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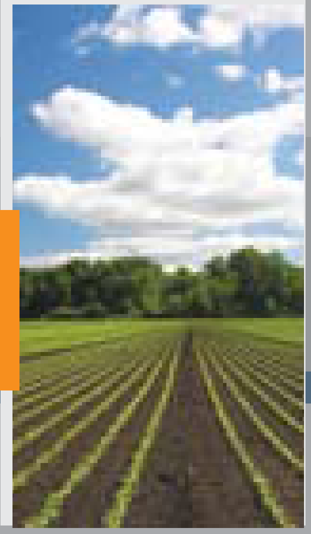
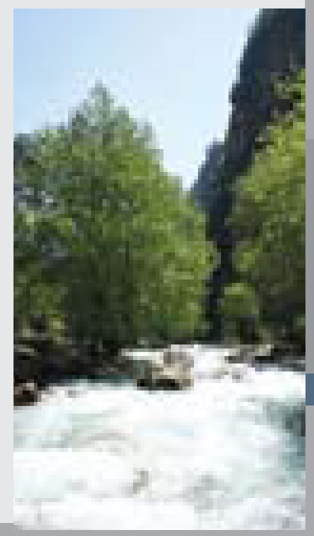
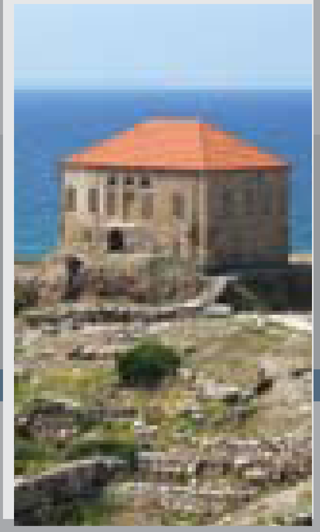
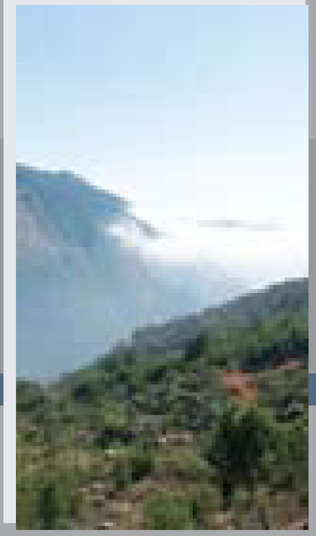
Annual Report 2010

IBL BANK s.a.l

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IBL BANK S.A.L.

Introduction

Being in constant evolution and expansion to be closer to you, wherever you are, IBL Bank is also striving to be close to nature.

Within its care for its community, IBL Bank reiterates its care for the environment by bringing eco-friendly financial solutions.

This year's annual report picture theme emphasizes on the similarity between our services and some of nature's characteristics.

A greener Lebanon is everyone's dream…and at IBL Bank, your dreams count. So you can count on us to start making an effective change.

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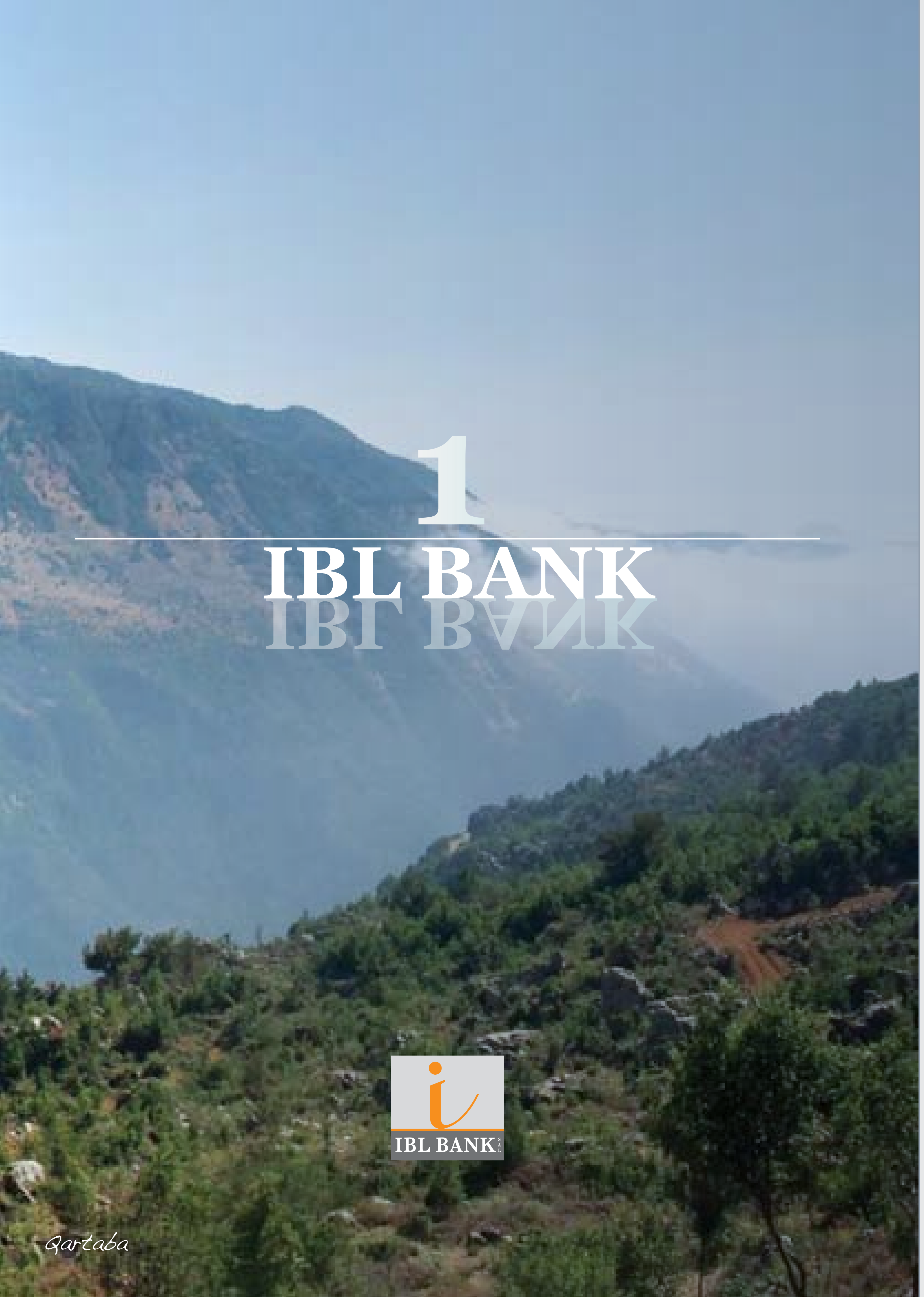
IBL Bank

"REACHING
HIGHER SUMMITS"

IBL BANK S.A.L



Chairman's Letter

Salim Habib
Chairman General Manager

The Lebanese Economy continued during 2010 its strong performance with an estimated GDP growth of 7%, achieving a 4 years GDP average growth of 8%, the second best performance regionally and the twelfth globally. The ultimate consequence of this performance is the amelioration of the Public finances and the strengthening of the local currency, as evidenced by:

The improvement of the Debt-to-GDP ratio that declined from 180% in 2006 to 134% in 2010. As a consequence, the deficit-to-GDP ratio contracted to less than 8% reaching its lowest level in 20 years.

The BDL foreign currency reserves (excluding gold) reached a historic high of USD 28.6 billion in December 2010, growing by 11% during the year. Hence, the ratio of foreign currency reserves to local currency money supply reached 72.6% in December 2010 showing the Central Bank's ability to defend the local currency and covering 19 months of imports.

In this positive context, the deposit dollarization ratio continued to drop reaching 63.2% in December 2010 as compared to 64.5% in December 2009.

Chairman's Letter

In these favorable economic conditions, the Lebanese banking sector realized a satisfactory performance in 2010, as evidenced by: The commercial banks Balance-Sheet increasing by USD 13.7 billion to reach USD 130 billion in December 2010. The total deposits of the sector increasing by USD 11.4 billion in 2010, a 37% slower growth than 2009.

In fact, 2009 was an exceptional year for the sector that benefited from its safe-haven feature during the international crisis. Nonetheless, the year 2010 was satisfactory on the deposits level that reached USD 107.2 billion meaning a 11.9% growth.

The Lebanese banking sector during 2010 was characterized by the growth in its lending activity that recorded a 23% increase during the year to reach USD 34.9 billion in December 2010. This USD 6.5 billion growth was triggered by the BDL's reserve exemption measures and favorable economical and political environment.

In this context, IBL Bank registered a strong year 2010 over-performing the sector in most Key Performance Indicators, while continuing in its conservative strategy and strong risk management practices, as showed by:

IBL Bank registering the highest growth in the Alpha Group for 2010 in terms of Total Assets, Total Deposits and Total Loans.

IBL Bank's strong capitalization mainly constituted of Tier 1 capital and healthy financial soundness evidenced by a CAR 2 of 14.1%

IBL Bank's strong liquidity as witnessed by comfortably high liquidity levels with a 91% total liquidity ratio.

IBL Bank's strong profitability as evidenced by an increase of 28% in Net Income as compared to peer group average of 24% leading to the Bank enjoying one of the highest Return on Average Equity (ROAE) in the Alpha Group of 17.5%.

Moreover, in line with our Strategy, IBL has added a new entity to the Group: IBL Investment Bank, which will offer new services, and diversify the Group's sources of income.

IBL Invest will complete the Group's offer to its clients and will target new regional and Gulf Markets. The main business lines will be advisory, corporate finance and wealth management. IBL Investment Bank started its operation during the first quarter of 2011.

Finally, 2010 is another successful year in the regional development of IBL Bank. In fact, and as planned, we successfully realized major achievements attaining our goal of value creation and growth, through regional diversification in Iraq (Erbil and Baghdad) and Cyprus (Limassol).

I would like to conclude by grabbing this opportunity to thank our customers and correspondent banks for their continuous trust and support as well as the Board of Directors and the entire Group's staff for their precious insights and efforts to push the Bank towards higher summits.

Salim Habib

Chairman General Manager

History of the Bank

History of the Bank

The Bank traces its roots back to 1961 and is celebrating this year its fiftieth anniversary at the service of its customers.

The Bank was incorporated on May 5, 1961, as a Société Anonyme Libanaise (joint stock Company) under the name of "Development Bank SAL" with a capital of LBP 8 million for a period of 99 years.

In 1998, the majority of the Bank's shares were purchased by a group of Lebanese and foreign investors.

A year later, in September 1999, the Bank acquired the total share capital of BCP Oriel Bank, and consequently all branches of the acquired bank are to this date operating under Intercontinental Bank of Lebanon (IBL Bank). Mr. Salim Habib has been Chairman-General Manager of the Bank since 1998.

The current group of shareholders that took over the Bank in 1998 pursued a policy towards raising the Bank into one of the top national banks.

The Bank has achieved a significant growth in total assets as well as in the main components of its balance sheet, during the last years. Its total assets grew from U.S. $437 million in 2000 to reach U.S. $3,225 million at the end of 2010, resulting in an increase of almost 638 percent.

Despite its strong expansion in total assets since 2000, the Bank translated this growth into enhanced financial profits, with the net income attaining U.S. $35.8 million in the end of 2010, representing an improvement of more than 2,457 percent over net income of U.S. $1.4 million as at December 31, 2000.

These results are driven by the continuing augmentation of the Bank's net interests and net commissions, as well as by the solid increase of the customers' base and deposits. Customers' deposits topped at U.S $2,931 million in 2010 from U.S. $384 million in 2000.

Furthermore, the actual shareholders of the Bank succeeded, throughout 2008 and 2009, in increasing the share capital of the Bank to reach an amount of more than U.S. $80 million, while the Total Shareholders' Equity grew from U.S. $18 million as at December 2000 to U.S. $219 million as at December 2010.

The Bank currently has 18 active branches spread all over Lebanon, one active representative office in Sao-Paolo – Brazil, and 3 Branches abroad: the first in Europe (Cyprus - Limassol), and 2 Branches in Iraq (Erbil and Baghdad).

In addition, during 2008, the Board of Directors decided to change the Bank's name and logo from Intercontinental Bank of Lebanon to IBL Bank, in order to boost the Bank's positioning and Brand awareness.

In 2011, the Bank established IBL Investment Bank SAL (IBL Invest), a fully-owned Lebanese specialized bank.

IBL Invest aims to provide value-added investment banking services meeting the needs of its clients and targeting new regional markets, namely the Gulf Markets. The main business line will be advisory, corporate finance and wealth management services. IBL Invest started its operation during the first quarter of 2011.

The strong growth the Bank achieved since 1998 was coupled with and fostered by continuous investments in human capital, either organically through seminars, training sessions and effective Human Resources management or externally by recruiting skilled managers and dynamic young staff.

Amid its track record of solid growth, rigorous risk management and adequate Capital levels, the Bank is in the process of developing its local and regional network.

The Bank's Head-Office and main branch are located in Achrafieh, Beirut.

Chtaura Branch

Board of Directors

Mr. Salim Habib	Chairman, General Manager
His Excellency Mr. Elie Ferzli	Member Ex Deputy Speaker of The Lebanese Parliament
His Excellency Dr. Mohammad Abdel Hamid Baydoun	Member Ex-Minister of Energy and Water
Mr. Kamal Abi Ghosn	Member, Deputy General Manager
Prince Sager Sultan Al Sudairy	Member
MM. Bicom SAL. Holding Represented by Mr. Mazen El Bizri	Member
Mr. Merhi Abou Merhi	Member
Me. Mounir Fathallah	Member
Me. Ziad Fakhoury	Secretary of the Board

Legal Advisors and Auditors

Cabinet Me. Rizkallah Makhlouf Me. Rizkallah Makhlouf	Legal Advisor - Lebanon
Fakhoury & Fakhoury Law Firm (Chawki Fakhoury & Associates) Me. Ziad Fakhoury	Legal Advisor - Lebanon
Etude Michel Tueni Me. Michel Tueni	Legal Advisor-Lebanon
Cabinet Me. Mamoun Mahmoud Al Khadi Me. Mamoun Al Khadi	Legal Advisor - Iraq
Chrysses Demetriades & Co LLC Advocates Legal consultants	Legal Advisor - Cyprus

MM. Deloitte & Touche	External Auditors - Lebanon
MM. Fiduciaire du Moyen-Orient	External Auditors - Lebanon
MM. Adel Alhassoun & Co CPA's & consultants	External Auditors - Iraq
MM. Deloitte Limited	External Auditors - Cyprus

General Management

Mr. Salim Habib	Chairman, General Manager
Mr. Kamal Abi Ghosn	Director - Deputy General Manager
Mr. Nakhlé Khoneisser	Assistant General Manager Treasury and Financial Markets
Mr. Rodolphe Atallah	Assistant General Manager Operations development
Mr.Samir Tawilé	Senior Manager International Banking Division
Mrs. Dolly Merhy	Senior Manager Accounting & Finance
Mrs. Tania Tayah	Senior Manager - Risk Management
Dr. Imad Hasbani	Manager - Risk Management
Mr. Habib Lahoud	Senior Manager Retail Banking Division
Mr. Ghassan El Rayess	Manager Corporate Banking
Mr. Khalil Salameh	Manager Human Resources
Mr. Antoine Assaad	Manager - Internal Audit
Mr. Elias El Khazen	Assistant manager - Internal Audit
Mr. Karim Habib	Manager Financial Control
Mr. Antoine Achkar	Manager Recovery Department

Mr. Salim Jabaji	Advisor-Information Technology
Mr. Elie Hlayel	Head of Information Technology
Mr. Joe Boustany	Head of Compliance Unit
Mr. Esber Wehbé	Head of Information Security
Mr. Habib Abou Merhi	Head of Operations - Trade Finance
Mr. Charbel Eid	Head of Organization and methods
Miss Ishtar Zulfa	Head of Erbil branch Iraq
Mr. Elie Azar	Head of Baghdad branch Iraq
Mr. Pierre Rouhana	Head of Cyprus branch Limassol

Committees

Committees

The Bank operates through a number of committees, set up with clear missions, authorities and responsibilities, as follows:

MANAGEMENT COMMITTEE

The Management Committee is composed of the Chairman General Manager, the Deputy General Manager, the Assistant General Manager - Treasury, the Assistant General Manager - Operations, the Head of Risk Management, the Head of International Banking, the Head of Retail Banking, the Financial Manager, the Financial Controller, the Head of Corporate Banking, the Head of Administration and HR, the Deputy-Head of Risk Management.

The Management Committee acts as an advisory body to the Chairman General Manager on all issues relating to the Bank's general policies.

The Management Committee meets a least once a month. It ensures the day-to-day management of the Bank according to prevailing laws, rules, regulations, best practices as well as the effective management of operational risks arising from inadequate or failed internal processes, people and systems or from external events. It proposes to the Board of Directors the Bank's medium and long-term goals and strategies, and the business plan for achieving these goals, and recommends the improvement of the Bank's organization structure in case of need.

INTERNAL AUDIT COMMITTEE

The Internal Audit Committee is a Board Committee composed of three members of the Board of Directors. It ensures the existence and the regular enhancement of an adequate system of internal controls.

It receives reports from, and reviews the work of the internal and external auditors and ensures compliance with International Financial Reporting Standards.

ASSET-LIABILITY COMMITTEE (ALCO)

The Asset-Liability Committee is composed of the Chairman General Manager, the Deputy General Manager, the Assistant General Manager - Treasury, the Assistant General Manager - Operations, the Head of Risk Management, the Financial Manager, the Financial Controller, the Deputy-Head of Risk Management.

The ALCO is responsible for setting up and supervising the implementation of an asset-liability management policy, which the Treasury is responsible for executing.

ALCO's primary objective is to oversee the management of the balance sheet structure and liquidity, monitor the market risk levels, analyze the Bank's financial ratios and the reports on the sources and utilizations of funds, and maximize income from interest spread and trading activity within the approved risk and gap parameters.

The ALCO is also responsible for assessing market conditions according to economic and political developments.

SENIOR CREDIT COMMITTEE

The Senior Credit Committee is composed of the Chairman General Manager, the Deputy General Manager, the Assistant General Manager - Treasury, the Assistant General Manager - Operations, the Head of Risk Management, the Head of Corporate Banking, the Financial Controller, the Head of Credit Administration.

The Senior Credit Committee sets up the framework for credit risks, economic sectors distributions, classification and provisioning policies, subject to the Board of Directors approval.

It is in charge of studying credit applications that exceed the limits of the Junior Credit Committee, loans to financial institutions, recovery processes and credit products proposals. In addition, this committee has for responsibilities to review and take decisions on cases handed over by the commercial banking department (SME, Corporate, Retail) or the recovery department, and follow up on cases handed over to the Legal Department, recommend actions on cases, approve settlements, and propose adequate provisions.

JUNIOR CREDIT COMMITTEE

The Junior Credit Committee is composed of the Deputy General Manager, the Assistant General Manager – Operations, the Head of Risk Management, the Head of Corporate Banking, the Financial Controller, the Head of Credit Administration.

The Junior Credit Committee evaluates and approves all corporate and commercial loans and facilities with a tenor not exceeding one year provided that they comply with the credit strategy approved by the Board of Directors and provided that the aggregate total cumulative secured and clean facilities granted to one client or group of interrelated names through commercial association and/or through common ownership/management control do not exceed USD 400,000.

COMPLIANCE COMMITTEE

The Compliance Committee is composed of the Deputy General Manager, the Assistant General Manager - Treasury, the Head of AML - Compliance, the Head of Operations, the Head of Risk Management, and the Head of Internal Audit.

The Compliance Committee is responsible for checking the proper execution as well as the effectiveness of procedures and systems adopted for Fighting Money Laundering and Terrorist Financing. It reviews and updates these procedures, on a regular basis, according to latest applied approaches.

FOLLOW-UP COMMITTEE FOR SUBSIDIARIES ABROAD

The Follow-up Committee for Subsidiaries Abroad is composed of the Chairman General Manager, the Deputy General Manager, the Assistant General Manager - Treasury, the Assistant General Manager - Operations, the Head of Risk Management, the Financial Controller.

The Follow-up Committee for Subsidiaries Abroad undertakes all tasks mentioned in Central Bank basic circular No. 110 dated August 16, 2007 in order to examine closely the abroad activities of the group, including but not limited to management, strategy, performance, results and risks levels.

IT SECURITY COMMITTEE

The Security Committee is composed of the Deputy General Manager, the Assistant General Manager - Treasury, the Assistant General Manager - Operations, the Head of Organization, the Head of IT Security, the Head of IT Audit, the Head of IT, the IT Consultant, the Head of Risk Management, the Head of Administration and HR, the Head of Operational Risk Management. It is responsible for the human security within the Bank's premises.

It works together with the Internal Audit department to make sure all IT security rules are well applied. It implements and monitors security plans and applies the used norms to ensure the correct distribution of tasks among employees.

It monitors also the IT security systems and rules as well as the emergency plans. It deals with any security breach and takes appropriate measures to avoid facing it another time.

RETAIL CREDIT COMMITTEE

The Retail Credit Committee is composed of the Deputy General Manager, the Assistant General Manager - Operations, the Head of Retail, the Head of Risk Management and the Head of Retail Credit Administration.

The role of the Retail Credit Committee is to approve all consumer loans that are not within the products criteria or are exceeding the head of retail limit up to a predefined limit set for each product.

It is also responsible for following-up on relevant granted loans and facilities, reviewing and approving amendments, renewals and cancellations of respective loans and facilities.

PROCUREMENT COMMITTEE

The Procurement Committee is composed of the Assistant General Manager - Operations, the Financial Manager, the Head of Administration and HR.

The role of this committee is to validate purchasing procedures; Tenders, rules and conditions of settlement, study annual budgets of material resources as fixed assets and general expenses and make recommendations to the Management Committee.

ORGANIZATION AND METHODS COMMITTEE

The Organization and Methods Committee is composed of the Assistant General Manager - Operations, the Financial Controller, the Head of IT, the Head of Internal Audit, the Head of Retail, the Head of IT Audit, the Deputy - Head of Risk Management, the Head of Organization. Its role is to review the process modeling and to settle on the right solutions.

It suggests the policies and procedures to be applied, optimizes the organization of the Bank, and simplifies the procedures with respect to delegations and formal controls, and reviews the structures with the new technologies and products introduced by the Bank.

IT COMMITTEE

The IT Committee is composed of the Assistant General Manager - Operations, the Financial Controller, the Head of IT, the Head of IT Security, the Head of Retail, the Head of IT Audit, the Deputy - Head of Risk Management, the Head of Organization.

Its mission is to set the IT strategy. It should establish and apply a structured approach regarding the long-range planning process, which should take into account risk assessment results, including business, environmental technology and human resources risks.

The Bank has been actively building up its domestic franchise in the last few years, as reflected by the significant rise in total assets and deposits.

The Bank's principal activities are divided into three major areas: Retail Banking; Commercial Banking and Trade finance; Treasury and Capital Market Operations.

• RETAIL BANKING

The Bank's management believes that retail banking is an efficient way to diversify earnings and risk, as well as a mean to consolidate its relationship with all its customers, and consequently emphasizes and focuses on this business line. The retail department has been consistently empowered with Human Capital and has been introducing new products ranging from bancassurance to retail loans to deposits programs, which are regarded as less risky and high yielding.

In keeping with this strategy, our number of ATMs across the country has reached 27 and 4 abroad. Our branch network likewise grew in 2010 to reach 18 local branches, a branch in Limassol, Cyprus, a branch in Erbil, a branch in Baghdad Iraq and a representative office in Sao-Paolo, Brazil.

• COMMERCIAL BANKING AND TRADE FINANCE

The Bank provides its clients with a full range of commercial banking services and products, in addition to trade finance services through its network of international correspondent banks. The Bank's loans are mainly granted in Foreign Currency, and are denominated predominantly in US Dollars, having either a maturity of up to one year with the possibility of renewal, or term loans with generally an interest re-pricing period of 1 year.

• TREASURY AND CAPITAL MARKETS OPERATIONS

The Bank's Treasury operations consist of managing and placing the Bank's liquidity. The Treasury department invests those funds with prime international banks as well as with the Central Bank of Lebanon and other Lebanese banks. The Bank , in the course of its activity on the Lebanese interbank market, defines individual limits per bank, and deals only with prime banks. The Bank provides its customers with securities brokerage and trading activities.

Internal Audit

THE PROFESSIONAL PRACTICE FRAMEWORK

New Definition of IA | Code of Ethics

Integrity

Objectivity

Confidentiality

Competency

STANDARDS FOR THE PROFESSIONAL PRACTICE OF IA

Mandatory Guidance | Advisory Guidance | Practical Guidance

Internal auditing is a profession and activity involved in helping the bank achieve its stated objectives using a systematic methodology for analyzing business processes, procedures and activities with the goal of highlighting organizational problems and recommending solutions. Internal auditing frequently involves measuring compliance with the entity's policies and procedures.

The internal audit activity evaluates risk exposures relating to the organization's governance, operations and information systems, in relation to:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

INTERNAL AUDIT FUNCTION

Internal Auditing is an independent objective assurance and consulting activity designed to add value and improve IBL's operations. It helps IBL accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance process.

CHARACTERISTICS USED BY THE INTERNAL AUDIT DEPARTMENT

- Clear objectives and enterprise-wide authority for its activities.
- Objective and independent performance of its responsibilities.
- Proper follow up with management on action taken in response to audit findings and recommendations.

