securities and bonds issued	1,422,000	-
Other borrowings	427,674	443,971
	225,468,783	**164,046,026**

31 - FEE AND COMMISSION INCOME

	2011	2010
	LBP'000	
Commission on documentary credits	2,032,705	1,532,752
Commission on letters of guarantee	2,073,470	1,271,223
Commission on transactions with banks	71,144	92,985
Service fees on customers' transactions	11,116,882	6,779,398
Commission on loans and advances	5,590,324	4,424,924
Commission earned on insurance policies	6,919,713	6,203,013
Brokerage commission	554,924	-
Other	3,885,629	450,846
	32,244,791	**20,755,141**

32 - FEE AND COMMISSION EXPENSE

	2011	2010
	LBP'000	
Brokerage fees	3,239,175	1,718,448
Commission on transactions with banks and financial institutions	324,665	288,195
Commission paid to car dealers	1,671,693	1,195,599
Other	1,468,128	272,872
	6,703,661	**3,475,114**

33 - NET INTEREST AND OTHER (LOSS)/GAIN ON TRADING PORTFOLIO

	2011	2010
	LBP'000	
Interest income	-	865,196
Dividends received	-	416,436
Net unrealized loss (Note 8)	-	(1,299,696)
Net realized gain	-	2,608
	-	**(15,456)**

34 - NET INTEREST AND OTHER GAIN/(LOSS) ON INVESTMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011	2010
	LBP'000	
Interest income	20,016,502	-
Dividends received	1,718,822	-
Net unrealized Loss (Note 11)	(6,719,508)	-
Net realized gain	5,365,012	-
	20,380,828	**-**

35 - OTHER OPERATING INCOME

	2011	2010
	LBP'000	
Gain on sale of available-for-sale securities:		
Equities	-	318,083
Lebanese Treasury Bills	-	4,277,388
Lebanese Government Bonds	-	2,527,474
	-	**7,122,945**
Dividends on available-for-sale securities	-	1,048,997
Change in fair value of investment properties (Note 13)	190,805	-
Foreign exchange gain	4,185,732	2,202,481
Miscellaneous	1,090,955	913,466
	5,467,492	**11,287,889**

36 - STAFF COSTS

	2011	2010
	LBP'000	
Salaries	42,460,840	23,459,143
Board of directors remunerations	5,041,402	4,037,682
Social Security contributions	4,454,246	3,677,168
Provision for contingent staff benefits (Note 24)	-	56,270
Provision for end-of-service indemnities (Note 24)	4,268,468	885,786
Bonuses and other staff benefits and costs	11,478,428	9,848,965
	67,703,384	**41,965,014**

37 - GENERAL AND ADMINISTRATIVE EXPENSES

	2011	2010
	LBP'000	
Fees and taxes	2,103,036	568,899
Rent and building services	2,871,272	934,274
Legal and professional fees	5,772,410	3,084,299
Telephone and postage	1,441,711	1,084,438
Maintenance and repairs	5,721,565	3,605,126
Electricity and water	1,275,316	746,583
Heat, light and power	710,032	494,104
Insurance	1,390,401	792,436
Advertising and publicity	5,235,330	3,844,442
Public relations and entertainment	245,214	348,304
Printing and stationary	889,808	669,730
Subscriptions	1,875,345	1,544,538
Travel	801,916	263,518
Donations	89,827	111,304
Software implementation fees	62,366	232,490
Credit card expenses	986,604	957,914
Miscellaneous expenses	4,565,343	3,176,762
	36,037,496	**22,459,161**

38 - EARNINGS PER SHARE

The computation of the basic earnings per share is based on the Group's net 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 2011 and 2010.

39 - 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 statement of financial position. 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, 2011 and 2010 represent positions held for customers' accounts. The Group entered into such instruments to serve the needs of customers, and these contracts are fully hedged by the Group.

As at December 31, 2011, the Group had issued letters of guarantees in favor of the parent bank and other related parties amounting to LBP 30.15 billion of which LBP 22.6 billion has been utilized.

40 - FIDUCIARY ACCOUNTS

Fiduciary deposits are mainly invested in back-to-back lending and related to resident lenders and borrowers. The risks and rewards of the related operations belong to account holders.

41 - CASH AND CASH EQUIVALENTS

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

	December 31,	
	2011	2010
	LBP'000	
Cash on hand	37,435,245	17,115,636
Deposits with Central Banks (excluding compulsory deposits)	54,343,838	91,153,930
Term placements with Central Bank of Lebanon (with original maturity of less than 3 months)	413,121,250	342,735,625
Purchased Checks	16,952,236	8,473,754
Current accounts with correspondents	134,179,303	87,868,057
Current accounts with the parent bank	1,742,992	336,087
Current accounts with related parties	756,210	687,661
Term placements with correspondents	41,306,594	211,424,951
Blocked deposit with the Central Bank of Lebanon	550,000	400,000
	700,387,668	**760,195,701**

Major non-cash transactions excluded from the statement of cash flows for the years ended December 31, 2011 and 2010 are summarized as follows:

(a) Assets and liabilities acquired in business combination (USB Bank) during 2011:

	LBP'000
Assets	
Compulsory reserves with the Central Bank	13,745,247
Loans and advances	642,488,167
Investments at fair value through profit or loss	17,716,697
Investments at amortized cost	307,679,050
Investment property and property and equipment	23,014,411
Intangibles and other assets	3,279,901
	1,007,923,473
Liabilities	
Customers' accounts	942,275,816
Other borrowings	58,522,652
Subordinated loan	19,971,292
Other liabilities	7,252,915
Provisions	8,644,886
	1,036,667,561

(b) Positive change in fair value of available-for-sale securities of LBP 53.3 billion and related deferred tax liability of LBP 7.38 billion during the year 2011.

(c) Assets acquired in satisfaction of loan in the amount of LBP 5.3 billion during the year 2011 (LBP 25.2 billion during 2010).

(d) Effect of initial adoption of IFRS 9 (Note 5).

(e) Derecognition of the previous holding in USB Bank PLC upon acquisition of control during 2011.

(f) Transfer of customer deposits under escrow accounts in the amount of LBP 60.3 billion to preferred shares and share premium during the year 2011.

(g) Positive change in fair value of available-for-sale securities of LBP 7.79 billion and related deferred tax liability of LBP 1.19 billion during 2010.

(h) Valuation adjustment of acquired property from Lati Bank S.A.L. in the amount of LBP 2.28 billion against deferred charges on business acquisition during 2010.

(i) Transfer of provision of LBP 175 million from property and equipment to other liabilities during 2010.

42 - SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group's reportable segments under IFRS 8 are as follows:

Resident:

a. Corporate banking includes services provided in relation to loans and other credit facilities and deposits and current accounts for corporate and institutional customers.

b. Retail banking - includes retail lending and deposits, banking services, insurance brokerage services, overdrafts, credit card facilities, and funds transfer facilities.

c. Treasury - includes treasury management, correspondent banking, proprietary trading, managing reserve and capital requirements, asset/liability management, and foreign exchange transactions.

d. Private banking - includes the operations with private banking clients including fiduciary deposits, equities and bonds trading, foreign exchange and others.

e. Others - includes income from sale of assets, soft loan from Central Bank of Lebanon for the purpose of compensating for the excess consideration paid over the fair value of the net assets acquired from Lati Bank, depreciation, and other income and expenses.

Non-Resident:

The Group's subsidiary in Cyprus operates in a single segment and information is provided for management on this basis.

