



◆ A N N U A L R E P O R T ◆



We deliver what matters

◆ V I S I O N ◆

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

◆ M I S S I O N ◆

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.

◆ C O R E V A L U E S ◆

We do what we say
We do it with integrity
We are performance driven
We are responsible Corporate Citizens
We are committed to Corporate Governance

◆ T A B L E O F C O N T E N T ◆

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◆ C H A I R M A N ' S L E T T E R ◆

For the third consecutive year we can congratulate ourselves for BLC Bank's exceptional growth and results. These results are remarkable in all aspects, be it in absolute terms or in comparison with the banking sector.

We are often asked about the key factors that led to this success. The answer is none other than what we announce on a regular basis through our various communications and I will reiterate it:

Professionalism, organization and quality of service, innovation and clearly defined objectives meticulously executed; "We deliver what matters".

As befits, I will also comment on our set objectives for 2011.

- ▲ We maintain our continued drive for strong growth while leveraging on our achievements in the retail and corporate fields.
- ▲ We will also pursue two major development projects: the monitoring of the acquisition and the pursuit of synergies with USB Bank Cyprus, a process already launched as well as the creation of an investment bank that will better allow the establishment of BLC Bank as a universal bank, delivering the broadest possible range of services to our clientele.

Last but not least, I cannot conclude without warmly thanking all our collaborators and our principal shareholder, Fransabank, for their unreserved adherence to our initiatives and to our ambitious objectives.

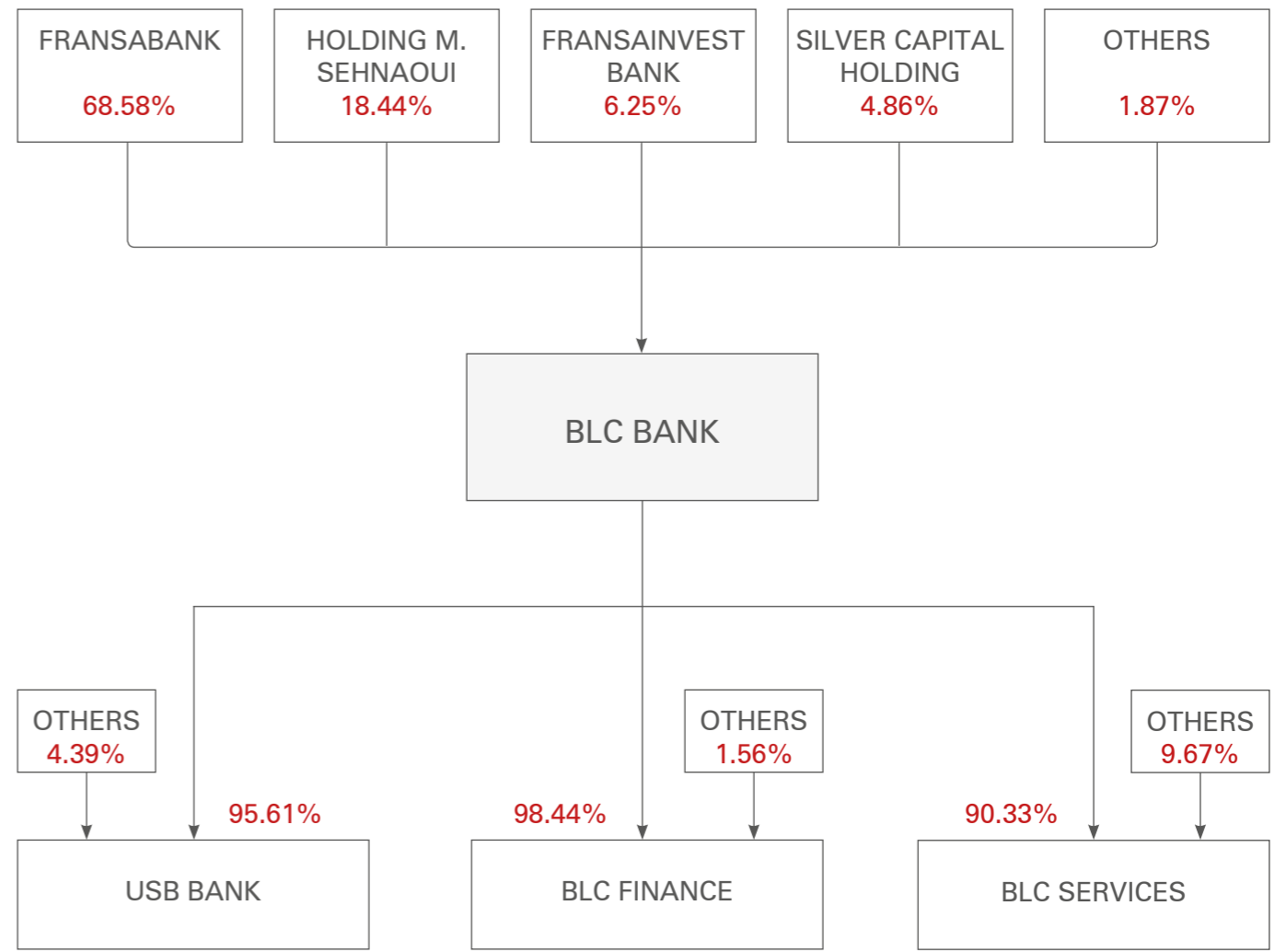
A handwritten signature in blue ink, appearing to be 'M. Sehnaoui', written over a light blue circular watermark or background.

MAURICE SEHNAOUI
Chairman General Manager



W E A R E

◆ S H A R E H O L D E R S ' S T R U C T U R E ◆





◆ B L C B A N K G R O U P
B O A R D O F D I R E C T O R S ◆

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

BLC FINANCE S.A.L.
BOARD MEMBERS

Chairman, Shadi KARAM
Members, BLC Bank SAL
Holding M. SEHNAOUI SAL
Walid DAOUK
Walid ZIADEH
Youssef SARROUH

Secretary to the Board, Michel TUENI

External Auditors, Deloitte & Touche
Fiduciaire du Moyen Orient

USB BANK PLC (CYPRUS)
BOARD MEMBERS

Chairman, Maurice SEHNAOUI
Members, Adel KASSAR
Nadim KASSAR
Nabil KASSAR
Walid DAOUK
Walid ZIADEH
Raoul NEHME
Mansour BTEISH
Tania MOUSSALLEM
Yiorgos GALATARIOTIS
Philippou PHILI
Despo POLYCARPOU
Yiorgos STYLIANOU
Agis TARAMIDES

Member and Secretary, Andreas THEODORIDES

External Auditors, Ernest & Young Cyprus Ltd,
Fiduciaire du Moyen Orient

BLC SERVICES S.A.L.
BOARD MEMBERS

Chairman, Nazem EL KHOURY
Members, BLC Bank SAL
Holding M. SEHNAOUI SAL
Walid DAOUK
Walid ZIADEH
Khaled SALMAN

Secretary to the Board, Michel TUENI

External Auditors, Deloitte & Touche
Fiduciaire du Moyen Orient



◆ M A N A G E M E N T ◆



MAURICE SEHNAOUI
CHAIRMAN GENERAL MANAGER



GEORGES TABET
GENERAL MANAGER



RAOUL NEHME
GENERAL MANAGER



FOUAD RAHME
ASSISTANT GENERAL MANAGER
CORPORATE BANKING GROUP



YOUSSEF EID
ASSISTANT GENERAL MANAGER
RETAIL BANKING & MARKETING GROUPS



TANIA MOUSSALEM
ASSISTANT GENERAL MANAGER
BUSINESS DEVELOPMENT GROUP



GEORGES BAZ
LEGAL & RISK MANAGEMENT GROUP



BASSAM HASSAN
SUPPORT GROUP



SOUHEIL YOUNES
HUMAN RESOURCES GROUP



ALEXANDER ZOGHEIB
CHIEF INTERNAL AUDITOR

SENIOR MANAGERS, HEADS OF DEPARTMENT

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

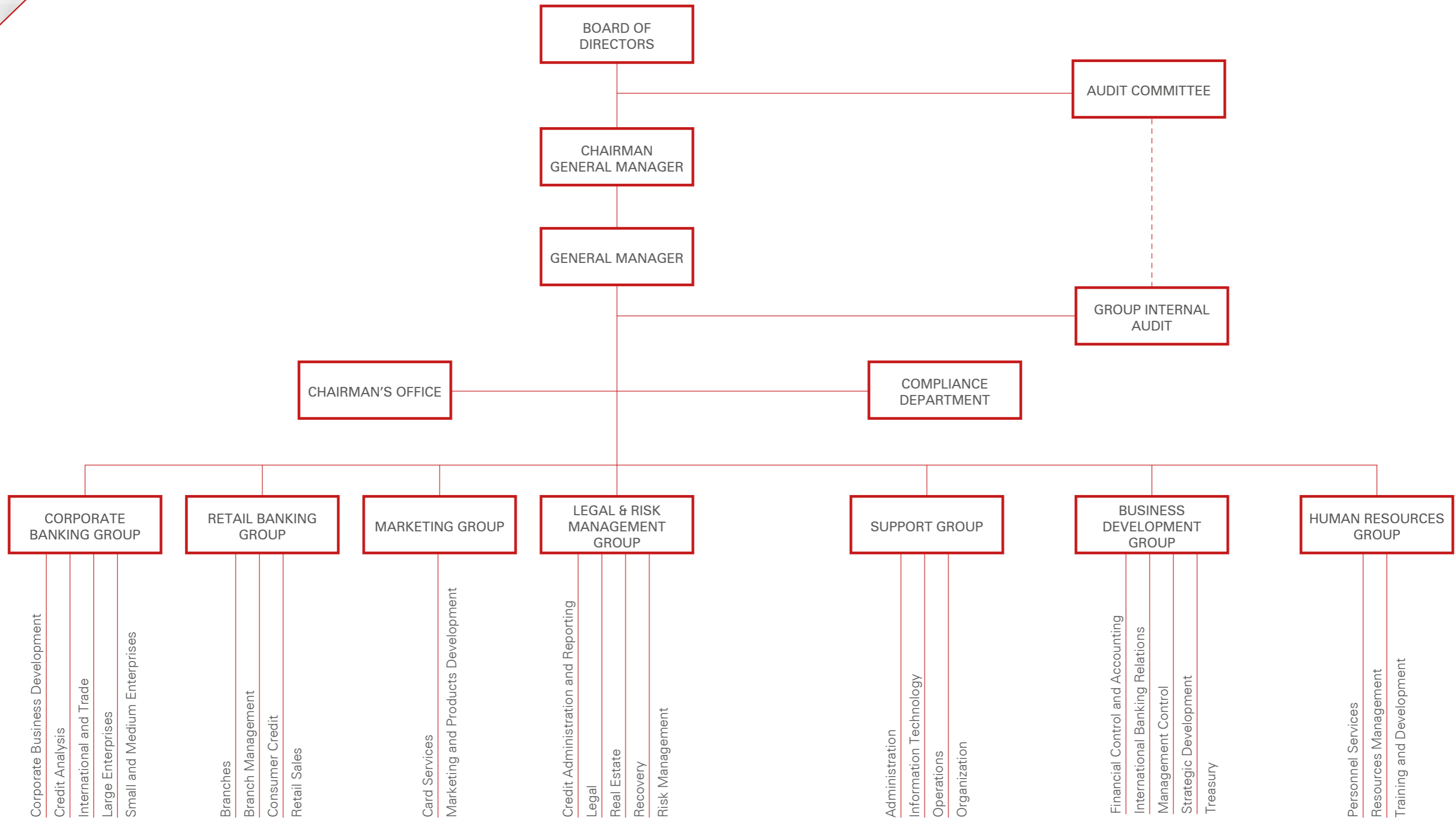
DEPUTY HEADS OF GROUP

CHAKER Simone, Corporate Banking Group
HABIB Victoria, Human Resources Group

MANAGERS, HEADS OF DEPARTMENT

ABI RACHED Gisele, Credit Administration & Reporting Department
ABOU DARWICHE Khalil, Recovery Department
ANTYPAS Sandra, Resources Management Department
ATALLAH Pierrot, Chief Information Officer
CHAMOUN Joseph, Real Estate Department
KHOURY Samir, Retail Sales Department
LEBBOS Carlos, Risk Management Department
MARGIE Maya, Marketing & Products Development Department
MATAR Antoine, Credit Analysis Department
MOUANESS Antoine, Large Enterprises Department
SAAB Joseph, Compliance Department
WAKIM Maya, Organization Department

◆ ORGANIZATION CHART ◆





WE D I S T I N G U I S H O U R S E L V E S



◆ R E C O G N I T I O N ◆
A N D A W A R D S

International Finance Corporation (IFC) - 2010

BLC Bank: Best Global Trade Finance Program
Network Bank in Middle East and North Africa.

CPI FINANCIAL - 2010

BLC Bank: Fastest Growing Bank in Lebanon by
Percentage growth in Assets and Liabilities.

LEBANON OPPORTUNITIES - 2010

BLC Bank: Best Commitment to Small and
Medium Enterprises.





◆ FINANCIAL HIGHLIGHTS ◆

B L C B A N K V S
A L P H A B A N K S G R O U P

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.

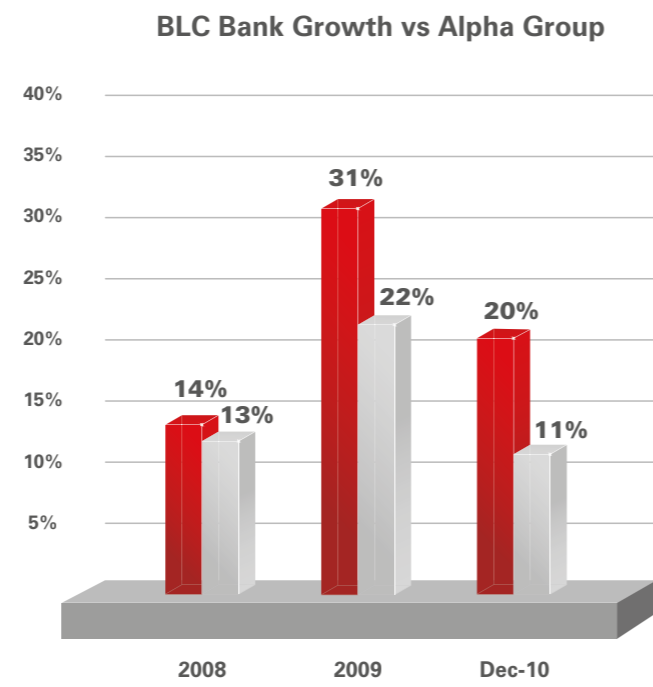
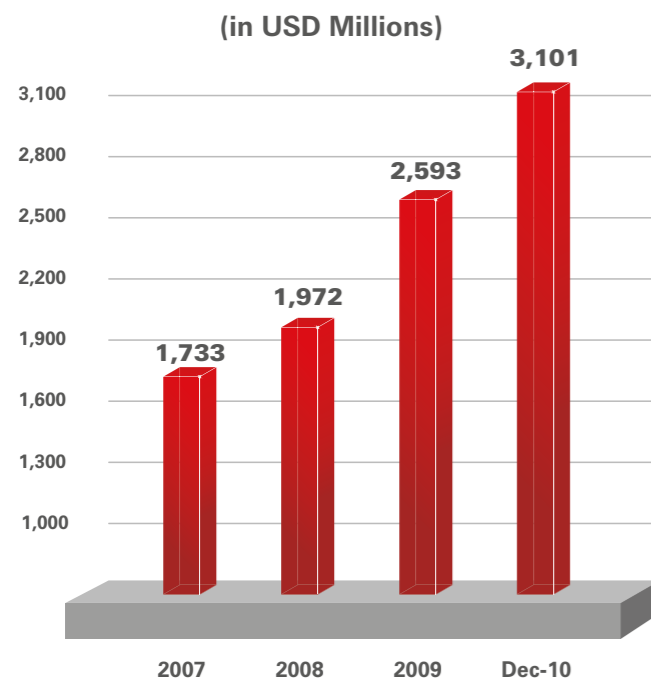
As at the end of December 2010 consolidated net income reached USD 45.3 million, registering an increase of 32%, while assets and deposits increased by 20% and 14.5%, reaching USD 3.10 billion and USD 2.60 billion respectively.