ROLE OF INTERNAL AUDIT

The role of internal auditing includes the review of the accounting system and related internal controls, monitoring their operations and recommending improvements. It also generally includes a review of the means used to identify, measure, and report financial and operating information and specific inquiry into individual items detailed testing of transactions, balances and procedures.

The Internal Audit role has extended beyond financial controls, playing a more prominent and proactive role in non-financial reporting, risk management, and corporate governance.

INTERNAL AUDIT RESPONSIBILITIES

- Evaluates and provides reasonable assurance that risk management, control, and governance systems are functioning as intended and will enable the Bank's objectives and goals to be met.
- Reports risk management issues and internal controls deficiencies identified directly to the audit committee and provides recommendations for improving the Bank's operations, in terms of both efficient and effective performance
- Evaluates information security and associated risk exposures
- Maintains open communication with the management and the audit committee

AUDIT COMMITTEE

Relationship between Internal Audit and Audit Committee:

The audit committee of the Board of Directors and the internal auditors are interdependent and mutually accessible, with the internal auditors providing objective opinions, information, support; and the audit committee providing validation and oversight to the internal auditors.

The internal audits provide to the audit committee objective assessment on the state of IBL's risk, control, governance, and monitoring activities.

RISK BASED INTERNAL AUDITING

It is a methodology that links internal auditing to the bank's overall risk management framework.

This allows the internal audit activity to provide assurance to the board that risk management processes are managing risks effectively, in relation to the risk appetite.

Internal Organization

HUMAN RESOURCES

The Bank's human capital is its most solid foundation and most important asset. The commitment, engagement and enthusiasm of our employees go to the heart of our success as an organization and our ability to deliver on our strategies.

The Human Resources Department is committed to its role in the selection, motivation and growth of employees. Over the year, IBL has recruited skilled managers and dynamic young staff. The HR Department continued to provide an environment of continuous learning and insure the build-up of a motivated and professional human capital.

In fact, the last years witnessed the reinforcement of all IBL departments by internal redeployment and in-house trainings. Training sessions involved employees from all IBL departments and covered various topics related to banking techniques, marketing, as well as retail and corporate programs.

ORGANIZATION AND METHODS

The Organization and Methods Department's mission is to carry out organizational reviews at different levels to improve efficiency, work procedures, and methods.

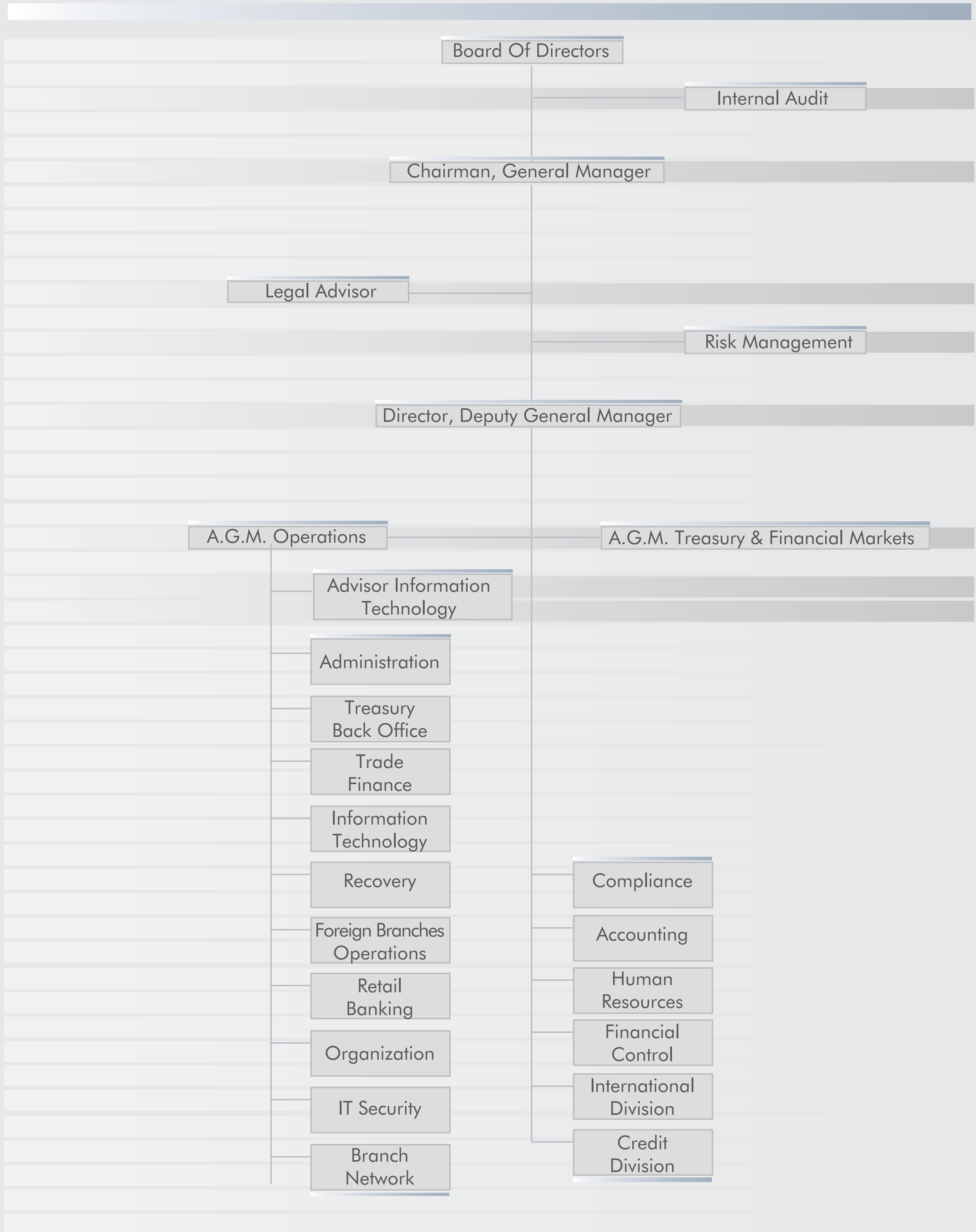
The Department introduces advanced knowledge into procedures, and sets the norms and standards required for employees' efficient performance and welfare.

The main objective of the Department is concentrated in the reviewing and updating of the Bank's procedures as per changes in the operating environment, while ensuring a full training to the concerned users.

In addition, BPR (Business Process Reengineering) takes an important share in the yearly action plan of the Department leading to a solid impact on Overall Efficiency, Productivity, Cost Savings, Quality of Service, Dynamic Corporate Culture and Customer Expectations.

As to enhance project management and timely delivery of projects, the Department is entrusted with the responsibility of receiving Internal Clients needs and translating them into Book of Specifications in order to lead to proper, and successful implementations.

Organizational Chart



Board of Directors' Report

The Group's Strategic Business Plan covers not only financial targets but also qualitative goals. In fact, during 2010, the Bank signed major partnerships and realized important CSR projects:

A. WESTERN UNION

IBL has signed with Western Union an Agent Agreement, making the Bank a direct representative of Western Union in Lebanon. This Agreement could, in a later stage, be widened to other countries in the region

B. NETWORKS INTERNATIONAL (UAE)

IBL has signed with NI a 3rd party processing agreement that will ultimately lead to the Bank acquiring an Associate License from Visa International. These Licenses will allow the Bank to issue its own Visa cards in Lebanon and other countries in the region, in addition to sponsoring other banks in their Visa card issuing.

C. CHOUHADAOUNA CARD

IBL, as a responsible member in its community, has launched a non-profit program in support of the families of the martyrs of the Lebanese Army.

D. BALAMAND UNIVERSITY

IBL begun a partnership with one of the leading higher education institutions in Lebanon and the Middle-East. During 2010, IBL Bank has opened an on-campus branch in Balamand and will soon launch the first student payment ID card in Lebanon.

E. DIRECTORATE GENERAL OF THE GENERAL SECURITY

IBL has signed a protocol agreement with the DGGS, becoming one of their preferred bank offering retail service to the DGGS servicemen with the most competitive conditions.

F. INTERNAL SECURITY FORCES

IBL has signed a protocol agreement with the ISF offering its servicemen housing loans at the lowest fixed market rate.

G. CAISSE MUTUELLE DES JUGES (JUDGES FUND)

IBL has signed a protocol agreement with the Judges Fund offering its subscribers housing loans in local currency at the fixed rate of 1.628%, and guaranteed by the fund.

H. SOLAR LOANS

IBL Bank's commitment to a sustainable development and green energy is translated by the set-up of a special loan in local currency at 0% interest rate to motivate our clients moving to green and renewable energy.

I. CHAMPVILLE BASKET-BALL TEAM

We continued our Social involvement in 2010 by the sponsoring of sports and young talents with our support of the Champville Basket-Ball Team.

J. BYBLOS FESTIVAL

Our commitment in favor of cultural, artistic and touristic events is a continuing tradition which stems from our aspiration to offer our support to affirm the cultural vocation of Lebanon.

As such, IBL Bank continued to be the main sponsor of Byblos International Festival, who is seen as the most renowned and respected Cultural Festival not only in Lebanon but also in the Middle-East. In addition, IBL Bank is pleased to announce the opening of its latest branch in Jbeil before the beginning of the 2011 festival.

Finally, during this year, we have continued to invest in Human Capital, as we are convinced that it is the most important form of Capital. Indeed, 2010 was rich in investments, in training and the recruitment of new talents as we make sure to manage our Human Resources in the most effective and efficient manner. Consequently, given our emphasis on staff professional development, over 175 managers and staff assisted to 65 different external seminars throughout the year in Lebanon and abroad, not counting the continuous internal effort of training and skills enhancement of our staff.

Compliance & Anti Money Laundering

•Compliance has become core to conduct banking business within a multifaceted risk environment. In order to counter the multitude of threats encountered daily by the Bank, the Compliance Department has developed a strict body of Compliance doctrines and rules of good conduct that meet with the highest professional, local and international standard that are applied by every staff member in The Bank.

•The mission of the Compliance Department is to advice the Management of the Bank, in all issues related to AML & CFT, and Regulatory compliance, in order to prevent any regulatory sanctions, material financial losses, threat to reputation.

•Since AML & CFT have always been a key consideration to IBL Bank, continuous efforts and investments are undergone to ensure that the bank remains ahead of the curve in terms of internal controls for this purpose:

-The Compliance Department conducts regular reviews and updates of procedures to ensure that its compliance program remains appropriate to both local regulatory requirements and international standards.

- The Compliance Department worked as previous year on the implementation of the latest version, of automated systems, as the AML Reporter, for screening and monitoring of all Banking transactions, and the DNFS (Designated Names Filtering System) for the filtering of all account opening and entities.

-The Compliance Department installed an automated solution, interfacing between the core banking system and the swift system that allows to filter and screen all swift messages, regarding entities and countries. This control is applied both on the operation department and compliance department level.

-The Bank continuously provides appropriate managers and staff with additional specialized training, especially with our Regulatory Body the SIC (Special Investigation Commission) at the Central Bank of Lebanon.

•Furthermore, IBL BANK SAL was the only Lebanese bank, to be invited to the DEUTSCHE Bank AG, Annual Global Compliance Seminar (Frankfurt Dec. 2011), noting that Financial Institutions from over more than 50 countries will be present.

•This selection from one of the biggest banks in the EuroZone and the world is a clear indication of the highest level of professionalism of IBL BANK SAL and its Compliance Department.

Risk Management

Management of risk is fundamental to the financial soundness and integrity of the Bank. All risks taken must be identified, measured, monitored and managed within a comprehensive risk management framework.

The following key principles support our approach to risk and capital management:

- The Board of Directors has the overall responsibility of determining the type of business and the level of risk appetite that the Bank is willing to undertake in achieving its objectives.

- Up-to-date policies, procedures, processes and systems to allow the execution of effective risk management.

- The relevant committees structure enhances the approval and review of actions taken to manage risk.

The Risk Management Division proposes and reviews the overall risk policy of the Bank in anticipation of, and in compliance with, regulatory and international standards.

It is responsible of monitoring and controlling all types of risk on a regular basis while the business units are responsible for the continuous management of their risk exposures in order to ensure that the risks are within the specified and acceptable limits.

The Risk Management Division is independent of other business units in the Bank which are involved in risk taking activities. It reports directly to the Chairman General Manager and the Board of Directors. As such, it contributes to the growth and profitability of the Bank by ensuring that the risk management framework in place is both sound and effective and complies with the Board's directives.

The Bank's risk management processes distinguish among four kinds of specific risks: credit risk, market risk, liquidity risk and operational risk.

A. CREDIT RISK MANAGEMENT

Credit Risk is the risk that arises from the inability of the borrowers or counterparties to meet their contractual commitments. We distinguish among three kinds of credit risk: Default Risk, Country Risk and Settlement Risk.

Various factors may affect the ability of borrowers to repay loans in full and many circumstances may affect the Bank's ability to resolve non-performing loans. As a result, actual losses incurred in a problem loan recovery process may also affect the Bank's capital adequacy.

The Board of Directors and the Senior Credit Committee define the credit risk strategy of the Bank and approve both policy changes as well as other enhancements to the credit risk management framework.

The objective of the Bank's credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: conservatism, diversification and monitoring.

The Bank has set up clear processes for credit approval that include credit policies and procedures with clear credit concentration limits, approval limits depending on the size of business and/or the size of the credit line as well as credit risk mitigation techniques. Commercial and Corporate lending are largely centralized at Head Office and sanctioned by a Senior and a Junior credit committees depending on the exposure.

The Bank exercises, through the Credit Administration Department, an ongoing review and control of extended credit facilities and their respective guarantees. Regular monitoring and surveillance of the accounts are performed by the account officers.

loan classification and monitoring

Existing credit facilities are categorized within a range of Five (5) levels depending on the evaluation of the degree of risk involved. Credit facilities which, as a result of deterioration in the borrower's financial condition caused by adverse credit factors, require special attention on the part of Management, will be classified "2" or worse.

impaired loans and securities and allowances for impairment

Under IFRS rules, loans are considered to be impaired when there is objective evidence that an impairment loss has been incurred. The bank may not collect all principal and interest due according to the contractual terms of the loan/securities agreement.

Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank, are considered as past due but not impaired loans.

The Bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The components of this allowance are the individually and the collectively assessed loss allowance.

B. MARKET RISK MANAGEMENT

Market Risk is the risk of loss resulting from changes in market prices and interest rates, from the correlations between these elements and from their volatility.

interest rate risk

Interest rates are major factors in determining the Bank's interest income and expenses. Additionally, the Bank is exposed to interest rate risk as its assets and liabilities may be adjusted at different times or subject to different contractual maturities or the movements of the interest rates on assets may be inconsistent with those on liabilities, thus impacting on the Bank's net interest spreads.

foreign exchange rate risk

Arises when the Bank is involved in foreign currency transactions, which may result in deficits or surpluses in the foreign currency position.

The Bank manages market risk through its Market Risk Management framework that specifies the global activity and individual limits, together with, but not limited to, stress testing and scenario analysis.

The Asset/Liability Committee (ALCO) manages interest rate risk, which results from mismatches or gaps in the amounts of its assets and liabilities that mature or re-price within a given period, by matching the re-pricing of assets and liabilities.

C. LIQUIDITY RISK MANAGEMENT

Liquidity Risk is the risk to the Bank's earnings or capital arising from its inability to meet its financial obligations as they fall due, without incurring significant costs or losses. Liquidity is managed to address known as well as unanticipated cash funding needs.

The Bank maintains sufficient liquidity to fund its day-to-day operations, meet deposits withdrawals and loan disbursement, participations in new investments and repayment of borrowings.

Liquidity Management within the Bank focuses on both overall balance sheet structure and the control within prudent limits of risk arising from the mismatch of maturities across the balance sheet and from contingent obligations.

Liquidity Risk Factors include competition among commercial banks for larger market shares in deposits and coping with an unstable or potentially violent domestic political situation.

D. OPERATIONAL RISK MANAGEMENT

By operational risk, the Bank refers to the potential of incurring losses in relation to procedures, human error, internal systems or external events, including events with a low probability of occurrence but a high level of risk. Under this definition, operational risk also includes legal risk but excludes strategic and reputational risks.

Operational Risk Management is responsible for defining the operational risk framework and related policies while the responsibility for implementing the framework as well as the day-to-day operational risk management lies with the business divisions.

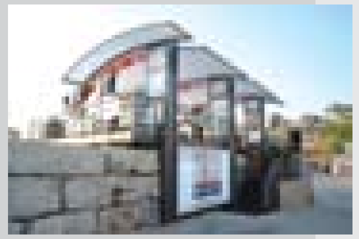
The Bank manages its operational risk based on a consistent framework that enables it to determine its operational risk profile in comparison to its risk appetite and to define risk mitigating measures and priorities.

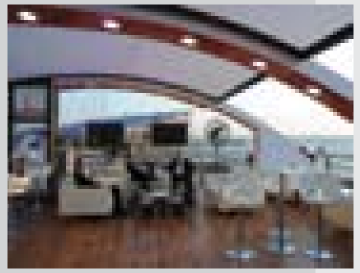
CAPITAL ADEQUACY RISK MANAGEMENT

Capital Adequacy Risk is the risk that the Bank may not have enough capital and reserves to conduct normal business or to absorb unexpected losses arising from market, credit and operational risk factors.

The Bank's policy aims to ensure that it maintains an adequate level of capital to support growth strategies and to meet market expectations and regulatory requirements. Under current measurements of capital adequacy, IBL maintains a ratio of 40.46% while measured under Basle 2 this ratio stands at 13.28%, way above the notional 8% set by Basle.

Byblos International Festival 2011 was held with the support of IBL Bank





In a constant care to support our rich heritage, art and culture, and to raise the name of our country higher, and for the second year in a row, IBL Bank is proud to be the official sponsor of the 2011 Byblos International Festival.

The story of IBL Bank and its strong expansion bringing it, in less than 10 years, to the alpha group of Lebanese banks and to spread its wings beyond the Lebanese borders, resembles in many ways to the growth of the Byblos International Festival, which became, in 10 years, one of the most important festivals in the Middle East.
IBL Band welcomed its guests in its classy lounge overlooking the magnificent bay of Byblos, with drinks and bites on the house.

With an impressive eclectic program in the enchanting venue of Byblos, everyone who attended the shows this year left with a festive heart and a dreamful head!

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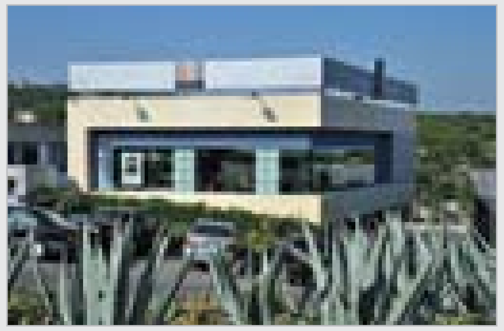
IBL BANK S.A.L

Annual Balamand University Dinner

The Annual UoB dinner was held on the 8th of April 2011 at the Fairmont hotel in Abu Dhabi in order to support students and create further donations to help them fulfill their ultimate education dreams.

Sponsorship And Stand at The ITI Dental Congress

During the 1st middle east congress held on the 6th and 7th of May 2011 at the Palais des congrés Dbayeh, IBL Bank had an outstanding stand offering a particular DENTAL LOAN, which attracted the interest of many attendees.



Balamand Branch

Jbeil Branch

Opening Of New Branches

As of 2010, IBL Bank is glad to welcome its clients at its new branches:

- Balamand
Balamand - Main Street - Al Kourah - Lebanon
Tel.: +961 6 933 041

- Jbeil
Jbeil, Voie 13 - Kordahi Building
Tel.: +961 9 543 992

- Baghdad
Al Karada, Babel District N° 929
Street N° 18 - Building N° 24
Mobile: +964 7809 552 911

Events

Night Of The Adeaters 2010

For the second year in a row, IBL Bank was the main official sponsor of the renown "night of the adeaters" by Jean-Marie Bouriscot screened at Unesco Palace. During this event, IBL Bank welcomed all guests in its special stand at the entrance and offered every attendee the opportunity to take a special picture with the celebrity of his choice, and take it home in a nice frame as a souvenir of the evening.

The Ndu On-Campus Banking 2010 Forum

IBL Bank took part of the NDU On-Campus Banking 2010 Forum aiming to connect finance students with the main Lebanese banks. This event was held at the NDU campus exhibition hall on the 14th and 15th of January 2010. During this event that was organized for the first time at NDU, IBL Bank had the opportunity of showcasing all its innovative products to the young generation, also offering them the chance to have their picture taken on its stand as a souvenir of the event.

Launch Of The Chouhada2ouna Card as A Tribute To Our Army Martyrs

IBL Bank launched the Chouhadaouna card in 2010 to pay a tribute to the heroes who offered their souls defending our country.

This card is a simple way to contribute while making usual fuel refills, without any additional fee: Anyone can purchase a Chouhadouna card from any IBL Bank branch, and use it at any Medco, Phoenicia or Caltex Gas Station, or from any station showcasing the «emotion» or “Liters Plus” logo to contribute in supporting the families of our Lebanese army martyrs without any additional effort. No need to have an account at IBL Bank in order to get this card.

IBL Bank Launches A New Credit Card “IBL Al Wardieh” That Helps Controlling Energy Expenses

On June 22, 2010, during a ceremony held at the Bank’s headquarters in Achrafieh, IBL Bank launched its new corporate credit card targeting corporations wishing to control their energy expenses. The AlWardieh cardholder benefits from many advantages, including a unique Loyalty program with Al Wardieh.

مع IBL، علّم أولادك بأيّ جامعة بـ٢,٠٠٠ ل.ل. باليوم

القرض الدراسي الجامعي للجيش اللبناني

هذا القرض صمّم خصّيصاً لدعم كلّ عنصر من مؤسسة الجيش اللبناني، ومساعدته لتقديم الأفضل لأولاده.

إنضمّ إلى عائلة IBL Bank واحصل على هذا القرض المميّز الذي يخوّلك تسديد الأقساط الجامعيّة بـ٢,٠٠٠ ل.ل. في النهار فقط.

IBL BANK S.A.L

لمزيد من المعلومات، زوروا اي فرع من فروع بنك انتركونتيننتال لبنان او اتصلوا بنا على ١٢٨٤
كل يوم من الـ٨ صباحاً حتى الـ١٠ مساءً.

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Management Analysis

"DEEP RELATIONSHIPS THAT FLOW"

IBL BANK s.a.l.

2 Management Analysis

Byblos

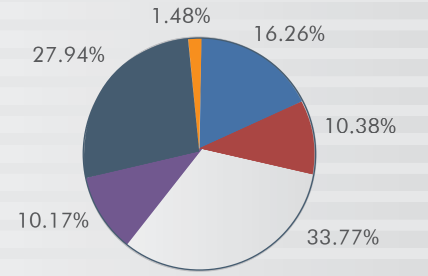
Key Figures

	2010	% GROWTH 2009/2010	2009	% GROWTH 2008/2009	2008	% GROWTH 2007/2008	2007	% GROWTH 2006/2007	2006
Total Assets	4, 861, 520	23.92	3, 922, 966	23.78	3, 169, 244	17.22	2, 703, 598	11.01	2,435,503
Customers' Deposits	4, 418, 332	24.83	3,539,377	24.11	2,851,705	17.96	2,417,615	13.33	2,133,231
Shareholders' Equity	329, 767	13.44	290,707	21.77	238,742	40.52	169,893	12.54	150,956
Loans & Advances to Customers & Related Parties	740, 288	85.48	399,120	-15.23	470,849	51.86	310,053	-1.61	315,119
Income for the Year	54, 022	28.60	42,008	8.25	38,808	26.88	30,586	3.21	29,634
Liquidity Ratio in LBP	105.97%		110.01%		111,49%		109.97%		108.20%
Liquidity Ratio in FCY	74.28%		80.79%		71,26%		80.83%		76.85%
Liquidity Ratio in LL & FCY	90.15%		95.32%		90.50%		92.81%		91.10%
Return on Average Assets	1.23%		1.18%		1.32%		1.19%		1.26%
Return on Average Equity	17.41%		18.73%		22.88%		23.47%		31.57%

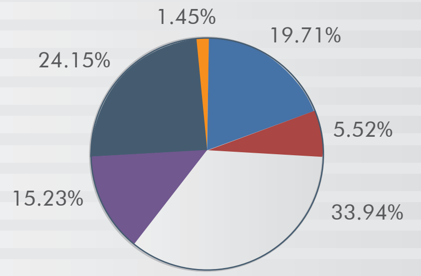
Uses of Funds

BALANCE SHEET STRUCTURE - ASSETS IN %	END 2010	END 2009
Cash, compulsory reserves and deposits at Central Banks	19.71%	16.26%
Deposits with Banks and Financial Institutions	5.52%	10.38%
Loans to Banks	33.94%	33.77%
Loans and Advances to customers and related parties	15.23%	10.17%
Investment Securities	24.15%	27.94%
Other Assets	1.45%	1.48%
	100.00%	100.00%

END 2009



END 2010



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank's strategy focuses on the maintenance of high-quality assets and a strong liquid portfolio of investments. This is reflected in the Return On Average Assets Ratio, that has always been at the forefront of Lebanese Banks, reaching 1.23% as at 31 December 2010.

The share of Interest-earning assets represented 92,97% of total assets as at 31 December 2010 as compared to 92,67% as at 31 December 2009.