Distribution of assets and liabilities by segment:

	December 31, 2011							
	Resident					Non-Resident		
	Corporate	Retail	Treasury	Private Banking	Other	Cyprus Entity	Elimination	Total
	LBP'000							
Assets								
Cash and banks	-	27,605,109	691,493,786	318,544	-	68,727,776	-	788,145,215
Investments at fair value through profit or loss	-	-	160,093,781	-	-	15,345,166	-	175,438,947
Investments at fair value through other comprehensive income	-	-	-	-	5,932,885	-	-	5,932,885
Loan to a bank	-	-	7,058,077	-	-	-	-	7,058,077
Loans and advances to customers	738,744,948	784,789,765	-	23,110,089	13,429,222	750,415,673	-	2,310,489,697
Investments at amortized cost	-	2,027,190,581	-	337,380,406	171,528,601	511,253,517	-	3,047,353,105
Customers' liability under acceptances	43,398,110	64,625	-	-	-	-	-	43,462,735
Goodwill	-	-	-	-	40,683,630	-	-	40,683,630
Other assets	-	-	-	-	238,299,768	-	-	238,299,768
Inter-segments	-	536,708,650	-	355,091,224	375,681,473	-	(1,267,481,347)	-
Total Assets	**782,143,058**	**3,376,358,730**	**858,645,644**	**715,900,263**	**845,555,579**	**1,345,742,132**	**(1,267,481,347)**	**6,656,864,059**
Liabilities								
Deposits from banks	-	-	8,011,923	-	-	-	-	8,011,923
Customers' deposits	350,673,953	3,365,676,607	-	715,900,257	-	1,017,731,154	-	5,449,981,971
Liability under acceptances	43,398,110	64,625	-	-	-	-	-	43,462,735
Other borrowings	7,602,773	10,682,124	-	-	257,570,418	217,316,662	-	493,171,977
Subordinated bonds	-	-	-	-	-	19,296,044	-	19,296,044
Other liabilities and provisions	-	-	-	-	80,154,777	18,678,370	-	98,833,147
Inter-segments	380,403,597	-	887,077,750	-	-	-	(1,267,481,347)	-
Total Liabilities	**782,078,433**	**3,376,423,356**	**895,089,673**	**715,900,257**	**337,725,195**	**1,273,022,230**	**1,267,481,347)**	**6,112,757,797**

	December 31, 2010						
	Corporate	Retail	Treasury	Private Banking	Other	Elimination	Total
	LBP'000						
Assets							
Cash and banks	-	17,116,156	850,264,061	312,621	-	-	867,692,838
Trading assets	-	-	5,550,038	10,713,599	-	-	16,263,637
Loan to a bank	-	-	7,058,586	-	-	-	7,058,586
Loans and advances to customers	459,018,054	548,418,901	-	10,540,595	18,389,167	-	1,036,366,717
Investment securities	-	1,688,808,533	242,959,849	398,824,200	191,485,225	-	2,522,077,807
Customers' liability under acceptances	20,006,573	-	-	-	-	-	20,006,573
Other assets	-	414,280	-	82,197	204,827,999	-	205,324,476
Inter-segments	-	765,692,415	-	180,824,625	255,816,720	(1,202,333,760)	-
Total Assets	**479,024,627**	**3,020,450,285**	**1,105,832,534**	**601,297,837**	**670,519,111**	**(1,202,333,760)**	**4,674,790,634**
Liabilities							
Deposits from banks	-	-	46,977,009	282	-	-	46,977,291
Customers' deposits	312,743,711	3,008,648,865	2,388,932	601,132,735	-	-	3,924,914,243
Liability under acceptances	20,006,573	-	-	-	-	-	20,006,573
Other borrowings	271,426	10,627,718	-	-	185,681,417	-	196,580,561
Other liabilities and provisions	-	1,173,293	-	104,006	88,756,344	-	90,033,643
Inter-segments	146,002,917	-	1,056,466,596	-	-	(1,202,469,513)	-
Total Liabilities	**479,024,627**	**3,020,449,876**	**1,105,832,537**	**601,237,023**	**274,437,761**	**(1,202,469,513)**	**4,278,512,311**

The geographical distribution of assets and liabilities are disclosed in Note 44 to the financial statements.

Distribution of income statement by segment:

The following is an analysis of the Bank's revenue and results from continuing operations by reportable segment:

	Year Ended December 31, 2011						
	Resident					Non-Resident	
	Corporate	Retail	Treasury	Private Banking	Other	Cyprus Entity	Total
	LBP'000						
Net interest income	33,243,954	56,271,825	4,538,793	(8,392,480)	9,414,237	31,292,468	126,368,797
Net Commission income	5,663,570	13,760,447	(240,036)	614,638	211,190	5,531,321	25,541,130
Investments at fair value through profit or loss	-	-	22,531,343	191,380	-	(2,341,895)	20,380,828
Other operating income	584,915	533,339	2,195,866	52,232	971,397	1,129,743	5,467,492
Other non operating income	-	-	1,769,595	-	-	-	1,769,595
Net recovery on loans and advances to customers	-	-	-	-	(323,035)	(5,243,096)	(5,566,131)
Other (expense)/income - Net	(14,973,254)	(55,349,820)	(3,315,200)	(2,991,439)	19,282,436	(31,049,732)	(88,397,009)
Income tax expense	(1,384,745)	(1,370,254)	(2,949,678)	(12,374)	(7,353,172)	-	(13,070,223)
Inter-segment	(18,649,230)	(10,037,636)	(15,463,603)	10,079,344	34,071,125	-	-
	4,485,210	**3,807,901**	**9,067,080**	**(458,699)**	**56,274,178**	**(681,191)**	**72,494,479**

	Year Ended December 31, 2010					
	Corporate	Retail	Treasury	Private Banking	Other	Total
	LBP'000					
Net interest income	18,410,002	42,531,727	22,771,461	7,059,279	5,412,004	96,184,473
Net Commission income	4,360,469	12,893,230	(183,597)	193,167	16,758	17,280,027
Trading loss	-	-	(1,126,123)	1,110,667	-	(15,456)
Other operating income	321,803	376,174	9,675,796	118,218	795,898	11,287,889
Net recovery on loans and advances to customers	(18,659)	(1,069,423)	-	-	12,758,176	11,670,094
Other (expense) / income - Net	(11,711,847)	(49,434,376)	(3,602,887)	(2,762,432)	11,685,154	(55,826,388)
Income tax expense	(1,723,073)	(851,090)	(4,175,775)	(893,948)	(4,649,596)	(12,293,482)
Inter-segments	(6,210,904)	1,862,716	(13,013,108)	(3,558,908)	20,920,204	-
	3,427,791	**6,308,958**	**10,345,767**	**1,266,043**	**46,938,598**	**68,287,157**

43 - COLLATERAL GIVEN

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

	December 31				
	2011				2010
		Corresponding Facilities			
	Amount of Pleged Asset	Maturity Date	Amount of Facility	Nature of Facility	Amount of Pledged Assets
	LBP'000				
Lebanese treasury bills	185,000,000	November 6, 2014	185,000,000	Soft loan from CentralBank of Lebanon	185,000,000
Lebanese treasury bills	48,765,500	August 11, 2016	48,765,500	Soft loan from Central Bank of Lebanon	48,765,500

44 - FINANCIAL RISK MANAGEMENT

In the ordinary course of business, the Group is exposed to various risks which are managed and maintained at each Group entity level by applying its own processes of identification, measurement and monitoring.

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 and investment securities. 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 indicates 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 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.

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 and classifies these commitments to reflect the probability of default as listed below:

Watch List: Debts that are not impaired but for which management determines that they require special monitoring due to a deficiency in the credit file regarding collateral, financial position or profitability.

Past due but not impaired: Debts where contractual interest or principal are past due but management believes that classification as impaired is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed.

Rescheduled debts: Debts that have been restructured after they have been classified as substandard or doubtful and where the Group has made concessions that it would not otherwise consider. Once a loan is restructured, the last classification as substandard or doubtful does not change.

Substandard debts: Debts that have characteristics such as significant deterioration in profitability and cash flows for a long period and in collateral, the occurrence of recurring delays in settlement of maturing payments, or the facilities are not utilized for the purpose they were intended for.

Doubtful or bad debts: Debts that have the characteristics of substandard debts, in addition to that they are considered to be at a higher degree of risk due to the continued deterioration of the debtor's situation and the adequacy of collateral, the discontinuity of deposit movement or repayment, or not respecting the maturities of the rescheduling of the debt for a period exceeding 3 months from maturity date. The debt becomes bad when the expected amount to be collected is nil or negligible.