The Bank's portfolio of performing loans registered a growth ratio of 50% reaching USD 672 million at year end 2010, as a result of increased lending activities in the retail and corporate banking groups. This confirms BLC Bank's active role in the market underscoring its involvement in financing the productive economic sectors.



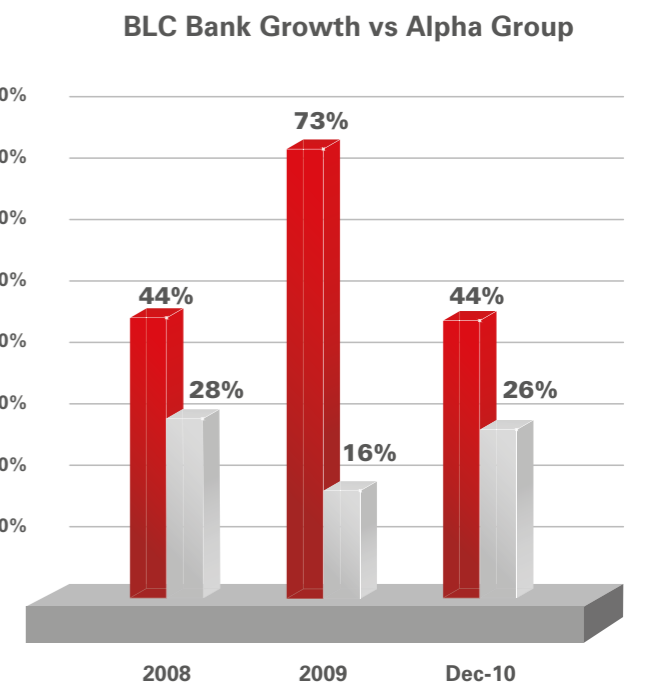
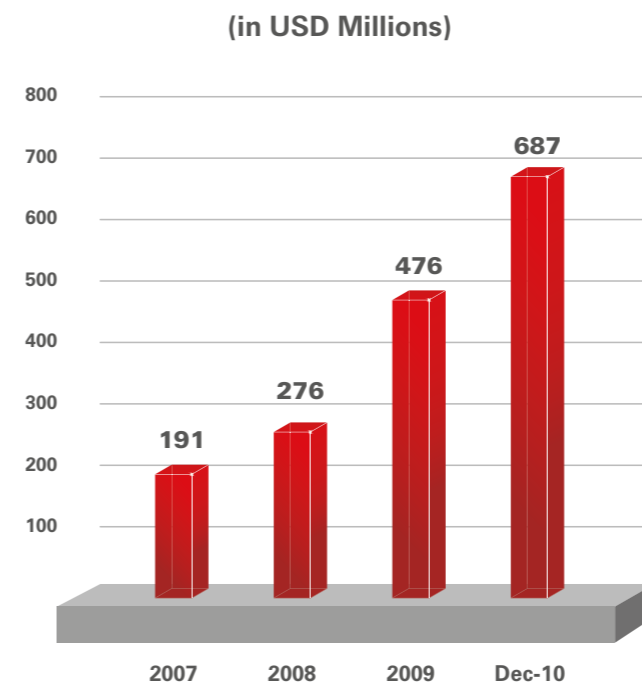


TOTAL ASSETS' EVOLUTION

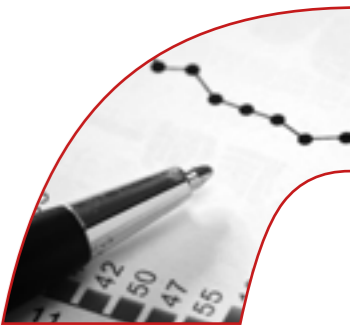


■ BLC Bank
■ Alpha Group

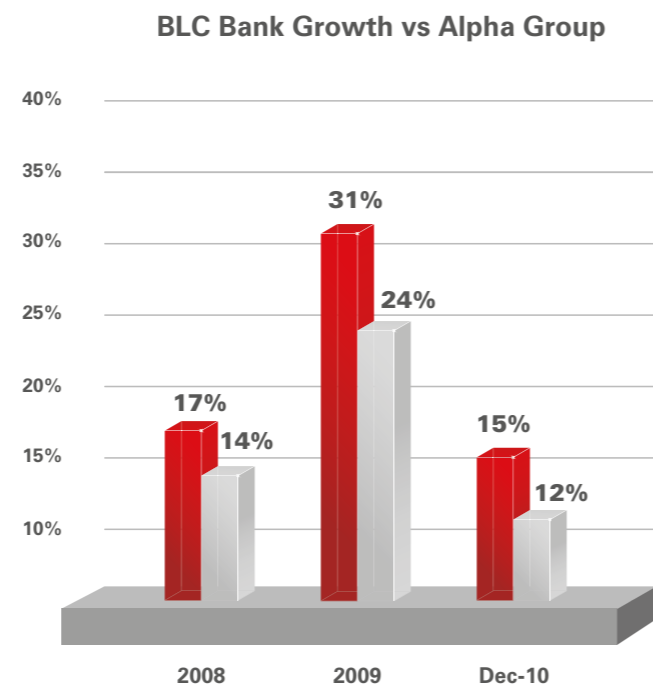
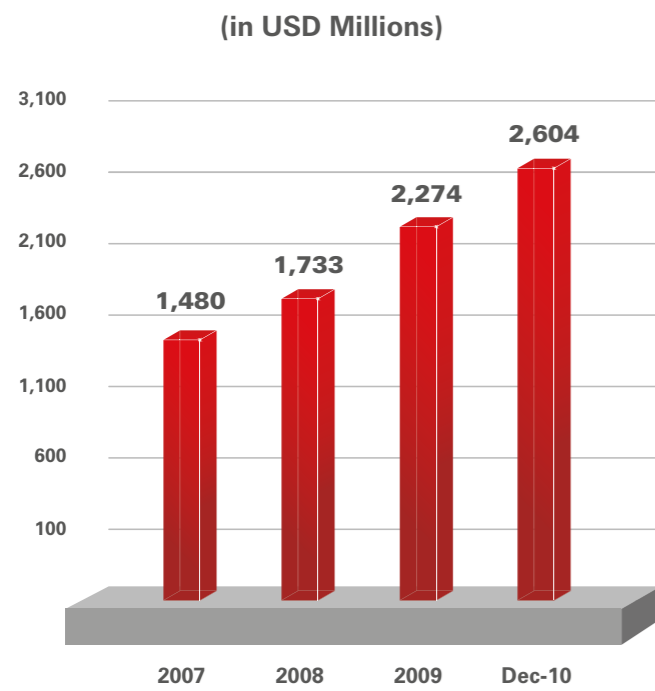
LOANS' EVOLUTION



■ BLC Bank
■ Alpha Group

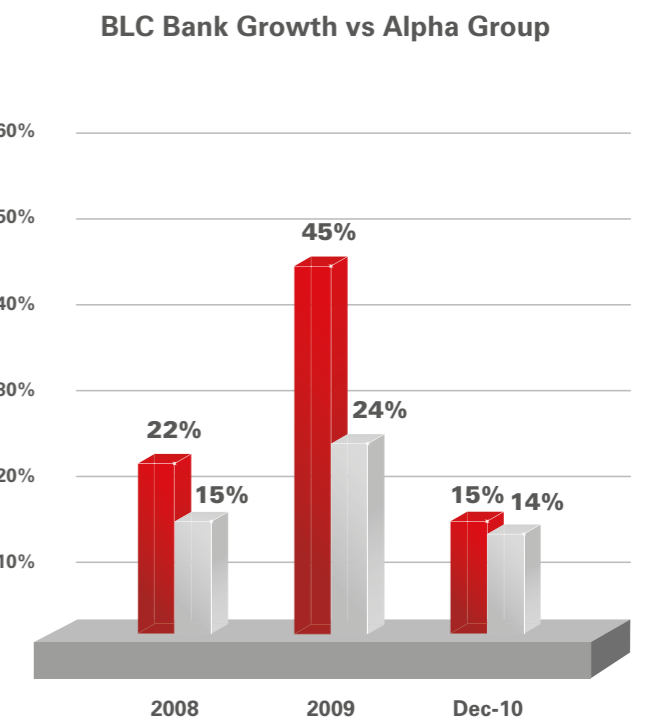
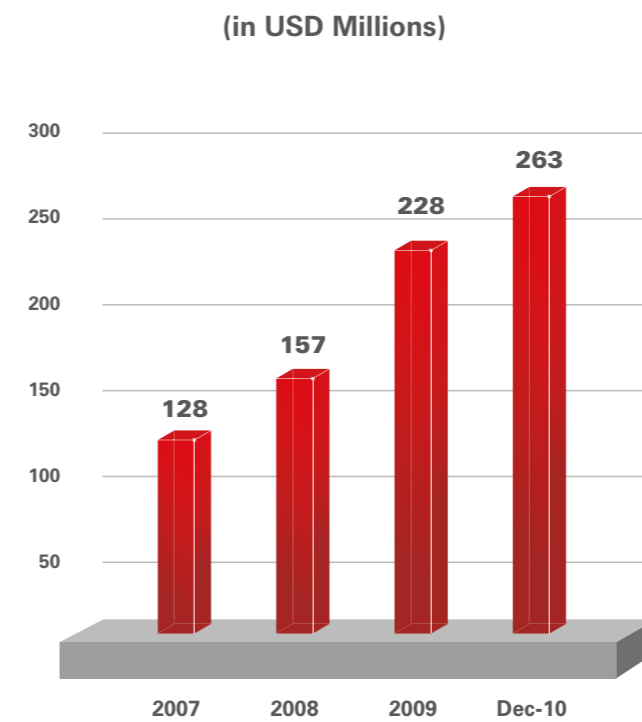


TOTAL DEPOSITS' EVOLUTION



■ BLC Bank
■ Alpha Group

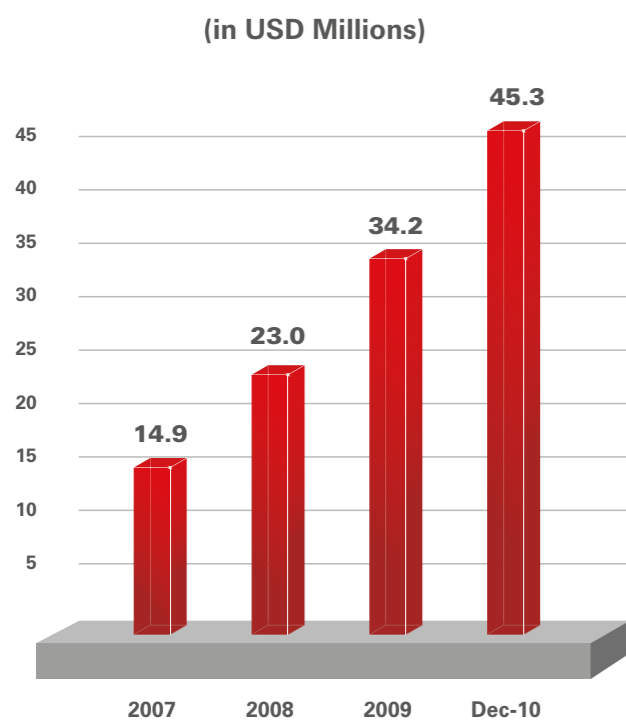
SHAREHOLDERS' EQUITY



■ BLC Bank
■ Alpha Group

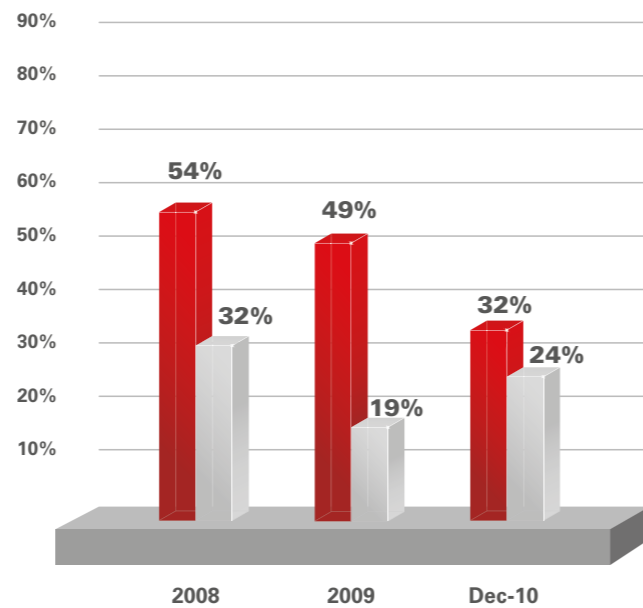


NET INCOME



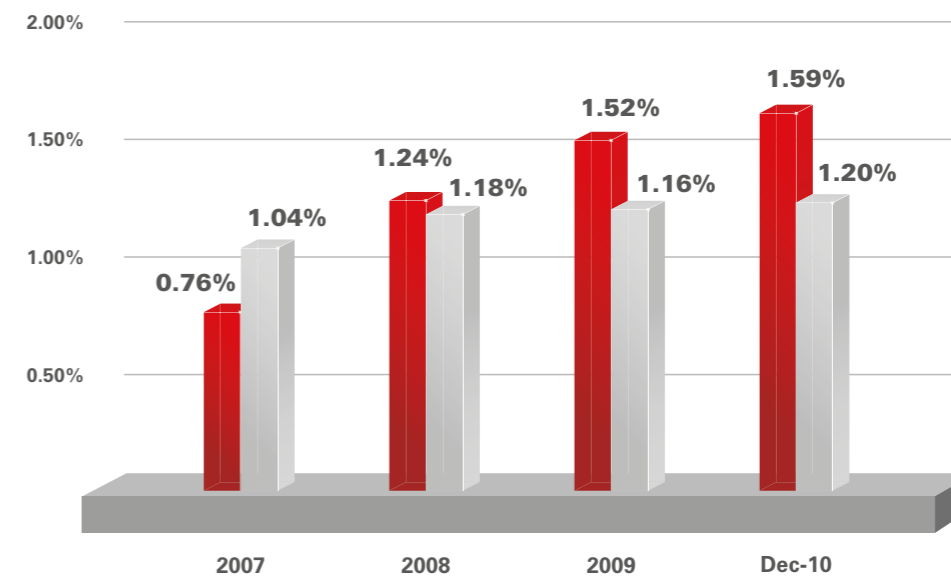
■ BLC Bank
■ Alpha Group

BLC Bank Growth vs Alpha Group

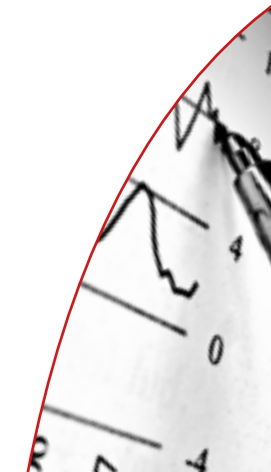


RETURN ON AVERAGE ASSETS (ROAA)