Within the overall uses of funds, "cash, compulsory reserve and deposits at Central Banks" increased from 16,26% as at 31 December 2009 to 19,71% as at 31 December 2010.

The share of "Deposits with Banks and Financial Institutions" to total assets dropped from 10,38% as at 31 December 2009 to 5,52% as at 31 December 2010.

The ratio of "Loans to Banks" to total assets remained stable at 33,94% at the year end 31 December 2010 as compared to 33,77% at the year end 31 December 2009.

This was followed by an increase in the "Loans and advances to customers and related parties" from 10,17% as at 31 December 2009 to 15,23% as at 31 December 2010, reflecting the Bank's strategy to expand its loans portfolio.

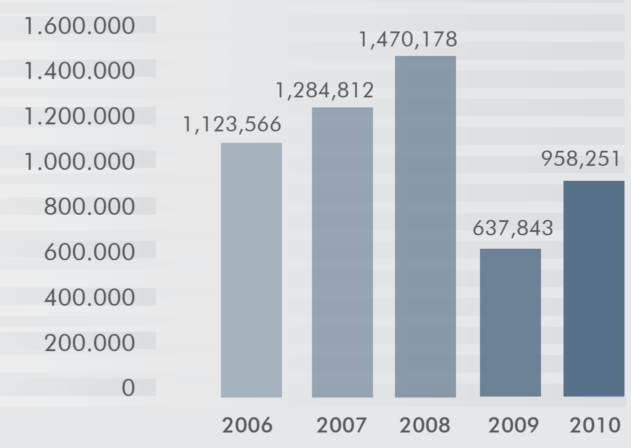
The share of "Investment securities" to total assets declined to 24.15% as at 31 December 2010 down from 27.94% as at 31 December 2009.

"Other Assets" represented 1.45% of total assets as at 31 December 2010 as compared to 1.48% as at 31 December 2009. They are mainly constituted of Property and equipment in a percentage of 47.73% of total "Other Assets" and "Assets acquired in satisfaction of debts" in a percentage of 23.90% at the year ended December 2010 as compared to 52.47% and 32.55% respectively at the year ended December 2009.

Cash, Compulsory Reserves And Deposits At Central Banks

CASH, COMPULSORY RESERVES AND DEPOSITS AT CENTRAL BANKS (in millions of LBP)

2006	2007	2008	2009	2010
1,123,566	1,284,812	1,470,178	637,843	958,251



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

"CASH, COMPULORY RESERVES AND DEPOSITS AT CENTRAL BANKS" ARE DISTRIBUTED AS FOLLOWS:

	End of year 2010		End of year 2009	
Cash on hand	28,080	2.93%	19,531	3.06%
Non-interest earning accounts	271,079	28.29%	209,893	32.91%
Interest earning accounts	659,092	68.78%	408,419	64.03%
	958,251	100.00%	637,843	100.00%

Overall "Cash, compulsory reserves and Central Banks" stood at LBP 958,251 million at year end 2010 up from LBP 637,843 million at year end 2009.

Non-interest earning accounts constituted 28.29% of total "Cash, compulsory reserves and deposits at Central Banks" as at end December 2010 down from 32.91% as at end December 2009. These accounts represent balances held by the Bank at the Central Bank of Lebanon in compliance with the obligatory reserve requirements for all banks operating in Lebanon on commitments in Lebanese Pounds calculated on the basis of 25% of sight and 15% of term commitments, in addition to the current account with the Central Bank of Kurdistan, Iraq, as well as to the blocked placement with the Central Bank of Lebanon for the establishment of IBL Investment Bank which began its operations in January 2011.

Interest earning accounts are constituted of term placements with the Central Bank of Lebanon that represented 68.78% of total "Cash, compulsory reserves and deposits at Central Banks", at the year end December 2010 as compared to 64.03% at the year end December 2009.

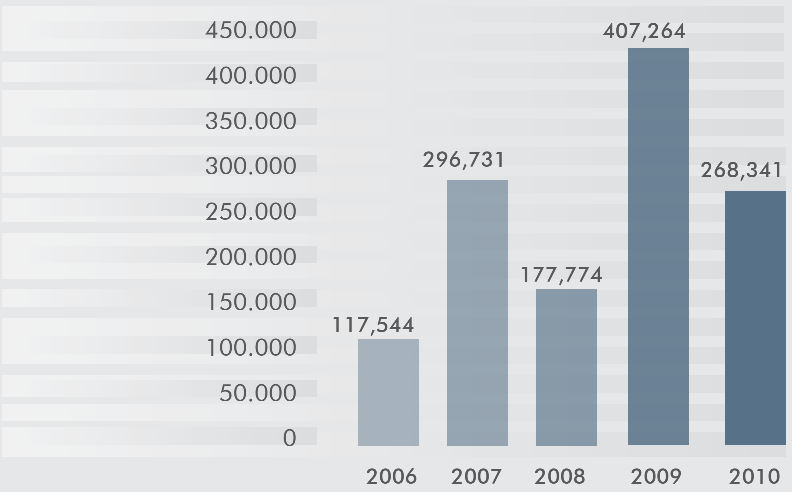
They also include the equivalent in foreign currencies of LBP 614 billion deposited in accordance with local banking regulations which require banks to maintain interest bearing placements in foreign currency to the extent of 15% of customers' deposits in foreign currencies.

Term placements with Central Bank of Lebanon increased by 68.99% from LBP 387,121 million as at 31 December 2009 to LBP 654,203 million as at 31 December 2010.

Deposits With Banks And Financial Institutions

DEPOSITS WITH BANKS AND FINANCIAL INSTITUTIONS (in millions of LBP)

2006	2007	2008	2009	2010
117,544	296,731	177,774	407,264	268,341



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

As at 31 December 2010, "deposits with banks and financial institutions" amounted to LBP 268,341 million and constituted 5.52% of total assets as compared to LBP 407,264 million and 10.38% of total assets as at 31 December 2009, reflecting a year-on-year decrease of 34.11%.

Term placements constituted 78.04% of total "Deposits with Banks and Financial Institutions"as at 31 December 2010 down from 84.18% as at 31 December 2009.

Almost 100% of the current and term deposits are denominated in foreign currencies.

"Deposits with banks and financial institutions" include an amount of LBP 3,439 million as at end of December 2010 subject to right of setoff by the related correspondents against banking facilities to finance documentary credit transactions.

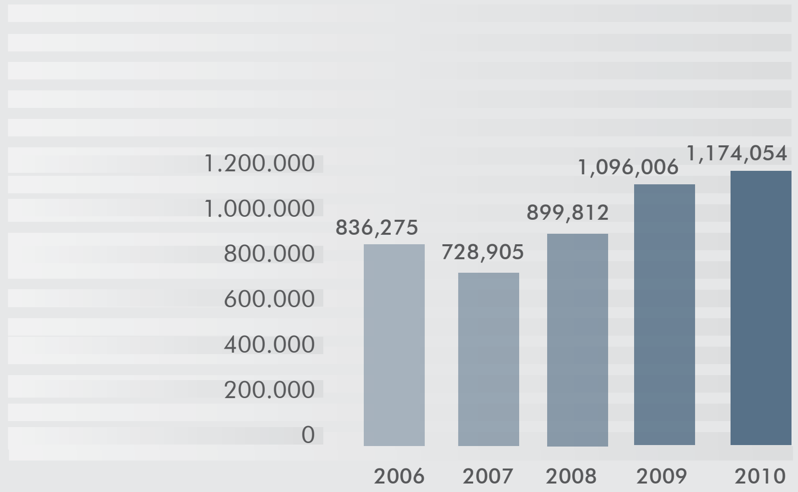
100% of term placements and pledged deposits as at 31 December 2010 mature during the year 2011.

"Deposits with banks and financial institutions" are geographically distributed as follows: 1.38 % in Lebanon and 98.62% in other low risk countries mainly in Europe and the USA.

Investment Securities

INVESTMENT SECURITIES (in millions of LBP)

2006	2007	2008	2009	2010
836,275	728,905	899,812	1,096,006	1,174,054



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

The Bank's securities portfolio increased by 7.12% in 2010 to LBP 1,174,054 million as at December 31, 2010, as compared to LBP 1,096,006 million as at December 31, 2009. The Bank's investment portfolio growth between December 31, 2009 and December 31, 2010, reflects the Bank's growth in terms of total deposits and total assets, and is in line with the Bank's prudent strategy characterized by its preference to maintain a high level of liquidity by placing its available funds into certificates of deposits issued by the Central Bank of Lebanon and Lebanese treasury bills, and Eurobonds.

The Bank's securities portfolio represents 24.15% of total assets in 2010 as compared to 27.94% the previous year, while 64.79% of the portfolio is denominated in foreign currencies. The Lebanese and other governmental treasury bills and bonds, in both LBP and foreign currencies, constituted 63.92% of the total securities portfolio as at 31 December 2010 as compared to 52.06% as at 31 December 2009.

The Investments in Central Bank certificates of deposit, in both LBP and foreign currencies, represented 33.55% of the Bank's total securities portfolio as at 31 December 2010 as compared to 42.92% as at 31 December 2009.

At the year end 31 December 2010, IBL Bank's securities portfolio was composed of 55.75% of Available For Sale securities, 44.20% of Held To Maturity securities and 0.05% of Held for Trading securities.

• Available for sale Investments are non derivative financial assets that are designated as available for sale or are not classified as another category of financial assets.

They are carried at fair value and unrealized gains or losses are included in equity. Interests on these securities are recognized based on their respective yields.

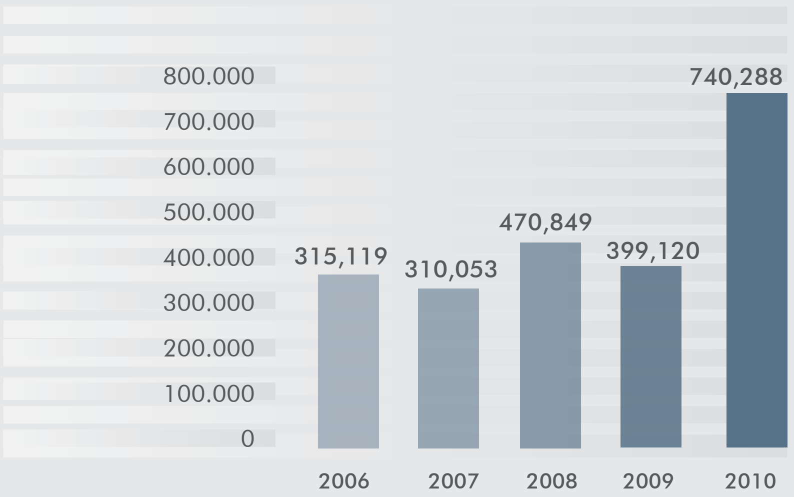
• Held to maturity Investments are non-derivative assets with fixed or determinable payments and fixed maturity and they are classified as held to maturity when the Bank has the positive intention and ability to hold these investments to maturity.

• Held for trading securities are bought for resale in the short term. They are initially recognized and subsequently measured at fair value. Transaction costs are included in the income statement.

Loans And Advances To Customers And Related Parties

LOANS AND ADVANCES TO CUSTOMERS AND RELATED PARTIES (in millions of LBP)

2006	2007	2008	2009	2010
315,119	310,053	470,849	399,120	740,288



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

As at December 31, 2010, the Bank had a net loan portfolio of LBP 740,288 million, 12% of which was denominated in Lebanese Pounds, the balance being in foreign currency, and mostly in US Dollars. The high dollarization of the Bank's loan portfolio is in line with loan portfolios of the Bank's peers, and reflects the state of the Lebanese economy for the past ten years. In common with the Bank's peers, the Bank adopts a conservative lending policy as a result of the current difficult and volatile environment in Lebanon.
As at December 31, 2010, most of the Bank's loan portfolio had an interest re-pricing maturity of less than one year. As a result of the expansion of the Bank's activities during the past years, the Bank's net loan portfolio increased by 85.48% in 2010 to LBP 740,288 million as at December 31, 2010 as compared to LBP 399,120 million as at December 31, 2009. Net loans to deposits ratio has however increased from 11.28% as at December 2009 to 16.75% as at December 2010 as the increase of the Bank's loan portfolio was accompanied with a strong increase in deposits reflecting the Bank's policy to invest its growth into more liquid assets.

A significant proportion of the Bank's loans and advances are secured by prime and enforceable guarantees. The types of collateral include cash collateral, prime real estate mortgages, pledge of securites, and bank and personal guarantees. Loans to related parties constituted 5.36% of the total loans portfolio as at 31 December 2010 as compared to 7.77% as at 31 December 2009. They consist mainly in direct facilities to principal shareholders authorised by the Bank's General Assembly and approved by the Board of Directors and are fully secured,in line with article 152 of the code of Money and Credit. These facilities do not exceed in the aggregate 5% of the Bank's shareholders equity.
As for the credit risk classification , and following the decision N° 7159 issued by the Central Bank dated November 10th 1998, all Banks and financial institutions operating in Lebanon are required to classify their loans according to the five following categories of risk :

- Regular accounts: A/ Unconditional,
  B/ Incomplete documentation
- Special mention accounts
- Sub-standard accounts
- Doubtful accounts
- Bad debts accounts

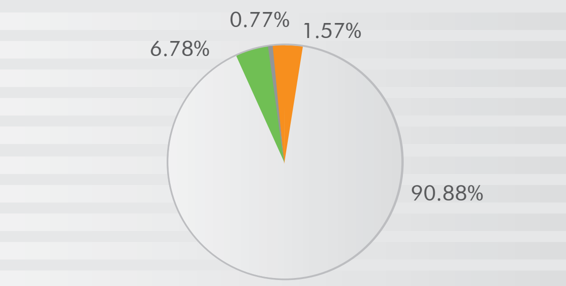
IBL Bank's internal classification system is in compliance with all the requirements of the Central Bank set out in the decision N° 7159 as amended from time to time and in Decision N° 9794 dated December 14, 2007. The continuously improving quality of the loan portfolio following to the enhanced internal risk and control policies and procedures is highlighted by the decrease in the Bank's ratio of gross doubtful debts to gross total loans to 1.02% as at 31 December 2010 from 3.20% as at 31 December 2009. The coverage of doubtful accounts, including collective provisions increased to 84.53% as at 31 December 2010 from 77.10% as at 31 December 2009.

Sources of Funds

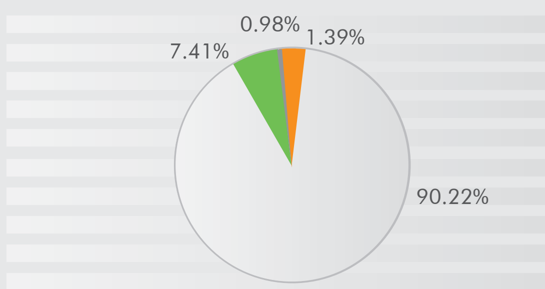
BALANCE SHEET STRUCTURE - LIABILITIES IN %

	END 2010	END 2009
Deposits and borrowings from banks	1.57%	1.39%
Customers' and related parties accounts at amortized cost	90.88%	90.22%
Shareholders' equity	6.78%	7.41%
Other liabilities	0.77%	0.98%
	100.00%	100.00%

END 2009



END 2010



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

IBL Bank's main sources of funding are: customers and related parties accounts, shareholders' equity (Tier I & Tier II), deposits and borrowings from Banks, and other liabilities.

Customers' deposits represent the major source of funds with a share of 90.88% at the end of 2010 as compared to a share of 90.22% at the end of 2009.

Shareholders' equity (Tier I & Tier II) constituted 6.78% of total sources of funds in 2010 as compared to 7.41% in 2009.

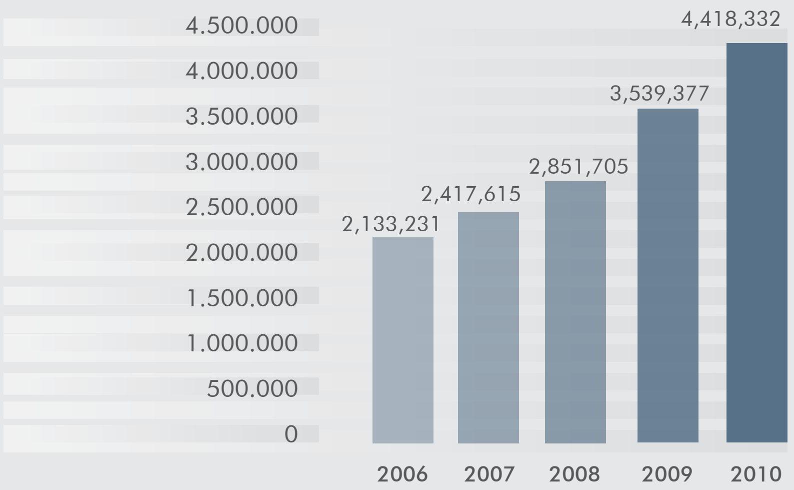
The share of deposits and borrowings from banks amounted to 1.57% in 2010 up from 1.39% in 2009.

Interest-bearing liabilities as a share of total liabilities slightly increased from 91.61% as at end December 2009 to 92.45% as at end December 2010. In absolute terms, interest bearing liabilities stood at LBP 4,494,525 million as of end December 2010 as compared to LBP 3,593,879 million as of end December 2009, registering a growth of 25.06% over the year.

Customers' And Related Parties Accounts At Amortized Cost

CUSTOMERS' AND RELATED PARTIES ACCOUNTS AT AMORTIZED COST (in millions of LBP)

2006	2007	2008	2009	2010
2,133,231	2,417,615	2,851,705	3,539,377	4,418,332

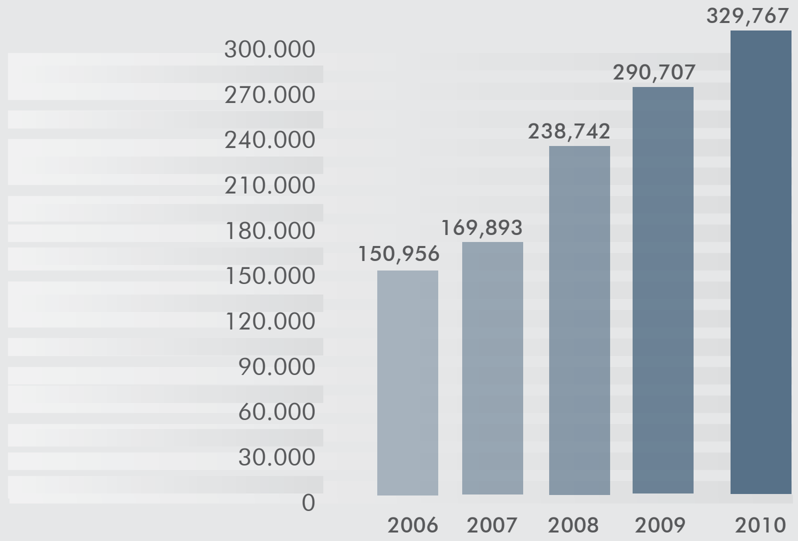


• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Shareholders' Equity

SHAREHOLDERS' EQUITY (in millions of LBP)

2006	2007	2008	2009	2010
150,956	169,893	238,742	290,707	329,767



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Throughout 2010, deposits at IBL Bank continued to rise as compared to 2009. Indeed, the Bank's customers' deposits increased by 24.83%, up from LBP 3,539,377 million as at 31 December 2009 to reach LBP 4,418,332 million as at 31 December 2010, outperforming the average growth in total deposits of the Lebanese banking sector which stood at 11.9% during the year 2010.

In fact, according to Bankdata, the Bank had the sixth highest growth rate and the highest growth rate in terms of deposits in 2009 and 2010, respectively.

Similar to all other Lebanese Banks, the Customers' deposits in IBL Bank represent the principal source of funds with a percentage of 90.88% as at 31 December 2010 as compared to 90.22% as at 31 December 2009.

As at 31 December 2010, term deposits, which have average maturities of approximately 3 to 6 months represented the largest portion of customers and related parties accounts, being 81.86%.

Demand deposits represented 6.37% of total deposits and collateral against loans and advances represented 11,77%. Customers' deposits denominated in Lebanese Pounds slightly decreased from 50.01% of total customers' deposits as at 31 December 2009 to 49.10% as at 31 December 2010.

With regards to customers' deposits held in foreign currency, and principally in US Dollars, they reached by the end of 2010, 50.90% of total customers' deposits from 49.99% of total customers' deposits recorded in 2009.

As at 31 December 2010, shareholders' equity stood at LBP 329,767 million as compared to LBP 290,707 million as at 31 December 2009 reflecting a year-on-year increase of 13.44%. As a percentage of total assets, shareholders' equity represented 6.78% at end December 2010 as compared to 7.41% at end December 2009.

Tier I capital, which is the main source of equity of the Bank, comprises common shares capital, preferred shares capital, preferred shares premium, legal reserves, retained earnings and general reserves.

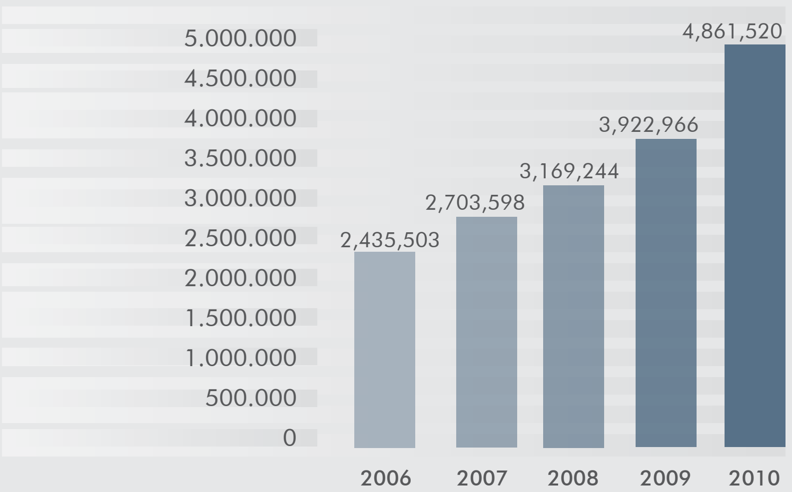
Tier I capital reached LBP 301,387 million as of December 2010 as compared to LBP 257,313 million as of December 2009, representing an increase of 17.13%.

Tier I increase is mainly attributed to the profits of the year 2010 amounting to LBP 54,022 million.

Tier II capital decreased from LBP 33,394 million as at 31 December 2009 to LBP 28,380 million as at 31 December 2010 as the result of the cumulative change in fair values of financial assets.

Total Assets

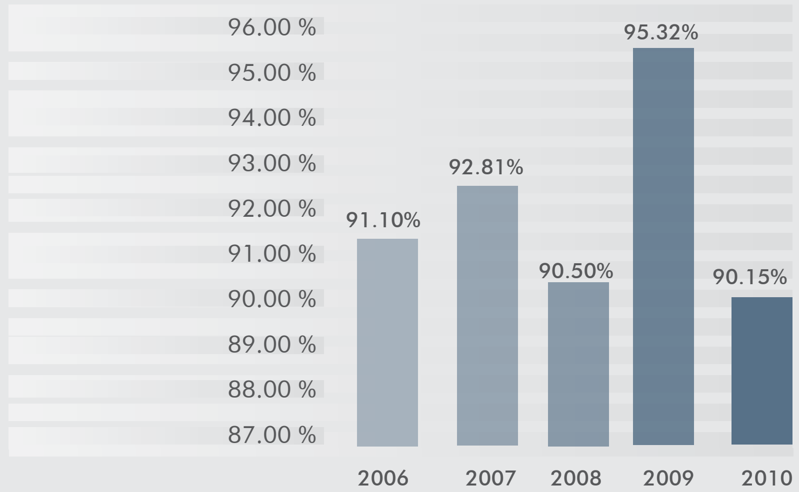
TOTAL ASSETS (in millions of LBP)	2006	2007	2008	2009	2010
	2,435,503	2,703,598	3,169,244	3,922,966	4,861,520



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Liquidity Ratio

LIQUIDITY RATIO IN LBP & FCY	2006	2007	2008	2009	2010
	91.10%	92.81%	90.50%	95.32%	90.15%



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

The Bank realized a significant asset growth during the period ranging from the beginning of 2009 to the end of 2010, as total assets and total deposits grew by 53% and 55% respectively over the said period. The Bank's total assets increased by 23.92% in 2010 to reach LBP 4,861,520 million as of December 31, 2010 as compared to LBP 3,922,966 million as of December 31, 2009. According to Bankdata, the Bank realized the highest year-to-year growth in total assets in 2010 and the sixth highest year-to-year growth in 2009 among its peers.

The increase in total assets was driven by increases in funding which consisted primarily of customers'deposits and shareholders'equity.

Assets denominated in Lebanese Pounds slightly dropped to 50.76% at the end of December 2010 from 52.01% at the end of December 2009.

As at 31 December 2010, IBL Bank's overall liquidity stood at 90.15%. The Lebanese Pound liquidity ratio, including the Lebanese Government Treasury Bills, was 105.97% reflecting an available liquidity covering Lebanese Pounds deposits in total. Moreover, the liquidity ratio in foreign currencies accounted to 74.28% as at 31 December 2010 decreasing from 80.79% as at 31 December 2009.