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 relates 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 it will not be collectible. 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 or financial instruments.

(b) Debt securities

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

3. Risk Mitigation Policies

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, 2011				
	LBP Base Accounts		F/Cy Base Accounts		
	Total Amount	% to Total	Total Amount	% to Total	No. of Counter-Parties
	LBP'000	%	LBP'000	%	
Less than LBP 5 billion	175,857	100	20,810,881	8	48
From LBP 5 billion to LBP 15 billion	-	-	70,224,038	38	9
From LBP 15 billion to LBP 30 billion	-	-	103,737,931	54	5
	175,857	**100**	**194,772,850**	**100**	**62**

	December 31, 2010				
	LBP Base Accounts		F/Cy Base Accounts		
	Total Amount	% to Total	Total Amount	% to Total	No. of Counter-Parties
	LBP'000	%	LBP'000	%	
Less than LBP 5 billion	4,047,114	37	24,183,004	8	44
From LBP 5 billion to LBP 15 billion	7,000,000	63	93,757,480	32	12
From LBP 15 billion to LBP 30 billion	-	-	179,829,143	60	8
	11,047,114	**100**	**297,769,627**	**100**	**64**

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

	December 31, 2011				
	LBP Base Accounts		F/Cy Base Accounts		
	Total Loans	% to Total Loans	Total Loans	% to Total Loans	No. of Counter-Parties
	LBP'000	%	LBP'000	%	
Less than LBP 0.5 billion	427,056,521	84	515,689,103	30	51,439
From LBP 0.5 billion to LBP 1,5 billion	32,732,016	6	216,786,281	13	301
More than LBP 1.5 billion	47,698,320	10	987,653,821	57	221
	507,486,857	**100**	**1,720,129,205**	**100**	**51,961**

	December 31, 2010				
	LBP Base Accounts		F/Cy Base Accounts		
	Total Loans	% to Total Loans	Total Loans	% to Total Loans	No. of Counter-Parties
	LBP'000	%	LBP'000	%	
Less than LBP 0.5 billion	345,764,697	86	241,516,487	39	41,346
From LBP 0.5 billion to LBP 1.5 billion	27,447,398	7	72,110,742	12	121
More than LBP 1.5 billion	29,006,890	7	296,646,413	49	77
	402,218,985	**100**	**610,273,642**	**100**	**41,544**

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

	December 31, 2011			Fair Value of Collateral Received						
	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Bank Guarantees	First Degree Mortgage on Properties	Equity Securities	Debt Securities	Others	Total Guarantees	Lesser of Individual Exposure or Total Guarantees
	LBP'000									
Regular loans and advances	2,227,616,063	-	2,227,616,063	36,438,427	1,220,737,868	63,994,484	3,766,012	417,750,816	1,932,548,205	1,445,968,730
Substandard (including restructured debts)	11,531,562	-	11,531,562	82,480	1,479,939	51,185	-	67,272	1,768,930	1,566,964
Doubtful (including restructured debts)	180,687,363	(102,834,926)	77,852,437	-	65,486,577	314,756	-	7,813,905	74,032,279	53,339,449
Loss (including restructured debts)	29,473,025	(29,473,025)	-	43,908	884,396	78,185	301,500	1,207,196	2,515,714	1,489,181
Loan portfolio purchased	2,539,933	-	2,539,933	-	-	-	-	-	-	-
Collective provision	-	(9,050,298)	(9,050,298)	-	-	-	-	-	-	-
	2,451,847,946	**(141,358,249)**	**2,310,489,697**	**36,564,815**	**1,288,588,780**	**64,438,610**	**4,067,512**	**426,839,189**	**2,010,865,128**	**1,502,364,324**

	December 31, 2010			Fair Value of Collateral Received						
	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Bank Guarantees	First Degree Mortgage on Properties	Equity Securities	Debt Securities	Others	Total Guarantees	Lesser of Individual Exposure or Total Guarantees
	LBP'000									
Regular loans and advances	1,012,492,627	-	1,012,492,627	26,754,881	366,397,801	26,049,163	527,625	294,048,156	790,949,154	613,898,222
Substandard (including restructured debts)	6,031,369	-	6,031,369	43,908	1,622,370	-	-	71,155	1,737,433	1,689,845
Doubtful (including restructured debts)	57,677,162	(37,234,445)	20,442,717	-	73,600,175	-	-	3,302,389	76,904,067	75,885,861
Loss (including restructured debts)	25,673,420	(25,673,420)	-	70,769	1,333,227	13,500	-	1,509,861	2,928,312	2,584,116
Loan portfolio purchased	3,589,905	-	3,589,905	-	-	-	-	-	-	-
Collective provision	-	(6,189,901)	(6,189,901)	-	-	-	-	-	-	-
	1,105,464,483	**(69,097,766)**	**1,036,366,717**	**26,869,558**	**442,953,573**	**26,062,663**	**527,625**	**298,931,561**	**872,518,966**	**694,058,044**

Overdue regular loans and bills outstanding as at December 31, 2011 and 2010 for BLC Group are as follows:

	December 31,	
	2011	2010
	LBP'000	
Between 60 and 90 days	35,970,000	6,782,000
Between 90 and 180 days	20,589,000	8,631,000
Between 180 and 360 days	35,760,000	2,812,000
More than 360 days	40,789,000	-

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

	December 31, 2011					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000					
FINANCIAL ASSETS						
Cash and Central Bank	560,454,203	-	-	32,742,305	-	593,196,508
Deposits with banks and financial Institutions	12,377,600	11,636,049	77,335,468	92,968,456	631,134	194,948,707
Investments at fair value through profit or loss	156,199,936	-	6,959,518	12,279,493	-	175,438,947
Investments at fair value through other comprehensive income	5,932,885	-	-	-	-	5,932,885
Loan to a bank	7,058,077	-	-	-	-	7,058,077
Loans and advances to customers	1,506,410,574	44,510,444	607,285	758,618,485	342,909	2,310,489,697
Investments at amortized cost	2,551,285,239	-	100,042,851	396,025,015	-	3,047,353,105
Total	**4,799,718,514**	**56,146,493**	**184,945,122**	**1,292,633,754**	**974,043**	**6,334,417,926**
FINANCIAL LIABILITIES						
Deposits from banks	2,135,501	518,635	11,084	5,346,703	-	8,011,923
Customers' accounts at amortized cost	3,827,730,322	265,927,053	21,193,856	1,263,645,128	71,485,612	5,449,981,971
Other borrowings	268,252,542	62,014	-	224,857,421	-	493,171,977
Subordinated bonds	-	-	-	19,296,044	-	19,296,044
Total	**4,098,118,365**	**266,507,702**	**21,204,940**	**1,513,145,296**	**71,485,612**	**5,970,461,915**

	December 31, 2010					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000					
FINANCIAL ASSETS						
Cash and Central Bank	558,876,097	-	-	-	-	558,876,097
Deposits with banks and financial institutions	20,843,811	41,958,733	44,584,603	201,175,529	254,065	308,816,741
Trading securities	16,263,637	-	-	-	-	16,263,637
Loan to a bank	7,058,586	-	-	-	-	7,058,586
Loans and advances to customers	988,164,001	27,945,678	283,246	19,844,356	129,436	1,036,366,717
Available-for-sale investment securities	2,042,633,894	7,235,150	5,083,101	16,006,557	-	2,070,958,702
Held-to-maturity investment securities	450,714,662	-	-	404,443	-	451,119,105
Total	**4,084,554,688**	**77,139,561**	**49,950,950**	**237,430,885**	**383,501**	**4,449,459,585**
FINANCIAL LIABILITIES						
Deposits from banks	21,798,466	1,091,051	-	24,087,774	-	46,977,291
Customers' accounts	3,431,629,968	182,278,579	15,172,449	288,890,694	6,942,553	3,924,914,243
Other borrowings	196,309,135	271,426	-	-	-	196,580,561
Total	**3,649,737,569**	**183,641,056**	**15,172,449**	**312,978,468**	**6,942,553**	**4,168,472,095**

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 Assets and Liabilities Committee, 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 bet met;
- Maintenance of a portfolio of liquid and marketable assets;
- Daily and forecast cash flow management;
- Implementation of long-term funding strategies.