BLC Bank vs Alpha Group

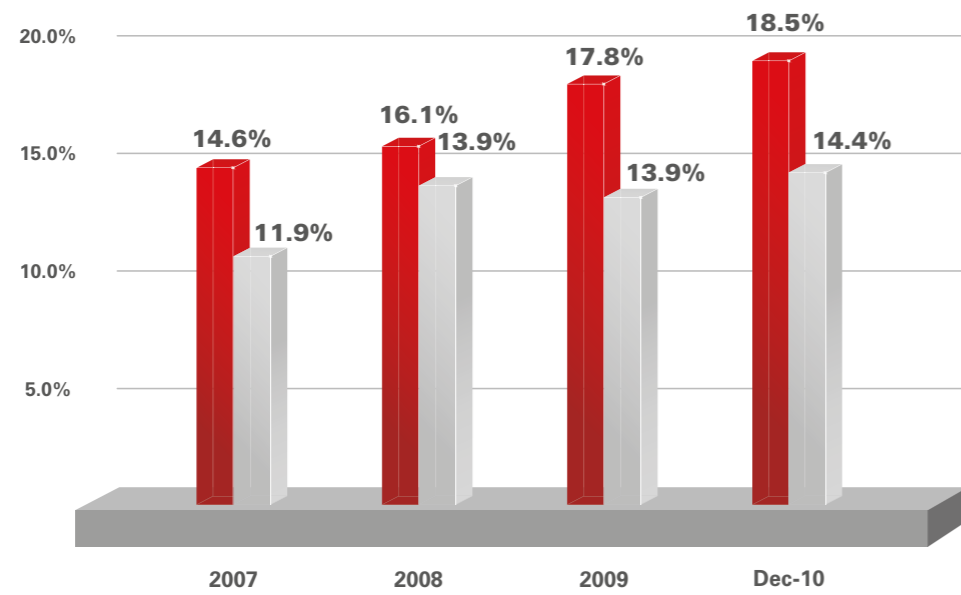


■ BLC Bank
■ Alpha Group



RETURN ON AVERAGE EQUITY (ROAE)

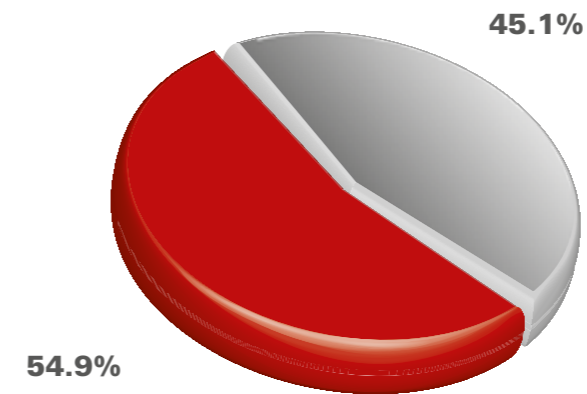
BLC Bank vs Alpha Group



■ BLC Bank
■ Alpha Group

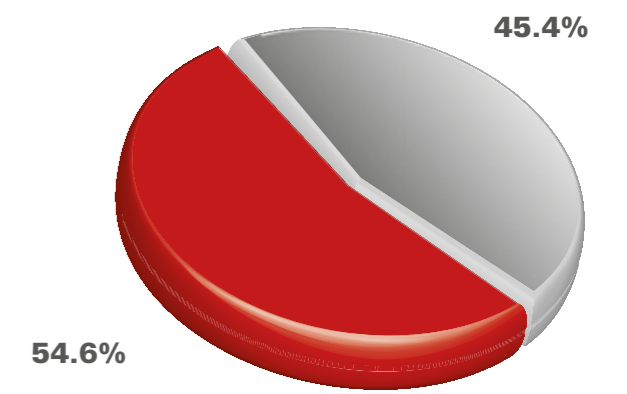
CUSTOMERS' LOANS AND DEPOSITS

Deposits Dollarization
December 2010



■ LBP
■ FCY

Loans by Type
December 2010



■ Retail and Small Business
■ Corporate



◆ I N D E P E N D E N T A U D I T O R S ' R E P O R T ◆

**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, 2010, 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, 2010, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
March 15, 2011

Fiduciaire du Moyen Orient

Deloitte & Touche



◆ **C O N S O L I D A T E D** ◆
F I N A N C I A L S T A T E M E N T S

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	December 31,	
		2010	2009
ASSETS		LBP'000	
Cash and Central Bank	5	558,876,097	572,929,659
Deposits with banks and financial institutions	6	308,816,741	367,263,638
Trading securities	7	16,263,637	19,338,113
Loan to a bank	8	7,058,586	-
Loans and advances to customers	9	1,036,366,717	716,886,972
Available-for-sale investment securities	10	2,070,958,702	1,726,076,696
Held-to-maturity investment securities	10	451,119,105	317,839,007
Customers' liability under acceptances	11	20,006,573	15,343,568
Assets acquired in satisfaction of loans	12	96,237,803	75,978,353
Property and equipment	13	56,663,057	54,805,262
Intangible assets	14	2,813,616	2,890,324
Deferred charges on business acquisition	15	37,648,050	30,588,391
Other assets	16	11,961,950	8,318,851
Total Assets		4,674,790,634	3,908,258,834

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS:	36		
Letters of guarantee and standby letters of credit		121,449,795	97,391,479
Letters of credit		70,565,887	44,751,172
Forward exchange contracts		41,658,360	22,729,454
Fiduciary Accounts	37	15,862,670	7,854,075

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

	NOTES	December 31,	
		2010	2009
LIABILITIES		LBP'000	
Deposits from banks	17	46,977,291	33,940,191
Customers' accounts at amortized cost	18	3,922,525,311	3,426,220,878
Customers' accounts designated at fair value through profit or loss	18	2,388,932	2,256,269
Liability under acceptances	11	20,006,573	15,343,568
Other borrowings	19	196,580,561	11,457,975
Other liabilities	20	65,838,785	50,272,028
Provisions	21	24,194,858	24,372,906
Total liabilities		4,278,512,311	3,563,863,815

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ctd.)

	NOTES	December 31,	
		2010	2009
EQUITY		LBP'000	
Capital	22	152,700,000	152,700,000
Reserves	23	63,656,920	43,745,608
Regulatory reserve for assets acquired in satisfaction of loans	23	13,078,756	10,858,632
Retained earnings		26,082,782	19,610,911
Cumulative change in fair value of available-for-sale securities	26	72,351,780	65,750,077
Profit for the year (attributable to the owners of the parent)		68,270,880	51,500,286
Total equity attributable to the owners of the parent		396,141,118	344,165,514
Non-controlling interest		137,205	229,505
Total equity		396,278,323	344,395,019
Total Liabilities and Equity		4,674,790,634	3,908,258,834

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	NOTES	December 31,	
		2010	2009
		LBP'000	
Interest income	27	260,230,499	228,886,845
Interest expense	28	(164,046,026)	(148,804,182)
Net interest income		96,184,473	80,082,663
Fee and commission income	29	20,755,141	18,218,585
Fee and commission expense	30	(3,475,114)	(3,376,140)
Net fee and commission income		17,280,027	14,842,445
Net interest and other (loss)/gain on trading portfolio	31	(15,456)	3,953,193
Other operating income	32	11,287,889	5,770,296
Net financial revenues		124,736,933	104,648,597
Allowance for impairment of loans and advances	9	(1,929,964)	(1,757,065)
Write-back of impairment loss on loans and advances	9	11,905,148	6,943,012
Recovery of loans (net)		2,162	5,598
Write-back of discount on loan portfolio purchased	9	1,692,748	751,765
Net financial revenues after net impairment loss/write-back		136,407,027	110,591,907
Realized income on business acquisition	15	7,728,744	-
Gain on disposal of property and equipment and properties acquired in satisfaction of loans	12	3,956,410	6,177,144
Write-back of provisions (net)	16, 21	67,838	1,865,605
Staff costs	33	(41,965,014)	(36,581,272)
General and administrative expenses	34	(22,459,161)	(17,587,399)
Depreciation and amortization	13, 14	(3,155,205)	(3,974,451)
Profit before income tax		80,580,639	60,491,534
Income tax expense	20	(12,293,482)	(8,875,167)
Profit for the year		68,287,157	51,616,367
Attributable to:			
Owners of the Parent		68,270,880	51,500,286
Non-controlling interest		16,277	116,081
		68,287,157	51,616,367
Earnings per share:			
Basic and diluted earnings per share for the year	35	LBP 447.2	LBP 338.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	December 31,	
		2010	2009
		LBP'000	
PROFIT FOR THE YEAR		68,287,157	51,616,367
Other comprehensive income:			
Net change in fair value of available-for-sale investment securities		14,917,563	83,655,096
Fair value of available-for-sale securities recycled to profit and loss	32	(7,122,945)	(2,082,278)
Deferred tax liability	20	(1,192,915)	(12,192,328)
		6,601,703	69,380,490
Total comprehensive income		74,888,860	120,996,857
Attributable to:			
Owners of the parent		74,872,583	120,880,776
Non-controlling interest		16,277	116,081
		74,888,860	120,996,857

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the Owners of the Parent										Non-Controlling Interest	Total Equity
	Capital	Legal Reserve	Free Reserves	Reserve for General Banking Risks	Regulatory Reserve for Assets Acquired in Satisfaction of Loans	Special Reserves	Cumulative Change in Fair Value of Available-for-sale Securities	Retained Earnings	Net Profit for the Year	Total		
	LBP'000											
Balance - January 1, 2009	152,700,000	4,336,469	20,100,610	7,607,136	8,574,485	-	(3,630,413)	12,120,415	34,501,144	236,309,846	499,570	236,809,416
Allocation of 2008 profit	-	3,258,553	6,890,146	1,375,000	2,447,864	1,570,000	-	18,959,581	(34,501,144)	-	-	-
Dividends paid (Note 25)	-	-	-	-	-	-	-	(13,132,200)	-	(13,132,200)	378,477	(13,510,677)
Transfer from legal reserve to free reserves	-	(10,651)	10,651	-	-	-	-	-	-	-	-	-
Transfer from regulatory reserve to free reserves	-	-	163,717	-	(163,717)	-	-	-	-	-	-	-
Other movement	-	1,296	12,681	-	-	-	-	(7,308)	-	6,669	(7,669)	(1,000)
Deferred tax on future dividend distribution	-	-	-	-	-	-	-	100,423	-	100,423	-	100,423
Reversal of special reserves (Note 24)	-	-	-	-	-	(1,570,000)	-	1,570,000	-	-	-	-
Total comprehensive income for the year 2009	-	-	-	-	-	-	69,380,490	-	51,500,286	120,880,776	116,081	120,996,857
Balance - December 31, 2009	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 (Note 25)	-	-	-	-	-	-	-	(22,853,691)	-	(22,853,691)	(108,577)	(22,962,268)
Transfer from retained earnings to legal reserve	-	47,348	-	-	-	-	-	(47,348)	-	-	-	-
Transfer from regulatory reserve to free reserves	-	-	428,815	-	(428,815)	-	-	-	-	-	-	-
Deferred tax on future dividend distribution for subsidiaries	-	-	-	-	-	-	-	(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

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	December 31,	
		2010	2009
		LBP'000	
Cash Flows from operating activities:			
Net profit for the year		68,287,157	51,616,367
Adjustments for:			
Write back provision for bad debts (net)	9	(11,667,932)	(5,937,712)
Recovery of loans written-off		(2,162)	(5,598)
Depreciation and amortization	13,14	3,155,206	3,974,451
Amortization of deferred charges on business acquisition	15	4,459,364	-
Realized income on business acquisition	15	(7,728,744)	-
Impairment of property and equipment	13	65,308	-
Write back of provisions for charges (net)		(37,323)	(1,941,727)
Provision for end-of-service indemnities	21	965,292	1,112,919
Unrealized loss/(gain) on trading portfolio	31	1,299,696	(2,573,533)
Income tax expense		12,293,482	8,875,167
(Gain)/Loss on sale of property and equipment		(507,818)	71,174
Gain on disposal of property acquired in satisfaction of loans		(3,448,592)	(6,248,318)
Dividend income		(1,465,433)	(1,597,427)
Interest expense		164,046,026	148,804,182
Interest income (including interest on trading portfolio)		(261,095,694)	(229,860,729)
		(31,382,167)	(33,710,784)
Net decrease in trading portfolio		1,747,042	310,624
Net increase in loans and advances to customers	38	(331,313,763)	(291,723,823)
Net increase in available-for-sale investing securities	10	(288,719,745)	(270,420,836)
Net (increase)/decrease in held-to-maturity investing securities	10	(177,384,170)	117,154,275
Net increase in customers' deposits		490,837,465	726,258,662
Net decrease/(increase) in compulsory deposits with Central Bank	5	57,091,134	(20,858,480)
Net decrease/(increase) in term deposits with Central Bank		25,250,625	(26,758,125)
Net increase/(decrease) in deposits from banks		13,030,314	(2,192,371)
Net decrease in pledged deposits	6	-	4,045,837
Net increase in other assets	38	(3,575,261)	(1,771,515)
Net increase in other liabilities	38	11,324,180	10,540,648
Proceeds from disposal of property acquired in satisfaction of loans	38	8,433,627	11,439,329
Settlements made from provisions	21	(1,173,855)	(1,317,977)
		(225,834,574)	220,995,464

	Notes	December 31,	
		2010	2009
		LBP'000	
Income tax paid		(9,462,998)	(7,135,868)
Dividends received		1,465,433	1,597,427
Interest paid		(157,756,614)	(144,398,000)
Interest received		255,245,089	228,070,415
Net cash (used in)/generated from operating activities		(136,343,664)	299,129,438
Cash flows from investing activities:			
Amounts and costs paid in business acquisition	15	(6,065,313)	(30,588,391)
Proceeds from disposal of property and equipment		807,395	58,544
Acquisition of property and equipment	13,38	(1,784,854)	(17,014,596)
Net change in intangible assets		(1,065,400)	(433,927)
Net cash used in investing activities		(8,108,172)	(47,978,370)
Cash flows from financing activities:			
Dividends paid	25	(22,853,691)	(13,132,200)
Dividends paid to non-controlling interests		(108,577)	(378,477)
Decrease in non-controlling interests		-	(1,000)
Increase in loan to a bank		(7,000,000)	-
Net increase/(decrease in) other borrowings	19	184,439,591	(387,807)
Net cash generated from/(used in) financing activities		154,477,323	(13,899,484)
Net increase in cash and cash equivalents		10,025,487	237,251,584
Cash and cash equivalent beginning of year		750,170,214	487,534,399
Net cash received from acquiring Lati Bank S.A.L.	38	-	25,384,231
Cash and cash equivalent end of year	38	760,195,701	750,170,214

The accompanying notes 1 to 45 form an integral part of the consolidated financial statements



NOTES TO THE
CONSOLIDATED FINANCIAL
STATEMENTS



Year Ended December 31, 2010

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 2009, the Bank acquired the equity stake of Lati Bank S.A.L. and the merger was completed in 2010.