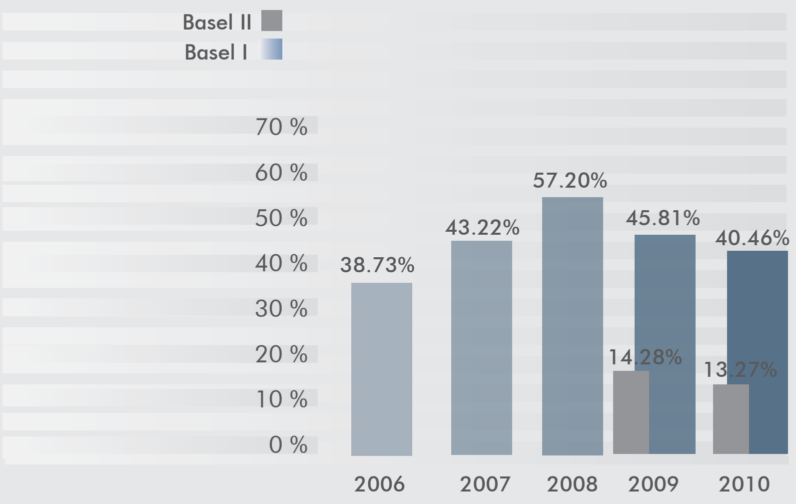
Maturity mismatch between Assets and Liabilities, which characterises the Lebanese banking sector, was also noticable in IBL Bank accounts. In 2010, the interest rate gap position was negative in the maturities from 0 to 3 months reaching LBP 2,700,537 million and afterwards, the maturity gaps turned back positive reaching a maximum of LBP 1,705,655 million for maturities of three to five years.

The ALCO manages the mismatches, by maintaining strict liquidity criterias on Investments and by following the behavior of deposits, which have a proved track record of being recurring and core.

Capital Adequacy Ratio

CAPITAL ADEQUACY RATIO

	2006	2007	2008	2009	2010
Basel II				14.28%	13.27%
Basel I	38.73%	43.22%	57.20%	45.81%	40.46%

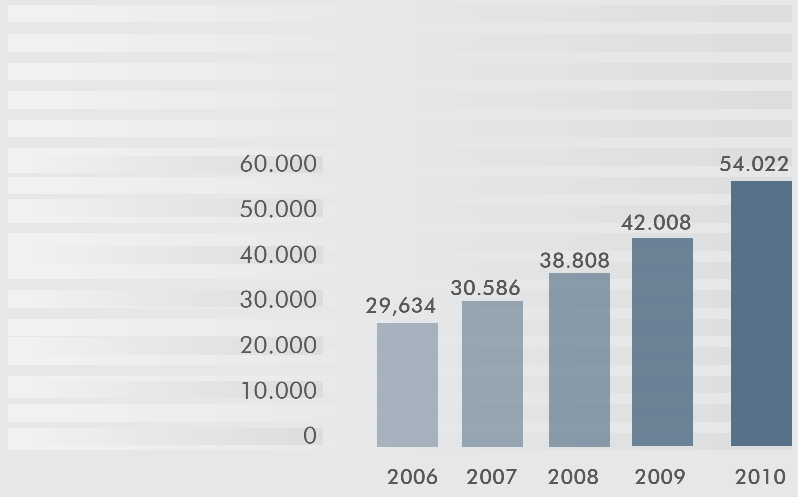


• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Profitability

PROFITABILITY (in millions of LBP)

	2006	2007	2008	2009	2010
NET INCOME FOR THE YEAR	29,634	30,586	38,808	42,008	54,022



• NB: Comparative figures have been reclassified to comply with the presentation in the current financial statements

Basel I Accord
IBL Bank's Capital Adequacy ratio (under Basel I) reached 40.46% as at 31 December 2010 as compared to 45.81% as at 31 December 2009, which is almost 3.5 times the minimum of 12% required by the Central Bank of Lebanon, and 5 times the international ratio of 8% required by the Basel I Accord.

For Tier I capital alone, the Capital Adequacy Ratio stood at 38.54% as at 31 December 2010.

Basel II Accord
IBL Bank's Capital Adequacy ratio (under Basel II) calculated according to the Central Bank of Lebanon guidelines which are in line with the recommendations of the Basel II committee reached 13.27% as at 31 December 2010 as compared to 14.28% as at 31 December 2009, while the minimum requirement as set by the Basel Committee and the local regulator is 8%.

The statutory shareholders' equity, used for the calculation of the Capital Adequacy ratio, after allocation of the financial year's income before distributions, increased from LBP 270,310 million at the end of December 2009 to LBP 314,138 million at the end of December 2010 showing a growth of 16.21%.

As at 31 December 2010, the Bank's risk weighted assets amounted to LBP 2,199,110 million, against LBP 1,650,064 million in 2009,meaning an increase of 33.27%, reflecting the growth in the total balance-sheet.

Credit Risk represents the largest proportion of risk weighted assets at 92.05% of the total. This is due to Lebanon's sovereign rating which impacts the risk weighting of foreign currency government securities.

Despite the difficult economic environment prevailing in the country, the year 2010 was a profitable year for IBL Bank.

In fact, the Bank recorded consolidated net profits of LBP 54,022 million growing by 28.60% as compared to the year 2009 where consolidated net profits stood at LBP 42,008 million.

The year-on-year analysis reveals that the increase in consolidated earnings resulted from the increase in net financial revenues, after impairment charge for credit losses, from LBP 80,086 million as at 31 December 2009 to LBP 100,014 million as at 31 December 2010, meaning a rise of 25.63% as compared to 11.02% between 2008 and 2009.

This result, is after taking into consideration the allowance for collective impairment of LBP 3,046 million that was provided for during 2010.

IBL's performance is also reflected in the Bank's high profitability ratios that are among the highest in the Lebanese banking sector.

In fact, IBL Bank's Return on Average Assets (ROAA) stood at 1.23% at the end of 2010 improving from 1.18% at the end of 2009, while the Bank's Return on Average Equity (ROAE) reached 17.41% at the end of 2010, slightly decreasing from 18.73% at the end of 2009. Staff and administrative expenses rose from LBP 30,324 million in 2009 to LBP 35,872 million in 2010 registering a year-to-year increase of 18.30% as the result of the Bank's expansion locally and regionally.

Despite the increase in staff and operating expenses, the Bank's effective cost-control policy resulted in IBL maintaining a relatively low cost-to-income ratio of 36.98% as at 31 December 2010, whereas the Alpha Group Avearge was 48.23% as at 31 December 2010.

List of Main Correspondents - Treasury & Financial Market

CORRESPONDENT	CITY	SWIFT CODE
National Bank of Abu Dhabi	Abu Dhabi	NBADAEAA
The Housing Bank for Trade & Finance	Amman	HBHOJOAX
Jordan Ahli Bank PLC	Amman	JONBJOAX
Bank of Baghdad	Baghdad	BABIIQBA
Iraqi Middle East Invetment Bank	Baghdad	IMEBIQBA
Banco de Sabadell SA	Barcelona	ATLAESMM
Byblos Bank Europe SA	Brussels	BYBBBEBB
Danske Bank A/S	Copenhagen	DABADKKK
Doha Bank	Doha	DOHBQAQA
Al Khaliji France SA	Dubai	LICOAEAD
MashreqBank	Dubai	BOMLAEAD
Central Bank of Kurdistan Region Minare Bank	Erbil	XXXXXXXX
Deutsche Bank AG	Frankfurt	DEUTDEFF
Commerzbank AG	Frankfurt	COBADEFF
Bankmed (Suisse) SA	Geneva	MEDSCHGG
The National Commercial Bank	Jeddah	NCBKSAJE
The Commercial Bank of Kuwait	Kuwait	COMBKWKW
Wells Fargo Bank N.A.	London	PNBPGB2L
Banco Popular Espanol	Madrid	POPUESMM
Intesa Sanpaolo spa (formerly Banca Intesa spa)	Milano	BCITITMM
J P Morgan Chase Bank	New York	CHASUS33
The Bank of New York Mellon	New York	IRVTUS3N
Wells Fargo Bank N.A.	New York	PNBPUS3NNYC
Bank of Cyprus Public Company LTD	Nicosia	BCYPCY2N
DNB Nor Bank ASA	Oslo	DNBANOKK
Al Khaliji France SA	Paris	LICOFRPP
Banque Audi Saradar (France) SA	Paris	AUDIFRPP
Skandinaviska Enskilda Banken	Stockholm	ESSESESS
North Bank For Finance & Investment	Sulaimaniyah	NRTTIQBA
J P Morgan Chase Bank	Sydney	CHASAU2X
The Bank of New York Mellon	Tokyo	IRVTJPJX
Sumitomo Mitsui Banking Corporation	Tokyo	SMBCJPJT
The Royal Bank of Canada	Toronto	ROYCCAT2
Unicredit Bank Austria AG.	Vienna	BKAUATWW

Main Resolutions of the Ordinary General Assembly Held on June 9, 2011

Resolution 1:

The Ordinary General Assembly, after listening to the reports of the Board of Directors and the external Auditors regarding the accounts of the year 2010, and after reviewing the balance sheet and the profit and loss accounts for the same year, decided:

The ratification of the reports, the balance sheets and all other accounts of the Bank relating to the fiscal year ending on 31/12/2010.

Decision taken unanimously.

Resolution 2 :

The Ordinary General Assembly, after taking note of the net profits realized during 2010, which amounted to LBP 42,223 million decided:

1) The Distribution of approximately US$ 3,024 Thousand of these profits, to the holders of series 1 preferred shares, amount which represents 13.86% of the net non consolidated profits of the Bank pursuant to the first decision (Item 5) of the Extraordinary General Assembly held on December 27, 2005.

2) The distribution of LBP 17,737 million (approximately US$ 11,800 Thousand) of these profits to the Common Shareholders in proportion of their participation in the Bank's Capital.

3) To transfer the amount of LBP 6,300 million to the free reserves special for the liberation of the amount representing the increase of capital pursuant to the redemption and cancellation of series 1 preferred shares.

It was also decided to transfer the remaining balance of the net profits of the year 2010 to retained earnings (previous results).

Decision taken unanimously.

Resolution 8 :

The Ordinary General Assembly, after going through the reports of the Board of Directors and the external Auditors in compliance with article 158 of the Code of Commerce And article 152 paragraph 4 of the Code of Money and Credit, decided:

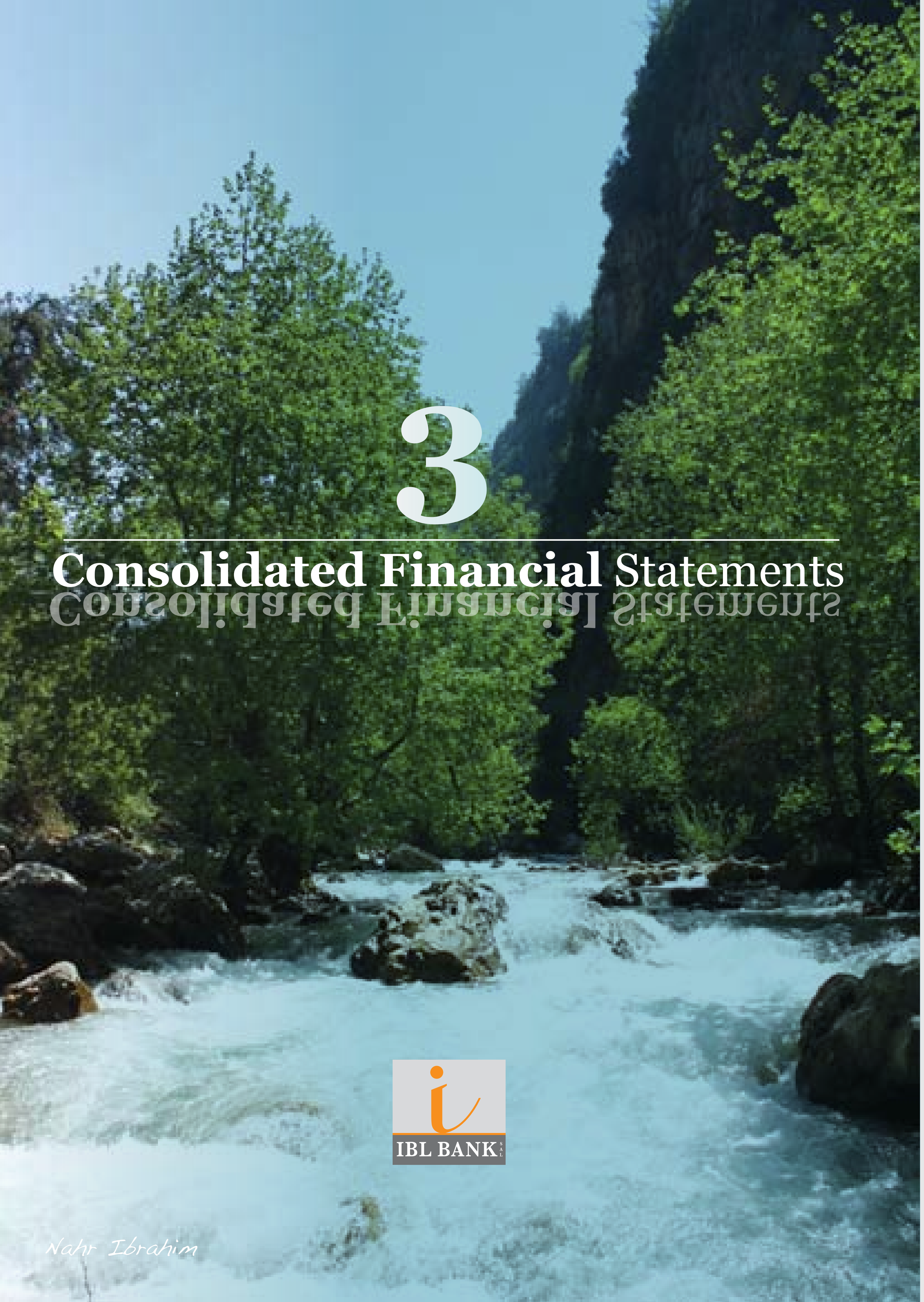
The ratification of the activities carried out in accordance to the above-mentioned laws, and renewal of the prior authorization given to the Directors to act according to those articles, in addition to the prior authorization of article 159 of the Code of Commerce.

Decision taken unanimously.

CONSOLIDATED FINANCIAL STATEMENTS

“ CRYSTAL CLEAR FACT SHEETS ”

IBL BANK S.A.L



3

Consolidated Financial Statements

BT 32289/DTT
INDEPENDENT
AUDITOR'S REPORT

To the Shareholders
IBL Bank S.A.L.
Beirut, Lebanon

We have audited the accompanying consolidated financial statements of IBL BANK S.A.L. AND SUBSIDIARIES (the Bank), which comprise the consolidated statement of financial position as at December 31, 2010, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of 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 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 consolidated 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 existing banking laws in Lebanon.

The procedures selected depend on our 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, we consider 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 financial position of the IBL Bank S.A.L. as of December 31, 2010, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Beirut, Lebanon
April 20, 2011

Fiduciaire du Moyen Orient   Deloitte & Touche

IBL BANK S.A.L.
Consolidated Statement Of Financial Position

ASSETS	Notes	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Cash, compulsory reserves and deposits at Central Banks	5	958,250,566	637,842,750
Deposits with banks and financial institutions	6	268,341,148	407,263,734
Loans to banks	7	1,650,059,354	1,324,725,669
Loans and advances to customers	8	700,590,851	368,095,520
Loans and advances to related parties	9	39,697,295	31,024,246
Held-for-trading securities	10	569,876	29,805,787
Available-for-sale investment securities	11	654,596,203	580,512,876
Held-to-maturity investment securities	11	518,888,063	485,686,943
Customers' liability under acceptances	12	16,158,555	8,585,539
Assets acquired in satisfaction of loans	13	16,854,329	17,720,286
Property and equipment	14	33,661,437	28,179,339
Intangible assets	15	911,493	1,129,216
Other assets	16	2,941,025	2,394,086
Total Assets		**4,861,520,195**	**3,922,965,991**

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK:

	Notes	2010	2009
Documentary and commercial letters of credit	34	123,727,438	152,243,796
Guarantees and standby letters of credit	34	70,974,801	64,297,969
Forward contracts	34	43,510,524	40,777,359
FIDUCIARY DEPOSITS		6,693,300	6,693,300

THE ACCOMPANYING NOTES 1 TO 40 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

LIABILITIES	Notes	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Deposits and borrowings from banks	17	76,192,994	54,501,777
Customers' accounts at amortized cost	18	4,342,227,601	3,471,966,566
Related parties accounts at amortized cost	34	76,104,785	67,410,852
Acceptance liability	12	16,158,555	8,585,539
Other liabilities	19	16,516,152	26,151,759
Provisions	20	4,552,980	3,642,451
Total liabilities		**4,531,753,067**	**3,632,258,944**
EQUITY			
Common shares	21	113,700,000	113,700,000
Non-cumulative convertible preferred shares	22	37,957,500	37,957,500
Common shares premium	21	6,514,784	6,514,784
Reserves	23	20,039,297	9,716,728
Asset revaluation surplus		2,752,680	2,752,680
Cumulative change in fair value of investment securities	24	22,780,579	28,440,757
Regulatory reserve for assets acquired in satisfaction of loans	13	2,846,649	2,201,248
Retained earnings	25	69,153,528	47,415,108
Income for the year		54,022,111	42,008,242
Total Equity		**329,767,128**	**290,707,047**
Total Liabilities and Equity		**4,861,520,195**	**3,922,965,991**

THE ACCOMPANYING NOTES 1 TO 40 FORM AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
Consolidated Statement Of Income

	Notes	Year Ended December 31, 2010 LBP'000	Year Ended December 31, 2009 LBP'000
Interest income	26	289,641,297	255,410,182
Interest expense	27	(215,597,133)	(193,962,337)
Net interest income		74,044,164	61,447,845
Fee and commission income	28	7,980,710	5,656,647
Fee and commission expense	29	(498,028)	(803,719)
Net fee and commission income		7,482,682	4,852,928
Other operating income	30	18,492,881	12,970,989
Income for held-to-trading activities	31	2,392,540	2,244,048
Net financial revenues		102,412,267	81,515,810
Allowance for impairment and write-off of loans and advances (net of write-backs)	32	(3,398,529)	(1,429,451)
Write-back of provision on investment in subsidiary		1,000,000	-
Net financial revenues after impairment charge for credit losses		**100,013,738**	**80,086,359**
Staff costs	33	(19,887,709)	(17,078,584)
Administrative expenses		(13,748,275)	(11,463,329)
Depreciation and amortization	15, 16	(2,101,831)	(1,618,381)
Other income		(133,719)	(163,299)
		(35,871,534)	**(30,323,593)**
Profit before income tax		64,142,204	49,762,766
Income tax expense	19	(10,120,093)	(7,754,524)
Income for the year		**54,022,111**	**42,008,242**

THE ACCOMPANYING NOTES 1 TO 40 FORM
AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
Consolidated Statement Of Comprehensive Income

	Notes	Year Ended December 31, 2010 LBP'000	Year Ended December 31, 2009 LBP'000
Income for the year		**54,022,111**	**42,008,242**
Other comprehensive Income:			
Net change in fair value of available-for-sale securities		8,629,737	25,418,755
Net change in fair value of securities recycled to profits and losses		(13,168,014)	(2,312,965)
Deferred tax liabilities		(972,487)	(4,888,290)
Amortized change in fair value of held to maturity securities reclassified		(149,414)	(137,516)
Net other comprehensive income		(5,660,178)	18,079,984
Total comprehensive income		**48,361,933**	**60,088,226**

THE ACCOMPANYING NOTES 1 TO 40 FORM
AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
Consolidated Statement Of Changes In Equity

	Common Shares LBP'000	Preferred Shares LBP'000	Common Shares Premium LBP'000	Reserves LBP'000	Asset Revaluation Surplus LBP'000	Cumulative Change in Fair Value of Investment Securities LBP'000	Regulatory Reserves for Assets Acquired in Satisfaction of Loans LBP'000	Retained Earnings LBP'000	Income for the Year LBP'000	Total Equity LBP'000
Balance at December 31, 2008	77,700,000	37,957,500	6,514,784	9,077,014	2,752,680	10,360,773	1,456,736	54,115,005	38,807,804	238,742,296
Issuance of common shares	36,000,000	-	-	(7,000,000)	-	-	-	(29,000,000)	-	-
Regulatory reserves for assets acquired in satisfaction of loans	-	-	-	-	-	-	903,628	(903,628)	-	-
Release of regulatory reserves for assets in satisfaction of loans	-	-	-	-	-	-	(159,116)	-	-	(159,116)
Dividends declared (Note 25)	-	-	-	-	-	-	-	(8,337,397)	-	(8,337,397)
Allocation of 2008 income	-	-	-	7,639,714	-	-	-	31,168,090	(38,807,804)	-
Prior period adjustments	-	-	-	-	-	-	-	373,038	-	373,038
Comprehensive income	-	-	-	-	-	18,079,984	-		42,008,242	60,088,226
Balance at December 31, 2009	113,700,000	37,957,500	6,514,784	9,716,728	2,752,680	28,440,757	2,201,248	47,415,108	42,008,242	290,707,047
Comprehensive income	-	-	-	-	-	(5,660,178)	-	-	54,022,111	48,361,933
Regulatory reserves for assets acquired in satisfaction of loans	-	-	-	-	-	-	926,297	(926,297)	-	-
Release of provisions for assets acquired in satisfaction of loans	-	-	-	-	-	-	(280,896)	280,896	-	-
Dividends declared (Note 25)	-	-	-	-	-	-	-	(8,349,224)	-	(8,349,224)
Difference in exchange	-	-	-	-	-	-	-	47,372	-	47,372
Reversal of provision on investment in subsidiary	-	-	-	-	-	-	-	(1,000,000)	-	(1,000,000)
Allocation of income of the year 2009	-	-	-	10,322,569	-	-	-	31,685,673	(42,008,242)	-
Balance at December 31, 2010	113,700,000	37,957,500	6,514,784	20,039,297	2,752,680	22,780,579	2,846,649	69,153,528	54,022,111	329,767,128

THE ACCOMPANYING NOTES 1 TO 40 FORM
AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

THE ACCOMPANYING NOTES 1 TO 40 FORM
AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
Consolidated Statement Of Cash Flows

	Notes	2010 LBP'000	2009 LBP'000
		Year Ended December 31,	
Cash flows from operating activities:			
Income after tax		54,022,111	42,008,242
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:			
Depreciation and amortization		2,101,830	1,618,381
Write-back of provision on investment in subsidiary		(1,000,000)	-
Change in fair value of held-for-trading securities		(2,154,853)	(1,486,784)
Provision for end-of-service indemnity		1,038,173	838,638
Provision for credit losses (net of write backs)		159,755	1,403,051
Provision for loss in foreign currency position		12,750	-
Gain on sale of assets acquired in satisfaction of loans		(612,612)	(275,052)
(Gain)/loss on sale of property and equipment		(185,448)	191,750
Net increase in loans to banks		(325,333,685)	(1,225,840,208)
Net (increase)/decrease in loans and advances to customers		(332,168,977)	78,513,785
Net increase in loans and advances to related parties		(8,673,049)	(8,071,920)
Net increase/(decrease) in compulsory reserves and term deposits with the Central Banks		(143,924,830)	873,538,299
Net decrease/(increase) in deposits with banks and financial institutions		14,186,715	(10,698,805)
Net increase in other assets		(546,938)	(216,250)
Net (increase)/decrease in deposits and borrowings from banks		(5,322,785)	14,111,518
Net increase in customers' accounts at amortized cost		870,261,035	669,103,996
Net increase/(decrease) in related parties' accounts at amortized cost		8,693,933	18,568,538
Net (decrease)/increase in other liabilities		(5,672,432)	13,276,843
Provisions settled		(140,394)	(213,337)
Net cash (used in)/provided by operating activities		124,740,299	466,370,685
Cash flow from investing activities:			
Purchased of property and equipment		(8,096,530)	(4,543,614)
Purchased of intangible assets		-	(961,711)
Proceeds from sale of assets acquired in satisfaction of loans		992,460	433,620
Proceeds from sale of property and equipment		766,338	1,938,049
Proceeds from sale of intangible assets		(100,830)	35,620
Proceeds from sale of fixed assets		250,264	-
Increase in portfolio securities		(85,469,664)	(179,841,287)
Net cash (used in)/provided by investing activities		(91,657,962)	(182,939,323)
Cash flows from financing activities:			
Dividends paid		(8,349,224)	(8,337,397)
Net cash provided by/(used in) financing activities		(8,349,224)	(8,337,397)
Net increase/(decrease) in cash and cash equivalents		24,733,113	275,093,965
Cash and cash equivalents - Beginning of year	36	487,569,580	212,475,615
Cash and cash equivalents - Ending of year	36	512,302,693	487,569,580

THE ACCOMPANYING NOTES 1 TO 40 FORM
AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

IBL BANK S.A.L.
Notes To The Consolidated Financial Statements
Year Ended December 31, 2010

1. *GENERAL INFORMATION*

IBL Bank S.A.L. is a Lebanese joint-stock company registered in the Lebanese commercial register under No. 10472 and in the list of banks published by the Central Bank of Lebanon under No. 52. The consolidated financial statements of the Bank as at December 31, 2010 comprise the Bank and its subsidiaries (the "Bank"). The Bank is primarily involved in investment, corporate and retail banking.

The Bank's foreign name was changed during 2008 from Intercontinental Bank of Lebanon S.A.L. to IBL Bank S.A.L. by virtue of the resolution of the Extraordinary General Assembly of Shareholders held on August 20, 2007.