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, 2011 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						
FINANCIAL ASSETS							
Cash and Central Bank	76,627,899	37,556,691	-	-	-	-	114,184,590
Deposits with banks and financial institutions	175,857	-	-	-	-	-	175,857
Investments at fair value through profit or loss	1,325	1,326,705	1,057,386	80,198,887	-	-	82,584,303
Investments at fair value through other comprehensive income	5,325,056	-	-	-	-	-	5,325,056
Loan to a bank	58,077	7,000,000	-	-	-	-	7,058,077
Loans and advances to customers	9,189,897	18,746,115	75,742,795	156,001,218	85,127,148	171,862,585	516,669,758
Investments at amortized cost	-	58,911,352	119,485,408	509,300,389	546,309,148	539,101,474	1,773,107,771
Total Financial Assets	**91,378,111**	**123,540,863**	**196,285,589**	**745,500,494**	**631,436,296**	**710,964,059**	**2,499,105,412**
FINANCIAL LIABILITIES							
Deposits from banks	352,033	-	-	-	-	-	352,033
Customers’ accounts at amortized cost	92,156,181	1,725,238,861	206,076,138	-	-	-	2,023,471,180
Other borrowings	1,174,232	1,007,882	6,366,204	188,091,357	48,981,711	-	245,621,386
Total Financial Liabilities	**93,682,446**	**1,726,246,743**	**212,442,342**	**188,091,357**	**48,981,711**	**-**	**2,269,444,599**
Maturity Gap	**(2,304,335)**	**(1,602,705,880)**	**(16,156,753)**	**557,409,137**	**582,454,585**	**710,964,059**	**229,660,813**

	December 31, 2011 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						
FINANCIAL ASSETS							
Cash and Central Bank	101,085,424	376,415,283	-	1,511,211	-	-	479,011,918
Deposits with banks and financial institutions	114,560,159	70,991,464	9,221,227	-	-	-	194,772,850
Investments at fair value through profit or loss	11,119,995	1,123,921	-	73,033,067	2,145,013	5,432,648	92,854,644
Investments at fair value through other comprehensive income	607,829	-	-	-	-	-	607,829
Loans and advances to customers	11,950,723	144,311,781	476,241,330	614,460,123	132,664,212	414,191,770	1,793,819,939
Investments at amortized cost	-	223,541,135	186,021,336	209,877,264	227,924,508	426,881,091	1,274,245,334
Total Financial Assets	**239,324,130**	**816,383,584**	**671,483,893**	**898,881,665**	**362,733,733**	**846,505,509**	**3,835,312,514**
FINANCIAL LIABILITIES							
Deposits from banks	3,105,699	4,554,191	-	-	-	-	7,659,890
Customers’ accounts at amortized cost	311,868,996	2,235,437,919	840,182,990	408,178	38,612,708	-	3,426,510,791
Other borrowings	22,044	217,378,547	753,750	3,015,000	26,381,250	-	247,550,591
Subordinated bonds	1,897,738	3,808	-	-	-	17,394,498	19,296,044
Total Financial Liabilities	**316,894,477**	**2,457,374,465**	**840,936,740**	**3,423,178**	**64,993,958**	**17,394,498**	**3,701,017,316**
Maturity Gap	**(77,570,347)**	**(1,640,990,881)**	**(169,452,847)**	**895,458,487**	**297,739,775**	**829,111,011**	**134,295,198**

	December 31, 2010						
	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						
FINANCIAL ASSETS							
Cash and Central Bank	117,759,035	19,400,000	-	-	-	-	137,159,035
Deposits with banks and financial institutions	47,114	11,000,000	-	-	-	-	11,047,114
Trading securities	-	1,799,159	-	1,115,170	-	2,214,812	5,129,141
Loan to a bank	58,586	-	-	-	-	7,000,000	7,058,586
Loans and advances to customers	10,153,729	17,227,135	69,277,793	127,947,728	68,463,972	117,222,934	410,293,291
Available-for-sale investment securities	4,624,256	63,279,422	166,015,315	374,943,440	431,330,935	384,786,945	1,424,980,313
Held-to-maturity investment securities	-	2,052,890	-	-	185,000,000	-	187,052,890
Total Financial Assets	**132,642,720**	**114,758,606**	**235,293,108**	**504,006,338**	**684,794,907**	**511,224,691**	**2,182,720,370**
FINANCIAL LIABILITIES							
Deposits from banks	1,902,695	12,025,472	248,152	-	-	-	14,176,319
Customers' accounts	98,050,042	1,499,072,797	172,252,595	-	-	-	1,769,375,434
Other borrowings	-	1,401,415	2,063,628	6,206,173	186,637,919	-	196,309,135
Total Financial Liabilities	**99,952,737**	**1,512,499,684**	**174,564,375**	**6,206,173**	**186,637,919**	**-**	**1,979,860,888**
Maturity Gap	**32,689,983**	**(1,397,741,078)**	**60,728,733**	**497,800,165**	**498,156,988**	**511,224,691**	**202,859,482**

	December 31, 2010						
	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						
FINANCIAL ASSETS							
Cash and Central Bank	96,473,937	323,735,625	-	-	1,507,500	-	421,717,062
Deposits with banks and financial Institutions	107,885,253	189,881,372	3,002	-	-	-	297,769,627
Trading securities	6,475,250	97,426	-	953,573	2,510,778	1,097,469	11,134,496
Loans and advances to customers	18,484,282	137,736,229	279,393,061	114,155,446	50,370,356	25,934,052	626,073,426
Available-for-sale investment securities	17,443,104	11,327,565	38,465,303	172,721,840	68,812,150	337,208,427	645,978,389
Held-to-maturity investment securities	-	4,192,273	30,136,600	137,669,192	50,087,191	41,980,959	264,066,215
Total Financial Assets	**246,761,826**	**666,970,490**	**347,997,966**	**425,500,051**	**173,287,975**	**406,220,907**	**2,266,739,215**
FINANCIAL LIABILITIES							
Deposits from banks	4,542,514	28,258,458	-	-	-	-	32,800,972
Customers' accounts	289,058,938	1,669,086,496	196,790,286	603,089	-	-	2,155,538,809
Other borrowings	-	271,426	-	-	-	-	271,426
Total Financial Liabilities	**293,601,452**	**1,697,616,380**	**196,790,286**	**603,089**	**-**	**-**	**2,188,611,207**
Maturity Gap	**(46,839,626)**	**(1,030,645,890)**	**151,207,680**	**424,896,962**	**173,287,975**	**406,220,907**	**78,128,008**

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.