During 2010, the Bank acquired 9.89% of the issued share capital of USB Bank PLC (Cyprus) and concluded an agreement for the acquisition of an additional 62.95%. In order to be able to acquire these shares BLC Bank had to proceed with a Public Offer for acquiring up to 100% of USB Bank share capital. Upon the approbation of regulatory authorities and the completion of the Public Offer the total acceptance

level reached the 62.95% already agreed on and an additional 21.01% of minority shares. Hence, the Bank became a 93.85% majority shareholder of the said bank (Note 10).

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 Standards and Interpretations effective for the current period with no effect on the financial statements

The following new and revised standards, interpretations have been adopted in the current period 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 IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions*

The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.

▲ IFRS 3 (revised) *Business Combinations and consequential amendments* to IAS 27 (revised) *Consolidated and Separate Financial Statements*, IAS 28 (revised) *Investments in Associates* and IAS 31 (revised) *Interests in Joint Ventures*

IFRS 3 (revised) allows a choice on a transaction-by-transaction basis for the measurement of non-controlling interest either at fair value or at the non-controlling interest's share of recognized identifiable net assets of the acquiree. Contingent consideration is measured at fair value at the acquisition date; subsequent adjustments to the consideration are recognized against the cost of acquisition only to the extent that they arise from new information obtained within the measurement period about the fair value at the date of acquisition. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognized in profit or loss. All acquisition-related costs are expensed. IAS 27 (revised in 2008) requires that transactions with non-controlling interests to be recognized within equity, with no impact on goodwill or profit or loss.

▲ Amendments to IAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*

The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.

▲ IFRIC 17 *Distributions of Non-cash Assets to Owners*

The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.

▲ IFRIC 18 *Transfers of Assets from Customers*

The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 *Revenue*.

Improvements to IFRSs issued in 2009 (those that are mandatory for the first time for the financial year beginning January 1, 2010)

- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* - Disclosures of non-current assets (or disposal groups) classified as held for sale or discontinued operations.
- Amendments to IFRS 8 *Operating Segments* - Disclosure of information about segment assets.
- Amendments to IAS 1 *Presentation of Financial Statements* - Current/non-current classification of convertible instruments.
- Amendments to IAS 7 *Statement of Cash Flows* - Classification of expenditures on unrecognized assets.
- Amendments to IAS 17 *Leases* - Classification of leases of land and buildings.
- Amendments to IAS 36 *Impairment of Assets* - Unit of accounting for goodwill impairment test.

- Amendments to IAS 38 *Intangible Assets* - Additional consequential amendments arising from revised IFRS 3. Measuring the fair value of an intangible asset acquired in a business combination.
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* - Treating loan prepayment penalties as closely related embedded derivatives. Scope exemption for business combination contracts. Cash flow hedge accounting.
- IFRIC 9 *Reassessment of Embedded Derivatives* - Scope of IFRIC 9 and revised IFRS 3.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* - Amendment to the restriction on the entity that can hold hedging instruments.

2.2 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:

- ▲ Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 *Disclosures* for First-time Adopters. *Effective for Annual Periods Beginning on/or After July 1, 2010*
- ▲ 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 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new

requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt investments and equity investments are measured at their fair values. At initial recognition, an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. The gain or loss that is presented in other comprehensive income includes any related foreign exchange component. Dividends on such investments are recognized in profit or loss in accordance with IAS 18 *Revenue* unless the dividend clearly represents a recovery of part of the cost of the investment. Amounts presented in other comprehensive income shall not be subsequently transferred to profit or loss. However, the entity may transfer the cumulative gain or loss within equity. *Early adoption decided by the Group effective January 1, 2011*

The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of the issuer. 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 the issuer is recognized 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 fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

The directors anticipate that IFRS 9 will be early adopted in the Group's consolidated financial statements for the annual period beginning January 1, 2011 and that its application will have

an impact on amounts reported in respect of the Group's financial assets as summarized under section 2.3 below.

▲ **IAS 24 Related Party Disclosures** (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because it is not a government-related entity. However, disclosures regarding related party transactions and balances in these financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard. *Effective for Annual Periods Beginning on or After January 1, 2011*

▲ **The amendments to IAS 32** titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. *Effective for Annual Periods Beginning on or After February 1, 2010*

▲ **Amendment 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.* *Effective for Annual Periods Beginning on or After January 1, 2011*

▲ **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 will be 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 will be recognized in profit or loss. To date, the Group has not entered into transactions of this nature. *Effective for Annual Periods Beginning on or After July 1, 2010*

▲ **Improvements to IFRSs issued in 2010** - Amendments to: IFRS 3; IFRS 7; IAS1; IAS 27; IAS34; IFRIC 13. *Most of the amendments are effective for annual*

periods beginning on or after January 1, 2011

2.3 Impact of the adoption of IFRS 9 effective 1 January 2011 on the amounts reported

As discussed in section 2.2 above, the directors anticipate that IFRS 9 will be adopted in the Group's financial statements for the annual period beginning January 1, 2011. Management's preliminary assessment of the impact of the application of IFRS 9 is summarized as follows:

In accordance with the provisions of IFRS 9, adoption by the Group in 2011 will be applied retrospectively and comparative amounts will not be restated as permitted by IFRS 9.

Effective January 1, 2011, the Group's available-for-sale financial assets under IAS 39 will be classified as financial assets through profit or loss and as amortized cost. Accordingly it is expected that the cumulative fair value gains in relation to these available-for-sale financial assets amounting to approximately LBP 69.5 billion to be reclassified to retained earnings to the extent of approximately LBP 25 billion and the remaining amount (along with the cumulative deferred tax charge of approximately LBP 7.9 billion) to be offset against the carrying fair value of those financial assets which will be classified as amortized cost.

Effective January 1, 2011 the Group's financial assets classified as amortized cost (held-to-maturity) under IAS 39 will be classified as financial assets at amortized cost. The change in measurement is not expected to have any effect on the consolidated financial statements as at January 1, 2011.

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:

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

The principal accounting policies are set out below:

A. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities 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:

NAME OF SUBSIDIARY	Percentage of Ownership		Country of Incorporation	Business Activity
	2010	2009		
	%	%		
BLC Finance S.A.L.	98.44	98.44	Lebanon	Financial Institution
BLC Services S.A.L.	90.33	90.33	Lebanon	Insurance Brokerage
Lati Bank S.A.L.	-	100.00	Lebanon	Commercial banking

During the year, the merger with Lati Bank S.A.L. was finalized and the consolidated financial statements as at December 31, 2010 include the assets and liabilities of Lati Bank S.A.L. acquired by the Group as a result of the full merger with the mentioned bank.

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

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein.

The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Business Combination

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs

directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

C. Foreign Currencies

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

Transactions in currencies other than Lebanese Pound (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated into Lebanese Pound 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 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 that are recognized under "other comprehensive income".

D. Financial assets and Liabilities

Recognition and Derecognition

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

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

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

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

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

Offsetting

Financial assets and liabilities are set-off and the net amount is presented in the consolidated 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.

Fair Value Measurement

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

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

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified at fair value through profit or loss.

Designation at Fair Value Through Profit or Loss

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

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

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

gain or loss is recognized in the profit or loss.

Impairment of Financial Assets

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

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

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

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

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

E. Investment Securities

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

Held-to-Maturity Investment Securities

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the 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 investment securities are carried at amortized cost using the effective interest method. Any sale or reclassification of a significant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years. Such an application will not take effect in case the amount of the sold or reclassified securities is insignificant, the securities are close to maturity; in case of significant deterioration in the issuer's credit worthiness, in case of change in statutory or regulatory requirement, or in major business combination.

Available-for-Sale Investment Securities

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

F. Trading Securities

Trading securities are initially recognized and subsequently measured at fair value. Transaction costs

are included in the consolidated income statement. Subsequent changes in fair value of these securities are recognized immediately in profit or loss.

G. 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.

H. 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.

I. 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) less their residual values, if any, over their useful lives, using the straight-line method as follows:

	Years
Buildings	50
Office improvements and installations	5
Furniture, equipment and machines	12.5
Computer equipment	5
Vehicles	10

The estimated useful lives, residual values 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.

J. Intangible Assets

Intangible assets 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.

K. Assets acquired in satisfaction of loans

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

L. Impairment of Tangible and Intangible Assets

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 of properties acquired in satisfaction of loans debts, is the estimated market value as determined by real estate appraisers on the basis of market compatibility by comparing with similar transactions in the same geographical area and on the basis of the expected value of a current sale between a willing buyer and a willing seller, that is, other than in a forced or

liquidation sale after adjustment of an illiquidity factor and market constraints.

M. Deferred Charges on Business acquisition

Deferred charges on business acquisition are stated at cost less amortization over a period of 4.5 years.

N. Provision for Employees' End-of-Service Indemnity

The provision for employees' termination indemnities is based on the liability that would arise if the employment of all the employees' 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.

O. Provisions

Provisions are 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.

P. 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 consolidated income statement include:

- ▲ Interest on financial assets and liabilities at amortized cost in addition to interest on deposits at fair value through profit or loss
- ▲ Interest on available-for-sale investment securities.

Net trading income presented in the consolidated income statement includes:

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

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

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

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

Q. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Income tax is recognized in the consolidated 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.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because of the items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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 consolidated 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.

R. Fiduciary Deposits

All fiduciary deposits are held on a non-discretionary basis and related risks and rewards belong to the account holders. Accordingly, these deposits are reflected as off-balance sheet accounts.

S. Cash and Cash Equivalents

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

4 - CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

differ from these estimates.

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

A. Critical accounting judgments in applying the Group's accounting policies

Classification of Financial Assets

The Group's accounting policies provide scope for investment securities to be designated on inception into different categories in certain circumstances based on specific conditions. In classifying investment securities as held-to-maturity, the Group has determined that it has both the intent and ability to hold these assets until their maturity as required by the accounting policy under Note 3E. The carrying amount of the held-to-maturity financial assets is LBP 451 billion at 2010 year end. If the Group fails to keep these investments until maturity other than for specific circumstances, the Group will be required to reclassify the entire category as available-for-sale that will be measured at fair value with the corresponding cumulative positive change in fair value of LBP 21.6 billion at December 31, 2010 booked in other comprehensive income.

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, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Where available, management has used market indicators in its mark to model approach for the valuation of the Lebanese government debt securities and Central Bank certificates of deposit 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."

Impairment of available for-sale equity investments

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

5 - CASH AND CENTRAL BANK

	December 31,	
	2010	2009
	LBP'000	
Cash on hand	17,115,636	14,934,694
Current accounts with the Central Bank of Lebanon (of which LBP 105.7 billion compulsory deposits at 2010 year-end, LBP 163 billion at 2009 year-end)	196,855,344	202,180,527
Term placements with the Central Bank of Lebanon	344,243,125	355,555,625
Blocked deposit with the tt of Lebanon	400,000	-
Accrued interest receivable	261,992	258,813
	558,876,097	572,929,659

Compulsory deposits of LBP 105.7 billion as at December 31, 2010 (LBP 163 billion in 2009) are denominated in Lebanese Pound and are not available for use in the Group's day-to-day operations. These deposits 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.

Term placements with the Central Bank of Lebanon as at December 31, 2010 include the equivalent in dollar of LBP 329 billion (LBP 285 billion in 2009), 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.

Maturities of term placements with the Central Bank of Lebanon as at December 31, 2010 and 2009 are as follows:

	2010			
	Accounts in LBP		Accounts in F/Cy	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
First quarter 2011	19,000,000	2.84	323,735,625	0.94
3 to 5 years	-	-	1,507,500	3.15
	19,000,000		325,243,125	

	2009			
	Accounts in LBP		Accounts in F/Cy	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
Year 2010:				
First quarter	68,000,000	3.11	260,797,500	1.03
Second quarter	-	-	9,045,000	0.91
Third quarter	-	-	7,537,500	0.66
1 to 3 years	-	-	4,145,625	1.17
3 to 5 years	-	-	6,030,000	1.67
	68,000,000		287,555,625	

6 - DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS

	December 31,	
	2010	2009
	LBP'000	
Purchased checks	8,473,754	9,415,658
Current accounts with correspondents	87,868,057	50,173,884
Current accounts with the parent bank	336,087	160,250
Current accounts with related parties	687,661	501,928
	97,365,559	60,251,720
Term placements with correspondents	211,424,951	288,798,321
Term placements with parent bank	-	18,000,000
	211,424,951	306,798,321
Accrued interest receivable	26,231	213,597
	308,816,741	367,263,638

Maturities of term placements as at December 31:

	2010			
	Balance in LBP		Balance in F/Cy	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
First quarter 2011	11,000,000	4.18	200,424,951	0.42

	2009			
	Balance in LBP		Balance in F/Cy	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
First quarter 2010	51,700,000	3.80	255,098,321	0.38

7 - TRADING SECURITIES

	December 31,	
	2010	2009
	LBP'000	
Lebanese treasury bills	2,825,376	2,875,790
Lebanese Government bonds	4,221,215	5,900,468
Certificates of deposit issued by Central Bank of Lebanon	2,555,417	2,344,139
Equity securities and preferred shares	6,475,250	8,003,599
Accrued interest receivable	186,379	214,117
	16,263,637	19,338,113

The net unrealized loss on trading securities amounted to LBP 1.3 billion for the year 2010 (unrealized gain of LBP 2.6 billion for 2009) recorded under "net

interest and other (loss)/gain on trading portfolio" in the consolidated income statement (Note 31).

8 - LOAN TO A BANK

Loan to a bank is granted to a resident housing bank reflected at amortized cost and consists of the following:

	December 31,	
	2010	2009
	LBP'000	
Regular performing account	7,000,000	-
Accrued interest receivable	58,586	-
	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 bills related to the housing loans granted to its customers.