The Bank operates through a network consisting of 17 branches in Lebanon and a branch in Kurdistan - Erbil District established in 2008, another one in Limassol, Cyprus established in 2009 and a branch in Baghdad, Iraq established and started operation on December 26, 2010.

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.

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

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

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 Bank 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 Bank 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.

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 Bank'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 Bank's financial assets as summarized under section 2.3 below.

Early adoption decided by the Bank effective January 1, 2011

• 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 Bank 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 Bank 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 Bank 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 JANUARY 1, 2011 ON THE AMOUNTS REPORTED

As discussed in section 2.2 above, the directors anticipate that IFRS 9 will be adopted in the Bank's consolidated financial statements for the annual period beginning January 1, 2011.

Management 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 Bank in 2011 will be applied retrospectively and comparative amounts will not be restated as permitted by IFRS 9.

• Effective January 1, 2011 the Bank'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 LBP22.8billion will be reclassified to retained earnings to the extent of approximately LBP2.7billion and the remaining amount (along with the cumulative deferred tax charge of approximately LBP20.10billion) will be offset against those financial assets which will be classified as amortized cost.

• Effective January 1, 2011 part of the Bank's financial assets classified as amortized cost (loans & receivable and held-to-maturity) under IAS 39 will be classified as financial assets through profit or loss. Accordingly, related change in fair value (gain/loss) estimated at LBP17.6billion will be booked as an adjustment to retained earnings as at January 1, 2011 net of tax effect.

3. SIGNIFICANT ACCOUNTING POLICIES

A. Statement of Compliance

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

B. Basis of Measurement

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

• Land and buildings acquired prior to 1993 are measured at their revalued amounts based on market prices prevailing in 1997. Current market value of these assets exceeds substantially their carrying book value.

• Financial assets and liabilities at fair value through profit and loss.

• Available-for-sale financial assets are measured at fair value.

C. Basis of Consolidation:

The consolidated financial statements of IBL Bank S.A.L. (formerly Intercontinental Bank of Lebanon S.A.L.) incorporate the financial statements of the Bank and its subsidiaries companies, controlled and owned by the Bank. 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 subsidiaries are listed below:

Company Name	Inception Date	Ownership	Type of Business
Al-Itihadiah Real Estate S.A.L.	May 31, 1979	99.97	Real Estate Properties
IBL Holding S.A.L.	November 11, 2008	99.70	Holding
IBL Brokerage S.A.L.	March 14, 2006	99.80	Brokerage

Where necessary, adjustments are made to the financial statements of the subsidiary to bring its accounting policies in line with those used by other entities of the Bank.

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

D. Foreign Currencies:

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

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting 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 the income statement in the period in which they arise except for exchange differences on transactions entered into in order to hedge certain foreign currency risks, and exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Bank's foreign operations are expressed in Lebanese Pound using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period.

E. Financial assets and Liabilities:

Recognition and Derecognition:

The Bank initially recognizes loans and advances, deposits 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 Bank becomes a party to the contractual provisions of the instrument.The Bank 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.

The Bank derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting:

Financial assets and liabilities are set off and the net amount is presented in the balance sheet when, and only when, the Bank 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:

The fair values of financial assets and financial liabilities are determined as follows:

• the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
• the fair value of other financial assets and financial liabilities and those traded in inactive markets (excluding derivative instruments) are determined either based on quoted prices adjusted downward for factors related to illiquidity or in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions, as applicable; and
• the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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 financial asset, the estimated future cash flows of the investment have been impacted.

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 the income statement 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.

In respect of available-for-sale investment securities, the previously accumulated impairment losses recorded under equity are recognized in the income statement in case of impairment losses substantiated by a prolonged decline in fair value of the investment securities. 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.

F. 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 Bank has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale.

Held-to-maturity investments are carried at amortized cost using the straight line method where results approximate those resulting from 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 Bank from classifying investment securities as held-to-maturity for the current and the following two financial years.

Available-for-Sale Investment Securities:

Available-for-sale investments are non derivative investments that are not designated as another category of financial assets. Available-for-sale securities are stated at fair value, except for unquoted equity securities whose fair value cannot be reliably measured are carried at cost. Fair value is determined in the manner described in the preceding paragraphs. Gains and losses arising from changes in fair value are recognized directly in equity in the "change in fair value of available-for-sale securities" with the exception of impairment losses, interest and foreign exchange gains and losses on monetary assets, which are recognized directly in the income statement. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the "change in fair value of available-for-sale securities" is included in the income statement for the period.

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

G. Trading Assets:

Trading assets are initially recognized and subsequently measured at fair value. Transaction costs are included in the income statement. Subsequent changes in fair value of these securities are recognized immediately in the income statement.
Subsequent to their initial recognition, trading securities are not reclassified.

H. Loans and Advances:

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

I. Investments in Associates:

An associate is an entity over which the Bank has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates over which the Bank has significant influence are accounted for at cost in the standalone financial statements and reflected on the basis of the equity method of accounting in the consolidated financial statements.

J. Financial Liabilities and Equity Instruments Issued by the Group:

Classification as debt or equity:

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments:

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

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

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of the amount of the obligation under the contract and the amount initially recognized less cumulative amortization recognized in accordance with the revenue recognition policies set out above.

K. Property and Equipment:

Property and equipment except for buildings acquired prior to 1997 are stated at historical cost, less accumulated depreciation and impairment loss, if any.

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

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

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 the income statement.

L. Intangible Assets:

Intangible assets consisting of computer software are amortized over a period of five years and are subject to impairment testing. Subsequent expenditure on software assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

M. Assets acquired in satisfaction of loans:

Real estate property has been acquired through the enforcement of security over loans and advances. These assets are measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the local banking authorities who require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the Bank is required to appropriate a special reserve from the retained earnings that is reflected under equity.

N. Impairment of Tangible and Intangible Assets:

At each reporting date, the Bank 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 the income statement, 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 the income statement, 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.

O. Employees' End-of-Service Indemnities:

The provision for staff end of service indemnities is based on the liability that would arise if the employment of all the staff were 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.

P. Provisions:

Provision is recognized if, as a result of a past event, the Bank has a present obligation (legal or constructive) 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 obligation.

Q. Revenue and Expense Recognition:

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

Interest income and expense presented in the income statement include:

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

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

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

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

R. Income Tax:

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

Current tax is the expected tax payable on the taxable income for the year, using rates enacted at the consolidated financial position date. Income tax payable is reflected in the consolidated financial position net of taxes previously settled in the form of withholding tax.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Bank'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 Bank's accounting policies:

Classification of Financial Assets:

The Bank'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 Bank has determined that it has both the positive intent and ability to hold these assets until their maturity as required by accounting policy under note 3(F).

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.

(i) impairment losses on loans and advances

The Bank reviews its loan portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded, the Bank makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors of the Bank, or national or local economic conditions that correlate with defaults on assets in the Bank. Management uses judgment and estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when estimating its cash flows.

The methodology and assumptions used for estimating both the amount and the timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) 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 3(E). For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainly of market factors, pricing assumptions and other risks affecting the specific instrument.

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

(iii) impairment of available for-sale equity investments

The Bank exercises judgment to consider impairment on the available-for-sale equity investments. This includes determination of a significant or prolonged decline in the fair value below its cost. In making this judgment, the Bank evaluates among other factors, the normal volatility in share price. In addition, the Bank considers impairment to be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

5. Cash, Compulsory Reserves And Deposits At Central Banks

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Cash on hand	28,079,608	19,531,107
Non-interest earning accounts:		
- Compulsory reserves with Central Banks	208,554,656	205,163,819
- Current accounts at Central Banks	33,123,946	4,728,496
- Blocked placement with the Central Bank of Lebanon for the establishment of a specialized bank	29,400,000	-
Interest earning accounts:		
- Term placements with the Central Bank of Lebanon	654,203,420	387,121,250
- Accrued interest receivable	4,888,936	21,298,078
	958,250,566	**637,842,750**

Compulsory reserves with Central banks represents a compulsory deposit with the Central bank of Lebanon not available for use in the Bank's day-to-day operations and is reflected at amortized cost.
Non-interest earning cash compulsory reserves with Central Bank of Lebanon represent deposits in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with the local banking regulations.
Current account at the Central Bank of Kurdistan represents a non-interest earning account that was released when the Bank detained the consent of the Central Bank of Iraq to start the branch operations in Erbil.

Placement with Central Bank of Lebanon amounting to LBP29billion represents the Group's share in the capital of IBL Investment Bank S.A.L. that will be operating in the subsequent period.

Term placements with Central Bank of Lebanon include the equivalent in foreign currencies of LBP614billion as at December 31, 2010 (LBP328billion as at December 31, 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, bonds, certificates of deposits and loans acquired from non-resident financial institutions maturing within one year.

Term placements with the Central Bank of Lebanon bear the following maturities:

December 31, 2010	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2011	40,500,000	2.97	613,703,420	4.60
	40,500,000		**613,703,420**	

December 31, 2009	LBP Base Accounts		F/Cy Base Accounts	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2010	59,300,000	7.40	327,821,250	1.24
	59,300,000		**327,821,250**	

6. Deposits With Banks And Financial Institutions

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Checks in course of collection	2,848,981	(99,162)
Current accounts with banks and financial institutions	52,611,813	53,783,172
Term placements with banks and financial institutions	209,400,027	342,846,499
Pledged deposits with banks and financial institutions	3,439,124	10,707,183
Accrued interest receivable	41,203	26,042
	268,341,148	**407,263,734**

Pledged deposits with banks and financial institutions in the amount of LBP3.4billion include deposits subject to right of setoff by the related correspondents against banking facilities to finance letters of credit as at December 31, 2010 (LBP10.7billion for 2009).

Term placements and pledged deposits bear the following maturities:

December 31, 2010	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2011	-	-	212,839,151	0.47
	-		**212,839,151**	

December 31, 2009	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2010	15,273,246	5.71	338,280,436	0.25
	15,273,246		**338,280,436**	

7. Loans To Banks

Loans to banks are reflected at amortized cost and consist of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Regular accounts	68,100,000	68,760,000
Certificates of deposit issued by the Central Bank of Lebanon	1,551,901,112	1,233,142,922
Accrued interest receivable	30,058,242	22,822,747
Doubtful bank accounts	78,460	79,018
Less: Allowance for impairment	(78,460)	(79,018)
	1,650,059,354	1,324,725,669

Loans to banks classified as regular accounts mature as follows:

	December 31, 2010		December 31, 2009	
	LBP LBP'000	Interest Rate %	LBP LBP'000	Interest Rate %
Up to 1 year	2,060,000	3.97	660,000	4.47
1 year to 3 years	14,120,000	3.97	9,120,000	4.47
3 years to 5 years	13,660,000	3.97	14,120,000	4.47
Beyond 5 years	38,260,000	3.97	44,860,000	4.47
	68,100,000		68,760,000	

Certificates of deposit issued by the Central Bank of Lebanon classified as loan to banks consist of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Certificates of deposit issued by the Central Bank of Lebanon in Lebanese Pounds	1,591,000,000	1,273,000,000
Discounts	(39,098,888)	(39,857,078)
	1,551,901,112	1,233,142,922

Certificates of deposit issued by the Central Bank of Lebanon mature as follows:

	December 31, 2010		December 31, 2009	
Maturity	Balance LBP'000	Average Interest Rate %	LBP LBP'000	Average Interest Rate %
2014	1,279,000,000	9.02	1,273,000,000	9.02
2015	42,000,000	7.53	-	-
2017	270,000,000	7.91	-	-
	1,591,000,000		1,273,000,000	

Accrued interest receivable amounted to LBP29.8billion as of December 31, 2010 (LBP22.5billion as of December 31, 2009). Discounts are amortized to income statement as a yield adjustment to the underlying asset.

8. Loans And Advances To Customers

This caption consists of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Loans and advances to customers	380,011,790	229,686,932
Discounted bills	7,615,243	9,146,985
Long and medium term loans	287,787,370	112,489,675
Net multi-currency trading	3,655,888	830,995
Creditors accidentally debtors	12,900,380	2,554,148
Substandard loans (net of unearned interest)	1,335,151	1,101,711
Doubtful loans (net of unearned interest)	47,355,372	54,736,375
Less: Provision for doubtful loans	(34,757,059)	(39,693,350)
Allowance for collective impairment	(6,401,544)	(3,359,622)
	699,502,591	367,493,849
Accrued interest receivable	1,088,260	601,671
	700,590,851	368,095,520

Loans and advances to customers are reflected at amortized cost and consist of the following:

	December 31, 2010			December 31, 2009		
	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000	Gross Amount Net of Unrealized Interest LBP'000	Impairment Allowance LBP'000	Carrying Amount LBP'000
Regular retail customers:						
- Mortgage loans	67,022,259	-	67,022,259	28,255,359	-	28,255,359
- Personal loans	18,622,946	-	18,622,946	16,368,741	-	16,368,741
- Credit cards	667,975	-	667,975	-	-	-
- Overdrafts	14,341,112	-	14,341,112	6,133,752	-	6,133,752
	100,654,292	-	100,654,292	50,757,852	-	50,757,852
Classified retail customers:						
- Substandard loans	400,188	-	400,188	435,318	-	435,318
- Doubtful loans	1,564,187	(1,126,607)	437,580	4,155,821	(2,266,358)	1,889,463
	1,964,375	(1,126,607)	837,768	4,591,139	(2,266,358)	2,324,781
Regular corporate customers:						
- Large Enterprises	305,195,057	-	305,195,057	160,972,042	-	160,972,042
- Small and medium enterprises	286,121,322	-	286,121,322	142,978,841	-	142,978,841
	591,316,379	-	591,316,379	303,950,883	-	303,950,883
Classified corporate Customers:						
- Substandard loans	934,963	-	934,963	666,393	-	666,393
- Doubtful loans	45,791,185	(33,630,452)	12,160,733	50,580,554	(37,426,992)	3,153,562
	46,726,148	(33,630,452)	13,095,696	51,246,947	(37,426,992)	13,819,955
Allowance for collective Impairment	-	(6,401,544)	(6,401,544)	-	(3,359,622)	(3,359,622)
Accrued interest receivable	1,088,260	-	1,088,260	601,671	-	601,671
	741,749,454	(41,158,603)	700,590,851	411,148,492	(43,052,972)	368,095,520

This section includes net multicurrency trading exposures amounting to LBP3.7billion for 2010 year end (LBP831million for 2009) that are fully secured by cash margins in the amount of LBP16billion as at December 31,2010 (LBP20billion at 2009 year end) and recorded under "Customers' accounts at amortized cost" under liabilities.

The movement of substandard loans with related unrealized interest is summarized as follows:

	2010		
	Substandard Loans LBP'000	Unrealized Interest LBP'000	Net Book Value LBP'000
Balance January 1, 2010	1,783,686	(681,975)	1,101,711
Additions	2,400,215	(272,919)	2,127,296
Settlements	(1,083,841)	-	(1,083,841)
Write-off	(107,085)	107,085	-
Write-back	-	4,165	4,165
Transfer to/from doubtful and bad loans	(1,080,814)	34,352	(1,046,462)
Transfer from regular loans	199,753	-	199,753
Effect of exchange rates changes	36,617	(4,088)	32,529
Balance December 31, 2010	2,148,531	(813,380)	1,335,151

	2009		
	Substandard Loans LBP'000	Unrealized Interest LBP'000	Net Book Value LBP'000
Balance January 1, 2009	1,651,671	(513,393)	1,138,278
Additions	276,273	(177,000)	99,273
Settlements	(130,129)	-	(130,129)
Write-off	(8,086)	8,086	-
Effect of exchange rates changes	(6,043)	332	(5,711)
Balance December 31, 2009	1,783,686	(681,975)	1,101,711

The movement of doubtful and bad loans and related unrealized interest and allowance for impairment is summarized as follows:

	2010			
	Doubtful and Bad Loans LBP'000	Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Book Value LBP'000
Balance January 1, 2010	89,976,138	(35,239,763)	(39,693,350)	15,043,025
Additions	8,259,880	(7,729,755)	(643,375)	(113,250)
Settlements	(4,205,928)	-	-	(4,205,928)
Write-off	(9,620,421)	5,686,481	3,869,476	(64,464)
Write-back	-	423,565	483,620	907,185
Transfer to/from substandard loans	1,080,814	(34,352)	-	1,046,462
Effect of exchange rates changes	(1,409,168)	167,881	1,226,570	(14,717)
Balance December 31, 2010	**84,081,315**	**(36,725,943)**	**(34,757,059)**	**12,598,313**

	2009			
	Doubtful and Bad Loans LBP'000	Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Book Value LBP'000
Balance January 1, 2009	85,755,114	(29,730,202)	(39,555,595)	16,469,317
Additions	16,298,388	(7,389,800)	(2,054,704)	6,853,884
Settlements	(9,285,755)	-	-	(9,285,755)
Write-off	(2,986,818)	1,547,858	1,438,960	-
Write-back	-	407,939	651,653	1,059,592
Transfer to/from regular loans	-	(55,819)	-	(55,819)
Effect of exchange rates changes	195,209	(19,739)	(173,664)	1,806
Balance December 31, 2009	**89,976,138**	**(35,239,763)**	**(39,693,350)**	**15,043,025**

The movement of the allowance for collective impairment during 2010 and 2009 is as follows:

	2010 LBP'000	2009 LBP'000
Balance January 1	3,359,622	3,359,598
Additions	3,045,672	-
Other movement	(3,750)	24
Balance December 31	6,401,544	3,359,622

9. Loans And Advances To Related Parties

This caption includes loans and advances granted by the Bank to one of its major shareholders and his subsidiaries in the amount of LBP23billion as of December 31, 2010 (LBP21billion as of December 31, 2009) that are covered to the extent of LBP17billion by cash margin recorded under "Related parties accounts at amortized cost" and real estate guarantee to the extend of LBP 6 Billion.

10. Held-For-Trading Securities

Held-for-trading securities outstanding as of December 31, 2010 and reflected at fair value consist of the following:

	December 31, 2010	
	2010	2009
	C/V in LBP'000	C/V in LBP'000
Eurobonds	555,432	29,048,523
Accrued interest receivable	14,444	757,264
	569,876	29,805,787

		December 31, 2010			December 31, 2009		
Type	Maturity	Amortized Cost LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000	Amortized Cost LBP'000	Fair Value LBP'000	Change in Fair Value LBP'000
Lebanese Government Eurobonds	March 12, 2013	526,207	555,432	29,225	27,561,739	29,048,523	1.486,784

11. Investment Securities

	December 31, 2010					
	Available-for-Sale			Held-to-Maturity		
	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000
Equity securities	160,322	2,093,994	2,254,316	-	-	-
Lebanese treasury bills	241,860,333	-	241,860,333	-	-	-
Lebanese Government bonds	-	191,590,543	191,590,543	-	316,973,086	316,973,086
Certificates of deposit issued by the Central Bank of Lebanon	166,378,898	34,060,455	200,439,353	-	193,464,269	193,464,269
Certificates of deposit issued by banks	-	6,905,856	6,905,856	-	-	-
Accrued interest receivable	6,885,821	4,659,981	11,545,802	-	8,450,708	8,450,708
	415,285,374	239,310,829	654,596,203	-	518,888,063	518,888,063

	December 31, 2009					
	Available-for-Sale			Held-to-Maturity		
	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000	LBP LBP'000	C/V of F/Cy LBP'000	Total LBP'000
Equity securities	160,322	2,421,676	2,581,998	-	-	-
Lebanese treasury bills	101,283,219	-	101,283,219	-	-	-
Lebanese Government bonds	-	185,359,708	185,359,708	-	283,947,610	283,947,610
Certificates of deposit issued by the Central Bank of Lebanon	243,444,596	33,466,500	276,911,096	-	193,456,269	193,456,269
Certificates of deposit issued by banks	-	6,075,828	6,075,828	-	-	-
Accrued interest receivable	4,550,065	3,750,962	8,301,027	-	8,283,064	8,283,064
	349,438,202	231,074,674	580,512,876	-	485,686,943	485,686,943

The movement of available-for-sale and held-to-maturity investment securities, exclusive of the related accrued interest, is summarized as follows:

	2010			
	Held-for-Trading	Available-for-Sale		Held-to-Maturity
	C/V of F/Cy	LBP	C/V of F/Cy	C/V of F/Cy
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2010	29,048,523	344,888,137	227,323,712	477,403,879
Additions	-	643,634,370	127,300,203	63,673,785
Sales/matured	(27,135,000)	(576,609,370)	(119,430,420)	(31,092,188)
Gain/(loss) from change in				
fair value	(1,457,559)	(7,067,452)	(1,664,684)	-
Effect of discount/premium				
amortization	99,468	3,553,868	1,122,037	3,377,059
Effect of exchange rates				
changes	-	-	-	(2,925,180)
Balance December 31, 2010	555,432	408,399,553	234,650,848	510,437,355

	2009			
	Held-for-Trading	Available-for-Sale		Held-to-Maturity
	C/V of F/Cy	LBP	C/V of F/Cy	C/V of F/Cy
	LBP'000	LBP'000	LBP'000	LBP'000
Balance January 1, 2009	-	268,048,217	189,899,533	425,468,647
Additions	-	130,878,702	128,729,852	110,473,192
Sales/matured	-	(54,964,276)	(76,115,045)	(58,795,617)
Reclassification	29,048,523	-	(29,048,523)	-
Gain/(loss) from change in				
fair value	-	925,494	13,765,614	-
Effect of discount/premium				
amortization	-	-	-	(148,622)
Effect of exchange rates changes	-	-	92,281	406,279
Balance December 31, 2009	29,048,523	344,888,137	227,323,712	477,403,879

A. Available-For-Sale Investment Securities

	December 31, 2010					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	Fair Value	Cumulative Change in Fair Value	Amortized Cost	Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	-	-	1,581,127	2,093,994	512,867
Unquoted equity securities	1,122	160,322	159,200	-	-	-
Lebanese treasury bills	241,584,917	241,860,333	275,416	-	-	-
Lebanese Government bonds	-	-	-	187,723,951	191,590,543	3,866,592
Certificates of deposit issued by the						
Central Bank of Lebanon	151,276,564	166,378,898	15,102,334	28,007,409	34,060,455	6,053,046
Certificates of deposit						
issued by banks	-	-	-	6,769,983	6,905,856	135,873
	392,862,603	408,399,553	15,536,950	224,082,470	234,650,848	10,568,378

	December 31, 2009					
	LBP Base Accounts			F/Cy Base Accounts		
	Amortized Cost	Fair Value	Cumulative Change in Fair Value	Amortized Cost	Fair Value	Cumulative Change in Fair Value
	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000	LBP'000
Quoted equity securities	-	-	-	1,581,126	2,421,676	840,550
Unquoted equity securities	1,122	160,322	159,200	-	-	-
Lebanese treasury bills	100,762,577	101,283,219	520,642	-	-	-
Lebanese Government bonds	-	-	-	181,486,824	185,359,708	3,872,884
Certificates of deposit issued by the						
Central Bank of Lebanon	221,510,031	243,444,596	21,934,565	28,271,493	33,466,500	5,195,007
Certificates of deposit						
issued by banks	-	-	-	6,010,103	6,075,828	65,725
	322,273,730	344,888,137	22,614,407	217,349,546	227,323,712	9,974,166

Available-For-Sale Investments Are Segregated Over Remaining Periods To Maturity As Follows:

December 31, 2010

Contractual Maturity	LBP Base Accounts Nominal Value LBP'000	LBP Base Accounts Amortized Cost LBP'000	LBP Base Accounts Net Carrying Fair Value LBP'000	LBP Base Accounts Yield %	F/Cy Base Accounts Nominal Value LBP'000	F/Cy Base Accounts Amortized Cost LBP'000	F/Cy Base Accounts Net Carrying Fair Value LBP'000	F/Cy Base Accounts Yield %
Lebanese treasury bills:								
- Up to 1 year	62,075,000	63,239,149	62,696,840	4.47	-	-	-	-
- 3 years to 5 years	169,450,000	173,345,768	174,280,756	6.93	-	-	-	-
- 5 years to 10 years	5,000,000	5,000,000	4,882,737	-	-	-	-	-
	236,525,000	**241,584,917**	**241,860,333**		-	-	-	-
Lebanese Government bonds:								
- 1 year to 3 years	-	-	-	-	35,124,031	34,978,191	35,481,545	6.94
- 3 years to 5 years	-	-	-	-	116,098,061	118,416,527	120,630,848	7.24
- 5 years to 10 years	-	-	-	-	29,048,018	32,450,582	33,534,836	7.31
- Beyond 10 years	-	-	-	-	1,882,868	1,878,651	1,943,314	-
	-	-	-		**182,152,978**	**187,723,951**	**191,590,543**	
Certificates of deposit issued by the Central Bank of Lebanon:								
- 1 year to 3 years	151,000,000	151,276,564	166,378,898	11.40	30,150,000	28,007,409	34,060,455	9.75
	151,000,000	**151,276,564**	**166,378,898**		**30,150,000**	**28,007,409**	**34,060,455**	
Certificates of deposit issued by banks:								
- 1 year to 3 years	-	-	-	-	6,030,000	6,016,233	6,151,806	7.75
- 5 years to 10 years	-	-	-	-	753,750	753,750	754,050	6.75
	-	-	-		**6,783,750**	**6,769,983**	**6,905,856**	
Shares	1,122	1,122	160,322		1,581,127	1,581,127	2,093,994	
	387,526,122	**392,862,603**	**408,399,553**		**220,667,855**	**224,082,470**	**234,650,848**	

	December 31, 2009							
	LBP Base Accounts				F/Cy Base Accounts			
Contractual Maturity	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %	Nominal Value LBP'000	Amortized Cost LBP'000	Net Carrying Fair Value LBP'000	Yield %
Lebanese treasury bills:								
- Up to 1 year	14,000,000	14,267,721	14,385,000	7.72	-	-	-	-
- 3 years to 5 years	86,500,000	86,494,856	86,898,219	6.78	-	-	-	-
	100,500,000	**100,762,577**	**101,283,219**		-	-	-	
Lebanese Government bonds:								
- Up to 1 year	-	-	-	-	1,453,470	1,420,458	1,441,224	8.87
- 1 year to 3 years	-	-	-	-	30,370,030	29,536,348	30,218,080	7.23
- 3 years to 5 years	-	-	-	-	77,122,283	78,997,728	81,733,071	8.19
- 5 years to 10 years	-	-	-	-	55,839,307	58,017,645	58,585,816	6.56
- Beyond 10 years	-	-	-	-	12,510,742	13,514,645	13,381,517	7.22
	-	-	-		**177,295,832**	**181,486,824**	**185,359,708**	
Certificates of deposit issued by the Central Bank of Lebanon:								
- Up to 1 year	4,000,000	3,989,573	4,033,423	12.09	-	-	-	-
- 1 year to 3 years	-	-	-	-	-	-	-	-
- 3 years to 5 years	216,000,000	217,520,458	239,411,173	11.40	30,150,000	28,271,493	33,466,500	9.75
- 5 years to 10 years	-	-	-	-	-	-	-	-
- Beyond 10 years	-	-	-	-	-	-	-	-
	220,000,000	**221,510,031**	**243,444,596**		**30,150,000**	**28,271,493**	**33,466,500**	
Certificates of deposit issued by banks:								
- 3 years to 5 years	-	-	-	-	6,030,000	6,010,103	6,075,828	7.75
	-	-	-		6,030,000	6,010,103	6,075,828	
Shares	1,122	1,122	160,322		1,581,126	1,581,126	2,421,676	
	320,501,122	322,273,730	344,888,137		215,056,958	217,349,546	227,323,712	

Available-for-sale certificates of deposit issued by the Central Bank of Lebanon as at December 31, 2010 include certificates of deposit with carrying value of LBP34billion (counter value of USD22,666,666) and nominal value of LBP30billion (counter value of USD20,000,000) maturing in 2015 with a put option exercisable at a redemption value of 91.63% of the par value in year 2012. Interest is recognized on these securities based on the yield to put option date.