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, 2011					
	LBP	USD	Euro	STG	Other	Total
	LBP'000					
ASSETS						
Cash and Central Bank	114,184,590	442,461,779	35,306,951	1,232,899	10,289	593,196,508
Deposits with banks and financial institutions	175,857	141,853,742	19,342,690	18,512,188	15,064,230	194,948,707
Investments at fair value through profit or loss	82,584,303	77,480,820	8,414,306	6,959,518	-	175,438,947
Investments at fair value through other comprehensive income	5,325,056	598,241	9,588	-	-	5,932,885
Loan to a bank	7,058,077	-	-	-	-	7,058,077
Loans and advances to customers	516,669,758	1,045,228,792	736,428,124	1,142,504	11,020,519	2,310,489,697
Investments at amortized cost	1,773,107,771	789,033,523	477,606,319	7,605,492	-	3,047,353,105
Investment properties	-	-	17,595,768	-	-	17,595,768
Customers' liability under acceptances	449,999	15,203,848	10,408,945	363,375	17,036,568	43,462,735
Assets acquired in satisfaction of loans	13,495,182	77,797,162	-	-	-	91,292,344
Property and equipment	64,363,696	-	11,937,333	-	-	76,301,029
Intangible assets	1,968,178	-	578,964	-	-	2,547,142
Deferred charges on business acquisition	32,172,956	-	-	-	-	32,172,956
Goodwill	-	-	40,683,630	-	-	40,683,630
Other assets	7,629,651	9,068,259	1,483,121	212	869	18,182,112
Total Assets	**2,619,185,074**	**2,598,726,166**	**1,359,795,739**	**35,816,188**	**43,132,475**	**6,656,655,642**
LIABILITIES						
Deposits from banks	352,033	2,352,709	5,083,215	40,656	183,310	8,011,923
Customers' accounts at amortized cost	2,023,471,180	2,308,212,151	1,067,856,273	34,929,205	15,513,162	5,449,981,971
Liability under acceptances	449,999	15,203,848	10,408,945	363,375	17,036,568	43,462,735
Other borrowings	245,621,386	30,233,929	217,316,662	-	-	493,171,977
Subordinated bonds	-	-	19,296,044	-	-	19,296,044
Other liabilities	29,419,578	25,551,911	7,700,396	6,292	55,615	62,733,792
Provisions	21,850,773	2,397,981	11,850,601	-	-	36,099,355
Total liabilities	**2,321,164,949**	**2,383,952,529**	**1,339,512,136**	**35,339,528**	**32,788,655**	**6,112,757,797**
Currency to be received	4,507,000	41,678,286	6,896,216	829,344	15,210,235	69,121,081
Currency to be delivered	225,375	25,778,624	24,900,712	1,351,331	16,656,622	68,912,664
	4,281,625	15,899,662	(18,004,496)	(521,987)	(1,446,387)	208,417
Net assets	**302,301,750**	**230,673,299**	**2,279,107**	**(45,327)**	**8,897,433**	**544,106,262**

	December 31, 2010					
	LBP	USD	Euro	STG	Other	Total
	LBP'000					
ASSETS						
Cash and Central Bank	137,159,035	416,689,338	4,747,240	280,484	-	558,876,097
Deposits with banks and financial institutions	11,047,114	191,253,724	96,284,980	7,489,759	2,741,164	308,816,741
Trading securities	5,129,141	11,134,496	-	-	-	16,263,637
Loan to a bank	7,058,586	-	-	-	-	7,058,586
Loans and advances to customers	410,293,291	611,666,862	12,083,989	124,762	2,197,813	1,036,366,717
Available-for-sale investment securities	1,424,980,313	597,798,610	48,179,779	-	-	2,070,958,702
Held-to-maturity investment securities	187,052,890	264,066,215	-	-	-	451,119,105
Customers' liability under acceptances	150,000	9,703,283	2,117,533	-	8,035,757	20,006,573
Assets acquired in satisfaction of loans	13,434,176	82,803,627	-	-	-	96,237,803
Property and equipment	56,663,057	-	-	-	-	56,663,057
Intangible assets	2,813,616	-	-	-	-	2,813,616
Deferred charges on business acquisition	37,648,050	-	-	-	-	37,648,050
Other assets	7,164,404	4,783,124	1,037	-	-	11,948,565
Total Assets	**2,300,593,673**	**2,189,899,279**	**163,414,558**	**7,895,005**	**12,974,734**	**4,674,777,249**
LIABILITIES						
Deposits from banks and financial institutions	14,176,319	14,995,786	15,787,199	204,389	1,813,598	46,977,291
Customers' accounts	1,769,375,434	2,000,541,125	144,663,067	7,695,559	2,639,058	3,924,914,243
Liability under acceptances	150,000	9,703,283	2,117,533	-	8,035,757	20,006,573
Other borrowings	196,309,135	271,426	-	-	-	196,580,561
Other liabilities	30,343,709	35,224,118	251,970	3,424	15,564	65,838,785
Provisions	18,461,325	5,733,533	-	-	-	24,194,858
Total Liabilities	**2,028,815,922**	**2,066,469,271**	**162,819,769**	**7,903,372**	**12,503,977**	**4,278,512,311**
Currency to be received	1,510,275	19,117,378	8,181,514	709,741	12,139,452	41,658,360
Currency to be delivered	-	20,212,573	8,535,301	709,334	12,187,767	41,644,975
	1,510,275	(1,095,195)	(353,787)	407	(48,315)	13,385
Net Assets	**273,288,026**	**122,334,813**	**241,002**	**(7,960)**	**422,442**	**396,278,323**

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.

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:

	December 31, 2011													
	Lebanese Pounds													
		Floating Interest Rate						Fixed Interest Rate						
	Not Subject to Interest	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Grand Total
	LBP'000													
ASSETS														
Cash and Central Bank	76,627,899	-	-	-	-	-	-	37,556,691	-	-	-	-	37,556,691	114,184,590
Deposits with banks and financial institutions	175,857	-	-	-	-	-	-	-	-	-	-	-	-	175,857
Investments at fair value through profit or loss	1,326,705	-	-	-	-	-	-	1,325	1,057,386	80,198,887	-	-	81,257,598	82,584,303
Investments at fair value through other comprehensive income	5,325,056	-	-	-	-	-	-	-	-	-	-	-	-	5,325,056
Loan to a bank	58,077	7,000,000	-	-	-	-	7,000,000	-	-	-	-	-	-	7,058,077
Loans and advances to customers	11,619,896	2,809,218	-	-	-	-	2,809,218	13,506,898	75,742,795	156,001,218	85,127,148	171,862,585	502,240,644	516,669,758
Investments at amortized cost	29,448,501	-	-	-	-	-	-	29,462,851	119,485,408	509,300,389	546,309,148	539,101,474	1,743,659,270	1,773,107,771
Customers' liability under acceptances	449,999	-	-	-	-	-	-	-	-	-	-	-	-	449,999
Assets acquired in satisfaction of loans	13,495,182	-	-	-	-	-	-	-	-	-	-	-	-	13,495,182
Property and equipment	64,363,696	-	-	-	-	-	-	-	-	-	-	-	-	64,363,696
Intangible assets	1,968,178	-	-	-	-	-	-	-	-	-	-	-	-	1,968,178
Deferred charges on business acquisition	32,172,956	-	-	-	-	-	-	-	-	-	-	-	-	32,172,956
Other assets	11,911,276	-	-	-	-	-	-	-	-	-	-	-	-	11,911,276
Total Assets	**248,943,278**	**9,809,218**	**-**	**-**	**-**	**-**	**9,809,218**	**80,527,765**	**196,285,589**	**745,500,494**	**631,436,296**	**710,964,059**	**2,364,714,203**	**2,623,466,699**
LIABILITIES														
Deposits from banks	352,033	-	-	-	-	-	-	-	-	-	-	-	-	352,033
Customers' accounts at amortized cost	106,888,328	2,176,863	-	-	-	-	2,176,863	1,708,329,851	206,076,138	-	-	-	1,914,405,989	2,023,471,180
Liability under acceptances	449,999	-	-	-	-	-	-	-	-	-	-	-	-	449,999
Other borrowings	1,174,232	-	-	-	-	-	-	1,007,882	6,366,204	188,091,357	48,981,711	-	244,447,154	245,621,386
Other liabilities	29,419,578	-	-	-	-	-	-	-	-	-	-	-	-	29,419,578
Provisions	21,850,773	-	-	-	-	-	-	-	-	-	-	-	-	21,850,773
Total Liabilities	**160,134,943**	**2,176,863**	**-**	**-**	**-**	**-**	**2,176,863**	**1,709,337,733**	**212,442,342**	**188,091,357**	**48,981,711**	**-**	**2,158,853,143**	**2,321,164,949**
Interest rate gap	**88,808,335**	**7,632,355**	**-**	**-**	**-**	**-**	**7,632,355**	**(1,628,809,968)**	**(16,156,753)**	**557,409,137**	**582,454,585**	**710,964,059**	**205,861,060**	**302,301,750**