9 - LOANS AND ADVANCES TO CUSTOMERS

	2010					2009				
	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	188,302,905	-	-	-	188,302,905	99,844,824	-	-	-	99,844,824
- Personal loans	282,450,214	-	-	-	282,450,214	213,288,684	-	-	-	213,288,684
- Credit cards	11,054,838	-	-	-	11,054,838	10,601,703	-	-	-	10,601,703
- Overdrafts	692,400	-	-	-	692,400	1,157,458	-	-	-	1,157,458
- Other	12,909,815	-	-	-	12,909,815	8,698,871	-	-	-	8,698,871
					495,410,172					333,591,540
Staff loans	7,723,981	-	-	-	7,723,981	7,560,455	-	-	-	7,560,455
Corporate customers (standard and special monitoring):										
- Corporate	353,604,654	-	-	-	353,604,654	217,479,167	-	-	-	217,479,167
- Small and medium enterprises	150,989,899	-	-	-	150,989,899	112,798,631	-	-	-	112,798,631
					504,594,553					330,277,798
Non-performing loans and advances:										
- Purchased loan book	3,589,905	-	-	-	3,589,905	3,677,874	-	-	-	3,677,874
- Substandard	6,715,482	(3,296,913)	-	-	3,418,569	326,860	(75,591)	-	-	251,269
- Doubtful	352,504,852	(290,832,948)	(7,976,629)	(37,130,415)	16,564,860	464,924,268	(373,174,948)	(8,059,495)	(45,945,966)	37,743,859
- Bad	125,338,913	(98,453,967)	(1,234,683)	(25,650,263)	-	116,629,029	(89,248,946)	(1,541,791)	(25,838,292)	-
					23,573,334					41,673,002
Restructured loans and advances:										
- Substandard	2,835,586	(222,786)	-	-	2,612,800	2,849,482	(120,377)	-	-	2,729,105
- Doubtful	9,250,306	(5,124,146)	(121,115)	(127,188)	3,877,857	13,581,907	(3,807,147)	(433,807)	(5,199,726)	4,141,227
					6,490,657					6,870,332
Allowance for impairment for collectively assessed loans	-	-	-	(6,189,901)	(6,189,901)	-	-	-	(6,109,703)	(6,109,703)
Accrued interest receivable	4,763,921	-	-	-	4,763,921	3,023,548	-	-	-	3,023,548
	1,512,727,671	(397,930,760)	(9,332,427)	(69,097,767)	1,036,366,717	1,276,442,761	(466,427,009)	(10,035,093)	(83,093,687)	716,886,972

The movement of unrealized interest is as follows:

	2010	2009
	LBP'000	
Balance - Beginning of year	(493,966,324)	(476,626,148)
Additions	(89,796,571)	(94,563,065)
Additions from acquiring Lati Bank S.A.L.	-	(1,395,823)
Write-back through profit and loss (Note 27)	3,464,112	2,224,911
Write-off	122,622,103	37,914,552
Transfer to allowance for impairment	35,541	74,951
Transfer to off-balance sheet	16,190	38,365,501
Transfer to/from allowance for collectively assessed loans	5,218	(1,223)
Effect of exchange rates changes	143,883	40,020
	(457,475,848)	(493,966,324)
Expected contractual write-off on restructured loans	59,545,088	27,539,315
Balance - End of year	(397,930,760)	(466,427,009)

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

	2010	2009
	LBP'000	
Balance - Beginning of year	(79,369,206)	(95,089,358)
Additions	(1,929,964)	(1,757,065)
Adjustments/(additions) from acquiring Lati Bank S.A.L.	740,792	(1,873,741)
Transfer to off-balance sheet	82,501	5,469,903
Write-back through profit and loss	11,865,119	6,307,758
Transfer from unrealized interest	(35,541)	(74,951)
Write-off	1,946,580	7,549,873
Effect of exchange rates changes	19,122	98,375
Other	660,365	-
	(66,020,232)	(79,369,206)
Expected Contractual write-off on restructured loans	3,112,366	2,385,222
Balance - End of year	(62,907,866)	(76,983,984)

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

	2010	2009
	LBP'000	
Balance - Beginning of year	(10,577,862)	(11,983,337)
Additions	(1,138,737)	-
Transfer to off-balance sheet	105,392	-
Write back through profit and loss	1,692,748	751,765
Write-off	98,306	653,710
	(9,820,153)	(10,577,862)
Contractual write-off on restructured loans	487,726	542,769
Balance - End of year	(9,332,427)	(10,035,093)

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

	2010	2009
	LBP'000	
Balance - Beginning of year	(6,109,703)	(5,741,972)
Additions from acquiring Lati Bank S.A.L.	(115,009)	(1,045,000)
Write-off	-	40,792
Write back through profit and loss	40,029	635,254
Transfer from/to unrealized interest	(5,218)	1,223
Balance - End of year	(6,189,901)	(6,109,703)

Loans granted to related parties amounted to LBP 3.3 billion as at December 31, 2010 (LBP 700 million as at December 31, 2009).

During 2004, the Group acquired a loan portfolio from Bank Al Madina, Lebanon. As at December 31, 2010 and 2009, 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 3.6 billion and LBP 3.7 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.

10 - INVESTMENT SECURITIES

This caption consists of the following:

	December 31, 2010					
	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000					
Quoted equity securities	-	7,772,821	7,772,821	-	-	-
Quoted preferred shares	-	250,220	250,220	-	-	-
Unquoted equity securities	4,624,256	9,059,950	13,684,206	-	-	-
Lebanese treasury bills	579,760,767	-	579,760,767	185,000,000	-	185,000,000
Lebanese Government bonds	-	447,545,182	447,545,182	-	189,343,775	189,343,775
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	814,729,914	114,084,733	928,814,647	-	62,704,966	62,704,966
Certificates of deposit issued by banks	-	22,315,055	22,315,055	-	7,466,416	7,466,416
Corporate bonds	-	29,376	29,376	-	-	-
Government bonds - Non-resident	-	-	-	-	358,785	358,785
Alternative funds	-	360,113	360,113	-	-	-
	1,399,114,937	634,650,824	2,033,765,761	185,000,000	259,873,942	444,873,942
Accrued interest receivable	25,865,376	11,327,565	37,192,941	2,052,890	4,192,273	6,245,163
	1,424,980,313	645,978,389	2,070,958,702	187,052,890	264,066,215	451,119,105

	December 31, 2009					
	Available-for-Sale			Held-to-Maturity		
	LBP	C/V of F/Cy	Total	LBP	C/V of F/Cy	Total
	LBP'000					
Quoted equity securities	-	11,451,941	11,451,941	-	-	-
Quoted preferred shares	-	-	-	-	360,806	360,806
Unquoted equity securities	4,798,126	2,326,829	7,124,955	-	-	-
Lebanese treasury bills	609,134,198	-	609,134,198	17,564,651	-	17,564,651
Lebanese government bonds	-	426,268,497	426,268,497	-	218,806,056	218,806,056
Foreign Eurobonds issued by banks	-	12,619,886	12,619,886	-	248,788	248,788
Certificates of deposit issued by Central Bank of Lebanon	492,647,386	110,691,608	603,338,994	-	65,488,004	65,488,004
Certificates of deposit issued by banks	-	22,032,855	22,032,855	-	7,434,190	7,434,190
Alternative Funds	-	365,579	365,579	-	-	-
Corporate bonds	-	-	-	-	2,501,770	2,501,770
	1,106,579,710	585,757,195	1,692,336,905	17,564,651	294,839,614	312,404,265
Accrued interest receivable	22,871,102	10,868,689	33,739,791	450,800	4,983,942	5,434,742
	1,129,450,812	596,625,884	1,726,076,696	18,015,451	299,823,556	317,839,007

A. Available-for-Sale Investment Securities

	December 31, 2010									
	LBP					C/V in LBP of F/Cy				
	Amortized Cost	Allowance for Impairment	Carrying Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable	Amortized Cost	Allowance for Impairment	Carrying Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable
	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

	December 31, 2009									
	LBP					C/V in LBP of F/Cy				
	Amortized Cost	Allowance for Impairment	Carrying Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable	Amortized Cost	Allowance for Impairment	Carrying Fair Value	Cumulative Change in Fair Value	Accrued Interest Receivable
	LBP'000									
Quoted equity securities	-	-	-	-	-	10,775,756	-	11,451,941	676,185	-
Unquoted equity securities	1,907,928	(170,000)	4,798,126	3,060,198	-	11,117,970	(8,813,419)	2,326,829	22,278	-
Lebanese treasury bills	587,656,615	-	609,134,198	21,477,583	14,382,649	-	-	-	-	-
Lebanese Government bonds	-	-	-	-	-	408,134,337	-	426,268,497	18,134,160	9,311,045
Foreign Eurobonds issued by banks	-	-	-	-	-	12,728,969	-	12,619,886	(109,083)	99,824
Certificates of deposit issued by Central Bank of Lebanon	463,817,638	-	492,647,386	28,829,748	8,488,453	106,165,446	-	110,691,608	4,526,162	1,380,192
Certificates of deposit issued by banks	-	-	-	-	-	21,834,314	-	22,032,855	198,541	77,628
Alternative Funds	-	-	-	-	-	541,133	-	365,579	(175,554)	-
	1,053,382,181	(170,000)	1,106,579,710	53,367,529	22,871,102	571,297,925	(8,813,419)	585,757,195	23,272,689	10,868,689

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

REMAINING PERIOD TO MATURITY	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
	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	-	-	

REMAINING PERIOD TO MATURITY	December 31, 2009							
	LBP				C/V of F/Cy			
	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Average Coupon %	Nominal Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Average Coupon %
Lebanese treasury bills:								
Up to one year	107,831,360	107,575,650	109,641,293	10.84	-	-	-	-
1 year to 3 years	458,123,960	458,072,171	477,045,694	8.91	-	-	-	-
3 years to 5 years	22,000,000	22,008,794	22,447,211	8.21	-	-	-	-
	587,955,320	587,656,615	609,134,198		-	-	-	
Lebanese Government bonds:								
Up to one year	-	-	-	-	10,829,835	10,775,832	10,804,691	6.99
1 year to 3 years	-	-	-	-	84,417,092	84,541,881	84,501,363	6.87
3 years to 5 years	-	-	-	-	38,169,900	38,175,751	39,480,317	8.31
5 years to 10 years	-	-	-	-	258,975,686	269,111,363	285,569,169	9.08
Beyond 10 years	-	-	-	-	5,529,510	5,529,510	5,912,957	8.25
	-	-	-	-	397,922,023	408,134,337	426,268,497	
Certificates of deposit issued by Central Bank of Lebanon:								
Up to 1 year	6,000,000	6,024,196	6,089,126	11.30	-	-	-	-
1 year to 3 years	-	-	-	-	52,762,500	52,762,500	55,058,044	7.63
3 years to 5 years	341,000,000	341,793,442	373,535,611	10.28	31,657,500	31,657,500	33,118,412	9.00
5 years to 10 years	116,000,000	116,000,000	113,022,649	7.95	20,170,350	21,745,446	22,515,152	10.00
	463,000,000	463,817,638	492,647,386		104,590,350	106,165,446	110,691,608	
Certificates of deposit issued by banks:								
1 year to 3 years	-	-	-	-	21,858,750	21,834,314	22,032,855	7.63
Eurobonds issued by banks:								
3 years to 5 years	-	-	-	-	3,768,750	3,748,655	3,692,979	5.00
5 years to 10 years	-	-	-	-	7,537,500	7,476,506	7,404,405	7.50
Beyond 10 years	-	-	-	-	1,507,500	1,503,808	1,522,502	5.25
	-	-	-	-	12,813,750	12,728,969	12,619,886	

Available-for-sale equities comprise as at December 31, 2010 an equity participation of 9.89% in USB Bank PLC (Cyprus) in the amount of LBP 6.75 billion (counter-value of Euro 3,382,150) reflected at cost and included under unquoted equity securities. The Group concluded an agreement for the acquisition of an additional 62.95%. In order to be able to acquire these shares BLC Bank had to proceed with a Public Offer for acquiring up to 100% of USB Bank share capital.

Upon the approbation of regulatory authorities and the completion of the Public Offer the total acceptance level reached the 62.95% already agreed on and an additional 21.01% of minority shares. Hence, the Bank became a 93.85% majority shareholder of the said bank.

B. 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
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

	December 31, 2009					
	LBP			C/V in LBP of F/Cy		
	Amortized Cost	Accrued Interest Receivable	Fair Value	Amortized Cost	Accrued Interest Receivable	Fair Value
LBP'000						
Quoted preferred shares	-	-	-	360,806	-	360,806
Lebanese treasury bills	17,564,651	450,800	18,702,680	-	-	-
Lebanese Government bonds	-	-	-	218,806,056	4,351,513	226,873,401
Foreign Eurobonds issued by banks	-	-	-	248,788	6,391	234,114
Certificates of deposit issued by Central Bank of Lebanon	-	-	-	65,488,004	485,831	68,264,940
Certificates of deposit issued by banks	-	-	-	7,434,190	28,343	7,594,868
Corporate bonds	-	-	-	2,501,770	111,864	2,735,748
	17,564,651	450,800	18,702,680	294,839,614	4,983,942	306,063,877

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
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	

	December 31, 2009							
	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	%
Quoted preferred shares:								
3 years to 5 years	-	-	-	-	161,996	161,996	161,996	8.00
Beyond 10 years	-	-	-	-	226,124	198,810	198,810	-
	-	-	-		388,120	360,806	360,806	
Lebanese treasury bills:								
Up to one year	3,600,000	3,587,710	3,777,588	9.32	-	-	-	-
1 year to 3 years	11,400,000	11,391,971	12,198,629	9.07	-	-	-	-
3 years to 5 years	2,560,000	2,584,970	2,726,463	8.54	-	-	-	-
	17,560,000	17,564,651	18,702,680		-	-	-	
Lebanese Government bonds:								
Up to one year	-	-	-	-	7,839,000	7,831,900	7,835,116	7.13
1 year to 3 years	-	-	-	-	114,534,665	114,478,963	115,572,942	7.78
3 years to 5 years	-	-	-	-	47,712,375	47,706,826	50,553,853	8.98
5 years to 10 years	-	-	-	-	28,362,105	29,124,172	31,728,451	9.62
Beyond 10 years	-	-	-	-	19,805,535	19,664,195	21,183,039	8.25
	-	-	-		218,253,680	218,806,056	226,873,401	
Foreign Eurobonds issued by banks:								
Up to one year	-	-	-	-	226,125	248,788	234,114	12.00
	-	-	-	-	226,125	248,788	234,114	
Certificates of deposit issued by Central Bank of Lebanon:								
1 year to 3 years	-	-	-	-	54,827,775	54,827,775	56,984,159	7.63
3 years to 5 years	-	-	-	-	2,014,020	2,014,020	2,115,006	9.00
5 years to 10 years	-	-	-	-	8,215,875	8,646,209	9,165,775	10.00
	-	-	-		65,057,670	65,488,004	68,264,940	
Certificates of deposit issued by banks:								
1 year to 3 years	-	-	-	-	7,537,500	7,434,190	7,594,868	7.63
	-	-	-		7,537,500	7,434,190	7,594,868	
Corporate bonds:								
1 year to 3 years	-	-	-	-	148,628	148,628	217,345	6.00
3 years to 5 years	-	-	-	-	608,386	621,886	752,827	7.36
Beyond 10 years	-	-	-	-	1,714,066	1,731,256	1,765,576	10.40
	-	-	-		2,471,080	2,501,770	2,735,748	
	17,560,000	17,564,651	18,702,680		293,934,175	294,839,614	306,063,877	

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

	2010			
	Available-for-Sale		Held-to-Maturity	
	LBP	C/V of F/Cy	LBP	C/V of F/Cy
	LBP'000			
Balance as at January 1, 2010	1,106,579,710	585,757,195	17,564,651	294,839,614
Reclassified to available-for-sale as a result of the merger with Lati Bank S.A.L.	17,564,651	27,349,842	(17,564,651)	(27,349,842)
Acquisition	726,021,515	55,034,412	185,000,000	-
Sale	(326,444,765)	(32,816,961)	-	-
Redemption upon maturity	(117,431,360)	(11,131,335)	-	(7,537,500)
Net change in fair value	(6,667,220)	14,635,708	-	-
Amortization of discount/premium	(677,594)	(869,007)	-	(78,330)
Allowance for Impairment	170,000	(120,515)	-	-
Effect of exchange rates changes	-	(3,188,515)	-	-
Balance as at December 31, 2010	1,399,114,937	634,650,824	185,000,000	259,873,942

	2009			
	Available-for-Sale		Held-to-Maturity	
	LBP	C/V of F/Cy	LBP	C/V of F/Cy
	LBP'000			
Balance as at January 1, 2009	882,003,841	455,654,028	94,382,179	290,261,868
Acquisition	534,373,691	152,451,220	26,676,251	50,307,259
Sale	(52,170)	(26,424,788)	-	-
Redemption upon maturity	(344,958,390)	(40,283,017)	(105,000,000)	(45,601,875)
Net change in fair value	34,449,407	47,123,412	-	-
Amortization of discount/premium	763,331	(1,363,650)	1,506,221	(127,638)
Effect of exchange rates changes	-	(1,400,010)	-	-
Balance as at December 31, 2009	1,106,579,710	585,757,195	17,564,651	294,839,614

11 - 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.