During 2008, and as a result of the Group's change in intention, it reclassified Eurobonds from available-for-sale to held to maturity securities as follows:

				December 31, 2009			
				2010		2009	
	Coupon Rate %	Maturity	Nominal Value USD	Carrying Value USD	Change in Fair Value USD	Carrying Value USD	Change in Fair Value USD
Eurobonds	9.00	May 2, 2014	25,000,000	25,392,048	392,048	25,491,174	491,174
Counter value in LBP'000				38,278,512	591,030	38,427,945	740,445

Change in fair value amounting to LBP591million as at December 31, 2010 (LBP740million for 2009) was booked under "Change in fair value of available-for-sale securities" under equity and is amortized until maturity (Note 24).

B. Held-To-Maturity Investment Securities

	December 31, 2010	
	F/Cy Base Accounts	
	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese Government bonds	316,973,086	326,962,895
Certificates of deposit issued by the Central Bank of Lebanon	193,464,269	202,502,559
	510,437,355	529,465,454

	December 31, 2009	
	F/Cy Base Accounts	
	Amortized Cost LBP'000	Fair Value LBP'000
Lebanese Government bonds	283,947,610	289,002,458
Certificates of deposit issued by the Central Bank of Lebanon	193,456,269	202,076,455
	477,403,879	491,078,913

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

	F/Cy Base Account					
	2010			2009		
	Net Carrying Value LBP'000	Fair Value LBP'000	Yield %	Net Carrying Value LBP'000	Fair Value LBP'000	Yield %
Lebanese Government Bonds:						
Up to 1 Year	32,435,436	31,842,888	6.02	27,197,140	26,712,237	6.87
1 year to 3 years	78,630,652	78,456,240	6.32	83,162,691	82,622,648	6.57
3 years to 5 years	76,426,337	78,007,854	7.09	72,695,110	72,523,790	7.43
5 years to 10 years	88,568,868	92,683,883	7.20	61,674,320	65,220,811	7.90
Beyond 10 years	40,911,793	45,972,030	8.18	39,218,349	41,922,972	8.20
	316,973,086	326,962,895		283,947,610	289,002,458	
Certificates of Deposit issued by the Central Bank of Lebanon:						
1 year to 3 years	193,464,269	202,502,559	9.01	117,902,163	123,309,581	9.07
3 years to 5 years	-	-	-	75,554,106	78,766,874	8.91
	193,464,269	202,502,559		193,456,269	202,076,455	
Total	510,437,355	529,465,454		477,403,879	491,078,913	

12. Customers' Liability Under Acceptances

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

13. Assets Acquired In Satisfaction Of Loans

Assets acquired in satisfaction of loans have been acquired through enforcement of security over loans and advances.

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

	Real Estate LBP'000
Cost:	
Balance January 1, 2009	18,395,323
Disposals	(443,872)
Balance December 31, 2009	17,951,451
Additions	486,109
Disposals	(1,352,066)
Balance December 31, 2010	**17,085,494**
Accumulated allowance for impairment:	
Balance January 1, 2009	241,234
Write-off on disposal	(10,069)
Balance December 31, 2009	231,165
Write-off on disposal	-
Balance December 31, 2010	**231,165**
Carrying amount:	
December 31, 2010	**16,854,329**
December 31, 2009	**17,720,286**

The acquisition of assets in settlement of loans requires the approval of the banking regulatory authorities and these should be liquidated within 2 years. In case of default of liquidation within 2 years from the date of approval, the Group allocate a regulatory reserves for assets acquired in satisfaction of loans from the retained earnings. During 2010, LBP926million were allocated from retained earnings (LBP904million during 2009).

During 2010, the Bank disposed of ten plots mainly in Tripoli for an amount of LBP1.4billion. This transaction resulted in a gain of LBP613million which was recorded under "Other operating income" (Note 30).

14. Property And Equipment

	Buildings LBP'000	Freehold Improvements LBP'000	Furniture and Equipments LBP'000	Computer Equipments LBP'000	Vehicles LBP'000	Advances on Capital Expenditures LBP'000	Total LBP'000
Gross/Revalued Amount:							
Balance, January 1, 2009	21,752,610	6,651,641	3,153,630	2,925,619	360,281	1,577,550	36,421,331
Additions	-	2,583,254	755,591	565,995	93,959	544,815	4,543,614
Disposals	-	(336,599)	(300,113)	(171,404)	(92,955)	(1,577,550)	(2,478,621)
Balance, December 31, 2009	21,752,610	8,898,296	3,609,108	3,320,210	361,285	544,815	38,486,324
Additions	3,567,486	1,387,085	1,077,102	308,897	-	1,755,960	8,096,530
Disposals	(766,338)	(588,261)	(258,594)	(616,204)	(7,085)	-	(2,236,482)
Transfers	-	(197,606)	(859,798)	1,057,404	-	-	-
Balance, December 31, 2010	24,553,758	9,499,514	3,567,818	4,070,307	354,200	2,300,775	44,346,372
Accumulated Depreciation:							
Balance, January 1, 2009	630,750	5,055,518	1,278,454	2,111,833	195,443	-	9,271,998
Additions	71,888	733,468	239,711	286,200	52,543	-	1,383,810
Disposals	-	(194,528)	(90,591)	(57,509)	(6,195)	-	(348,823)
Balance, December 31, 2009	702,638	5,594,458	1,427,574	2,340,524	241,791	-	10,306,985
Additions	71,888	960,146	177,664	529,788	43,793	-	1,783,279
Disposals	-	(559,249)	(238,902)	(605,277)	(1,901)	-	(1,405,329)
Transfers	-	(203,827)	(196,220)	400,047	-	-	-
Balance, December 31, 2010	774,526	5,791,528	1,170,116	2,665,082	283,683	-	10,684,935
Carrying Amount:							
Balance, December 31, 2010	**23,779,232**	**3,707,986**	**2,397,702**	**1,405,225**	**70,517**	**2,300,775**	**33,661,437**
Balance, December 31, 2009	**21,049,972**	**3,303,838**	**2,181,534**	**979,686**	**119,494**	**544,815**	**28,179,339**

Additions to buildings during 2010 include the purchase of a plot in Jbeil for the amount of LBP3.35billion.

15. Intangible Assets

	Purchased Software LBP'000
Cost:	
Balance, January 1, 2009	1,820,713
Acquisitions	961,711
Disposals	(35,620)
Balance, December 31, 2009	2,746,804
Acquisitions	149,175
Disposals	(266,831)
Balance, December 31, 2010	**2,629,148**
Amortization:	
Balance, January 1, 2009	1,383,017
Amortization for the year	234,571
Balance, December 31, 2009	1,617,588
Amortization for the year	318,552
Disposals	(218,485)
Balance, December 31, 2010	**1,717,655**
Carrying Amounts:	
December 31, 2010	**911,493**
December 31, 2009	**1,129,216**

16. Other Assets

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Accounts receivable- Credit cards	1,072,023	638,728
Prepayments	1,337,516	1,280,844
Net of forward foreign currency position	271,525	141,787
Sundry accounts receivable	259,961	332,727
	2,941,025	2,394,086

"Accounts receivable-Credit cards" represents client withdrawals on the credit cards that the bank has settled on their behalf to "CSC Bank S.A.L.". These receivables were collected in the subsequent period.

17. Deposits And Borrowings From Banks

Deposits and borrowings from banks are reflected at amortized cost and consist of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Current deposits of banks and financial institutions	38,285,289	36,182,548
Other short term borrowings	37,847,247	18,312,367
Accrued interest payable	60,458	6,862
	76,192,994	54,501,777

The maturities of other short term borrowings are as follows:

December 31, 2010	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2011	15,076,158	4.25	22,771,089	1.86
	15,076,158		22,771,089	

December 31, 2009	Balance in LBP		Balance in F/Cy	
Maturity (Year)	Amount LBP'000	Average Interest Rate %	Counter Value of Amount in LBP LBP'000	Average Interest Rate %
2010	16,393,169	5.50	1,919,198	2.80
	16,393,169		1,919,198	

18. Customers' Accounts At Amortized Cost

December 31, 2010	LBP LBP'000	Counter Value of F/CY LBP'000	Total LBP'000
Deposits from customers:			
- Current / demand deposits	36,727,513	239,426,450	276,153,963
- Term deposits	1,751,036,396	1,813,268,554	3,564,304,950
- Collateral against loans and advances	20,352,502	2,613,027	22,965,529
	1,808,116,411	2,055,308,031	3,863,424,442
Margins and other accounts:			
- Margins for irrevocable import letters of credit	332,899	38,120,219	38,453,118
- Margins on letters of guarantee	1,588,072	3,234,771	4,822,843
- Other margins	324,612,861	83,825,431	408,438,292
	326,533,832	125,180,421	451,714,253
Accrued interest payable	19,341,249	7,747,657	27,088,906
Total	**2,153,991,492**	**2,188,236,109**	**4,342,227,601**

December 31, 2009	LBP LBP'000	Counter Value of F/CY LBP'000	Total LBP'000
Deposits from customers:			
- Current / demand deposits	26,253,880	161,063,042	187,316,922
- Term deposits	1,517,086,370	1,415,310,934	2,932,397,304
- Collateral against loans and advances	183,666,454	83,439,780	267,106,234
	1,727,006,704	1,659,813,756	3,386,820,460
Margins and other accounts:			
- Margins for irrevocable import letters of credit	782,839	40,896,529	41,679,368
- Margins on letters of guarantee	1,036,513	2,909,287	3,945,800
- Other margins	15,476,518	4,778,761	20,255,279
	17,295,870	48,584,577	65,880,447
Accrued interest payable	14,328,169	4,937,490	19,265,659
Total	1,758,630,743	1,713,335,823	3,471,966,566

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

December 31, 2010	LBP			Counter Value of F/Cy		
Bracket	Total Deposits LBP'000	Percentage to Total Deposits %	No. of Accounts %	Total Deposits LBP'000	Percentage to Total Deposits %	No. of Accounts %
Less than LBP50,000	84,933,481	3.98	73	51,473,312	2.36	73
From 50,001 to 250,000	281,287,567	13.18	18	146,097,129	6.70	16
From 250,001 to 750,000	343,443,891	16.09	6	187,459,888	8.60	7
From 750,001 to 1,500,000	218,408,086	10.23	2	200,498,075	9.20	2
More than 1,500,001	1,206,577,218	56.52	1	1,594,960,048	73.14	2
	2,134,650,243	**100.00**	**100**	**2,180,488,452**	**100.00**	**100**

December 31, 2009	LBP			Counter Value of F/Cy		
Bracket	Total Deposits LBP'000	Percentage to Total Deposits %	No. of Accounts %	Total Deposits LBP'000	Percentage to Total Deposits %	No. of Accounts %
Less than LBP50,000	75,310,310	4.27	77	52,099,105	3.00	72
From 50,001 to 250,000	248,068,816	14.11	18	142,806,063	8.21	17
From 250,001to 750,000	296,279,006	16.85	1	161,012,707	9.39	6
From 750,001 to 1,500,000	185,918,557	10.58	2	143,107,794	8.27	2
More than 1,500,001	938,725,885	54.19	2	1,209,372,664	71.13	3
	1,744,302,574	100.00	100	1,708,398,333	100.00	100

Deposits from customers at amortized cost include at December 31, 2010 coded deposit accounts in the aggregate amount of LBP185billion (LBP151billion in 2009). These accounts are subject to the provisions of Article 3 of the Banking Secrecy Law dated September 3, 1956 which provides that the Bank's management, in the normal course of business, cannot reveal the identities of these depositors to third parties, including its independent public accountants.

Deposits from customers at amortized cost include at December 31, 2010 fiduciary deposits received from banks for a total amount of LBP255billion (LBP172billion in 2009).

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

Year	Average Balance of Deposits LBP Base Accounts LBP'000	Average Balance of Deposits F/Cy Base Accounts LBP'000	Cost of Funds LBP'000	Average Interest Rate %
2010	1,989,610,735	1,998,143,868	213,240,882	5.35
2009	1,551,644,000	1,580,751,000	191,902,092	6.10
2008	1,182,462,601	1,455,405,989	171,364,136	6.50

19. Other Liabilities

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Current tax liability	1,214,922	3,567,831
Withheld taxes and property taxes	1,939,120	1,383,394
Due to the Social Security National Fund	235,126	172,526
Checks and incoming payment orders in course of settlement	2,359,686	9,255,403
Blocked capital subscriptions for companies under incorporation	939,810	1,192,342
Accrued expenses	1,905,935	1,565,956
Dividends declared and payable	197,649	119,266
Payable to personnel and directors	634,738	542,735
Unearned revenues	1,206,734	1,225,072
Due to former shareholders	417,577	417,577
Deferred taxes (Note 24)	3,915,779	4,888,290
Sundry accounts payable	1,549,076	1,821,367
	16,516,152	**26,151,759**

20. Provisions

Provisions consist of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Provision for staff end of service indemnity	4,407,344	3,509,565
Provision for contingencies	45,636	45,636
Provision for loss in foreign currency position	100,000	87,250
	4,552,980	**3,642,451**

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

	2010 LBP'000	2009 LBP'000
Balance, January 1	3,509,565	2,884,263
Additions	1,038,173	838,638
Settlements	(140,394)	(213,336)
Balance, December 31	**4,407,344**	**3,509,565**

21. Share Capital

According to the decision of the extraordinary General Assembly held on August 14, 2009, the Bank issued 4,800,000 ordinary shares for LBP7,500 each by transferring LBP7billion from reserves and LBP29billion from retained earnings. The newly issued free shares were distributed to the shareholders based on the percentage of ownership, consequently, the Bank's authorized capital became LBP 113.7billion as December 31, 2010 and 2009 consisting of 15,160,000 shares for LBP 7,500 each.

The Bank hedged part of its capital against fluctuations in the Lebanese currency through a fixed currency position of USD 6,300,000.

According to the decision of the General Assembly held on July 9, 2010, the Bank authorized the distribution of dividends in the amount of LBP8.35billion from retained earnings to the common shareholders and preferred shareholders based on the percentage of ownership (Note 25).

22. Non-Cumulative Convertible Preferred Shares

Preferred shares amounting to LBP37.96billion (USD25,200,000) as at December 31, 2010 and 2009 respectively, represent 840,000 of non-cumulative convertible preferred shares for LBP7,500 each, in addition to a premium of USD25 each. These shares are entitled to 13.86% of the non-consolidated Bank net income starting 2006 and thereafter provided that the dividend does not fall below 8.5% or exceed 12% of the issue price. These shares do not carry a voting right except in limited circumstances. These shares do not carry a maturity; however, the Bank has the option to fully or partially redeem their value, in case of change in regulations. Redemption price is set for USD30 and within 60 days following the Ordinary General Assembly meeting approving financial statements of 2010 and onwards.

Theses shares are convertible into common shares on one to one basis after 30 days following the 60 days from the Ordinary General Assembly held to approve the financial statements of year 2015. Dividends are non-cumulative, and distribution should only made from the Bank's free profits.

23. Reserves

Reserves consist of the following:

	December 31, 2010 LBP'000	December 31, 2009 LBP'000
Legal reserve	5,044,979	910,410
Reserve for general banking risks	11,106,318	7,806,318
Other reserves	3,888,000	1,000,000
	20,039,297	**9,716,728**

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

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, on condition that the aggregate rate does not fall bellow 1.25% at the end of the tenth year, starting 1998, which is 2007 and 2% at the end of the twentieth year.

This reserve is constituted in Lebanese Pounds and in foreign currencies in proportion to the composition of the Bank's total risk weighted assets and off-balance sheet items. This reserve is not available for distribution and to be used to cover any annual losses or unexpected losses agreed upon with the banking control commission.

24. Cumulative Change In Fair Value Of Investment Securities

The cumulative change in fair of value of investment securities consists of the following:

	December 31,	
	2010 LBP'000	2009 LBP'000
Net cumulative change in fair value of available-for-sale securities	22,189,549	27,700,283
Net cumulative change in fair value of securities reclassified under held-to-maturity securities (Note 11)	591,030	740,474
	22,780,579	28,440,757

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

	December 31, 2010			December 31, 2009		
	Cumulative Change in Fair Value LBP'000	Deferred Tax LBP'000	Net LBP'000	Cumulative Change in Fair Value LBP'000	Deferred Tax LBP'000	Net LBP'000
Unrealized gains on quoted securities	512,867	(76,930)	435,937	840,550	(126,082)	714,468
Unrealized gains on unquoted securities	159,200	(23,880)	135,320	159,200	(23,880)	135,320
Unrealized gains on Lebanese treasury bills	275,416	(41,312)	234,104	520,642	(78,096)	442,546
Unrealized loss on Lebanese government bonds	3,866,592	(579,988)	3,286,604	3,872,884	(580,934)	3,291,950
Unrealized gain/(loss) on certificates of deposit issued by the Central Bank of Lebanon	21,155,380	(3,173,288)	17,982,092	27,129,572	(4,069,439)	23,060,133
Unrealized gain/(loss) on certificates of deposit issued by commercial banks	135,873	(20,381)	115,492	65,725	(9,859)	55,866
	26,105,328	(3,915,779)	22,189,549	32,588,573	(4,888,290)	27,700,283

25. Dividends Paid

The following dividends were declared and paid by the Bank during the year:

	2010 LBP'000	2009 LBP'000
Ordinary shares	4,174,612	4,168,698
Preferred shares	4,174,612	4,168,699
	8,349,224	8,337,397

26. Interest Income

	2010 LBP'000	2009 LBP'000
Interest earning deposits with the Central Bank of Lebanon	12,407,752	81,594,451
Deposits with banks and financial institutions	1,236,856	1,486,661
Available-for-sale investment securities	53,819,969	46,095,407
Held-to-maturity investment securities	38,750,825	34,303,771
Loans to banks (including Central Bank CDs)	141,792,291	59,552,163
Loans and advances	39,726,826	30,365,266
Related parties	1,906,778	2,012,463
	289,641,297	255,410,182

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

27. Interest Expense

	2010 LBP'000	2009 LBP'000
Deposits and borrowings from banks and financial institutions	1,673,235	1,461,778
Customers' accounts at amortized cost	213,240,882	191,902,092
Related parties accounts at amortized cost	683,016	598,467
	215,597,133	193,962,337

28. Fee And Commission Income

This caption consists of the following:

	2010 LBP'000	2009 LBP'000
Commission on documentary credits	2,919,227	2,043,904
Commission on letters of guarantee	1,007,803	985,135
Service fees on customers' transactions	3,431,298	1,873,178
Asset management fees	16,433	377,552
Other	605,949	376,878
	7,980,710	5,656,647

Asset management fees represent fees earned by the Bank on trust and fiduciary activities where the Bank holds or invests assets on behalf of its customers.

29. Fee And Commission Expense

This caption consists of the following:

	2010 LBP'000	2009 LBP'000
Commission on transactions with banks	344,619	577,112
Other	153,409	226,607
	498,028	803,719

30. Other Operating Income

This caption consists of the following:

	2010 LBP'000	2009 LBP'000
Gain on sale of available-for-sale securities:		
Lebanese treasury bills	6,014,363	4,960,716
Lebanese Government bonds	-	(7,397)
Certificates of deposit issued by Central Bank of Lebanon	7,367,113	5,871,385
Dividends on available for-sale securities	169,982	126,896
Gain on sale of assets acquired in satisfaction of loans	612,612	173,985
Foreign exchange gain	2,972,959	2,234,688
Other	1,355,852	(389,284)
	18,492,881	12,970,989

31. Income From Held-For-Trading Securities

This caption consists of the following:

	2010 LBP'000	2009 LBP'000
Change in fair value of held-for-trading securities (Note 10)	2,154,853	1,486,784
Interest income	237,687	757,264
	2,392,540	2,244,048

32. Allowance For Impairment And Write-Off Of Loans And Advances

This caption consists of the following:

	2010 LBP'000	2009 LBP'000
Allowance for impairment loans and advances	643,375	2,054,704
Write-back	(483,620)	(651,653)
Allowance for collective impairment	3,045,672	-
Write-off of loans	193,102	26,400
	3,398,529	1,429,451

33. Staff Costs

This caption consists of the following:

	December 31,	
	2010 LBP'000	2009 LBP'000
Salaries	17,244,550	14,643,768
Social Security contributions	1,604,986	1,596,178
Provision for end-of-service indemnities	1,038,173	838,638
	19,887,709	17,078,584

34. Financial Instruments With Off-Balance Sheet Risks

The guarantees and standby letters of credit and the documentary and commercial letters of credit represent financial instruments with contractual amounts representing credit risk. The guarantees and standby letters of credit represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties and are not different from loans and advances on the balance sheet.

However, documentary and commercial letters of credit, which represent written undertakings by the Group on behalf of a customer authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments documents of goods to which they relate and, therefore, have significantly less risks.

35. Balances / Transactions With Related Parties

In the ordinary course of its activities, the Bank conducts transactions with related parties including shareholders, directors, and other key management. Balances with related parties consist of the following:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Direct facilities and credit balances:		
Secured loans and advances	39,697,295	31,024,308
Deposits	76,599,438	67,822,561
Indirect facilities:		
Letters of guarantee	2,929,549	2,765,231

Secured loans and advances are covered by real estate mortgage to the extent of LBP6billion and by pledged deposits of the respective borrowers to the extent of LBP17billion for 2010 and 2009 respectively.

The remunerations of executive management amounted to LBP2.71billion during 2010 (LBP1.61billion during 2009). Board of directors attendance fees amounted to LBP448million during 2010 (LBP448million during 2009).

36. Cash And Cash Equivalents

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

	December 31,	
	2010	2009
	LBP'000	LBP'000
Cash	28,079,608	19,531,107
Current account at the Central Bank of Kurdistan	33,123,946	4,728,496
Time deposits with the Central Bank of Lebanon	251,354,102	104,881,250
Current accounts with banks and financial institutions	55,460,794	53,684,010
Time deposits with banks and financial institutions	209,400,027	342,846,499
Demand deposits from banks	(38,285,289)	(36,182,584)
Time deposits from banks	(26,830,495)	(1,919,198)
	512,302,693	487,569,580

Time deposits with and from the Central Bank and banks and financial institutions represent inter-bank placements and borrowings with an original term of 90 days or less.

The following transactions are non-monetary and were excluded from the consolidated statement of cash flows:

1. Increase in foreclosed assets amounting to LBP486million for the year ended December 31, 2010 against the decrease in loans and advances for the same amount.

2. Change in fair value of available-for-sale securities for LBP5.6billion for the year ended December 31, 2010 against investment in securities for LBP9.5billion and deferred tax liability for LBP4billion.

37. Capital Management

The Group's objectives when managing capital are to comply with the capital requirements set by the Central Bank of Lebanon, the Group's main regulator, to safeguard the Group's ability to continue as a going concern and to maintain a strong capital base.

The Central Bank of Lebanon requires each bank or banking group to hold a minimum level of regulatory capital of LBP10billion for the head office and LBP500million for each local branch and LBP1.5billion for each branch abroad. In addition, the bank is required to observe the minimum capital adequacy ratio set by the regulator at 8% (Basle 2 Ratio).