	December 31, 2011													
	Foreign Currencies													
		Floating Interest Rate						Fixed Interest Rate						
	Not Subject to Interest	**Up to 3 Months**	**3 Months to 1 Year**	**1 to 3 years**	**3 to 5 Years**	**Over 5 Years**	**Total**	**Up to 3 Months**	**3 Months to 1 Year**	**1 to 3 years**	**3 to 5 Years**	**Over 5 Years**	**Total**	**Grand Total**
	LBP'000													
ASSETS														
Cash and Central Bank	101,085,424	-	-	-	-	-	-	376,415,283	-	1,511,211	-	-	377,926,494	479,011,918
Deposits with banks and financial institutions	115,954,344	1,347,281	-	-	-	-	1,347,281	68,249,998	9,221,227	-	-	-	77,471,225	194,772,850
Investments at fair value through profit or loss	12,243,916	-	-	-	-	-	-	-	-	73,033,067	2,145,013	5,432,648	80,610,728	92,854,644
Investments at fair value through other comprehensive income	607,829	-	-	-	-	-	-	-	-	-	-	-	-	607,829
Loans and advances to customers	19,091,548	68,059,123	251,150,227	171,999,879	-	322,044,682	813,253,911	69,111,833	225,091,103	442,460,244	132,664,212	92,147,088	961,474,480	1,793,819,939
Investments at amortized cost	12,649,796	-	-	-	-	-	-	210,891,339	186,021,336	209,877,264	227,924,508	426,881,091	1,261,595,538	1,274,245,334
Investment properties	17,595,768	-	-	-	-	-	-	-	-	-	-	-	-	17,595,768
Customers' liability under acceptances	43,012,736	-	-	-	-	-	-	-	-	-	-	-	-	43,012,736
Assets acquired in satisfaction of loans	77,797,162	-	-	-	-	-	-	-	-	-	-	-	-	77,797,162
Property and equipment	11,937,333	-	-	-	-	-	-	-	-	-	-	-	-	11,937,333
Intangible assets	578,964	-	-	-	-	-	-	-	-	-	-	-	-	578,964
Goodwill	40,683,630	-	-	-	-	-	-	-	-	-	-	-	-	40,683,630
Other assets	6,479,253	-	-	-	-	-	-	-	-	-	-	-	-	6,479,253
Total Assets	**459,717,703**	**69,406,404**	**251,150,227**	**171,999,879**	**-**	**322,044,682**	**814,601,192**	**724,668,453**	**420,333,666**	**726,881,786**	**362,733,733**	**524,460,827**	**2,759,078,465**	**4,033,397,360**
LIABILITIES														
Deposits from banks	2,871,479	156,017	-	-	-	-	156,017	4,632,394	-	-	-	-	4,632,394	7,659,890
Customers' accounts at amortized cost	577,729,450	121,036,857	-	-	-	-	121,036,857	1,848,540,608	840,182,990	408,178	38,612,708	-	2,727,744,484	3,426,510,791
Liability under acceptances	43,012,736	-	-	-	-	-	-	-	-	-	-	-	-	43,012,736
Other borrowings	22,044	-	-	-	-	-	-	217,378,547	753,750	3,015,000	26,381,250	-	247,528,547	247,550,591
Subordinated bonds	-	1,901,546	-	-	-	-	1,901,546	-	-	-	-	17,394,498	17,394,498	19,296,044
Other liabilities	33,314,214	-	-	-	-	-	-	-	-	-	-	-	-	33,314,214
Provisions	14,248,582	-	-	-	-	-	-	-	-	-	-	-	-	14,248,582
Total Liabilities	**671,198,505**	**123,094,420**	**-**	**-**	**-**	**-**	**123,094,420**	**2,070,551,549**	**840,936,740**	**3,423,178**	**64,993,958**	**17,394,498**	**2,997,299,923**	**3,791,592,848**
Interest rate gap	**(211,480,802)**	**(53,688,016)**	**251,150,227**	**171,999,879**	**-**	**322,044,682**	**691,506,772**	**(1,345,883,096)**	**(420,603,074)**	**723,458,608**	**297,739,775**	**507,066,329**	**(238,221,458)**	**241,804,512**

	December 31, 2010													
	Lebanese Pounds													
		Floating Interest Rate						Fixed Interest Rate						
	Not Subject to Interest	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Grand Total
	LBP'000													
ASSETS														
Cash, compulsory reserves and deposits at Central Bank	117,759,035	-	-	-	-	-	-	19,400,000	-	-	-	-	19,400,000	137,159,035
Deposits with banks and financial institutions	47,114	-	-	-	-	-	-	11,000,000	-	-	-	-	11,000,000	11,047,114
Trading assets	-	-	-	-	-	-	-	1,799,159	-	1,115,170	-	2,214,812	5,129,141	5,129,141
Loan to a bank	58,586	-	-	-	-	7,000,000	7,000,000	-	-	-	-	-	-	7,058,586
Loans and advances to customers	10,153,729	17,227,135	69,277,793	127,947,728	68,463,972	117,222,934	400,139,562	-	-	-	-	-	-	410,293,291
Available-for-sale investment securities	30,489,631	-	-	-	-	-	-	37,414,047	166,015,315	374,943,440	431,330,935	384,786,945	1,394,490,682	1,424,980,313
Held-to-maturity investment securities	2,052,890	-	-	-	-	-	-	-	-	-	185,000,000	-	185,000,000	187,052,890
Banks' acceptances	150,000	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Assets acquired in satisfaction of loans	13,434,176	-	-	-	-	-	-	-	-	-	-	-	-	13,434,176
Property and equipment	56,663,057	-	-	-	-	-	-	-	-	-	-	-	-	56,663,057
Intangible assets	2,813,616	-	-	-	-	-	-	-	-	-	-	-	-	2,813,616
Deferred charges on business acquisition	37,648,050	-	-	-	-	-	-	-	-	-	-	-	-	37,648,050
Other assets	8,674,679	-	-	-	-	-	-	-	-	-	-	-	-	8,674,679
Total Assets	**279,944,563**	**17,227,135**	**69,277,793**	**127,947,728**	**68,463,972**	**124,222,934**	**407,139,562**	**69,613,206**	**166,015,315**	**376,058,610**	**616,330,935**	**387,001,757**	**1,615,019,823**	**2,302,103,948**
LIABILITIES														
Deposits from banks	1,902,695	25,472	-	-	-	-	25,472	12,000,000	248,152	-	-	-	12,248,152	14,176,319
Customers' accounts	98,050,042	2,226,785	-	-	-	-	2,226,785	1,496,846,012	172,252,595	-	-	-	1,669,098,607	1,769,375,434
Liability under acceptances	150,000	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Other borrowings	711,284	690,131	2,063,628	6,206,173	1,637,919	-	10,597,851	-	-	-	185,000,000	-	185,000,000	196,309,135
Other liabilities	30,343,709	-	-	-	-	-	-	-	-	-	-	-	-	30,343,709
Provisions	18,461,325	-	-	-	-	-	-	-	-	-	-	-	-	18,461,325
Total Liabilities	**149,619,055**	**2,942,388**	**2,063,628**	**6,206,173**	**1,637,919**	**-**	**12,850,108**	**1,508,846,012**	**172,500,747**	**-**	**185,000,000**	**-**	**1,866,346,759**	**2,028,815,922**
Interest rate gap	**130,325,508**	**14,284,747**	**67,214,165**	**121,741,555**	**66,826,053**	**124,222,934**	**394,289,454**	**(1,439,232,806)**	**(6,485,432)**	**376,058,610**	**431,330,935**	**387,001,757**	**(251,326,936)**	**273,288,026**