12 - ASSETS ACQUIRED IN SATISFACTION OF LOANS

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

The movement of assets acquired in satisfaction of loans was as follows during 2010 and 2009:

	2010			
	Balance January 1, 2010	Additions	Disposals	Balance December 31, 2010
	LBP'000			
Properties acquired in satisfaction of loans	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

	2009			
	Balance January 1, 2009	Additions	Disposals	Balance December 31, 2009
	LBP'000			
Properties acquired in satisfaction of loans	87,302,707	4,287,697	(5,958,387)	85,632,017
Less: Impairment allowance	(10,421,040)	-	767,376	(9,653,664)
	76,881,667	4,287,697	(5,191,011)	75,978,353

During 2010, the Bank acquired two plots in settlement of a long outstanding loan amounting to LBP 20.8 billion resulting in a net write-back of allowance for doubtful debts of LBP 3.7 billion.

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.

During the year 2010, the Group sold assets acquired in satisfaction of loans of aggregate net value of LBP 4.2 billion (LBP 5.13 billion in 2009) for a total consideration of LBP 8.4 billion (LBP 11.4 billion in 2009), thus resulting in a net gain on sale in the amount of LBP 4.3 billion (LBP 6.3 billion in 2009).

13 - PROPERTY AND EQUIPMENT

	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 15). The property has not yet been registered in the name of the Bank.

	Balance January 1, 2009	Additions	Disposals and Adjustments	Balance December 31, 2009
LBP'000				
Cost/Revaluation:				
Owned properties	33,988,788	19,375,196	-	53,363,984
Computer hardware	8,477,138	1,167,573	(1,167)	9,643,544
Machines and equipments	3,000,001	237,732	(386,196)	2,851,537
Furniture and fixtures	2,664,256	355,422	-	3,019,678
Vehicles	382,604	242,137	(166,540)	458,201
Freehold and leasehold improvements	6,545,283	360,654	-	6,905,937
Key money	133,687	-	-	133,687
	55,191,757	21,738,714	(553,903)	76,376,568
Accumulated depreciation	(19,921,907)	(2,438,001)	424,185	(21,935,723)
Allowance for impairment of owned properties	(393,875)	-	-	(393,875)
	(20,315,782)	(2,438,001)	424,185	(22,329,598)
Advance payments	671,693	86,599	-	758,292
Carrying value	35,547,668			54,805,262

During 2009, the Group purchased a plot of land to be used as an extension to its headquarters' building for a total consideration of LBP 14.9 billion including LBP 769 million registration costs.

14 - INTANGIBLE ASSETS

Intangible assets consist of computer software and key money, the movement of which was as follows during 2010 and 2009:

	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

	Carrying Value January 1, 2009	Additions	Amortization for the Year	Carrying Value December 31, 2009
LBP'000				
Computer software	3,992,847	433,927	(1,536,450)	2,890,324

15 - DEFERRED CHARGES ON BUSINESS ACQUISITION

On September 8, 2009, the Bank 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 19) from Central Bank of Lebanon for a period of 4.5 years bearing interest at a fixed rate of 2.6% per annum, to compensate for the excess consideration paid over the fair value of the net assets acquired, with the possibility of increasing the loan amount to cover acquisition costs and additional consequent charges which were incurred or will be incurred as determined within a period of six months from the date of the final approval of the merger transaction. Such additional consequent charges include, but are not limited to, termination indemnities paid to the acquired bank's employees.

The soft loan proceeds were invested during 2010 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 42 billion up to 2010 year end. These costs were booked as deferred charges, to be amortized effective 2010, over the term of the soft loan. 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 2010 amounted to LBP 4.46 billion.

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 condensed classes of assets and liabilities of Lati Bank S.A.L. that were acquired and assumed as at December 31, 2009 are as follows:

December 31, 2009	
LBP'000	
ASSETS	
Cash and Banks	27,912,538
Loans and advances to customers	6,739,031
Investment securities	48,701,667
Customers' liability under acceptances	2,491,769
Property, equipment and other assets	4,953,629
Total Assets	90,798,634
LIABILITIES	
Deposits and borrowings from banks	2,279,562
Customers' accounts at amortized cost	85,033,147
Liability under acceptances	2,491,769
Provisions and other liabilities	739,241
Total liabilities	90,543,719
Fair value of net assets	254,915
Consideration paid	30,206,067
Additional acquisition costs	637,239
	30,843,306
Excess of consideration and acquisition costs over fair value of net assets	30,588,391

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

2010	
LBP'000	
Balance as at January 1,	30,588,391
Income realized on acquisition	7,728,744
Fair value adjustment of investment securities acquired	102,935
Fair value adjustment of building acquired (Note 13)	(2,275,034)
Additional acquisition costs	1,449,222
Deferred charges covered by soft loan	37,594,258
Additional acquisition incidental costs incurred above the approved amount	4,513,156
	42,107,414
Amortization for the year	(4,459,364)
Balance as at December 31,	37,648,050

16 - OTHER ASSETS

	December 31,	
	2010	2009
LBP'000		
Prepayments	6,640,815	4,445,678
Commission receivable	1,183,105	569,637
Sundry debtors (Net of allowance of LBP 3.24 billion LBP 3.92 billion in 2009)	4,038,432	3,087,509
Sundry debit balances	86,212	214,390
Fair valuation of forward exchange contracts	13,386	1,637
	11,961,950	8,318,851

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

17 - DEPOSITS FROM BANKS

	December 31, 2010		
	LBP	C/V of F/Cy	Total
	LBP'000		
Current deposits of banks and financial institutions	2,171,251	5,995,469	8,166,720
Short term deposits	12,000,472	26,763,607	38,764,079
Accrued interest payable	4,596	41,896	46,492
	14,176,319	32,800,972	46,977,291

	December 31, 2009		
	LBP	C/V of F/Cy	Total
	LBP'000		
Current deposits of banks and financial institutions	5,313,383	5,081,082	10,394,465
Short term deposits	15,570	23,490,450	23,506,020
Accrued interest payable	902	38,804	39,706
	5,329,855	28,610,336	33,940,191

The maturities of short term deposits are as follows:

	December 31, 2010			
	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
First quarter 2011	12,000,472	4.33	26,763,607	1.00

	December 31, 2009			
	LBP Base Accounts		F/Cy Base Accounts	
	Amount	Average Interest Rate	Amount	Average Interest Rate
MATURITY	LBP'000	%	LBP'000	%
First quarter 2010	15,570	3.15	23,490,450	0.81

18 - CUSTOMERS' ACCOUNTS

Accounts at amortized cost:

	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

	December 31, 2009		
	LBP	F/CY	Total
	LBP'000		
Deposits from customers:			
Current/demand deposits	77,835,979	263,451,817	341,287,796
Term deposits	1,393,756,363	1,599,072,682	2,992,829,045
Collateral against loans and advances	23,229,060	31,189,618	54,418,678
Margins and other accounts:			
Margins for irrevocable import letters of credit	67,547	4,505,935	4,573,482
Margins on letters of guarantee	3,295,816	2,930,784	6,226,600
Other margins	1,369,660	6,770,978	8,140,638
Blocked accounts	372,526	1,668,734	2,041,260
Credit versus debit	-	1,594,086	1,594,086
Accrued interest payable	7,680,389	7,428,904	15,109,293
Total	1,507,607,340	1,918,613,538	3,426,220,878

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

	December 31, 2010		
	No. of Customers	LBP	
		Total Deposits	% to Total Deposits
		LBP'000	%
Less than LBP 250 million	74,277	738,629,160	42
Between LBP 250 million and LBP 1,500 million	1,921	512,377,882	29
Above LBP 1,500 million	298	515,979,460	29
	76,496	1,766,986,502	100

	December 31, 2009		
	No. of Customers	LBP	
		Total Deposits	% to Total Deposits
		LBP'000	%
Less than LBP 250 million	72,962	717,667,275	48
Between LBP 250 million and LBP 1,500 million	1,813	436,480,056	29
Above LBP 1,500 million	214	353,460,009	23
	74,989	1,507,607,340	100

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. Issuance of the preferred shares was approved by the Bank's assembly of shareholders on July 30, 2010.

Deposits from customers include coded deposit accounts in the aggregate of LBP 55.9 billion (LBP 49 billion in 2009). 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.

	December 31, 2010		
	F/Cy		Total
	Total Deposits	% to Total Deposits	
	LBP'000	%	LBP'000
Less than LBP 250 million	474,581,887	22	1,213,211,047
Between LBP 250 million and LBP 1,500 million	492,882,237	23	1,005,260,119
Above LBP 1,500 million	1,188,074,685	55	1,704,054,145
	2,155,538,809	100	3,922,525,311

	December 31, 2009		
	F/Cy		Total
	Total Deposits	% to Total Deposits	
	LBP'000	%	LBP'000
Less than LBP 250 million	479,349,084	25	1,197,016,359
Between LBP 250 million and LBP 1,500 million	485,103,238	25	921,583,294
Above LBP 1,500 million	954,161,216	50	1,307,621,225
	1,918,613,538	100	3,426,220,878

Deposits from customers include fiduciary deposits received from resident and non-resident banks for a total amount of LBP 44.3 billion and LBP 254.4 billion, respectively (LBP 16.6 billion and LBP 346.9 billion, respectively in 2009).

Deposits from customers include at December 31, 2010 related party deposits for a total amount of LBP 16.9 billion (LBP 9.4 billion in 2009).

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

Year	Deposits in LBP		Deposits in F/Cy		Cost of Funds LBP
	Average Balance of Deposits	Average Interest Rate	Average Balance of Deposits	Average Interest Rate	
	LBP'000	%	LBP'000	%	
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
2008	1,005,010,301	7.32	1,311,426,867	3.86	125,300,034

Accounts at fair value through profit or loss:

	December 31, 2010			December 31, 2009		
	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	2,249,997	-	2,249,997
Accrued interest payable	-	7,845	7,845	-	6,272	6,272
Total	2,381,087	7,845	2,388,932	2,249,997	6,272	2,256,269

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 USD 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.

19 - OTHER BORROWINGS

	December 31,	
	2010	2009
	LBP'000	
ESFD-CDR loan funded by the European Union	10,627,012	11,456,600
Soft loan from the Central Bank of Lebanon (Note 15)	185,000,000	-
Other borrowings	269,179	-
Accrued interest payable	684,370	1,375
	196,580,561	11,457,975

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.

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

	2010	2009
		LBP'000
Up to 1 year	3,736,469	3,221,173
1 to 3 years	6,206,173	5,143,825
3 to 5 years	186,637,919	3,092,977
	196,580,561	11,457,975

20 - OTHER LIABILITIES

	December 31,	
	2010	2009
	LBP'000	
Withheld taxes and income tax payable	8,004,721	5,056,775
Deferred tax liability on accrued interest	1,469,132	1,211,781
Deferred tax on future dividend distribution from subsidiaries	92,583	49,296
Deferred tax liability on change in fair value of available-for-sale securities (Note 26)	12,258,609	11,065,694
Due to the Social Security National Fund	417,593	405,953
Checks and incoming payment orders in course of settlement	18,534,886	16,003,074
Blocked capital subscriptions for companies under incorporation	453,511	452,645
Accrued expenses	6,234,634	2,377,097
Financial guarantees	616,245	346,216
Payable to personnel and directors	5,767,217	4,551,614
Sundry accounts payable	11,686,606	8,391,124
Dividends payable	60,633	-
Deferred income	242,415	360,759
	65,838,785	50,272,028

Summary of tax reconciliation between accounting and taxable profit:

	December 31,	
	2010	2009
	LBP'000	
Profit before income tax	80,580,639	60,491,534
Income tax applied (15%)	12,087,096	9,073,730
Tax effect on non-deductible expenses and non-taxable income	83,143	(422,243)
	12,170,239	8,651,487
Additional income tax provision	96,166	223,680
Taxes (5%) paid non-refundable	27,077	-
Income tax expense	12,293,482	8,875,167
Less: Taxes withheld on interest revenue	(6,548,124)	(5,793,280)
Less: Accumulated over provision	(96,166)	(223,680)
Income tax payable	5,649,192	2,858,207

The tax returns for the years from 2007 to 2010 are still subject for review by the tax authorities and any additional tax liability depends on the outcome of such review.

21 - PROVISIONS

Provisions consist of the following:

	December 31,	
	2010	2009
	LBP'000	
Provision for staff end-of-service indemnity	8,507,068	7,846,026
Provision for contingencies	15,658,635	16,471,970
Provision for loss on foreign currency position	29,155	54,910
	24,194,858	24,372,906

The movement of the provision for contingencies is as follows:

	2010	2009
	LBP'000	
Balance January 1	16,471,970	19,204,387
Additions (Note 33)	56,270	-
Write-back (net)	-	(1,865,605)
Settlements	(869,605)	(866,812)
Balance December 31	15,658,635	16,471,970

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

	2010	2009
	LBP'000	
Balance January 1	7,846,026	7,091,464
Additions (Note 33)	885,786	851,316
Additions from business combination (Lati Bank S.A.L.)	-	185,481
Additions - Legal expenses and sundry charges	79,506	76,122
Settlements	(304,250)	(358,357)
Balance December 31	8,507,068	7,846,026

22 - SHARE CAPITAL

At December 31, 2010 and 2009, the Bank's ordinary share capital consists of 152,700,000 fully paid shares of LBP 1,000 par value each.

As at 2010 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 2009 year-end).

23 - RESERVES

	December 31,	
	2010	2009
LBP'000		
Legal reserve (a)	12,887,560	7,585,667
Reserve for general banking risks (b)	15,012,667	8,982,136
Free reserves	35,756,693	27,177,805
	63,656,920	43,745,608
Regulatory reserve for assets acquired in satisfaction of loans	13,078,756	10,858,632
	76,735,676	54,604,240

(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.

24 - SPECIAL RESERVE

Based on the intermediary circular 41 and the intermediary resolution 8557 in relation to the amendment of the basic resolutions 7694 dated October 18, 2000 and 7,740 dated December 31, 2000 related to constitution of provisions, liquidation of real estates, shares and participations acquired in satisfaction of loans, the Bank has allocated during 2009 an amount of LBP 1.57 billion to special reserve for the uncovered portion of the doubtful debts outstanding as at June 30, 2003 approved by the

General Assembly held on April 8, 2009.

Based on the intermediary resolution 10339 dated December 22, 2009 in relation to the amendment of the basic circular 7694, which permits the Bank to defer the allocation of the reserve until the year end of 2012, the Bank reversed this special reserve to retained earnings.

25 - DIVIDENDS PAID

The Bank's General Assembly held on April 8, 2010 resolved to distribute dividends to common stock

shareholders in the amount of LBP 22.7 billion equivalent of LBP 149 per share (LBP 13.1 billion in 2009).