The Group's capital is split as follows:

Tier I capital: Comprises share capital, shareholders' cash contribution to capital, non-cumulative perpetual preferred shares, share premium, reserves from appropriation of profits and retained earnings. Goodwill and cumulative unfavorable change in fair value of available-for-sale securities are deducted from Tier I Capital.

Tier II capital: Comprises qualifying subordinated liabilities, 50% of cumulative favorable change in fair value of available-for-sale securities and revaluation surplus of owned properties.

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 the regulatory capital requirement throughout the period.

The Group's consolidated capital adequacy ratio as per Basle 2 as at December 31, 2010 and 2009 amounted to 11.73% and 13.84% respectively, and is determined as follows:

	December 31,	
	2010	2009
	LBP'000	LBP'000
Total capital	260,116	228,302
Credit risk	2,068,642	1,518,922
Market risk	1,926	4,550
Operational risk	146,462	126,593
Total risk-weighted assets	2,217,030	1,650,065
Capital adequacy ratio - Tier I and Tier II	11.73%	13.84%

38. Financial Risk Management

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

Credit risk
Liquidity risk
Market risk
Interest rate risk
Foreign Exchange risk

The Credit Committee, Assets and Liabilities Committee work under the mandate of the board to set up risk limits and manage the overall risk in the Bank.

A. Credit Risk

1. Credit risk management

Credit risk represents the risk of loss due to failure of a customer or counterparty to meet its financial obligations in accordance with contractual terms. The objective of the Bank's credit risk strategy is to quantify and manage credit risk on an aggregate portfolio basis, as well as to limit the risk of loss resulting from an individual customer default. This strategy is based on three core principles: Conservatism, diversification and monitoring. The Bank manages credit risk through underwriting, periodically reviewing and approving credit exposures based on prevailing credit policies and guidelines. Additionally the Bank manages credit risk through loan portfolio diversification, limiting exposure to any single industry, risk mitigation, customer and guarantor within various geographical areas.
Corporate and Commercial Lending are largely centralized at head office and are sanctioned by relating credit committees.

2. Loan classification and monitoring

The Bank loan classification and internal rating system is derived from the frame work of the regulatory classification requirement, and which is consistent with best practices. The loans' classification methodology is as follows:

A. Ordinary accounts:
- Regular
- Watch, for incomplete documentation

B. Special mention accounts
C. Substandard accounts
D. Doubtful accounts
E. Bad or failing accounts

- Ordinary Accounts: All payments are current and full repayment of interest and principal from normal sources is not in doubt.

- Watch List: Loans and advances rated Watch List are loans that are not impaired nor they show any creditworthiness weakness but for which the Bank determines that they require special monitoring due to certain deficiencies in the credit file with respect to the financial statements, collaterals, profitability, or others.

- Special Mention Accounts: Loans past due but not impaired are loans where contractual interest or principal are past due but believes that impairment is not appropriate on the basis of the level of collateral available and the stage of collection of amounts owed to the Bank.

- Substandard loans: There is weakness in the borrower's creditworthiness, profitability, cash flows for a long period and collaterals or uses of the facilities for other purposes. Default has occurred or is likely to occur or the repayment schedule has been restructured. Past due for more than 90 but less than 270 days.

- Doubtful loans: More adverse conditions than those related to the above mentioned classification, with a greater degree of risk associated with the on going deterioration in the client position and sufficiency of collateral and the cease of deposits for greater than 270 days and less than 365 days or the cease of settlements or rescheduled payments for more than 90 days.

- Bad or failing accounts: It covers credits that are regarded as uncollectible, when the delay in payments exceeds 365 days.

Loan account classifications are reviewed periodically by the Credit department. Accounts' classification is monitored based on relevant facts related to the accounts' performance and are up and/or down-graded depending on the credit worthiness of the borrowers and their ability to pay back, taking into consideration the quality of the guarantees. Once Accounts are classified as less then regular, they become closely monitored for debtor's behavior, accounts performance, deterioration in the borrower's solvency, cash generation and overall financial condition.

If, however, the borrower's difficulties appear to be more fundamental and/or the collateral no longer adequately covers the facility, whether due to excessive exposure or diminution in the value of the collateral then the account is classified as Class C and interest is discontinued to be recognized in the income statement.

3. Risk mitigation policies

Collateral:

The Bank 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
- Financial instruments (equities and debt securities)
- Business other assets (such as inventories and accounts receivable)

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally updated every 2 years and when a loan is individually assessed as impaired.

Generally, Collateral 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, and no such collateral was held at December 31, 2010 and 2009.

A plan of action is determined in relation to each Class C account. If there is no improvement, a provision is taken in respect of the principal based on the expected debt recovery, and the account is then classified as Class D. Once recovery becomes very remote, the full outstanding balance is provided for; the account is down graded to Class E.

Impaired loans and securities
Impaired loans and securities are loans and securities for which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan. These loans are graded C, D and E in the Bank's internal credit risk grading methodology.

Past due but not impaired loans
Loans and securities where contractual interest or principal payments are past due but the Bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the Bank.

Allowances for impairment
The Bank establishes an allowance for impairment losses 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 for Banks of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy
The Bank writes-off a loan or security (and any related allowances for impairment losses) when Bank's management and credit business unit determine that the loans/securities are uncollectible in whole or in part. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay its obligation in full, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, charge off decisions generally are based on a product specific past due status.

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of impaired assets by risk grade, as well as the fair value of collaterals taken against these loans.

Below are the details of the Bank's exposure to credit risk with respect to loans and advances to customers:

	December 31, 2010							
				Fair Value of Collateral Held				
	Gross Loans Net of Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Pledged Funds LBP'000	Real Estate Property LBP'000	Equity Securities LBP'000	Other LBP'000	Total LBP'000
Regular Accounts	692,343,814	-	692,343,814	371,983,531	283,805,416	3,460,098	31,636,971	690,886,016
Past due regular loans and advances but not impaired:								
Between 30-60 days	242,343	-	242,343	-	-	-	-	-
Between 60-90 days	29,688	-	29,688	-	-	-	-	-
Between 90-180 days	89,156	-	89,156	-	-	-	-	-
Beyond 180 days	353,930	-	353,930	-	-	-	-	-
	715,117	-	715,117	-	-	-	-	-
Impaired:								
Substandard	1,060,958	-	1,060,958	69,682	892,737	-	-	962,419
Restructured substandard	274,193	-	274,193	464,706	275,816	-	-	740,522
Doubtful and bad	46,665,525	(34,438,386)	12,227,139	762,325	20,435,584	-	-	21,197,909
Restructured doubtful and bad	689,847	(318,673)	371,174	49,841	1,297,350	-	-	1,347,191
	48,690,523	(34,757,059)	13,933,464	1,346,554	22,901,487	-	-	24,248,041
Collectively impaired	-	(6,401,544)	(6,401,544)	-	-	-	-	-
	741,749,454	(41,158,603)	700,590,851	373,330,085	306,706,903	3,460,098	31,636,971	715,134,057

December 31, 2009

	Gross Loans Net of Unrealized Interest LBP'000	Allowance for Impairment LBP'000	Net Exposure LBP'000	Fair Value of Collateral Held: Pledged Funds LBP'000	Real Estate Property LBP'000	Equity Securities LBP'000	Other LBP'000	Total LBP'000
Regular Accounts	354,923,003	-	354,923,003	330,185,440	107,563,430	4,397,581	-	442,146,451
Past due regular loans and advances but not impaired:								
Between 30-60 days	12,729	-	12,729	-	-	-	-	-
Between 60-90 days	2,612	-	2,612	-	-	-	-	-
Between 90-180 days	225,547	-	225,547	-	-	-	-	-
Beyond 180 days	146,515	-	146,515	-	-	-	-	-
	387,403	**-**	**387,403**	**-**	**-**	**-**	**-**	**-**
Impaired:								
Substandard	850,988	-	850,988	31	863,788	-	218,104	1,081,923
Restructured substandard	250,722	-	250,722	-	-	-	-	-
Doubtful and bad	52,665,784	(38,581,880)	14,083,904	573,815	21,667,837	-	123,307	22,364,959
Restructured doubtful and bad	2,070,592	(1,111,470)	959,122	-	-	-	-	-
	55,838,086	**(39,693,350)**	**16,144,736**	**573,846**	**22,531,625**	**-**	**341,411**	**23,446,882**
Collectively impaired	-	(3,359,622)	(3,359,622)	-	-	-	-	-
	411,148,492	(43,052,972)	368,095,520	330,759,286	130,095,055	4,397,581	341,411	465,593,333

b) Concentration of financial assets by industry or sector:

December 31, 2010

	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Consumer Goods Trading LBP'000	Real Estate Trading LBP'000	Services LBP'000	Private Individuals LBP'000	Other LBP'000	Loans Assessed Collectively LBP'000	Total LBP'000
Balance sheet exposure:											
Cash, compulsory reserves and Central Banks	958,250,566	-	-	-	-	-	-	-	-	-	958,250,566
Deposits with banks and financial institutions	-	268,341,148	-	-	-	-	-	-	-	-	268,341,148
Loans to banks	1,581,654,501	68,404,853	-	-	-	-	-	-	-	-	1,650,059,354
Loans and advances to customers	643,309	168,892,944	88,699,039	62,876,135	69,058,063	912,639	133,159,719	127,635,058	55,115,489	(6,401,544)	700,590,851
Loans and advances to related parties	-	-	-	-	-	-	39,697,295	-	-	-	39,697,295
Trading assets	569,876	-	-	-	-	-	-	-	-	-	569,876
Available-for-sale investment securities	652,341,887	2,254,316	-	-	-	-	-	-	-	-	654,596,203
Held-to-maturity investment securities	518,888,063	-	-	-	-	-	-	-	-	-	518,888,063
	3,712,348,202	**507,893,261**	**88,699,039**	**62,876,135**	**69,058,063**	**912,639**	**172,857,014**	**127,635,058**	**55,115,489**	**(6,401,544)**	**4,790,993,356**
Off-Balance sheet risks:											
Documentary and commercial letters of credit	-	123,727,438	-	-	-	-	-	-	-	-	123,727,438
Guarantees and standby letters of credit	-	70,974,801	-	-	-	-	-	-	-	-	70,974,801
Forward contracts	-	43,510,524	-	-	-	-	-	-	-	-	43,510,524
	-	**238,212,763**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**238,212,763**

December 31, 2009

	Sovereign LBP'000	Financial Services LBP'000	Real Estate Development LBP'000	Manufacturing LBP'000	Consumer Goods Trading LBP'000	Real Estate Trading LBP'000	Services LBP'000	Private Individuals LBP'000	Other LBP'000	Total LBP'000
Balance sheet Exposure:										
Cash, compulsory reserve and central banks	618,311,643	-	-	-	-	-	-	-	19,531,107	637,842,750
Deposits with banks and financial institutions	-	407,263,734	-	-	-	-	-	-	-	407,263,734
Trading assets	29,805,787	-	-	-	-	-	-	-	-	29,805,787
Loans to banks	1,255,656,075	69,069,594	-	-	-	-	-	-	-	1,324,725,669
Loans and advances to customers	403,623	81,424,846	53,886,971	56,843,144	65,716,826	24,703	63,323,795	46,438,815	32,797	368,095,520
Loans and advances to related parties	-	-	-	-	-	-	31,024,246	-	-	31,024,246
Available for sale investment securities	577,930,878	2,581,998	-	-	-	-	-	-	-	580,512,876
Held-to-maturity investment securities	485,686,943	-	-	-	-	-	-	-	-	485,686,943
Total	2,967,794,949	560,340,172	53,886,971	56,843,144	65,716,826	24,703	94,348,041	46,438,815	19,563,904	3,864,957,525
Off-Balance sheet Risks										
Documentary and commercial letters of credit	-	152,243,796	-	-	-	-	-	-	-	152,243,796
Guarantees and standby letters of credit	-	64,297,969	-	-	-	-	-	-	-	64,297,969
Forward Contracts	-	40,777,359	-	-	-	-	-	-	-	40,777,359
	-	257,319,124	-	-	-	-	-	-	-	257,319,124

c) Concentration of assets and liabilities by geographical area:

December 31, 2010	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash, compulsory reserves and central banks	927,772,312	29,868,167	-	610,087	-	958,250,566
Deposits with banks and financial institutions	3,705,935	3,088,498	13,919,957	247,560,483	66,275	268,341,148
Loans to banks	1,650,059,354	-	-	-	-	1,650,059,354
Loans and advances to customers	591,979,998	71,429,873	352,755	36,828,225	-	700,590,851
Loans and advances to related parties	39,697,295	-	-	-	-	39,697,295
Trading assets	569,876	-	-	-	-	569,876
Available-for-sale investment Securities	654,596,203	-	-	-	-	654,596,203
Held-to-maturity investment securities	518,888,063	-	-	-	-	518,888,063
Customers' liability under acceptances	16,158,555	-	-	-	-	16,158,555
Assets acquired in satisfaction of loans	16,854,329	-	-	-	-	16,854,329
Property and equipment	33,661,437	-	-	-	-	33,661,437
Intangible assets	911,493	-	-	-	-	911,493
Other assets	2,941,025	-	-	-	-	2,941,025
Total assets	**4,457,795,875**	**104,386,538**	**14,272,712**	**284,998,795**	**66,275**	**4,861,520,195**
LIABILITIES						
Deposits and borrowings from banks	26,976,286	37,865,517	-	11,351,191	-	76,192,994
Customers' accounts at amortized cost	3,406,676,628	442,019,994	25,776,559	427,850,800	39,903,620	4,342,227,601
Related parties' accounts at amortized cost	76,104,785	-	-	-	-	76,104,785
Customers' acceptance Liability	16,158,555	-	-	-	-	16,158,555
Other liabilities	16,516,152	-	-	-	-	16,516,152
Provisions	4,552,980	-	-	-	-	4,552,980
Total liabilities	**3,546,985,386**	**479,885,511**	**25,776,559**	**439,201,991**	**39,903,620**	**4,531,753,067**

December 31, 2009	Lebanon LBP'000	Middle East and Africa LBP'000	North America LBP'000	Europe LBP'000	Other LBP'000	Total LBP'000
ASSETS						
Cash, compulsory reserves and central banks	637,842,750	-	-	-	-	637,842,750
Deposits with banks and financial institutions	15,690,847	1,045,439	41,503,015	348,634,663	389,770	407,263,734
Trading assets	29,805,787	-	-	-	-	29,805,787
Loans to banks	1,324,725,669	-	-	-	-	1,324,725,669
Loans and advances to customers	295,476,477	29,299,584	4,693	43,314,741	25	368,095,520
Loans and advances to related parties	31,024,246	-	-	-	-	31,024,246
Available for sale investment securities	580,512,876	-	-	-	-	580,512,876
Held-to-maturity investment securities	485,686,943	-	-	-	-	485,686,943
Customers' liability under acceptances	8,585,539	-	-	-	-	8,585,539
Assets acquired in satisfaction of loans	17,720,286	-	-	-	-	17,720,286
Property and equipment	26,668,931	1,030,094	-	480,314	-	28,179,339
Intangible assets	541,945	290,561	-	296,710	-	1,129,216
Other assets	2,394,086	-	-	-	-	2,394,086
Total Assets	**3,456,676,382**	**31,665,678**	**41,507,708**	**392,726,428**	**389,795**	**3,922,965,991**
LIABILITIES						
Deposits and borrowings from banks	16,512,075	33,818,624	-	2,506,107	1,664,971	54,501,777
Customers' accounts at amortized cost	2,741,186,710	417,490,432	23,623,376	276,210,431	13,455,617	3,471,966,566
Related parties' accounts at amortized cost	67,410,852	-	-	-	-	67,410,852
Customers' acceptance liability	8,585,539	-	-	-	-	8,585,539
Other liabilities	26,151,759	-	-	-	-	26,151,759
Provisions	3,642,451	-	-	-	-	3,642,451
Total liabilities	**2,863,489,386**	**451,309,056**	**23,623,376**	**278,716,538**	**15,120,588**	**3,632,258,944**

B. Liquidity Risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations from its financial liabilities at a point of time.

1. Liquidity risk management

The Bank risk management and monitoring is based on the aggregate structure of the balance sheet through mitigating risks that are directly associated to the mismatch between maturities in the balance sheet and contingent liabilities. The Bank's financial position structure is run in a way aimed at maintaining diversification and lowering concentration among different sources of funds. All liquidity policies and procedures are subject to review and approval by ALCO.

Residual contractual maturities of assets and liabilities:

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

December 31, 2010

LBP Base Accounts

ASSETS	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, Compulsory deposits and deposits							
with Central Banks	8,182	278,455	-	-	-	-	286,637
Deposits with banks and financial institutions	(1,521)	35	-	-	-	-	(1,486)
Loans to banks	-	705	1,660	14,120	1,328,059	305,515	1,650,059
Loans and advances to customers	(5,108)	47,701	39,728	362	157	5	82,845
Loans and advances to related parties	-	-	940	-	-	-	940
Available for sale investment securities	-	161	64,063	168,797	177,368	4,896	415,285
Assets acquired in satisfaction of loans	637	-	-	-	-	-	637
Property and equipment	30,836	-	-	-	-	-	30,836
Intangible assets	550	-	-	-	-	-	550
Other assets	1,875	-	-	-	-	-	1,875
Total Assets	**35,451**	**327,057**	**106,391**	**183,279**	**1,505,584**	**310,416**	**2,468,178**
LIABILITIES							
Deposits and borrowings from banks	-	15,138	-	-	-	-	15,138
Customers' accounts at amortized cost	-	1,835,813	306,621	11,358	200	-	2,153,992
Related parties' accounts at amortized cost	-	15,559	-	-	-	-	15,559
Other liabilities	7,709	-	-	-	-	-	7,709
Provisions	3,859	-	-	-	-	-	3,859
Total Liabilities	**11,568**	**1,866,510**	**306,621**	**11,358**	**200**	**-**	**2,196,257**
Maturity Gap	**23,883**	**(1,539,453)**	**(200,230)**	**171,921**	**1,505,384**	**310,416**	**271,921**

	F/Cy Base Accounts				December 31, 2010		
ASSETS	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, Compulsory deposits and deposits with Central Banks	24,786	527,961	118,867	-	-	-	671,614
Deposits with banks and financial institutions	4,411	265,416	-	-	-	-	269,827
Loans and advances to customers	13,508	207,963	393,463	2,435	377	-	617,746
Loans and advances to related parties	-	-	38,757	-	-	-	38,757
Trading assets	-	570	-	-	-	-	570
Available for sale investment securities	-	1,114	980	77,482	1 22,781	36,954	239,311
Held-to-maturity investment securities	-	-	32,735	276,948	77,264	131,941	518,888
Customers' liability under acceptances	-	14,524	1,635	-	-	-	16,159
Assets acquired in satisfaction of loans	16,217	-	-	-	-	-	16,217
Property and equipment	2,825	-	-	-	-	-	2,825
Intangible assets	361	-	-	-	-	-	361
Other assets	1,066	-	-	-	-	-	1,066
Total Assets	**63,174**	**1,017,548**	**586,437**	**356,865**	**200,422**	**168,895**	**2,393,341**
LIABILITIES							
Deposits and borrowings from banks	-	61,055	-	-	-	-	61,055
Customers' accounts at amortized cost	-	2,042,507	143,383	2,195	151	-	2,188,236
Related parties' accounts at amortized cost	-	60,546	-	-	-	-	60,546
Liability under acceptances	-	14,524	1,634	-	-	-	16,158
Other liabilities	8,807	-	-	-	-	-	8,807
Provisions	694	-	-	-	-	-	694
Total Liabilities	**9,501**	**2,178,632**	**145,017**	**2,195**	**151**	**-**	**2,335,496**
Maturity Gap	**53,673**	**(1,161,084)**	**441,420**	**354,670**	**200,271**	**168,895**	**57,845**

ASSETS	LBP Base Accounts Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	December 31, 2009 3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, Compulsory deposits and deposits							
with Central Banks	7,875	279,249	-	-	-	-	287,124
Deposits with banks and financial institutions	(950)	15,351	-	-	-	-	14,401
Loans to banks	-	-	970	9,120	1,269,776	44,860	1,324,726
Loans and advances to customers	(2,015)	13,547	21,433	226	114	62	33,367
Loans and advances to related parties	-	-	52	-	-	-	52
Available for sale investment securities	-	161	18,418	-	330,859	-	349,438
Assets acquired in satisfaction of loans	623	-	-	-	-	-	623
Property and equipment	28,179	-	-	-	-	-	28,179
Intangible assets	1,129	-	-	-	-	-	1,129
Other assets	1,446	-	-	-	-	-	1,446
Total Assets	**36,287**	**308,308**	**40,873**	**9,346**	**1,600,749**	**44,922**	**2,040,485**
LIABILITIES							
Deposits and borrowings from banks	-	16,453	-	-	-	-	16,453
Customers' accounts at amortized cost	-	1,547,293	204,912	6,221	200	-	1,758,626
Related parties' accounts at amortized cost	-	11,496	-	-	-	-	11,496
Other liabilities	16,719	-	-	-	-	-	16,719
Provisions	3,074	-	-	-	-	-	3,074
Total Liabilities	**19,793**	**1,575,242**	**204,912**	**6,221**	**200**	**-**	**1,806,368**
Maturity Gap	**16,494**	**(1,266,934)**	**(164,039)**	**3,125**	**1,600,549**	**44,922**	**234,117**

	F/Cy Base Accounts				December 31, 2009		
ASSETS	Accounts with no Maturity LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, compulsory deposits and deposits with central banks	11,657	307,755	31,307	-	-	-	350,719
Deposits with banks and financial institutions	850	392,013	-	-	-	-	392,863
Trading securities	-	29,806	-	-	-	-	29,806
Loans and advances to customers	14,827	10,730	291,183	2,075	15,905	8	334,728
Loans and advances to related parties	-	-	30,972	-	-	-	30,972
Available for sale investment securities	-	1,442	1,454	31,496	123,898	72,785	231,075
Held-to-maturity investment securities	-	-	27,684	203,358	151,839	102,806	485,687
Customers' liability under acceptances	-	7,682	904	-	-	-	8,586
Assets acquired in satisfaction of loans	17,097	-	-	-	-	-	17,097
Other assets	948	-	-	-	-	-	948
Total Assets	**45,379**	**749,428**	**383,504**	**236,929**	**291,642**	**175,599**	**1,882,481**
LIABILITIES							
Deposits and borrowings from banks	-	38,049	-	-	-	-	38,049
Customers' accounts at amortized cost	-	1,610,472	101,223	1,494	151	-	1,713,340
Related parties' accounts at amortized cost	-	55,915	-	-	-	-	55,915
Liability under acceptances	-	7,681	904	-	-	-	8,585
Other liabilities	9,432	-	-	-	-	-	9,432
Provisions	568	-	-	-	-	-	568
Total Liabilities	**10,000**	**1,712,117**	**102,127**	**1,494**	**151**	**-**	**1,825,889**
Maturity Gap	**35,379**	**(962,689)**	**281,377**	**235,435**	**291,491**	**175,599**	**56,592**

Concentration of Liabilities by counterparty:
Information regarding the concentration of liabilities by counterparty is disclosed under the respective notes to the financial statements.

C. *Market Risks*

Market Risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and loan diversification.

The Bank manages market risks through a framework that defines the global activity and individual limits and sensitivity analysis.

1. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments or expected cash flows from income generating financial assets and liabilities. The Bank is exposed to interest rate risk as a result of mismatches or gaps in the amounts of financial assets and liabilities.

Large amounts of the Bank's financial assets, primarily investments in certificates of deposits and Lebanese government bonds in Lebanese pounds and foreign currencies, carry fixed interest rates, whereas customers' accounts and loans and advances to customers are re-priced on a regular basis which, consequently, leads to major risks from the mismatch between the sources and uses of funds, and in its turn increases interest rate risk.

Income sensitivity is the effect of the assumed changes in the interest rate on the net interest revenues for a specific year on the non-trading assets and liabilities. Analysis of various banking currency positions is made through concentrations by currencies and, resulting sensitivity is disclosed in thousands of Lebanese pounds and segregated between financial assets and liabilities subject to variable and fixed interest rates.