	December 31, 2010													
	Foreign Currencies													
		Floating Interest Rate						Fixed Interest Rate						
	Not Subject to Interest	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Up to 3 Months	3 Months to 1 Year	1 to 3 years	3 to 5 Years	Over 5 Years	Total	Grand Total
	LBP'000													
ASSETS														
Cash, compulsory reserves and deposits at Central Bank	96,473,937	-	-	-	-	-	-	323,735,625	-	-	1,507,500	-	325,243,125	421,717,062
Deposits with banks and financial institutions	107,885,254	1,515,874	-	-	-	-	1,515,874	188,365,497	3,002	-	-	-	188,368,499	297,769,627
Trading assets	6,475,250	-	-	-	-	-	-	97,426	-	953,573	2,510,778	1,097,469	4,659,246	11,134,496
Loans and advances to customers	18,484,282	124,243,531	255,076,281	114,155,446	50,370,356	25,934,052	569,779,666	13,492,698	24,316,780	-	-	-	37,809,478	626,073,426
Available-for-sale investment securities	28,770,669	-	-	-	-	-	-	-	38,465,303	172,721,841	68,812,150	337,208,426	617,207,720	645,978,389
Held-to-maturity investment securities	4,192,273	-	-	-	-	-	-	-	30,136,600	137,669,191	50,087,191	41,980,960	259,873,942	264,066,215
Banks' acceptances	19,856,573	-	-	-	-	-	-	-	-	-	-	-	-	19,856,573
Assets acquired in satisfaction of loans	82,803,627	-	-	-	-	-	-	-	-	-	-	-	-	82,803,627
Other assets	3,287,271	-	-	-	-	-	-	-	-	-	-	-	-	3,287,271
Total Assets	**368,229,136**	**125,759,405**	**255,076,281**	**114,155,446**	**50,370,356**	**25,934,052**	**571,295,540**	**525,691,246**	**92,921,685**	**311,344,605**	**122,917,619**	**380,286,855**	**1,433,162,010**	**2,372,686,686**
LIABILITIES														
Deposits from banks	4,542,514	1,494,970	-	-	-	-	1,494,970	26,763,488	-	-	-	-	26,763,488	32,800,972
Customers' accounts	289,058,938	-	-	-	-	-	-	1,669,086,496	196,790,286	603,089	-	-	1,866,479,871	2,155,538,809
Liability under acceptances	19,856,573	-	-	-	-	-	-	-	-	-	-	-	-	19,856,573
Other borrowings	2,247	269,179	-	-	-	-	269,179	-	-	-	-	-	-	271,426
Other liabilities	35,495,076	-	-	-	-	-	-	-	-	-	-	-	-	35,495,076
Provisions	5,733,533	-	-	-	-	-	-	-	-	-	-	-	-	5,733,533
Total Liabilities	**354,688,881**	**1,764,149**	**-**	**-**	**-**	**-**	**1,764,149**	**1,695,849,984**	**196,790,286**	**603,089**	**-**	**-**	**1,893,243,359**	**2,249,696,389**
Interest rate gap	**13,540,255**	**123,995,256**	**255,076,281**	**114,155,446**	**50,370,356**	**25,934,052**	**569,531,391**	**(1,170,158,738)**	**(103,868,601)**	**310,741,516**	**122,917,619**	**380,286,855**	**(460,081,349)**	**122,990,297**

45 - 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 LBP 10 billion for the head office and LBP 500 million for each local branch.

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 cumulative change in fair value for investments at fair value through other comprehensive income, subordinated bonds and general provisions other than those related to loans and advances.

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,	
	2011	2010
	LBP million	LBP million
Tier I capital	410,916	239,747
Tier II capital	36,390	36,176
Total regulatory capital	**447,306**	**275,923**
Credit risk	3,738,829	2,467,722
Market risk	130,764	21,037
Operational risk	257,188	189,261
Risk-weighted assets and risk-weighted off-balance sheet items	**4,126,781**	**2,678,020**
Risk based capital ratio - Tier I	9.96%	8.95%
Risk based capital ratio - Tier I and Tier II capital	10.84%	10.30%

46 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	December 31, 2011						
	Investments Fair Value Profit and Loss	Investments Fair Value Comprehensive Income	Amortized Costs	Loans and Receivables	Other Amortized Cost	Total Carrying Value	Total Fair Value
	LBP'000						
FINANCIAL ASSETS							
Cash and Central Bank	-	-	-	-	593,196,508	593,196,508	593,196,508
Deposits with banks and financial institutions	-	-	-	-	194,948,707	194,948,707	194,948,707
Investments at Fair value through profit or loss	175,438,947	-	-	-	-	175,438,947	175,438,947
Investments at fair value through other comprehensive income	-	5,932,885	-	-	-	5,932,885	5,932,885
Loan to a bank	-	-	-	7,058,077	-	7,058,077	7,058,077
Loans and advances to customers	-	-	-	2,310,489,697	-	2,310,489,697	2,325,817,727
Investments at amortized cost	-	-	3,047,353,105	-	-	3,047,353,105	3,008,959,791
Total Financial Assets	**175,438,947**	**5,932,885**	**3,047,353,105**	**2,317,547,774**	**788,145,215**	**6,334,417,926**	**6,311,352,642**
FINANCIAL LIABILITIES							
Deposits and borrowings from banks	-	-	-	-	8,011,923	8,011,923	8,011,923
Customers' accounts	-	-	-	-	5,449,981,971	5,449,981,971	5,449,981,971
Other borrowings	-	-	-	-	493,171,977	493,171,977	493,171,977
Subordinated bonds	-	-	-	-	19,296,044	19,296,044	19,296,044
Total Financial Liabilities	**-**	**-**	**-**	**-**	**5,970,461,915**	**5,970,461,915**	**5,970,461,915**

	December 31, 2010						
	Trading Assets	Available-for-Sale	Held-to-Maturity	Loans and Receivables	Other Amortized Cost	Total Carrying Value	Total Fair Value
	LBP'000						
FINANCIAL ASSETS							
Cash and Central Bank	-	-	-	-	558,876,097	558,876,097	558,876,097
Deposits with banks and financial institutions	-	-	-	-	308,816,741	308,816,741	308,816,741
Loan to a bank	-	-	-	7,058,586	-	7,058,586	7,058,586
Trading securities	16,263,637	-	-	-	-	16,263,637	16,263,637
Loans and advances to customers	-	-	-	1,036,366,717	-	1,036,366,717	1,039,303,849
Available-for-sale investment securities	-	2,070,958,702	-	-	-	2,070,958,702	2,070,958,702
Held-to-maturity investment securities	-	-	451,119,105	-	-	451,119,105	466,488,932
Total Financial Assets	**16,263,637**	**2,070,958,702**	**451,119,105**	**1,043,425,303**	**867,692,838**	**4,449,459,585**	**4,467,766,544**
FINANCIAL LIABILITIES							
Deposits from banks	-	-	-	-	46,977,291	46,977,291	46,977,291
Customers' accounts	-	-	-	-	3,924,914,243	3,924,914,243	3,924,914,243
Other borrowings	-	-	-	-	196,580,561	196,580,561	196,580,561
Total Financial Liabilities	**-**	**-**	**-**	**-**	**4,168,472,095**	**4,168,472,095**	**4,168,472,095**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	December 31, 2011		
	Level 1	Level 3	Total
		LBP'000	
Investments at fair value through profit or loss	10,096,574	165,342,373	175,438,947
Investments at fair value through other comprehensive income	-	5,932,885	5,932,885
	10,096,574	**171,275,258**	**181,371,832**

	December 31, 2010		
	Level 1	Level 3	Total
		LBP'000	
Trading securities	16,263,637	-	16,263,637
Available-for-sale investment securities	7,772,821	2,063,185,881	2,070,958,702
	24,036,458	**2,063,185,881**	**2,087,222,339**

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.

47 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group carries on transactions with subsidiaries and related parties, balances of which are disclosed in the statement of financial position in Notes 7, 10, 20 and 39.

Remuneration to executive management paid during 2011 amounted to LBP 5.47 billion (LBP 4.34 billion in 2010).

48 - APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2011 were approved by the Board of Directors in its meeting held on February 27, 2012.