26 - CUMULATIVE CHANGE IN FAIR VALUE OF AVAILABLE-FOR-SALE SECURITIES

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

	December 31,	
	2010	2009
LBP'000		
Unrealized gain on Lebanese treasury bills	9,803,325	21,477,584
Unrealized gain on Lebanese government bonds	30,597,152	18,134,160
Unrealized gain on certificates of deposit issued by the Central Bank of Lebanon	39,289,712	33,355,910
Unrealized gain on certificates of deposit issued by banks	472,286	198,540
Unrealized gain on unquoted equity securities	2,908,607	3,082,475
Unrealized gain on quoted equity securities	749,232	676,185
Unrealized gain/(loss) on banks Eurobonds	790,075	(109,083)
Less: Deferred tax (Note 20)	(12,258,609)	(11,065,694)
Total	72,351,780	65,750,077

27 - INTEREST INCOME

	2010	2009
	LBP'000	
Interest income from:		
Deposits with Central Bank	4,402,135	4,862,041
Deposits with banks and financial institutions	1,496,679	2,112,478
Deposits with Parent Bank	88,561	82,907
Loan to a bank	150,286	-
Available-for-sale investment securities	153,462,118	133,554,851
Held-to-maturity investment securities	27,002,880	34,809,008
Loans and advances to customers	70,023,645	51,112,739
Interest realized on non-performing loans and advances to customers (Note 9)	3,464,112	2,224,911
Other	140,083	127,910
	260,230,499	228,886,845

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.

28 - INTEREST EXPENSE

	2010	2009
	LBP'000	
Interest expense on:		
Deposits and borrowings from banks	333,404	154,497
Deposits and borrowings from mother bank	2,601	43,929
Customers' accounts at amortized cost	159,940,335	147,901,520
Soft loan from the Central Bank of Lebanon	3,113,139	-
Customers' accounts designated at fair value through profit and loss	212,576	208,686
Other borrowings	443,971	495,550
	164,046,026	148,804,182

29 - FEE AND COMMISSION INCOME

	2010	2009
	LBP'000	
Commission on documentary credits	1,532,752	1,464,882
Commission on letters of guarantee	1,271,223	817,107
Commission on transactions with banks	92,985	43,257
Service fees on customers' transactions	6,779,398	6,302,987
Commission on loans and advances	4,424,924	3,957,792
Commission earned on insurance policies	6,203,013	4,509,684
Other	450,846	1,122,876
	20,755,141	18,218,585

30 - FEE AND COMMISSION EXPENSE

	2010	2009
	LBP'000	
Brokerage fees	1,718,448	1,730,052
Commission on transactions with banks and financial institutions	288,195	618,884
Commission paid to car dealers	1,195,599	649,154
Other	272,872	378,050
	3,475,114	3,376,140

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

	2010	2009
	LBP'000	
Interest income	865,196	973,884
Dividends received	416,436	409,246
Net unrealized (loss)/gain	(1,299,696)	2,573,533
Net realized gain/(loss)	2,608	(3,470)
Net interest and other (loss)/gain	(15,456)	3,953,193

32 - OTHER OPERATING INCOME

	2010	2009
	LBP'000	
Gain on sale of available-for-sale securities:		
Equities	318,083	-
Lebanese treasury bills	4,277,388	946
Certificates of deposit issued by the Central Bank of Lebanon	-	385,046
Lebanese Government bonds	2,527,474	1,696,286
	7,122,945	2,082,278
Dividends on available-for-sale securities	1,048,997	1,188,181
Foreign exchange gain	2,202,481	1,609,361
Miscellaneous	913,466	890,476
	11,287,889	5,770,296

33 - STAFF COSTS

	2010	2009
	LBP'000	
Salaries	23,459,143	20,829,860
Board of directors remunerations	4,037,682	3,392,236
Social Security contributions	3,677,168	3,220,279
Contingency provision for personnel (Note 21)	56,270	-
Provision for end-of-service indemnities (Note 21)	885,786	851,316
Other employees' costs	9,848,965	8,287,581
	41,965,014	36,581,272

34 - GENERAL AND ADMINISTRATIVE EXPENSES

	2010	2009
	LBP'000	
Fees and taxes	568,899	728,591
Rent and building services	934,274	845,458
Legal and professional fees	3,084,299	2,405,015
Telephone and postage	1,084,438	886,001
Maintenance and repairs	3,605,126	2,896,500
Electricity and water	746,583	549,712
Heat, light and power	494,104	457,050
Insurance	792,436	646,325
Advertising and publicity	3,844,442	2,263,220
Public relations and entertainment	348,304	177,011
Printing and stationary	669,730	621,282
Subscriptions	1,544,538	1,333,987
Travel	263,518	221,561
Donations	111,304	62,891
Software implementation fees	232,490	56,615
Credit card expenses	957,914	940,521
Miscellaneous expenses	3,176,762	2,495,659
	22,459,161	17,587,399

35 - EARNINGS PER SHARE

The computation of the basic earnings per share is based on the net Group's profit before non-recurring income and the weighted average number of outstanding shares during each year held by the

Group. The weighted average number of shares to compute basic earnings per share is 152,700,000 shares in 2010 and 2009.

36 - 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, 2010 and 2009 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, 2010, the Group had issued letters of guarantees in favor of the parent bank and other related parties amounting to LBP 32 billion (LBP 29.3 billion in 2009).

37 - 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.

38 - CASH AND CASH EQUIVALENTS

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

	December 31,	
	2010	2009
	LBP'000	
Cash on hand	17,115,636	14,934,694
Current accounts with Central Bank of Lebanon (excluding compulsory deposits)	91,153,930	39,387,979
Term placements with Central Bank of Lebanon	342,735,625	328,797,500
Purchased Checks	8,473,754	9,415,658
Current accounts with correspondents	87,868,057	50,173,884
Current accounts with the parent bank	336,087	160,250
Current accounts with related parties	687,661	501,928
Term placements with correspondents	211,424,951	288,798,321
Blocked deposit with the Central Bank of Lebanon	400,000	-
Term placements with the Parent Bank	-	18,000,000
	760,195,701	750,170,214

Above term placements with Central Bank of Lebanon and with correspondents and parent bank represent inter-bank placements with an original maturity of 90 days or less.

Major non-cash transactions excluded from the statement of cash flow for the years ended December 31, 2010 and 2009 are summarized as follows:

- a. Assets and liabilities acquired from Lati Bank S.A.L. excluded for the year ended 2009:

	LBP'000
Assets	
Loans and advances	6,739,031
Available-for-sale investment securities	2,699,756
Held-to-maturity investment securities	46,001,911
Property and equipment	4,810,717
Other assets	142,912
	60,394,327
Liabilities	
Customers' accounts	85,033,147
Other liabilities	548,759
Provisions	190,482
	85,772,388

- b. Positive change in fair value of available-for-sale securities of LBP7.79billion and related deferred tax liability of LBP1.19billion during 2010 (Positive change of LBP81.5billion and deferred tax liability of LBP11billion during 2009).
- c. Assets acquired in satisfaction of loans in the amount of LBP25.2billion during 2010 (LBP4.3billion during 2009).
- d. Increase in the value of the acquired property from Lati Bank S.A.L. with an amount of LBP2.28billion against deferred charges on business acquisition during 2010.
- e. Transfer of provision of LBP175million from property and equipment to other liabilities during 2010.
- f. Reclassification of held-to-maturity securities with an amount of LBP44.9billion to available-for-sale securities as a result of the merger with Lati Bank S.A.L.

39 - 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:

- 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.

Distribution of assets and liabilities by segment

	December 31, 2010						Total
	Corporate	Retail	Treasury	Private Banking	Other	Elimination	
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
Loans and advances to customers	459,018,054	548,418,901	-	10,540,595	18,389,167	-	1,036,366,717
Loans to banks	-	-	7,058,586	-	-	-	7,058,586
Investment securities	-	1,688,808,533	242,959,849	398,824,200	191,485,225	-	2,522,077,807
Banks' 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	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	-	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	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

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, 2010					Total
	Corporate	Retail	Treasury	Private Banking	Other	
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

The geographical distribution of assets and liabilities are disclosed in note 41 to the financial statements.

40 - COLLATERAL GIVEN

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

December 31					
		2010		2009	
		Corresponding Facilities			
Amount of Pledged 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 Central Bank of Lebanon	-

41 - FINANCIAL RISK MANAGEMENT

The Group is exposed to the following risks from its use of financial instruments:

- ▲ Credit risk
- ▲ Liquidity risk
- ▲ Market risk

A. Credit Risk

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

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentration of credit risk 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 Group's general credit policy as recommended by the Credit Committee.

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

2. Measurement of Credit Risk

(a) Loans and advances to customers

The commercial and consumer credit extension divisions manage credit risk based on the risk profile of the borrower, repayment source and the nature of the underlying collateral given current events and conditions.

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, 2010				
	LBP Base Accounts		F/Cy Base Accounts		No. of Counter-Parties
	Total Amount	% to Total	Total Amount	% to Total	
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

	December 31, 2009				
	LBP Base Accounts		F/Cy Base Accounts		No. of Counter-Parties
	Total Amount	% to Total	Total Amount	% to Total	
LBP'000	%	LBP'000	%		
Less than LBP 5 billion	11,223,419	21	33,915,585	11	48
From LBP 5 billion to LBP 15 billion	23,338,802	45	66,949,638	21	12
From LBP 15 billion to LBP 30 billion	18,005,178	34	183,529,918	58	10
From LBP 30 billion to LBP 50 billion	-	-	30,301,098	10	1
	52,567,399	100	314,696,239	100	71

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

	December 31, 2010				
	LBP Base Accounts		F/Cy Base Accounts		No. of Counter-Parties
	Total Loans	% to Total Loans	Total Loans	% to Total Loans	
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

	December 31, 2009				
	LBP Base Accounts		F/Cy Base Accounts		No. of Counter-Parties
	Total Loans	% to Total Loans	Total Loans	% to Total Loans	
LBP'000	%	LBP'000	%		
Less than LBP 0.5 billion	201,418,237	87	202,456,179	46	35,811
From LBP 0.5 billion to LBP 1.5 billion	9,595,418	4	69,321,260	16	91
More than LBP 1.5 billion	19,481,416	9	172,180,831	38	45
	230,495,071	100	443,958,270	100	35,947

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

	December 31, 2010			Fair Value of Collateral Received						Lesser of Individual Exposure or Total Guarantees	
	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Pledged Funds	Bank Guarantees	First Degree Mortgage on Properties	Equity Securities	Debt Securities	Others		Total Guarantees
LBP'000											
Regular loans and advances	1,012,492,627	-	1,012,492,627	77,171,528	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	1,503	-	73,600,175	-	-	3,302,389	76,904,067	75,885,861
Loss (including restructured debts)	25,673,420	(25,673,420)	-	955	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	-	-	-	-	-	-	-	-
Allowance for collectively assessed loans	-	(6,189,901)	(6,189,901)	-	-	-	-	-	-	-	-
	1,105,464,483	(69,097,766)	1,036,366,717	77,173,986	26,869,558	442,953,573	26,062,663	527,625	298,931,561	872,518,966	694,058,044

	December 31, 2009			Fair Value of Collateral Received						Lesser of Individual Exposure or Total Guarantees	
	Gross Exposure Net of Unrealized Interest and Discount	Allowance for Impairment	Net Exposure	Pledged Funds	Bank Guarantees	First Degree Mortgage on Properties	Equity Securities	Debt Securities	Others		Total Guarantees
LBP'000											
Regular loans and advances	674,453,341	-	674,453,341	66,532,597	20,116,698	204,729,263	48,480,250	2,479,001	295,987,456	638,325,265	394,273,653
Substandard (including restructured debts)	2,980,374	-	2,980,374	-	43,908	512,966	-	-	149,730	706,604	598,525
Doubtful (including restructured debts)	93,030,778	(51,145,692)	41,885,086	1,503	37,688	62,992,077	-	-	1,198,115	64,229,383	65,542,923
Loss (including restructured debts)	25,838,292	(25,838,292)	-	2,463	70,769	1,190,349	13,500	-	1,655,410	2,932,491	2,559,921
Loan portfolio purchased	3,677,874	-	3,677,874	-	-	-	-	-	-	-	-
Allowance for collectively assessed loans	-	(6,109,703)	(6,109,703)	-	-	-	-	-	-	-	-
	799,980,659	(83,093,687)	716,886,972	66,536,563	20,269,063	269,424,655	48,493,750	2,479,001	298,990,711	706,193,743	462,975,022

Overdue regular loans and bills outstanding as at December 31, 2010 and 2009 are as follows:

	December 31,	
	2010	2009
	LBP'000	
Between 30 and 60 days	2,790,000	1,591,000
Between 60 and 90 days	689,000	260,000
Between 90 and 180 days	1,681,000	112,000
More than 180 days	811,000	597,000

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

	December 31, 2010					Total
	Lebanon	Middle East and Africa	North America	Europe	Other	
	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

	December 31, 2009					
	Lebanon	Middle East and Africa	North America	Europe	Other	Total
	LBP'000					
FINANCIAL ASSETS						
Cash and Central Bank	572,929,659	-	-	-	-	572,929,659
Deposits with banks and financial institutions	69,730,880	76,887,651	31,905,141	188,398,738	341,228	367,263,638
Trading assets	19,338,113	-	-	-	-	19,338,113
Loans and advances to customers	695,560,321	20,578,362	35,143	707,767	5,379	716,886,972
Available-for-sale investment securities	1,714,522,118	-	-	11,554,578	-	1,726,076,696
Held-to-maturity investment securities	314,258,451	-	-	3,580,556	-	317,839,007
Total	3,386,339,542	97,466,013	31,940,284	204,241,639	346,607	3,720,334,085
FINANCIAL LIABILITIES						
Deposits from banks	7,533,807	2,220,003	-	24,186,381	-	33,940,191
Customers' accounts	2,898,932,651	185,353,340	8,003,753	331,547,394	4,640,009	3,428,477,147
Other borrowings	11,457,975	-	-	-	-	11,457,975
Total	2,917,924,433	187,573,343	8,003,753	355,733,775	4,640,009	3,473,875,313

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 be 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, 2010						Total
	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	
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
Loan to a bank	58,586	-	-	-	-	7,000,000	7,058,586
Trading securities	-	1,799,159	-	1,115,170	-	2,214,812	5,129,141
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	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	98,050,043	1,499,072,797	172,252,595	-	-	-	1,769,375,435
Other borrowings	-	1,401,415	2,063,628	6,206,173	186,637,919	-	196,309,135
Total	99,952,738	1,512,499,684	174,564,375	6,206,173	186,637,919	-	1,979,860,889
Maturity Gap	32,689,982	(1,397,741,078)	60,728,733	497,800,165	498,156,988	511,224,691	202,859,481

	December 31, 2010						Total
	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	
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	337,208,426	645,978,388
Held-to-maturity investment securities	-	4,192,273	30,136,600	137,669,192	50,087,191	41,980,960	264,066,216
Total	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	289,058,937	1,669,086,496	196,790,286	603,089	-	-	2,155,538,808
Other borrowings	-	271,426	-	-	-	-	271,426
Total	293,601,451	1,697,616,380	196,790,286	603,089	-	-	2,188,611,206
Maturity Gap	(46,839,625)	(1,030,645,890)	151,207,680	424,896,962	173,287,975	406,220,907	78,128,009