- **Exposure to interest rate risk**

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

Below is a summary of the Bank'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 Pounds base accounts:**

December 31, 2010

	LBP Base Accounts Floating Interest Rate							LBP Base Accounts Fixed Interest Rate						
ASSETS	Non-Interest Earning LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000	Grand Total LBP'000 000
Cash, Compulsory deposits and deposits with Central Banks	8,182	237,955	-	-	-	-	237,955	-	40,500	-	-	-	40,500	286,637
Deposits with banks and financial institutions	(1,521)	35	-	-	-	-	35	-	-	-	-	-	-	(1,486)
Loans to banks	-	-	-	-	-	-	-	-	2,365	14,120	1,328,059	305,515	1,650,059	1,650,059
Loans and advances to customers	(5,108)	-	-	-	-	-	-	-	87,429	362	157	5	87,953	82,845
Loans and advances to related parties	-	-	-	-	-	-	-	-	570	-	-	-	570	570
Trading assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Available for sale investment securities	161	-	-	-	-	-	-	-	64,063	168,797	177,368	4,896	415,124	415,285
Assets acquired in satisfaction of loans	637	-	-	-	-	-	-	-	-	-	-	-	-	637
Property and equipment	30,836	-	-	-	-	-	-	-	-	-	-	-	-	30,836
Intangible assets	550	-	-	-	-	-	-	-	-	-	-	-	-	550
Other assets	1,875	-	-	-	-	-	-	-	-	-	-	-	-	1,875
Total Assets	35,612	237,990	-	-	-	-	237,990	-	194,927	183,279	1,505,584	310,416	2,194,206	2,467,808
LIABILITIES														
Deposits and borrowings from banks	-	15,138	-	-	-	-	15,138	-	-	-	-	-	-	15,138
Customers' accounts at amortized cost	132,751	-	-	-	-	-	-	-	2,009,683	11,358	200	-	2,021,241	2,153,992
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	-	15,559	-	-	-	15,559	15,559
Liability under acceptances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	7,709	-	-	-	-	-	-	-	-	-	-	-	-	7,709
Provisions	3,858	-	-	-	-	-	-	-	-	-	-	-	-	3,858
Total Liabilities	144,318	15,138	-	-	-	-	15,138	-	2,025,242	11,358	200	-	2,036,800	2,196,256
Interest rate gap position	(108,706)	222,852	-	-	-	-	222,852	-	(1,830,315)	171,921	1,505,384	310,416	157,406	271,552

Below is a summary of the Bank'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 **Foreign Currency base accounts:**

December 31, 2010

		F/Cy Base Accounts Floating Interest Rate						F/Cy Base Accounts Fixed Interest Rate						
ASSETS	Non-Interest Earning LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000	Grand Total LBP'000 000
Cash, compulsory deposits and deposits with Central Banks	24,786	-	-	-	-	-	-	527,961	118,867	-	-	-	646,828	671,614
Deposits with banks and financial institutions	4,411	-	-	-	-	-	-	-	265,416	-	-	-	265,416	269,827
Financial assets designated at fair value through profit or loss	-	-	-	-	-	-	-	-	570	-	-	-	570	570
Loans and advances to customers	13,508	-	-	-	-	-	-	207,963	393,463	2,435	377	-	604,238	617,746
Loans and advances to related parties	-	-	-	-	-	-	-	-	39,128	-	-	-	39,128	39,128
Available for sale investment securities	-	-	-	-	-	-	-	1,114	980	77,482	122,781	36,954	239,311	239,311
Held-to-maturity investment securities	-	-	-	-	-	-	-	-	32,735	276,948	77,264	131,941	518,888	518,888
Customers' liability under acceptances	-	-	-	-	-	-	-	14,524	1,635	-	-	-	16,159	16,159
Assets acquired in satisfaction of loans	16,217	-	-	-	-	-	-	-	-	-	-	-	-	16,217
Property and equipment	2,825	-	-	-	-	-	-	-	-	-	-	-	-	2,825
Intangible assets	361	-	-	-	-	-	-	-	-	-	-	-	-	361
Other assets	1,066	-	-	-	-	-	-	-	-	-	-	-	-	1,066
Total Assets	63,174	-	-	-	-	-	-	751,562	852,794	356,865	200,422	168,895	2,330,538	2,393,712
LIABILITIES														
Deposits and borrowings from banks	-	-	-	-	-	-	-	61,055	-	-	-	-	61,055	61,055
Customers' accounts at amortized cost	258,150	-	-	-	-	-	-	1,784,357	143,383	2,195	151	-	1,930,086	2,188,236
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	60,383	-	-	-	-	60,383	60,383
Liability under acceptances	-	-	-	-	-	-	-	14,524	1,635	-	-	-	16,159	16,159
Other liabilities	8,807	-	-	-	-	-	-	-	-	-	-	-	-	8,807
Provisions	694	-	-	-	-	-	-	-	-	-	-	-	-	694
Total Liabilities	267,651	-	-	-	-	-	-	1,920,319	145,018	2,195	151	-	2,067,683	2,335,334
Interest rate gap position	(204,477)	-	-	-	-	-	-	(1,168,757)	707,776	354,670	200,271	168,895	262,855	58,378

Below is a summary of the Bank'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 Pounds base accounts:**

December 31, 2009

	LBP Base Accounts Floating Interest Rate								LBP Base Accounts Fixed Interest Rate					
ASSETS	Non-Interest Earning LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	5 to 10 Years LBP'000 000	Over 10 Years LBP'000 000	Total LBP'000 000	Up to 3 Months LBP'000 000	3 Month to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, Compulsory deposits and deposits with Central Banks	7,875	198,959	-	-	-	-	-	198,959	80,290	-	-	-	-	80,290
Deposits with banks and financial institutions	(950)	-	-	-	-	-	-	-	15,351	-	-	-	-	15,351
Loans to banks	-	-	-	-	-	-	-	-	-	970	9,120	1,269,776	44,860	1,324,726
Loans and advances to customers	(2,015)	-	-	-	-	-	-	-	13,547	21,433	226	114	62	35,382
Loans and advances to related parties	-	-	-	-	-	-	-	-	-	52	-	-	-	52
Available for sale investment securities	161	-	-	-	-	-	-	-	-	18,418	-	330,859	-	349,277
Assets acquired in satisfaction of loans	603	-	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	28,179	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	1,129	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,305	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	36,287	198,959	-	-	-	-	-	198,959	109,188	40,873	9,346	1,600,749	44,922	1,805,078
LIABILITIES														
Deposits and borrowings from banks	-	16,453	-	-	-	-	-	16,453	-	-	-	-	-	-
Customers' accounts at amortized cost	104,704	-	-	-	-	-	-	-	1,442,589	204,912	6,221	200	-	1,653,922
Related parties' accounts at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	-	11,496	-	-	-	-	11,496
Other liabilities	16,719	-	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	3,074	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	124,497	16,453	-	-	-	-	-	16,453	1,454,085	204,912	6,221	200	-	1,665,418
Interest rate gap position	(88,210)	182,506	-	-	-	-	-	182,506	(1,344,897)	(164,039)	3,125	1,600,549	44,922	139,660

Below is a summary of the Bank'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 **Foreign Currency base accounts:**

December 31, 2009

	F/Cy Base Accounts Floating Interest Rate							F/Cy Base Accounts Fixed Interest Rate					
ASSETS	Non-Interest Earning LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000	Up to 3 Months LBP'000 000	3 Months to 1 Year LBP'000 000	1 to 3 Years LBP'000 000	3 to 5 Years LBP'000 000	Over 5 Years LBP'000 000	Total LBP'000 000
Cash, Compulsory deposits and deposits with Central Banks	11,657	-	-	-	-	-	-	307,755	31,307	-	-	-	339,062
Deposits with banks and financial institutions	850	-	-	-	-	-	-	392,013	-	-	-	-	392,013
Loans to banks	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-	-	316,740	2,075	15,905	8	334,728
Loans and advances to related parties	-	-	-	-	-	-	-	-	-	30,972	-	-	30,972
Available for sale investment securities	-	-	-	-	-	-	-	1,442	1,454	31,496	123,898	72,785	231,075
Held-to-maturity investment securities	-	-	-	-	-	-	-	-	27,684	203,358	151,839	102,806	485,687
Trading securities	-	-	-	-	-	-	-	29,806	-	-	-	-	29,806
Customers' liability under acceptances	-	-	-	-	-	-	-	7,682	904	-	-	-	8,586
Assets acquired in satisfaction of loans	17,117	-	-	-	-	-	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	1,089	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets	30,713	-	-	-	-	-	-	738,698	378,089	267,901	291,642	175,599	1,851,929
LIABILITIES													
Deposits and borrowings from banks	-	-	-	-	-	-	-	38,049	-	-	-	-	38,049
Liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-	-	-	-	-	-
Customers' accounts at amortized cost	184,411	-	-	-	-	-	-	1,426,061	101,223	1,494	151	-	1,528,929
Related parties' accounts at FVTPL	-	-	-	-	-	-	-	-	-	-	-	-	-
Related parties' accounts at amortized cost	-	-	-	-	-	-	-	55,915	-	-	-	-	55,915
Liability under acceptances	-	-	-	-	-	-	-	7,682	904	-	-	-	8,586
Other borrowings	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities	9,432	-	-	-	-	-	-	-	-	-	-	-	-
Provisions	568	-	-	-	-	-	-	-	-	-	-	-	-
Total Liabilities	194,411	-	-	-	-	-	-	1,527,707	102,127	1,494	151	-	1,631,479
Interest rate gap position	(163.698)	-	-	-	-	-	-	(789,009)	275,962	266,407	291,491	175,599	220,450

2. Foreign Exchange risk

Currency risk represents the risk of change in the value of financial instruments due to changes in foreign exchange rates.

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

December 31, 2010

ASSETS	LBP LBP'000	USD C/V in LBP LBP'000	Euro C/V in LBP LBP'000	GBP C/V in LBP LBP'000	Other Currencies C/V in LBP LBP'000	Total LBP'000
Cash, compulsory reserves and Central Banks	286,636,465	524,070,739	145,273,471	38,362	2,231,529	958,250,566
Deposits with banks and financial institutions	(1,485,940)	21,521,596	211,362,178	3,746,898	33,196,416	268,341,148
Trading assets	-	569,876	-	-	-	569,876
Loans to banks	1,650,059,354	-	-	-	-	1,650,059,354
Loans and advances to customers	82,844,723	566,814,803	24,546,304	8,055,151	18,329,870	700,590,851
Loans and advances to related parties	569,553	39,122,706	5,036	-	-	39,697,295
Available for sale investment securities	415,285,374	210,198,945	29,111,884	-	-	654,596,203
Held-to-maturity investment securities	-	481,412,003	37,476,060	-	-	518,888,063
Customers' liability under acceptances	-	9,535,908	6,622,647	-	-	16,158,555
Assets acquired in satisfaction of loans	636,985	16,217,344	-	-	-	16,854,329
Property and equipment	30,836,236	839,647	1,628,977	-	356,577	33,661,437
Intangible assets	550,205	-	221,802	-	139,486	911,493
Other assets	1,875,463	50,396,322	(76,311,187)	(19,766,415)	46,475,307	2,669,490
Total Assets	**2,467,808,418**	**1,920,699,889**	**379,937,172**	**(7,926,004)**	**100,729,185**	**4,861,248,660**
LIABILITIES						
Deposits and borrowings from banks	15,138,309	61,004,425	42,177	-	8,083	76,192,994
Customers' accounts at amortized cost	2,153,991,383	1,633,902,617	514,989,726	31,648,212	7,695,663	4,342,227,601
Related parties' accounts at amortized cost	15,558,550	50,081,774	10,462,388	2,040	33	76,104,785
Liability under acceptances	-	9,535,908	6,622,647	-	-	16,158,555
Other liabilities	7,709,328	8,266,754	450,737	24,555	64,77	16,516,152
Provisions	3,858,949	694,031	-	-		4,552,980
Total Liabilities	**2,196,256,519**	**1,763,485,509**	**532,567,675**	**31,674,807**	**7,768,557**	**4,531,753,067**
Currencies to be delivered	-	(71,211,628)	(10,735,014)	(10,184,070)	(81,515,373)	(173,646,085)
Currencies to be received	-	21,635,011	87,078,669	29,965,847	35,238,093	173,917,620
Total Liabilities	-	(49,576,617)	76,343,655	19,781,777	(46,277,280)	271,535
Net on balance sheet financial position	271,551,899	107,637,763	(76,286,848)	(19,819,034)	46,683,348	329,767,128

December 31, 2009

ASSETS	LBP LBP'000	USD C/V in LBP LBP'000	Euro C/V in LBP LBP'000	GBP C/V in LBP LBP'000	Other Currencies C/V in LBP LBP'000	Total LBP'000
Cash, Compulsory deposits and deposits with Central Banks	287,123,659	184,916,314	165,402,295	42,292	358,190	637,842,750
Deposits with banks and financial institutions	14,401,078	262,677,277	106,974,874	17,250,289	5,960,216	407,263,734
Trading securities	-	29,805,787	-	-	-	29,805,787
Loans to banks	1,324,725,669	-	-	-	-	1,324,725,669
Loans and advances to customers	33,366,912	316,226,803	15,187,850	2,244,694	1,069,261	368,095,520
Loans and advances to related parties	52,312	30,971,930	4	-	-	31,024,246
Available for sale investment securities	349,438,202	199,933,536	31,141,138	-	-	580,512,876
Held-to-maturity investment securities	-	445,152,145	40,534,798	-	-	485,686,943
Customers' liability under acceptances	-	6,286,619	2,201,149	-	97,771	8,585,539
Assets acquired in satisfaction of loans	623,211	17,097,075	-	-	-	17,720,286
Property and equipment	28,179,339	-	-	-	-	28,179,339
Intangible assets	1,129,216	-	-	-	-	1,129,216
Other assets	1,446,466	(30,166,739)	294,655	-	30,677,917	2,252,299
Total Assets	**2,040,486,064**	**1,462,900,747**	**361,736,763**	**19,537,275**	**38,163,355**	**3,922,824,204**
LIABILITIES						
Deposits and borrowings from banks	16,452,524	38,040,700	4,363	1	4,189	54,501,777
Customers' accounts at amortized cost	1,758,626,240	1,331,539,129	351,083,510	23,915,142	6,802,545	3,471,966,566
Related parties' accounts at amortized cos	11,495,680	47,013,502	8,899,414	2,256	-	67,410,852
Liability under acceptances	-	6,286,619	2,201,149	-	97,771	8,585,539
Other liabilities	16,718,743	9,133,291	256,191	11,206	32,328	26,151,759
Provisions	3,074,012	568,439	-	-	-	3,642,451
Total Liabilities	**1,806,367,199**	**1,432,581,680**	**362,444,627**	**23,928,605**	**6,936,833**	**3,632,258,944**
Currencies to be delivered	-	(12,593,554)	(3,153,528)	-	(24,888,490)	(40,635,572)
Currencies to be received	-	28,183,164	3,023,930	-	9,570,265	40,777,359
	-	15,589,610	(129,598)	-	(15,318,225)	141,787
Net on-balance sheet financial position	234,118,865	45,908,677	(837,462)	(4,391,330)	15,908,297	290,707,047

39. Fair Value Of Financial Assets And Liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; an illiquidity discount, at variable degrees based on circumstances, is applied for prices quoted in inactive market, to compensate for illiquidity factor.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives; and the fair value of financial guarantee contracts is determined using option pricing models where the main assumptions are the probability of default by the specified counterparty extrapolated from market-based credit information and the amount of loss, given the default.

The summary of the Bank's classification of each class of financial assets and liabilities covered by IAS 39, and their fair values are as follows:

December 31, 2010

FINANCIAL ASSETS	Trading Assets LBP'000	Assets at Fair Value Through Profit or Loss LBP'000	Available-for Sale LBP'000	Held-to-Maturity LBP'000	Loans and Receivables LBP'000	Other Accounts at Amortized Cost LBP'000	Total Carrying Value LBP'000	Total fair Value LBP'000
Cash, Compulsory deposits and deposits with Central Banks	-	-	-	-	-	958,250,566	958,250,566	958,250,566
Deposits with banks and financial institutions	-	-	-	-	-	268,341,148	268,341,148	268,341,148
Trading assets	-	-	-	-	-	-	-	-
Financial assets designated at fair value through profit or loss	569,876	-	-	-	-	-	569,876	569,876
Loans to banks	-	-	-	-	-	1,650,059,354	1,650,059,354	1,650,059,354
Loans and advances to customers	-	-	-	-	700,590,851	-	700,590,851	704,367,984
Loans and advances to related parties	-	-	-	-	39,697,295	-	39,697,295	39,697,295
Available-for-sale investment securities	-	-	654,596,203	-	-	-	654,596,203	640,397,957
Held-to-maturity investment securities	-	-	-	518,888,063	-	-	518,888,063	510,438,299
Total	**569,876**	**-**	**654,596,203**	**518,888,063**	**740,288,146**	**2,876,651,068**	**4,790,993,356**	**4,772,522,479**

FINANCIAL LIABILITIES	Trading Assets LBP'000	Assets at Fair Value Through Profit or Loss LBP'000	Available-for Sale LBP'000	Held-to-Maturity LBP'000	Loans and Receivables LBP'000	Other Accounts at Amortized Cost LBP'000	Total Carrying Value LBP'000	Total fair Value LBP'000
Deposits and borrowings from banks	-	-	-	-	-	76,192,994	76,192,994	76,192,994
Liabilities designated at fair value through profit or loss	-	-	-	-	-	-	-	-
Customers' accounts at amortized cost	-	-	-	-	-	4,342,227,601	4,342,227,601	4,342,372,149
Related parties' accounts at FVTPL	-	-	-	-	-	-	-	-
Related parties' accounts at amortized cost	-	-	-	-	-	76,104,785	76,104,785	76,104,785
Liability under acceptances	-	-	-	-	-	16,158,555	16,158,555	16,158,555
Other borrowings	-	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**4,510,683,935**	**4,510,683,935**	**4.510,828,483**

December 31, 2009

FINANCIAL ASSETS	Trading Assets LBP'000	Available-for Sale LBP'000	Held-to Maturity LBP'000	Loans and Receivables LBP'000	Other Accounts at Amortized Cost LBP'000	Total Carrying Value LBP'000	Total fair Value LBP'000
Cash, Compulsory deposits and deposits with Central Banks	-	-	-	-	637,842,750	637,842,750	637,842,750
Deposits with banks and financial institutions	-	-	-	-	407,263,734	407,263,734	407,263,734
Trading securities	29,805,787	-	-	-	-	29,805,787	29,805,787
Loans to banks	-	-	-	-	1,324,725,669	1,324,725,669	1,324,725,669
Loans and advances to customers	-	-	-	368,095,520	-	368,095,520	368,098,698
Loans and advances to related parties	-	-	-	31,024,246	-	31,024,246	31,024,246
Available for sale investment securities	-	580,512,876	-	-	-	580,512,876	572,211,848
Held-to-maturity investment securities	-	-	485,686,943	-	-	485,686,943	477,403,879
Total	29,805,787	580,512,876	485,686,943	399,119,766	2,369,832,153	3,864,957,525	3,848,376,61

FINANCIAL LIABILITIES	Trading Assets LBP'000	Available-for Sale LBP'000	Held-to Maturity LBP'000	Loans and Receivables LBP'000	Other Accounts at Amortized Cost LBP'000	Total Carrying Value LBP'000	Total fair Value LBP'000
Deposits and borrowings from banks	-	-	-	-	54,501,777	54,501,777	54,501,777
Customers' accounts at amortized cost	-	-	-	-	3,471,966,566	3,471,966,566	3,471,935,639
Related parties' accounts at amortized cost	-	-	-	-	67,410,852	67,410,852	67,410,852
Liability under acceptances	-	-	-	-	8,585,539	8,585,539	8,585,539
Total	-	-	-	-	3,602,464,734	3,602,464,734	3,602,433,807

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

FINANCIAL LIABILITIES	December 31, 2010			
	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Financial assets at fair value through profit or loss:				
Lebanese Government bonds	-	-	569,876	569,876
	-	-	569,876	569,876
Available-for-sale investment securities:				
Quoted equity securities	2,093,994	-	-	2,093,994
Unquoted equity securities	-	-	160,322	160,322
Lebanese treasury bills	-	-	191,590,543	191,590,543
Lebanese Government bonds	-	241,860,333	-	241,860,333
Certificates of deposit issued by the Central Bank of Lebanon	-	166,378,898	34,060,455	200,439,353
Certificated of deposits issued by commercial banks	-	-	6,905,856	6,905,856
	2,093,994	408,239,231	232,717,176	643,050,401
	2,093,994	408,239,231	233,287,052	643,620,277

FINANCIAL LIABILITIES	December 31, 2009			
	Level 1 LBP'000	Level 2 LBP'000	Level 3 LBP'000	Total LBP'000
Financial assets at fair value through profit or loss:				
Lebanese Government bonds	-	-	29,805,787	29,805,787
	-	-	29,805,787	29,805,787
Available-for-sale investment securities:				
Quoted equity securities	2,421,676	-	-	2,421,676
Unquoted equity securities	-	-	160,322	160,322
Lebanese treasury bills	-	101,283,219	-	101,283,219
Lebanese Government bonds	-	-	185,359,708	185,359,708
Certificates of deposit issued by the Central Bank of Lebanon	-	243,444,596	33,466,500	276,911,096
Certificated of deposits issued by commercial banks	-	-	6,075,828	6,075,828
	2,421,676	344,727,815	225,062,358	572,211,849
	2,421,676	344,727,815	254,868,145	602,017,636

The basis for the determination of the estimated fair values with respect to financial instruments 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. The estimated fair value of fixed interest earning deposits with maturities or interest reset dates beyond one year from the balance sheet date is based on the discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity.

(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.

40. Approval Of The Financial Statements

The financial statements for the year ended December 31, 2010 were approved for issuance by the Board of Directors on April 18, 2011.

(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 and certificates of deposit:

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

BRANCHES

“ WIDER PERSPECTIVE ”

IBL BANK

4 Branches

Bekaa Valley

Current Geographical Representation of IBL Bank

The Bank currently has eighteen operational branches: six branches along with the Head-Office are located in the Greater Beirut region, four branches in the North of Lebanon, two branches in the South of Lebanon, five branches in the Mount Lebanon area and one branch in the Bekaa.

In the past few years, the Bank expanded its branch network by opening sixteen new branches, seven of which resulted from the acquisition of BCP Oriel Bank in 1999. In 2002, the Bank opened a new branch in the region of Kobayat (North Lebanon). During 2004, the Bank opened two branches, one in Chtaura (Bekaa) and one in Tyr (South of Lebanon), and during the first quarter of 2005, the Bank opened a new branch in Hazmieh (Baabda).

In addition, and in order to ensure a wider presence on the Lebanese territory, two new branches were inaugurated during 2008, one in Verdun (Beirut) and one in Antélias (Mount Lebanon) and a new branch was inaugurated in 2009 in Elissar (Mount Lebanon). Finally, two new branches were added to the Bank's network one in Balamand (North Lebanon) and one in Jbeil (Mount Lebanon)

The Bank inaugurated its first representative office in 2004 in Brazil, and established one representative office in the Kurdistan region of the north of Iraq - Erbil in July 2006.

Following to the more than satisfactory results of our representative office in Erbil, the Board of Directors decided to leverage our first mover advantage in Iraq and to upgrade our representative office in Erbil into a Full Branch that started its operations during 2008. Furthermore, the Bank has obtained the License to open and operate a new branch in Baghdad - Iraq, which started its operation during 2010.

Following to the successful ventures abroad, IBL Bank decided to open a branch in Europe. In November 2007, the Central Bank of Cyprus has granted IBL Bank the License to operate in Limassol - Cyprus. In 2008, our Branch started its operations on Makarios III Avenue in Limassol.

Finally, the Board of Directors has decided to set up the sister bank IBL Invest's Head-Office in Verdun - Beirut.

The Bank sees its branches abroad and representative office network as a mean to diversify its stream of deposits, investments and revenues. In fact, consequent to the opening of Latin American, European, and Arab offices, the Bank is aiming to attract deposits and banking business through the important Lebanese and Arab communities in these regions.

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BEIRUT AND SUBURBS

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Manager: Mr. Abdel Kader Tawil

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Mar - Elias Street, New Center
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Fax: (01) 304727
Manager : Mr. Mohamad Osseiran

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Fax: (01) 255111
Manager: Mr. Ayad Boustany

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Manager: Mr. Nabil Abou Jaoude

Branches 2010

ANTELIAS

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P.O.Box 11-5292- Beirut
Phone: (04) 407043 - 406916 - 406993
Manager: Mr. Fady Nader

VERDUN

Rachid Karame Street
P.O.Box 11-5292 - Beirut
Phone: (01) 797320 / 1/ 2/ 3/ 4
Manager: Mr. Abdel Rahman Zeidan

OTHER REGIONS

BATROUN

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Tel: (06) 642218 / 740552
Fax: (06) 643218
Manager: Mr. Kisra Bassil

JOUNIEH

Serail Street
Bechara Menassa Building
P.O.Box 1820 Jounieh
Phone / Fax: (09) 915715 - 918438
Manager: Mr. Joseph Chehwan

SAIDA

Jezzine Street, Near EDL Building
P.O.Box 11 - 5292 Beirut
Phone: (07) 723909 - 725701
Fax: (07) 732273
Manager: Mr. Hassan Hachichou

TRIPOLI

Boulevard Street, Islamic Hospital Building
P.O.Box 240 Tripoli
Phone (06) 440450 - 628228/9
Fax: (06) 628229
Manager: Mr. Hamed Raad

KOBAYAT

Place Zouk Kobayat
Mtanios Mekhael Building
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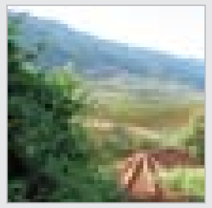
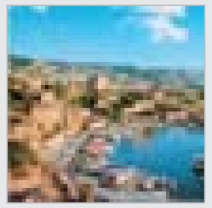
Phone: (06) 351951/5
Fax: (06) 351956
Manager: Mr. Assaad Obeid

Branches 2010





CHTAURA

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Phone: (08) 546802-4
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Manager: Mr. Iskandar Joanny

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HAZMIEH

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Fax: (05) 952804
Manager: Mr. Charbel Helou

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Fax: (04) 916034
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Manager: Mr. Walid Salem

JBEIL

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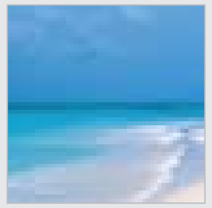
Manager: Mr. Rabih Abi Ghosn

JNAH

Under Constitution

REPRESENTATIVE OFFICES & BRANCHES ABROAD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