OUR NETWORK

CSR CITIZENS

AUDITOR'S REPORT

FINANCIAL HIGHLIGHTS

BLC BANK BRANCHES

MAIN BRANCH ADLIEH
Adlieh Square - BLC Bank Bldg
T 01 387 000 / 01 429 000
F 01 616 984
Manager Roula KORBAN

ACHRAFIEH - SASSINE
Adib Ishac Street - Jerbaka Bldg
T 01 200 990 / 01 200 991
F 01 339 664
Manager Roy SHKEIR

ANTELIAS
Old Tripoli Street - Sauma Center
T 04 418 080
F 04 522 018
Manager Jeanane ABOU JAOUDE

BAABDA
Baabda Square Area - Michel Helou Bldg
T 05 468 084 / 05 468 085
F 05 921 820
Manager Tanios BERBERI

BATROUN
Main Road - BLC Bank Bldg
T 06 642 166 / 06 741 599
F 06 742 812
Manager Elie EL HAJJ

BECHARREH
Main Road - Elie Geagea Bldg
T 06 671 101 / 06 672 767
F 06 671 585
Manager Tony SALEH

BEIT CHABEB
Al Blata Area - BLC Bank Bldg
T 04 980 840 - 04 984 297
F 04 984 298
Manager Jean JABR

BIKFAYA
Bikfaya Square Area - Municipality Bldg
T 04 981 602 / 04 984 101
F 04 986 266
Manager Joe COPTI

BOURJ HAMMOUD
Tripoli Street - Maronite Monks Bldg
T 01 260 855 / 01 241 689
F 01 241 689
Manager Albert BABIKIAN

CHEKKA
Main Road - Michel El Hallal Bldg
T 06 540 728 / 06 545 028
F 06 540 728
Manager Fadwa GERGI

CHIAH
Saida Road - Awad Bldg
T 01 389 515 - 01 385 185
F 01 387 411
Manager Hassan MORTADA

CHTAURA
Damascus Main Road - BLC Bank Bldg
T 08 545 422 / 08 545 423
F 08 545 424
Manager Alia SABBOURY

DEKWANEH
Sed El Bauchrieh Street - Kamar Center
T 01 692 060 / 01 692 070
F 01 687 647
Manager Raymonde WAZEN

DORA
Dora Highway - BLC Bank Bldg
T 01 264 450 - 01 258 275
F 01 260 856
Manager Gaby KIWAN

FURN EL CHEBBAK
Damascus Main Road - Fares Younes Bldg
T 01 613 247 / 01 613 248
F 01 613 247
Manager Gaby KASSAB

GHOBEIRY
Ghobeiry Street - Akil Berro Bldg
T 01 272 772 / 01 548 600
F 01 275 737
Manager Nadim NAZZAL

HADATH
Al Ain Square- Michel Kherbawi Bldg
T 05 460 034 / 05 467 438
F 05 460 425
Manager Robert MATTA

HAMRA
Hamra Street - Toufic Assaf Bldg
T 01 340 450 / 01 350 060
F 01 348 512
Manager Imad TABBARA

HAZMIEH
Damascus Main Road - Michael Mansour Bldg
T 05 454 722 / 05 455 547
F 05 457 177
Manager Pierre BEJJANI

HERMEL
Shahine Center
T 08 201 771 / 08 201 772
F 08 201 773
Manager Nabil HAMADEH

JAL EL DIB
Main Road - Yachoui Bldg
T 04 723 200 / 04 723 201
F 04 723 203
Manager Joseph ABOU KHALIL

JBEIL
Main Road - BLC Bank Bldg
T 09 540 150 / 09 546 956
F 09 546 955
Manager Jean-Claude ZAKHIA

JOUNIEH
Main Road - Stephan Bldg
T 09 910 800
F 09 835 219
Manager Elias NADER

KOUSBA
Main Road - Nicolas Center
T 06 510 125 / 06 511 132
F 06 510 125
Manager Georges CHEHADE

MAR ELIAS
Mar Elias Street - Dar El Baida Bldg
T 01 703 805 / 01 703 806
F 01 703 805
Manager Nada ABDEL SAMAD

MAR MIKHAEL
Mar Mikhael Street - BLC Bank Bldg
T 01 565 700 / 01 565 701
F 01 444 449
Manager Boutros MOUAWAD

MAZRAA
Corniche Mazraa - Koussa Bldg
T 01 631 634 / 01 653 403
F 01 631 634
Manager Abdel Kader CAPTAN

NABATIEH
Commercial Street - Khail Center
T 07 764 780 / 07 764 781
F 07 760 234
Manager Mohammad ABDALLAH

RABIEH
Bikfaya Main Road - Municipality Bldg
T 04 410 559 / 04 411 798
F 04 417 010
Manager Elias AZZI

SAIDA
Riad El Solh Street - BLC Bank Bldg
T 07 722 330 / 07 722 331
F 07 725 330
Manager Mouhamad EL GHANDOUR

SOUR
Al Massaref Street - Issa Bldg
T 07 343 100 / 07 343 101
F 07 343 313
Manager Rami CHEHOURI

TABARIS
Charles Malek Street - Tabaris 812 Bldg
T 01 200 992 / 01 204 551
F 01 200 992
Manager Marwan YOUNAN

TRIPOLI - EL MINA
Rue des Douanes - Dacnashe Bldg
T 06 201 093 / 06 600 211
F 06 600 211
Manager Georges ZABLITH

TRIPOLI - EL TELL
Karm Al Kallah Street - BLC Bank Bldg
T 06 430 210 / 06 430 211
F 06 432 896
Manager Talal EL YAFI

ZOUK MIKAEL
Main Road - Antoine Akiki Center
T 09 212 225 / 09 212 226
F 09 211 675
Manager Marcel HASHEM

SUBSIDIARIES

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P.O. Box: 11-1126
Beirut – Lebanon
Tel: +961 (1) 429 000
Fax: +961 (1) 398 044

CORRESPONDENT BANKS

COUNTRY	NAME OF CORRESPONDENT	SWIFT CODE
ALGERIA	Fransabank El Djazair SPA	FSBK DZ AL
AUSTRALIA	Westpac Banking Corporation	WPAC AU 2F
AUSTRIA	UniCredit Bank Austria AG	BKAU AT WW
BELGIUM	KBC Bank NV	KRED BE BB
CANADA	JP Morgan Chase Bank - Toronto	CHAS CA TT
CYPRUS	USB Bank Plc	UNVK CY 2N
DENMARK	Danske Bank A/S	DABA DK KK
EGYPT	Banque Misr SAE	BMIS EG CX
FRANCE	Fransabank (France) SA	FRAF FR PP
	Al Khaliji Bank (France) SA	LICO FR PP
	Union de Banques Arabes et Françaises - UBAF	UBAF FR PP
GERMANY	Commerzbank AG	COBA DE FF
	Deutsche Bank AG	DEUT DE FF
	JP Morgan AG	CHAS DE FX
ITALY	Intesa Sanpaolo SpA	BCIT IT MM
	Unicredit Spa	UNCR IT MM
JAPAN	The Bank of New York Mellon- Japan Branch	IRVT JP JX
JORDAN	The Housing Bank for Trade & Finance	HBHO JO AX
KUWAIT	Al Ahli Bank of Kuwait KSC	ABKK KW KW
	National Bank of Kuwait	NBOK KW KW
NORWAY	Nordea Bank Norge ASA	NDEA NO KK
QATAR	Qatar National Bank SAQ	QNBA QA QA
	Al Khalij Commercial Bank QSC	KLJI QA QA
	The Commercial Bank of Qatar QSC	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
SWEDEN	Skandinaviska Enskilda Banken AB (Publ)	ESSE SE SS
SWITZERLAND	Zürcher Kantonalbank	ZKBK CH ZZ
THE PHILIPPINES	Bank of the Philippine Islands	BOPI PH MM
TURKEY	Türkiye Finans Katilim Bankasi	AFKB TR IS
	Asya Katilim Bankasi A S	ASYA TR IS
	Turkland Bank AP	TBNK TR IS
UNITED ARAB EMIRATES	Al Khaliji Bank (France) SA - Dubai Branch	LICO AE AD
	Mashreqbank psc	BOML AE AD
UNITED KINGDOM	JPMorgan Chase Bank - London	CHAS GB 2L
	Lloyds Bank TSB	MIDL GB 22
UNITED STATES OF AMERICA	JPMorgan Chase Bank NA	CHAS US 33
	The Bank of New York Mellon	IRVT US 3N
	Standard Chartered Bank, New York	SCBL US 33