December 31, 2009							
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	170,620,986	68,000,000	-	-	-	-	238,620,986
Deposits with banks and financial Institutions	867,399	51,700,000	-	-	-	-	52,567,399
Trading securities	-	-	-	2,959,786	-	2,011,522	4,971,308
Loans and advances to customers	16,254,562	22,850,519	33,963,170	75,860,728	37,474,895	57,146,190	243,550,064
Available-for-sale investment securities	4,798,126	28,960,228	109,641,293	477,045,694	395,982,822	113,022,649	1,129,450,812
Held-to-maturity investment securities	-	550,782	3,487,729	11,391,971	2,584,969	-	18,015,451
Total Assets	192,541,073	172,061,529	147,092,192	567,258,179	436,042,686	172,180,361	1,687,176,020
FINANCIAL LIABILITIES							
Deposits from banks	4,050,489	1,279,366	-	-	-	-	5,329,855
Customers' accounts	72,526,266	1,318,229,886	116,855,039	2,252,418	-	-	1,509,863,609
Other borrowings	-	-	3,221,173	5,143,825	3,092,977	-	11,457,975
Total Liabilities	76,576,755	1,319,509,252	120,076,212	7,396,243	3,092,977	-	1,526,651,439
Maturity Gap	115,964,318	(1,147,447,723)	27,015,980	559,861,936	432,949,709	172,180,361	160,524,581

December 31, 2009							
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	46,732,003	260,797,500	16,582,500	4,144,835	6,051,835	-	334,308,673
Deposits with banks and financial institutions	69,275,186	240,158,957	-	-	5,262,096	-	314,696,239
Trading securities	8,003,598	-	1,781,933	965,796	2,180,608	1,434,870	14,366,805
Loans and advances to customers	30,778,622	221,394,876	63,365,098	95,218,454	42,304,112	20,275,746	473,336,908
Available-for-sale investment securities	14,144,349	20,418,485	1,254,896	161,592,262	76,291,708	322,924,184	596,625,884
Held-to-maturity investment securities	-	12,815,842	248,787	176,889,557	50,504,728	59,364,642	299,823,556
Total Assets	168,933,758	755,585,660	83,233,214	438,810,904	182,595,087	403,999,442	2,033,158,065
FINANCIAL LIABILITIES							
Deposits from banks	5,096,614	23,513,722	-	-	-	-	28,610,337
Customers' accounts	230,920,049	1,506,793,241	178,186,519	2,713,729	-	-	1,918,613,538
Other borrowings	-	-	-	-	-	-	-
Total liabilities	236,016,663	1,530,306,963	178,186,519	2,713,729	-	-	1,947,223,874
Maturity Gap	(67,082,905)	(774,721,303)	(94,953,305)	436,097,175	182,595,087	403,999,442	85,934,191

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, 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

	December 31, 2009						Total
	LBP	USD	Euro	STG	Other	LBP'000	
ASSETS							
Cash and Central Bank	238,620,986	329,550,396	3,888,225	870,052	-		572,929,659
Deposits with banks and financial institutions	52,567,399	236,493,801	67,852,599	6,913,742	3,436,097		367,263,638
Trading securities	4,971,308	14,366,805	-	-	-		19,338,113
Loans and advances to customers	243,550,064	461,925,686	10,479,021	6,186	926,015		716,886,972
Available-for-sale investment securities	1,129,450,812	553,001,967	43,623,917	-	-		1,726,076,696
Held-to-maturity investment securities	18,015,451	299,437,912	385,644	-	-		317,839,007
Customers' liability under Acceptances	299,999	7,688,770	2,152,550	116,263	5,085,986		15,343,568
Assets acquired in satisfaction of loans	13,074,074	62,904,279	-	-	-		75,978,353
Property and equipment	54,805,262	-	-	-	-		54,805,262
Deferred charges on business acquisition	30,588,391	-	-	-	-		30,588,391
Intangible assets	2,832,866	57,458	-	-	-		2,890,324
Other assets	4,326,648	3,976,966	13,600	-	-		8,317,214
Total Assets	1,793,103,260	1,969,404,040	128,395,556	7,906,243	9,448,098		3,908,257,197
LIABILITIES							
Deposits from banks	5,329,855	23,077,648	4,888,337	317,380	326,971		33,940,191
Customers' accounts	1,509,863,609	1,786,176,628	121,469,264	7,481,824	3,485,822		3,428,477,147
Liability under acceptances	299,999	7,688,770	2,152,550	116,263	5,085,986		15,343,568
Other borrowings	11,457,975	-	-	-	-		11,457,975
Other liabilities	22,673,861	26,697,290	892,578	2,498	5,801		50,272,028
Provisions	9,427,862	14,945,044	-	-	-		24,372,906
Total liabilities	1,559,053,161	1,858,585,380	129,402,729	7,917,965	8,904,580		3,563,863,815
Currency to be received	1,454,868	9,724,840	5,217,116	1,235,476	4,490,918		22,123,218
Currency to be delivered	690,480	10,801,793	4,892,211	1,235,058	4,502,039		22,121,581
	764,388	(1,076,953)	324,905	418	(11,121)		1,637
Net Assets	234,814,487	109,741,707	(682,268)	(11,304)	532,397		344,395,019

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, 2010														
Lebanese Pounds														
	Not Subject to Interest	Floating Interest Rate						Fixed Interest Rate						Grand Total
		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	
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	98,050,041	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 position	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														
	Not Subject to Interest	Floating Interest Rate						Fixed Interest Rate						Grand Total
		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	
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	645,978,389
Held-to-maturity investment securities	4,192,273	-	-	-	-	-	-	-	-	30,136,600	137,669,191	50,087,191	41,980,960	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 position	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

December 31, 2009														
Lebanese Pounds														
	Not Subject to Interest	Floating Interest Rate						Fixed Interest Rate						Grand Total
		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	
LBP'000														
ASSETS														
Cash and Central Banks	170,620,986	-	-	-	-	-	-	68,000,000	-	-	-	-	68,000,000	238,620,986
Deposits with banks and financial institutions	867,399	-	-	-	-	-	-	51,700,000	-	-	-	-	51,700,000	52,567,399
Trading assets	87,732	-	-	-	-	-	-	-	-	2,875,790	-	2,007,786	4,883,576	4,971,308
Loans and advances to customers	15,925,213	22,731,189	33,863,170	75,775,728	37,324,895	57,146,190	226,841,172	449,679	100,000	84,000	150,000	-	783,679	243,550,064
Available for sale investment securities	27,669,228	-	-	-	-	-	-	6,089,126	109,641,293	477,045,694	395,982,822	113,022,649	1,101,781,584	1,129,450,812
Held-to-maturity investment securities	450,800	-	-	-	-	-	-	99,982	3,487,729	11,391,971	2,584,969	-	17,564,651	18,015,451
Banks' acceptances	299,999	-	-	-	-	-	-	-	-	-	-	-	-	299,999
Assets acquired in satisfaction of loans	13,074,074	-	-	-	-	-	-	-	-	-	-	-	-	13,074,074
Property and equipment	54,805,262	-	-	-	-	-	-	-	-	-	-	-	-	54,805,262
Deferred Charges	30,588,391	-	-	-	-	-	-	-	-	-	-	-	-	30,588,391
Intangible assets	2,832,866	-	-	-	-	-	-	-	-	-	-	-	-	2,832,866
Other assets	5,091,036	-	-	-	-	-	-	-	-	-	-	-	-	5,091,036
Total Assets	322,312,986	22,731,189	33,863,170	75,775,728	37,324,895	57,146,190	226,841,172	126,338,787	113,229,022	491,397,455	398,717,791	115,030,435	1,244,713,490	1,793,867,648
LIABILITIES														
Deposits from banks	3,025,489	25,472	2,278,894	-	-	-	2,304,366	-	-	-	-	-	-	5,329,855
Customers' accounts at amortized cost	72,526,272	2,692,689	25,187,967	2,121,927	-	-	30,002,583	1,290,349,257	114,733,079	2,252,418	-	-	1,407,334,754	1,509,863,609
Liability under acceptances	299,999	-	-	-	-	-	-	-	-	-	-	-	-	299,999
Other borrowings	-	-	3,221,173	5,143,825	3,092,977	-	11,457,975	-	-	-	-	-	-	11,457,975
Other liabilities	22,673,861	-	-	-	-	-	-	-	-	-	-	-	-	22,673,861
Provisions	9,427,862	-	-	-	-	-	-	-	-	-	-	-	-	9,427,862
Total liabilities	107,953,483	2,718,161	30,688,034	7,265,752	3,092,977		43,764,924	1,290,349,257	114,733,079	2,252,418			1,407,334,754	1,559,053,161
Interest rate gap position	214,359,503	20,013,028	3,175,136	68,509,976	34,231,918	57,146,190	183,076,248	(1,164,010,470)	(1,504,057)	489,145,037	398,717,791	115,030,435	(162,621,264)	234,814,487

December 31, 2009														Grand Total
Foreign Currencies														
Not Subject to Interest	Floating Interest Rate						Fixed Interest Rate						Grand Total	
	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		
LBP'000														
ASSETS														
Cash and Central Banks	46,732,020	-	-	-	-	-	-	260,797,500	16,582,500	4,144,690	6,051,963	-	287,576,653	334,308,673
Deposits with banks and financial institutions	60,388,074	959,812	-	-	-	-	959,812	248,086,253	-	-	5,262,100	-	253,348,353	314,696,239
Trading assets	8,129,984	-	-	-	-	-	-	-	1,752,974	950,186	1,116,316	2,417,345	6,236,821	14,366,805
Loans and advances to customers	30,778,678	217,743,545	62,502,098	94,604,454	42,221,112	20,275,746	437,346,955	3,320,651	963,124	699,185	228,315	-	5,211,275	473,336,908
Available for sale investment securities	25,013,038	-	-	-	-	-	-	9,549,796	1,254,896	161,592,262	76,291,708	322,924,184	571,612,846	596,625,884
Held-to-maturity investment securities	4,983,942	300,842	-	-	-	-	300,842	7,531,058	248,787	176,889,557	50,504,728	59,364,642	294,538,772	299,823,556
Banks' acceptances	15,043,569	-	-	-	-	-	-	-	-	-	-	-	-	15,043,569
Assets acquired in satisfaction of loans	62,904,279	-	-	-	-	-	-	-	-	-	-	-	-	62,904,279
Intangible assets	57,458	-	-	-	-	-	-	-	-	-	-	-	-	57,458
Other assets	3,227,815	-	-	-	-	-	-	-	-	-	-	-	-	3,227,815
Total Assets	257,258,857	219,004,199	62,502,098	94,604,454	42,221,112	20,275,746	438,607,609	529,285,258	20,802,281	344,275,880	139,455,130	384,706,171	1,418,524,720	2,114,391,186
LIABILITIES														
Deposits from banks	5,096,614	23,272	-	-	-	-	23,272	23,490,450	-	-	-	-	23,490,450	28,610,336
Customers' accounts at amortized cost	230,919,719	44,006,954	9,992,770	-	-	-	53,999,724	1,462,786,587	168,193,779	2,713,729	-	-	1,633,694,095	1,918,613,538
Liability under acceptances	15,043,569	-	-	-	-	-	-	-	-	-	-	-	-	15,043,569
Other liabilities	27,598,167	-	-	-	-	-	-	-	-	-	-	-	-	27,598,167
Provisions	14,945,044	-	-	-	-	-	-	-	-	-	-	-	-	14,945,044
Total liabilities	293,603,113	44,030,226	9,992,770	-	-	-	54,022,996	1,486,277,037	168,193,779	2,713,729	-	-	1,657,184,545	2,004,810,654
Interest rate gap position	(36,344,256)	174,973,973	52,509,328	94,604,454	42,221,112	20,275,746	384,584,613	(956,991,779)	(147,391,498)	341,562,151	139,455,130	384,706,171	(238,659,825)	109,580,532

42 - 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 of available-for-sale securities.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	December 31,	
	2010	2009
	LBP million	LBP million
Tier I capital	239,747	216,170
Tier II capital	36,176	32,875
Total regulatory capital	275,923	249,045
Credit risk	2,467,722	2,089,834
Market risk	21,037	26,389
Operational risk	189,261	148,832
Risk-weighted assets and risk-weighted off-balance sheet items	2,678,020	2,265,055
Risk based capital ratio- Tier I	8.95%	9.54%
Risk based capital ratio- Tier I and Tier II capital	10.30%	10.99%

43 - FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

	December 31, 2010						Total Carrying Value	Total Fair Value
	Trading Assets	Available-for-Sale	Held-to-Maturity	Loans and Receivables	Other Amortized Cost			
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	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	-	-	-	-	4,168,472,095		4,168,472,095	4,168,472,095

	December 31, 2009						Total Carrying Value	Total Fair Value
	Trading Assets	Available-for-Sale	Held-to-Maturity	Loans and Receivables	Other Amortized Cost			
LBP'000								
FINANCIAL ASSETS								
Cash and Central Bank	-	-	-	-	572,929,659		572,929,659	572,929,659
Deposits with banks and financial institutions	-	-	-	-	367,263,638		367,263,638	367,263,638
Trading securities	19,338,113	-	-	-	-		19,338,113	19,338,113
Loans and advances to customers	-	-	-	716,886,972	-		716,886,972	730,692,985
Available-for-sale investment securities	-	1,726,076,696	-	-	-		1,726,076,696	1,726,076,696
Held-to-maturity investment securities	-	-	317,839,007	-	-		317,839,007	324,766,557
Total	19,338,113	1,726,076,696	317,839,007	716,886,972	940,193,297		3,720,334,085	3,741,067,648
FINANCIAL LIABILITIES								
Deposits from banks	-	-	-	-	33,940,191		33,940,191	33,940,191
Customers' accounts	-	-	-	-	3,428,477,147		3,428,477,147	3,428,477,147
Other borrowings	-	-	-	-	11,457,975		11,457,975	11,457,975
Total	-	-	-	-	3,473,875,313		3,473,875,313	3,473,875,313

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, 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

	December 31, 2009		
	Level 1	Level 3	Total
	LBP'000		
Trading securities	19,338,113	-	19,338,113
Available-for-sale investment securities	11,451,941	1,714,624,755	1,726,076,696
	30,790,054	1,714,624,755	1,745,414,809

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.

44 - 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 6, 9, 18, 25, 27, 28 and 35.

Remuneration to executive management paid during 2010 amounted to LBP 4.34 billion (LBP 3.77 billion in 2009).

45 - APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements for the year ended December 31, 2010 were approved by the Board of Directors in its meeting held on March 15, 2011.

◆ B L C B A N K B R A N C H E S ◆

MAIN BRANCH ADLIEH

Adlieh Square - BLC Bank Bldg
T 01 387 000 / 01 429 000
F 01 616 984
Manager Roula KORBANE

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 04 417 230
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 Elias GHANEM

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 Michel AZZAM

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

Mar Maroun Street - 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 HAMADE

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 - St Nicolas
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 Omar HAMMOUD

NABATIEH

Commercial Street - Kahil 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 Imad EL AMINE

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 - Diknach 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 Dany HARFOUCH



◆ S U B S I D I A R I E S ◆

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◆ C O R R E S P O N D E N T ◆
B A N K S

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 22
CANADA	Royal Bank of Canada	ROYC CA T2
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	Zurich Cantonal Bank	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
	Yapi Vekredi Bankasi	TBNK TR IS
UNITED ARAB EMIRATES	Al Khaliji Bank (France) SA - Dubai Branch	LICO AE AD
	Mashreqbank psc	BOML AE AD
UNITD KINGDOM	JPMorgan Chase Bank - London	CHAS GB 2L
	HSBC Bank plc	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